

Standard Summary Project Fiche – IPA 2011 centralized programmes
Project Fiche: 13

1. Basic information

1.1 CRIS Number: 2011/023-173

1.2 Title: Support to Preparation of Projects for IPA Component III

1.3 ELARG Statistical Code: 4.22

1.4 Location: Montenegro

Implementing arrangements:

1.5 Contracting Authority: Delegation of the European Union to Montenegro

1.6 Implementing Agency: Delegation of the European Union to Montenegro

1.7 Beneficiaries (including details of project manager):

1. Ministry of Sustainable Development and Tourism

IV Proleterske No.19

81000 Podgorica

Montenegro

Tel: +382 (0)20 446-208

Project manager: Mr. Sinisa Stankovic (Deputy Minister)

2. Environmental Protection Agency

IV Proleterske No.19

81000 Podgorica

Montenegro

Tel: +382 20 618 400

Project manager: Mr. Ervin Spahić (Director)

E-mail: ervin.spahic@epa.org.me

3. Ministry of Economy

Rimski trg 46

81000 Podgorica

Montenegro

Project manager: Mrs. Nina Vujošević (Deputy Minister)

Tel: +382 (0)20 232-295

E-mail: nina.vujosevic@mek.gov.me

4. Ministry of Transport and Maritime Affairs

Rimski trg 46

81000 Podgorica

Montenegro

Project manager: Ms. Angelina Živković

Tel: +382 20 482 189

E-mail: angelina.zivkovic@msp.gov.me

Financing

1.8 Overall cost (VAT excluded)¹: € 2.59 million

1.9 EU contribution: € 2.3 million

1.10 Final date for contracting:

Three years following the date of the conclusion of the Financing Agreement

1.11 Final date for execution of contracts:

Two years from the final date for contracting

1.12 Final date for disbursements:

One year from the final date for execution of contract

2. Overall Objective and Project Purpose

2.1 Overall Objective:

To contribute to the sound implementation of EU funds under the Decentralized Implementation System.

2.2 Project Purpose:

To further strengthen the capacities of the Montenegrin administration to program and implement EU funds available through IPA, especially IPA III component.

2.3 Link with AP/NPAA/EP/SAA:

In accordance with the **European Partnership**, it is necessary to ensure sufficient resources for the maintenance of transport infrastructure and institutions, including project preparation for large investments.

According to the Article 108 of the **SAA**, it is necessary to reach the level of safety standards of infrastructure and transport while respecting the principles of interoperability. This should be developed in line with the EU legislation. It is also necessary to strengthen the capacity of the infrastructure, maintain safety of the railways on the basis of the adopted safety goals and safety management systems.

This project is based also on the mid-term priorities defined in the National Programme for Integration (NPI). Pursuant to the Law on Railways and the Protocol 4 on land transport of the SAA, Montenegro will invests in reconstruction and modernization of the railway infrastructure through programmatic annual budgets and relevant credit arrangements. There are investments in the railway infrastructure financed through IFIs loans (EIB and EBRD) guaranteed by the Montenegrin Government.

The project addresses specific priorities of the **European Partnership with Montenegro 2006**. The short term priorities mentioned in the document and related to this project are:

¹ The total cost of the project should be net of VAT and/or other taxes. Should this not be the case, the amount of VAT and the reasons why it should be considered eligible should be clearly indicated.

- Continue approximating legislation to EU standards, notably the environmental protection framework legislation. Develop the administrative capacity to implement and enforce adopted legislation.
- Develop an overall environmental protection strategy (water, waste, air). Adopt the Land Use Plan; Adopt the Sustainable Development Strategy and sector strategies (integrated coastal zone management, biodiversity, and climate change). Strengthen environmental management administrative capacity.

The **EC Progress Report for Montenegro 2012 states the following:** “Montenegro has made little progress in the area of *environment and climate change*. There are first signs of improvement with the adoption of legislation on waste management, air quality and chemicals and with regard to the administrative capacity and efforts undertaken towards aligning with the climate *acquis*. Further attention is needed in the areas of water quality and waste management. The effective implementation of the EIA and SEA *acquis* needs to be ensured. Considerable efforts are required to align with and implement the environment and climate *acquis*, as well as to strengthen administrative capacity and inter-institutional cooperation. Environment and climate change considerations need to be more systemically taken into account in other policy fields and planning documents. The lack of political priority and adequate financing, as well as limited awareness of environmental and climate requirements are hampering progress in this field. Preparations in this area are still at an early stage.”

Commission Opinion on Montenegro's application for membership of the European Union states the following: “Regarding the environment, further coordinated and significant efforts will be needed to align with the EU *acquis* and to implement it effectively. These should include substantial investments and strengthening administrative capacity for the enforcement of legislation in order to achieve compliance on the most important issues, including climate change, in the medium term. Full compliance with the *acquis* could be achieved only in the long term and would necessitate increased levels of investment.”

The project’s objective is consistent with **The Stabilization and Association Agreement between the EC and Montenegro** (Article 111), which highlights the need to develop and strengthen co-operation in the environmental field, in order to halt further degradation and start improving the environmental situation with the aim of sustainable development.

The European Partnership highlights the importance of transport policy and the objective of the cooperation with Montenegro should be to achieve operating standards comparable to those in the Community as well as to develop a transport system in Montenegro compatible and aligned with the Community system. In addition, it is necessary to reach the level of safety standards of infrastructure and transport while respecting the principles of interoperability.

2.4 Link with MIPD:

The Montenegro 2011-2013 MIPD highlights that the overall strategic objectives are to protect, respect and improve Montenegrin environment and natural resources, as a potential for future sustainable social and economic development, to mitigate and adapt to climate change, and to improve natural disaster risk management. IPA is committed to support these objectives through Components I for institutional building and III for investments in infrastructure.

According to MIPD for 2011-2013 one of the aims is to strengthen the environmental administration including for EIA and for the management of protected areas and to identify sustainable funding for implementation; a comprehensive environmental monitoring and an information system need to be functioning.

2.5 Link with National Development Plan

In accordance with the Montenegro Development Directions for the period 2013-2016 (adopted in March 2013), 50-60% of all available public funds should be allocated to sustainable growth, where 40-50% will be directed to the physical infrastructure (transport and the environment) and the remaining 10% for agriculture and other sectors in the region.

2.6 Link with national/sectoral investment plans (where applicable)

In the area of Waste Water Management, **The National Strategy for Sustainable Development of Montenegro** highlights the importance of developing an adequate wastewater infrastructure, as a pre-condition of implementing its strategy. The absence of such infrastructure directly inhibits the country's economic growth by jeopardizing its natural resources.

The Strategic Master Plan for Sewerage and Waste Water in Central and Northern Region of Montenegro (2005) has the following main goals:

- To establish a medium-term investment program for sewerage and wastewater treatment facilities in the central and northern regions of Montenegro.
- To propose a rational and effective institutional structure relating to wastewater management, legislation, regulation and service provision.
- To enhance the capacity of the Government to attract IFI investment in sewerage and wastewater.

The Regional Development Strategy of Montenegro (2010-2014) identifies maintenance and improvement of the communal and public infrastructure, especially management of wastewater and solid waste as one of the regional priorities.

One of the goals of the **Transport Development Strategy of Montenegro (adopted by Government of Montenegro in July 2008)** is to improve transport quality and safety and in order to save human lives, material values and to preserve state resources. The Government of Montenegro adopted in 2007 the Restructuring Strategy of the Railways. The Strategy is harmonized with the Stabilization and Association Agreement and the EU Transport Policy, which incorporates the promotion of Competitiveness and creativity in the improvement of service, interoperability, technical harmonization with European systems.

The Transport Development Strategy envisages investments in all four modes – road, rail, sea and air. Until the year 2018, 25 projects totalling approximately €3 billion are planned, of which €162m for rail, €75m for maritime, €22m for air and the overwhelming balance of €2,817m for road investments (rounded figures). The focus is on linking Montenegro to corridors V and X (through Serbia), meaning a highway between Bar and the Serbian border (and further to Belgrade), rehabilitating/upgrading the rail line Bar-Vrbnica (Belgrade) along with major investments in the Port of Bar. Other projects envisage a highway connection to Bosnia/Croatia on the one hand and Albania/Greece on the other, which would eventually link

up with the current Zagreb-Split highway and thus provide a through route along the eastern Adriatic coast.

Railway Bar-Beograd is, in international terms, the most important infrastructure facility in Montenegro. Its traffic position in TEN-T mainly depends on conditions of the railway and its exploitation in international traffic. The improvement of its condition and service ability would normally contribute to its greater international attractiveness and draw it nearer the importance of TEN-T corridors. Within the project of reconstruction of railway Bar-border with Serbia (Vrbnica)-Belgrade, it is also planned to rehabilitate tunnels, bridges, slopes, landslides, as well as the installation of modern safety-signalling equipment. The main reasons for this investment are the increase of safety and security of railway, reduction of travel time, i.e. the increase of average train speed, the increase of quality of service in railway traffic.

The **2010-2014 Regional Development Strategy of Montenegro** identifies the importance of achievement of more balanced regional development and increase of competitiveness of less developed local self-governments and regions.

The **2011-2015 Montenegro SME Development Strategy** recognizes the necessity to contribute to the improvement of business environment in order to increase competitiveness, innovation and exports of SME-s, increase of employment and more balanced regional development.

The **Strategy for Sustainable Economic Growth in Montenegro through the Introduction of Business Clusters 2012-2016** envisages to contribute to a more balanced regional socio-economic development by enhancing the competitiveness and employment capacities of MSMEs (particularly in less advanced municipalities) and ensuring that the benefits deriving from the EU integration process and the further opening of markets are spread more equally across the different economic actors within the country.

Overall Action Plan of the Government of Montenegro for IPA Components Regional Development and Human Resource Development, which the Montenegrin government adopted in December 2009, defines the sectors of environment and transport the priority areas for IPA III component. Within the Operational Programme for IPA III component the following axis have been recognized as priorities:

- Priority Axis I: To upgrade the environmental management systems
- Priority Axis II: To improve the transport system, promoting environmentally friendly transport modes

3. Description of project

3.1 Background and justification:

Sound implementation of EU assistance on a decentralized basis is the main objective of Beneficiary countries. Through the gradual transfer of responsibilities, countries gain competence for taking full responsibility for planning, implementation and management of EU assistance, which is demanded for future Member States.

The Commission has repeatedly highlighted the importance of the link between strategic programming and actual project implementation. Beneficiary countries remain weak in linking Programme Strategic objectives and project readiness for implementation particularly with such issues as project documents (feasibility studies, cost-benefit analysis etc.) not complying with the EC and/or IFIs requirements, adequate timing and realistic implementation schedule (procurement planning), and beneficiary counterpart capacity.

Failure to address such issues directly result in contracting and implementation problems including delays, last minute contracting, subsequent loss of project relevance or funds, requests for extensions, reallocations and lack of impact. To address these issues, the Commission recommends that the programming process should be used to improve the actual project readiness. This is particularly important for IPA III which supports complex technical projects; the need for feasibility studies, in-depth analysis or survey should precede the formulation of a project ToR. In this way it is possible to avoid financial allocations being made on high risk projects that have been poorly prepared. Based on the outcomes of such project preparation studies, project ToR should then be designed.

IPA Component III, Regional Development, reflects the format of the ERDF and Cohesion Funds, thereby giving to the beneficiary countries the highest possible approximation to Structural Funds implementation under External Aid rules. The Montenegrin administration has prepared the Strategic Coherence Framework and Regional Development Operational Programme 2012-13.

The objective of this fiche is to support project counterparts and potential beneficiaries in the effective generation and preparation of projects to realize the strategic objectives of OP III Regional Development 2012-13 and future Operational Programmes.

Preliminary Design and Environmental Impact Assessment for the Waste Water Treatment System in the Municipality of Rozaje

The issue of water management is critical to the sustainable development of the Montenegrin economy. The conservation of water as a natural resource is the basis of national development strategy for Montenegro as an ecological state. The problems with waste water stem from the lack of historical infrastructure investment. The discharge of non-treated communal and industrial waste water into the natural water table is an on-going issue. Waste water treatment has been partially addressed by the capital city of Podgorica and the municipality of Mojkovac, as well as some industrial plants. However, the lack of pre-treatment of industrial wastewater discharged into the public sewage systems, and a low level of residential connection to the main sewage system compounds the negative situation. The Strategic Master Plan for Sewerage and Waste Water in Central and Northern Region of Montenegro (2005) **identified the need for a Waste Water Treatment Plant in the Municipality of Rozaje**. A feasibility study is prepared in October 2012 (funded through IPF-2010) but to bring the project to financing and implementation readiness preliminary design and Environmental Impact Assessments have to be carried out. Tender documentation for this project will be prepared by PROCON with the support secured through IPA 2008 twinning project.

Technical Assistance to the IPA III Operating Structure

Due to the demands identified under the IPA III component, the Technical Assistance component will support the Operating Structure in establishing a functional system for

programming, project identification, maturity and compliance with the EC and IFIs requirements, implementation, and programme/project level monitoring and reporting. Investment projects in particular require specific and technical documentation in order to ensure projects are of appropriate maturity to be ready to be implemented.

Technical Assistance support will include the programming of EU funds through preparation of instructions for identification of priorities and defining of project proposals, as well as provision of assistance to IPA III line ministries in their drafting and finalization. All project documentation that will be developed through this technical assistance component should be in accordance with rules set in the relevant IPA regulations, PRAG or FIDIC and requirements of DG REGIO for large infrastructure and service projects funded within IPA component III.

Establishment and development of the Environmental Information System

On the basis of the Article 38 of the Law on Environment (Off. Gazette of MNE, n° 48/08 from 11/08/2008), the Environmental Protection Agency is competent for establishing and operating the Environmental Information System.

Existing software

In the Environmental Protection Agency a MS Access database was created which contains a register of issued permits:

- environmental approvals granted for EIA and SEA studies
- for trade and use of ionizing radiation sources and equipment
- for waste transit, import and export
- for collection, transport and storage of hazardous waste
- for treatment of hazardous waste
- for trade in goods containing substances that deplete the ozone layer
- for maintenance and/or reparation and exclusion from usage of products containing substances that deplete the ozone layer
- for collection and use, repurchase and trade in animals and plants
- CITES permits (International Trade in Endangered Species of Wild Fauna and Flora)
- for transit, import and export of chemicals

This database is local, i.e. it is maintained on one PC.

The Environmental Protection Agency has available a great amount of environmental data which are not systematized.

The Environmental Information System should contain:

- environmental loads and impacts,
- collected and processed data in accordance with this Law and National list of indicators;
- emissions of pollutants into environment, natural and spatial characteristics, natural phenomena, natural resources and use of natural resources; areas which are defined special regulation as protected and affected;
- biodiversity;
- waste and waste management;
- industrial and environmental accidents;
- pollutants of the environment;
- organization in EMAS system;
- legislative, administrative, organizational and strategic measures;

- plans and programs for environmental protection and measures undertaken.

The Agency has a special obligation for informing the public about the state of environment, environmental loads and impacts, which is very difficult to fulfil without quality and reliable data which would be retrieved from an environmental information system. From the above mentioned, the Environmental Information System will have to have integral database for all segments of environment. In addition, there is a need to organize the existing data in Montenegro in this field into single usable system, as well as to do an analysis of data which should be stored within databases in order to have a functional system based on methodologies which are applied in European practice. An Environmental Information System will enable more efficient reporting towards EIONET network.

EIS should be shared/open to all public institutions concerned. EIS should be comprehensive, interactive statistical database operated and supported by the Environmental Protection Agency and available on-line publicly and access should be free-of-charge. There should be three levels for accessing environmental data:

- Internal users (EPA employees) - full access;
- Privileged users (Ministries, Other Agencies, etc.) - specific access, decision support;
- External users (Citizens, NGO, etc.) – restricted access, information of public interest.

The development of a functional Environmental Information System for storing, processing and analysing data on all segments of environment is essential for effective environmental policy implementation.

Studies and Main Design Preparation for the Rehabilitation of the Vrbnica-Bar Railway Line Sub-Structure

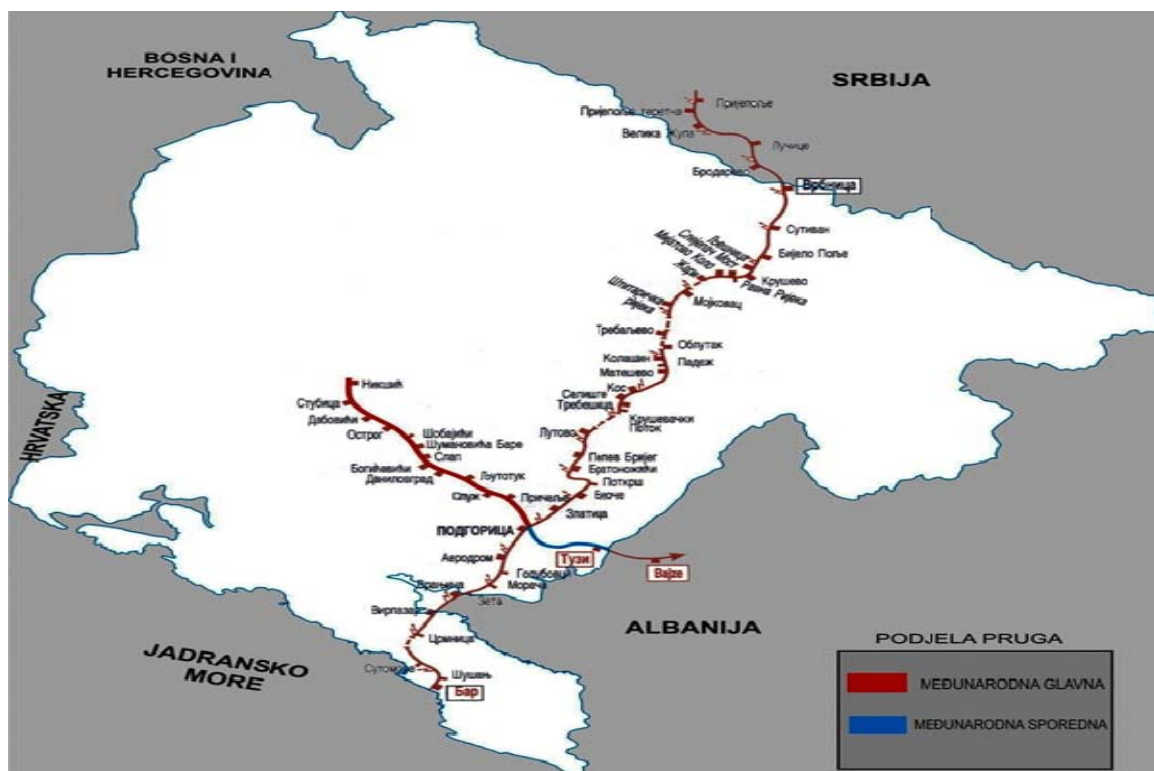
The electrified line Bar-Vrbnica has a length of 167.4 km and was opened to traffic in 1976. Maximum allowable axle weight is 22.5t (UIC track class D). It is currently the only operational rail line linking Montenegro to the European rail network, via Belgrade. The realization of the Bar-Vrbnica line in the '70s was the largest railway construction undertaking in Europe at the time. It was previously renowned as the central-Yugoslav mountain line: 37% of it is in or on technical infrastructure such as bridges (107), tunnels (106), galleries (11) and culverts (371). Its asset value is estimated at €2.2 billion.

In addition, in order to increase safety, the Railway Company plans to remediate the slopes on the most critical part of the line (on 12 localities).

Namely, slopes are notched steep hillside. The hillside is formed at the time of railway line construction in order to support a sub grade and to contribute in setting the railway line. **Kos-Trebešnica** section is 7.32km long, with maximum grade of 25%, and the minimum allowable radius of 300m. It has 12 tunnels, 23 entrances and 8 bridges. **Trebešnica - Lutovo** section is in mountainous, rugged terrain, as is most of the line. The section is 10.8 km long, with maximum grade of 25%, and the minimum allowable radius of 300m. It has 17 tunnels, 14 bridges and 7 galleries. Main Design has to be done on 1.6 km long slope, in parallel with the project for rehabilitation over the portal of the tunnel. **Lutovo-Bratonožići** section is 9.5 km long, has 16 tunnels, 7 bridges, 22 entrances, two of which are below the line. Total length of the slope is 4.49 km. Every year there are interruptions of traffic caused by small or large landslides on the railways on the Lutovo—Bratonožići section. There was an accident in 2005,

caused by the train rush at the snow-drift, when the locomotive derailed into the abyss. The engine-driver was killed and his assistant was seriously injured. Since then, guardian service were strengthened and for security reasons a speed limit from 10-30 km/h began to be applied, so trains can be stopped in the case of a landslide. The above mentioned section has not been repaired since 1976, it is in very bad condition and the speed is limited to 30km/h, due to the risk of landslides, which means half the planned speed, which is 60-70km/h. Since 1976, safety is seriously at risk in this section, because of cracked rocks, rinsing seasonal heavy water falls, ice during winter and fire during summer, lightning (above high trees), etc. That caused unstable rock blocks, landslides, dragging large and small stones, trees on the railway line. Since 1986, Montenegro railway reconstructed about 20 slopes on the part of the railway Vrbnica-Podgorica, relating to Transport Development Strategy of Montenegro (2008).

On these 12 locations on the Bar-Vrbnica line, poor condition of the slopes has to be addressed. This project will carry out the feasibility studies and prepare the Main Designs to remediate slopes at the identified locations. IPA contractor will prepare the Main Design for the slope remediation, remediation of the unstable gradient and construction of the protective galleries on Kos-Trebešnica-Lutovo-Bratonožići section (railway line Belgrade-Bar), as well as preparation of detailed Feasibility Study for the slopes in order to continue to use IPA funds (works contract, IPA III component). For this purpose, co-financing shall be provided from EIB loan in the amount of 5 million EUR.



Competitiveness enhancing at the local level trough support on capacity building in at least 10 municipalities of Montenegro and project Preparation to Implement the part of Strategy for sustainable economic growth in Montenegro trough the introduction of business clusters (with a focus on the Northern region)

Entrepreneurship is one of the most important drivers of local economic development. New firm formation and the activities of small and medium-sized enterprises (SMEs) help drive job creation and economic growth through accelerating innovation and promoting the full use of human, financial and other resources.

The vitality of the new and small firm sector is therefore an important driver of local economic competitiveness. Public policy at local level can play a significant role in enhancing entrepreneurship performance by addressing market failures that can occur, for example in the supply of finance, premises, training, SME networking opportunities, information exchange and business support.

The North of Montenegro is the poorest territorial area in the country but has potential competitive advantages that can prove drivers of economic growth if properly exploited. The agriculture, wood processing and tourist sectors have been identified as potential SME growth sectors. A Strategy for sustainable economic growth in Montenegro through the introduction of clusters is adopted which introduces the overall framework, to enhance SME competitiveness and productivity via SME networking and the development of SME clusters.

This component will prepare projects that will support implementation of the Strategy for sustainable economic growth in Montenegro through the introduction of clusters (with a focus on the Northern region of Montenegro) and draw down future IPA SME and Innovation funding. This project preparation support will include review, update and validation of the diagnostic studies of the selected pilot clusters, which are identifying required level of cooperation amongst the cluster actors, identification of main problems/development needs and possible solutions and most appropriate instruments for cluster development. Importantly, Cluster marketing & management strategies will be supported and common services provision identified. Focus group meeting with Cluster actors, local banks and finance institutions will be organized to assess support to clusters. Through this due diligence project preparation for cluster development will be effectively organization and market oriented to draw down future IPA III competitiveness funding.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

The project will demonstrate strong positive impact at different levels.

- In the field of wastewater, the project will have positive impacts on the quality of discharged water, and the sustainability of Montenegro's environmental wastewater infrastructure system. The project is expected to improve the present situation where municipal wastewaters are generally discharged without treatment into surface waters.
- Project preparation for the single environmental information network will support Montenegro in meeting national and EU environmental regulatory commitments. The environmental network will empower the Environmental Agency in monitoring the performance of previous and planned IPA environmental infrastructure investments in waste water and solid waste.
- In addition to these results, the project will also increase the capacity of the IPA III Operating Structure to develop and implement projects under future IPA programmes and gradually prepare for Structural and Cohesion funds requirements. The skills and knowledge in project design can equally be transferred to the design of other projects including those financed or co-financed by bilateral donors and IFIs. In this regard, the

catalytic effect of the project will be to improve the value for money not only of EU funded initiatives but also those funded by other national and international sources.

Through the Technical Assistance Component, sustainability is supported by the skills development activities and the production of good practice materials which act as templates for later projects. Sustainability is also ensured through demonstrating how good project design leads to good project implementation. This will encourage governmental institutions and other agencies to attach greater priority to the programming and project design phases.

3.3 Results and measurable indicators

Result 1

Project Documentation for the construction of Waste water treatment system in the Municipality of Rozaje fully prepared (EIA, preliminary design, main design and tender documentation)

Measurable indicators:

- EIA study completed, preliminary design prepared, main design prepared, tender documents prepared
- Confirmation by the European Commission and/or the EIB that the project is fully prepared/mature for implementation.

Result 2

Capacities of the IPA III component Operating structure for programming and implementation of programmes/projects strengthened.

Measurable indicators:

- IPA III Operational programme 2014-2020 (or successor programme after 2013) prepared and approved;
- More than 30% of disbursement rates for IPA III Component funds managed under DIS by 2015;
- At least 30 people trained;
- Application for infrastructure projects prepared and submitted for EC approval.

Result 3

Established and developed Environmental Information System

- Procured and installed computer equipment for the needs of implementation and use of software solution (*National co-financing – supply contract*);
- Developed software solution for storing, processing and analyzing data on all segments of the environment;
- Trained staff capacity for achieving the maximum results while using and upgrading the developed software solution.

Measurable indicators:

- Functional software solution for managing the Environmental Information System (reliable and forehand data and information on the state of the environment);
- Existing data base is operative and processing of data is increased by 50%;
- Trained staff (4 permanently employed persons trained and received the certificate for maintenance of EIS system);
- Trained staff (10 permanently employed persons trained for using the system (processing data, preparing reports, etc.).

Result 4

Studies and Main Design Prepared for the Rehabilitation of the Slopes on the Vrbnica-Bar Railway Line

Measurable indicators:

- Studies completed and approved;
- Main design revised in accordance to the national Law on Construction and positive opinion is given.

Result 5

Competitiveness enhanced at local level through support on capacity building in at least 10 municipalities of Montenegro and project preparation to implement the part of Strategy for sustainable economic growth in Montenegro through the introduction of business clusters (with a focus on a Northern region)

Measurable indicators:

- At least 25 employees of local self government staff and the business centers staff from municipalities (mostly from the North region) trained for encouraging competitiveness in the SMEs, clusters, business incubators, etc., especially through preparation of different applications for IPA funds related to support of regional competitiveness enhancing;
- Number of local MSMEs assisted / benefited through this project (e.g. participated in trainings, sensitization meetings, received materials/guidelines, adopted/implemented quality standards and requirement of new markets) increased by 30%;
- Number of stakeholders from relevant support institutions participated in project activities and meetings increased by 40%;
- Number of support institutions adapting their service portfolios/training curricula as part of program increased by 20%.

3.4 Activities:

All activities will be implemented under 8 or more contracts (5 or more IPA and 3 national contracts), with a total cost of €2.59 million (including co-funding). The activities will result in a pipeline of projects that can draw down future IPA III funding as well IFI funding.

Activities related to Results 1 and 2

1.1 - To prepare the preliminary design, EIA, main design and tender documents for the construction of waste water system in Rozaje municipality.

2.1 - To prepare IPA Operational Programme 2014-2020 for Regional development (or successor programme after 2013)

2.2 - To prepare a pipeline of projects and minimum four applications (including possibly major applications) with associated Tender Dossiers/Contractual document

2.2.1 - To identify, select and prioritize the investments projects for IPA Component III related infrastructure

2.2.2 - To prepare minimum four applications for infrastructure projects and to prepare Tender Dossiers and Contractual documents for these applications

2.3 - To strengthen the capacity of target institutions on projects preparation in line with OP priority axes

- 2.3.1 – To support the relevant authorities projects preparation for the OP – Guideline/ Checklists for projects preparation
- 2.3.2 – To prepare and deliver training sessions based on dedicated programme

Activities related to Result 3

- 3.1 - To procure and install computer equipment required for implementation and use of software solution (please see paragraph „National contracts“).
- 3.2 - To develop a software solution, or application for establishing the Environmental Information System.
- 3.3 - To organise two training sessions for usage of EIS:
 - a) Training for use and application of software solution;
 - b) Training for training staff capacity towards enhancing and upgrading software solution.

Activities related to Result 4

- 4.1 - Study on slopes' stability assessment and priorities for remediation with proposal for the remediation solutions
- 4.2 - Geological-geotechnical investigations and studies (separate for each locality)
- 4.3 - Geodetic (topographic) surveying (separate for each locality)
- 4.4 - The main design preparation (working separately for each locality) (Each of aforesaid activities consist of many sub-activities)
Also, the following is part of the Main Design:
 - 4.4.1 Environment Impact Assessment Study for the slope remediation project
 - 4.4.2 Waste management plan
 - 4.4.3 Site organization plan with dynamic of work performance
 - 4.4.4 Safety - Elaborate and implement security measures for railway traffic during construction proceedings
 - 4.4.5 Special project for the Gallery's traction and cable channels.

The designer shall produce the design based on surveys, analysis and investigations made on site, taking into account the data and documents provided by the Railways Infrastructure Company.

Activities related to Result 5

- 5.1 Support to strengthening of minimum 5 current pilot clusters with good performing potentials, including but not limited to wood processing clusters (Rozaje, Bijelo Polje and Kolasin); meat processing cluster (Bijelo Polje, Cetinje and Rozaje), mushroom cluster (Berane, Rozaje), dairy clusters (Niksic, Danilovgrad, Pljevlja and Bijelo Polje), olive oil cluster (Bar and Ulcinj), freshwater fish/trout cluster (Andrijevica, Berane, Bijelo Polje, Mojkovac and Plav) and the winery cluster.
 - Organize at least two training courses for the new cluster brokers;
 - Review, update and validate the diagnostic studies of the selected pilot clusters developed in;
 - Develop an action plan for each selected pilot cluster until 2016;
 - Assist pilot clusters in the implementation of certain activities included in the action plan.

5.2 Technical support and capacity building of the Ministry of Economy to develop and implement cluster support programmes.

- Develop the Cluster Strategy's draft monitoring framework;
- Prepare a study to identify funding possibilities (both internal and external sources) and prepare technical inputs for the funding, disbursement and audit procedures to support the roll-out of the Cluster;
- Carry out an analysis of the appropriate legal structure of Montenegrin clusters;
- Develop and operationalize a web-platform (cluster observatory);
- Organize study tours for the Ministry of Economy focal points, intermediary institutions, and experts of support institutions, municipalities and representatives of companies of pilot clusters;
- Organize minimum 1 training course for the selected intermediary organizations (SMED) and local self-government representatives;
- Provide technical support to the local self-government units;

Activity 1.1 will be implemented through 2 service contracts funded by the National authorities.

Activities 2.1-2.3 will be implemented through 1 or more service contracts funded by IPA.

Activity 3.1 will be implemented through 1 supply contract funded by the National authorities.

Activities 3.2 -3.3 will be implemented through 1 service contract funded by IPA.

Activity 4 will be implemented through 2 service contracts funded by IPA.

Activity 5 will be implemented through 1 contribution agreement funded by IPA (joint management with the UN Agency - UNIDO).

3.5 Conditionality and sequencing:

The project is subject to the following preconditions:

- The Government maintains its commitment to infrastructure investment to bring the Montenegro's waste water and railway infrastructure system to EU standards.
- Local self-governments are committed to the building of Waste Water Treatment Systems and will work with the selected contractor in preparing the technical documentation, providing all necessary information/data, and ensuring all work permits/ land ownership issues are in order.
- The Ministry of Sustainable Development and Tourism will facilitate the selected contractor in preparing the project pipeline and provide necessary support to address issues that may arise with local governments.
- The technical assistance should ensure that, where appropriate, prepared project documentation is carried out in consultation with the full range of stakeholders and not just the official beneficiary institution.
- IPA 2008 twinning project produced a whole range of need assessments and recommendations about:
 - Computer infrastructure;
 - Ways for collecting data, data storage, data manipulating and analysis; and

- Ways for manipulating the spatial data of EIS.
- Technical solution i.e. fully functional information system and its implementation (hardware, software) for input, storage and analysis of environmental data and reporting, which is going to be prepared through this project will fully take in account results and recommendations of IPA 2008 project.
- Environmental Protection Agency of Montenegro has four persons who are involved in the process of establishment and development of Environmental Information System (EIS) as well as for maintenance of the system after finalization of the process. Moreover, in charge of collecting and inserting data in the system will be ten persons involved. Number of the persons who will be in charge of maintenance and introduction of data on EIS is planned to be increased for 30% during the year 2013.
- Qualified staff from the Railway infrastructure will actively cooperate with designers in terms of available documentation, and ensure the continued presence of their professional staff while designers and consultants are on the field.

3.6 Linked activities

The Ministry of Sustainable Development and Tourism is in charge for coordination of all activities in the area. Past and on-going assistance from the EU and other donors has been focused on strengthening the Ministry and providing grounds for implementation of newly adapted EU compatible environmental legislation.

The new Law on Environment sets the legal basis for the establishment of the Environmental Protection Agency. The Agency takes over all executive activities in the area of environmental protection, including monitoring and reporting, communication, permits issuing and inspection supervision over the application of environmental regulations. The organizational model of the Agency has been established within the project “**Support to the Ministry of Environment of Montenegro**” (EAR/05/MTG01/06/002; Europe Aid 120666/D/SV/YU) financed by the European Commission (from CARDS 2005 funds) through the European Agency for Reconstruction. The Project was completed in April 2007.

The preparation of the Feasibility study for the construction of WWTS in the municipality of Rozaje is approved for funding under the IPF 2010 and has been completed in October 2012.

Under IPA 2009, a project “**Strengthening the management and control systems for EU financial assistance in Montenegro**” in the amount of 2.3 million EUR is providing support to the Ministry of Finance and all other bodies involved in the process of management of EU funds under the decentralized management system for components I to IV. Regarding component III and IV, the expected results are:

- Set up of financial management and control system for implementation of IPA Components III and IV under DIS system in accordance with the IPA requirements;
- Mechanism in place to monitor by the NAO the maintenance of the minimum criteria for accredited IPA Components I and II and to co-ordinate and supervise the process of accreditation of IPA Components III and IV;

Under IPA 2008 Montenegro is supported with Centralized National Programme Twinning Contract MN 08 IB EN 01 -“**Support to Environmental Management**”.

The objectives of Activity 2 of this project are: the review of the status of the approximation process through the analysis of national strategies/plans and policies, legislative institutional and organizational structure, and environmental and economic situation; the identification of legal gaps in the national legislation and institutional, administrative, technical and investments gaps in the practical implementation and enforcement of the selected EU directives requirements; definition of actions needed for the full legal transposition and practical implementation of the EU requirements, including relevant priorities and timeframe, taking into account the recent experience of other candidate countries; assessment of financial implications (investment costs, operation and maintenance costs, administrative costs) of the implementation of those proposed actions; compilation of comprehensive DSIPs taking into account the internal prioritization between the actions, governmental priorities already identified and financial implications and constraints. The objective of Activity 3 is development of the basic design and structure of a National Environmental Information System. In particular the basic elements will be provided for: defining the methodology and structure of the EIS; data collection, data analysis and data reporting methodologies, as to set up a coordinated and comprehensive system of environmental data collection, compilation and reporting in accordance with the EEA criteria; identification of thematic environmental data to be included in the National Programme for Monitoring of the State of the Environment.

The IPA 2007 project: "**Strengthening Transport Sector Management and Infrastructure**" includes three activities currently being implemented. Implementation of the first activity: "Technical Assistance to the Transport Sector", which was awarded to the consortium led by NTU of Denmark in (cooperation with SweRoad and LFV of Sweden), was initiated on 14 April 2010 and will last until July 2011. Main goals of this project are: to provide technical assistance for the monitoring and realization of European Investment Bank loans, training of the newly established Project Implementation Unit (PIU), which would become operational and would start to work independently supported by loans granted by international institutions, to strength the newly established Railways Directorate and CAA, participation of the experts in the drafting of the new Law on Railways and of the Law on Amendments to the Law on Railway Transport Safety and Law of Roads (harmonization with the *acquis*). The second activity: "Project Preparation for Main Rehabilitation of the Railway line Vrbnica-Bar" consisted of preparation of project documentation for civil engineering (two projects) and electro-technical infrastructure (8 projects). Implementation of the project started on 15 January 2010. The contracting period, previously planned to last until 16 November 2010, was extended by the approval of the Delegation of the European Union until 30 June 2011. The third activity has been finished: "Construction of Mini By-pass in Podgorica" where 4 Mil. Euros from IPA 2007 are spent.

As to the IPA 2009 project "**Rehabilitation of the Main Railway Line Vrbnica-Bar**", Trebaljevo-Kolasin section, the contract, having the value of €4.8 million, was awarded to Italian company Costruzioni Linee Ferroviarie, S.p.a.. Works has already been started and will include replacement of rails, renewal of ballast, sleepers as required along with rehabilitation of the track planum and insulation against water and drainage on the 9 bridges. The track bed in Kolašin station is also to be repaired, ballast, switches, sleepers, signalling.

Under IPA 2010 a major rehabilitation of the Vrbnica-Bar Railway superstructure is being supported for the rehabilitation of the substructure on the main line Vrbnica-Bar (section

Mojkovac-Miatovo kolo). The financing agreement related to the IPA 2010 project was signed in October 2010, on the basis of which Ministry is entitled to a grant to the amount of 5 million EUR. The rehabilitation works would, inter alia, include repair of superstructure along with renewal of planum, hydro-isolation and drainage on bridges, stabilization of the track bed, as well as complete restoration of the track section from 313+314 km to 321+733 km. Integral part of the project would be further rehabilitation of steel bridges of II priority, which would be done out of the third tranche of the EIB loan as a mandatory from Co-financing (5 million EUR).

The SME Cluster National Strategy is finalized.

3.7 Lessons learned

The absence of properly prepared project documentation to EU standards is a major problem for financing projects. Providing technical support the IPA III Operating Structure to prepare such documents is important for national socio-economic development and to draw down IPA funding.

To address Montenegro's environmental and transport infrastructure challenges a pipeline of mature projects has to be ready, completed with technical documentation that will successfully draw down available future IPA and IFI co-funding. Water infrastructure development in the coastal region was delayed due to potential projects not being properly processed in terms of feasibility study, cost-benefit-analysis and technical documentation preparation. The lack of technical documentation and costing can result in delays or at worse failures of tendering and procurement procedures.

The so far process of establishing the Operating Structures for IPA I and II component shows that unless sufficient number of staff and adequate financial compensation are provided, it is rather difficult to secure the sustainability of the OS and of the entire process.

4. Indicative Budget (amounts in €)

			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					OTHER SOURCES OF GRANTS	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Contract/s 1 IPA												
Activities 2.1-2.3	X		800,000	800,000	100							
Contract 2 IPA												
Activities 3.2 and 3.3	X		400,000	400,000	100							
Contracts 3 IPA, 4 IPA												
Activity 4			600,000	600,000	100							
Contract 5 IPA												
Activity 5			500,000	500,000	100							
Contract 1 NC (preliminary design and EIA study)												
Contract 2 NC (main design and tender documents)												

Activity 1.1	X		250,000			250,000	100	250,000				
Contract 3 NC												
Activity 3.1		X	40,000			40,000	100	40,000				
TOTAL IB			2,550,000	2,300,000	90.2	250,000	9.8	250,000				
TOTAL INV			40,000			40,000	100	40,000				
TOTAL PROJECT			2,590,000	2,300,000	89	290,000	11	290,000				

- expressed in % of the Total Cost

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts are managed by the European Union Delegation

<u>Contracts</u>	<u>Start of Tendering</u>	<u>Signature of contract</u>	<u>Project Completion</u>
<u>Contract/s 1 IPA</u>	Q4 2013	Q3 2014	Q2 2016
<u>Contract 2 IPA</u>	Q4 2013	Q3 2014	Q2 2016
<u>Contract 3 IPA</u>	Q3 2013	Q4 2013	Q1 2014
<u>Contract 4 IPA</u>	Q1 2014	Q1 2014	Q3 2014
<u>Contract 5 IPA</u>	Q4 2013	Q4 2013	Q2 2016

Contracts are managed by the National Authorities

<u>Contracts</u>	<u>Start of Tendering</u>	<u>Signature of contract</u>	<u>Project Completion</u>
Contract 1 NC	Q4 2012	Q1 2013	Q4 2013
Contract 2 NC	Q4 2013	Q2 2014	Q4 2014
Contract 3 NC	Q1 2012	Q3 2012	Q1 2014

6. Cross cutting issues:

6.1 Equal Opportunity

Extensive legislation exists in Montenegro related to equal opportunity issues. The Project will ensure, as far as is practicable, that the internal policies, structure or operating procedures of the beneficiary will conform to relevant EU directives and/or laws related to the promotion of equal opportunity. The programme does not target women specifically, but the general improvement in environmental standards will be beneficial to all citizens, including female.

Regarding this project will be no inequality, and the best experts in this field related to railway infrastructure are women.

6.2 Environment

The project directly addresses the issue of environmental protection in Montenegro and aims to ensure sustainable use of natural resources and the development of communal infrastructure in line with relevant EU practice and policies, by providing special support to the areas that are lagging behind in the development and by strengthening national capacities to develop projects from the conceptual initiation stage to mature project proposal.

The project will allow for the implementation of EU funds available under the Regional Development Component of IPA and, since environment is identified as one of the priorities under the Operational Programme for IPA III component, the project will contribute to the protection the environment and manage natural resources in a sustainable way, promoting at the same time synergy between development and environment and taking into account the right of future generations to quality of life.

The project directly addresses the promotion of improved environmental conditions in Montenegro, and the project will comply with relevant EU Directives.

The project will not have any negative effects on the environment. The project will implement a part of the European environmental policy.

Transport

Railway infrastructure for this project shall elaborate on the assessment of environmental impact in conjunction with the requirements of the Environmental Protection Agency. Also, the rehabilitation works on the line are recognized as works with the smallest polluting effect. One of the main activities required by the Transport Development Strategy of Montenegro is the implementation of legal regulations related to safety, security and environmental protection. Also Railway Transport is recognized as a mode of transport which has minimum impact on environment in comparison with other modes of transport.

6.3 Minorities

There are current legislative provisions for the protection of minority rights. The proposed project will, as far as is practicable, take the required steps to assure that the internal policies, structure or operating procedures of the beneficiary will conform with or promote the minority issues.

ANNEXES

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

ANNEX 1: Logical framework matrix – Preparation of Technical Documentation

Log frame Planning Matrix for: Support to Preparation of Projects for IPA Component III	Programme name and number	
	Contracting period expires: Three years from the conclusion of the Financing Agreement	Disbursement period expires One year after the final date for the execution of contracts
	Total budget: € 2.59 million	IPA budget: € 2.3 million

Overall objective	Objectively verifiable indicators	Sources of Verification	
To contribute to the sound implementation of EU funds under the Decentralized Implementation System.	DIS accreditation of all relevant bodies for all IPA components obtained by the end of 2013 and maintained further on.	EC Decision on conferral of management powers over IPA III funds Relevant reports produced by NAO and CAO Annual opinion and reports prepared by the Audit Authority MIPD MIFF	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
Further strengthening of capacities of the Montenegrin administration to programme and implement EU funds available through IPA III component	Accreditation of the OS for IPA III component obtained by the end of 2013 and maintained further on.	EC Decision on conferral of management powers over IPA III funds	The Government of Montenegro shows its commitment to introduce and maintain Decentralize System of

	At least 12 projects in line with priorities and measures of the OP matured and implemented in the period 2013-2020.	Relevant reports produced by the NAO Sectoral Annual Reports on programme implementation	implementation of EU funds Full cooperation of beneficiary institutions
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
Result 1: Project Documentation for the construction of Waste water treatment systems in the Municipality of Rozaje fully prepared.	Confirmation by the European Commission and/or the EIB that the project is fully prepared for implementation.	Positive opinion of the Commission for the revision of the Preliminary Design, EIA and Main Design. Contractor progress reports to the municipalities and Ministry of Sustainable Development and Tourism	Local self-governments and local population remain favourable to the construction of Water Supply and Waste Water and Solid Waste Treatment Systems. Full cooperation of Ministry of Sustainable Development and Tourism and all other stakeholders Capacity within beneficiary institutions to work with the TA team
Result 2: Capacities of the Operating structure for programming and implementation of programmers/projects strengthened.	- IPA Operational programme 2014-2020 for Regional Development (or successor programme after 2013) prepared and approved; - More than 30% of disbursement rates for IPA III Component funds managed under DIS by 2015; - At least 30 people trained. - Application for infrastructure projects prepared and submitted for EC approval	EC decision on adopting a multi-annual Operational Programme for Regional Development Declarations of expenditure submitted to the EC. EC decisions on IPA grant application adoption. Training certificates for participants. Training evaluation sheets.	The Government of Montenegro shows its commitment to introduce and maintain Decentralized System of implementation of EU funds Low staff fluctuation within the institutions composing OS Adequate financial compensation for the staff working in the OS

<p>Result 3: Established and developed Environmental Information System</p> <ul style="list-style-type: none"> • Procured and installed computer equipment for the needs of implementation and use of software solution (<i>National co-financing – supply contract</i>); • Developed software solution for storing, processing and analyzing data on all segments of the environment; • Trained staff capacity for achieving the maximum results while using and upgrading the developed software solution. 	<p>Functional software solution for managing Environmental Information System (reliable and forehand data and information on the state of the environment);</p> <p>Existing data base is operative and processing of data is increased by 50%.</p> <p>Trained staff (4 permanently employed persons trained and received the certificate for maintenance of EIS system);</p> <p>Trained staff (10 permanently employed persons trained for using the system (processing data, preparing reports, etc.));</p>		
<p>Result 4. Feasibility Study and Main Design Prepared for the Rehabilitation of the Veronica-Bar Railway Line Slopes</p>	<p>Main design revised in accordance to the national Law on Construction and positive opinion is given</p>		
<p>Result 5. Competitiveness enhancing at the local level trough support on capacity building in at least 10 municipalities of Montenegro and project preparation to implement the part of Strategy for sustainable economic growth in Montenegro trough the introduction of</p>	<p>- At least 25 employees of local self government staff and the business centers staff from municipalities (mostly form the Northern region) trained for encouraging</p>	<p>Training certificates for participants/Training evaluation sheets.</p> <p>Annual Report on Implementation of the Strategy for Sustainable Economic Growth through Introduction of Clusters</p>	

<p>business clusters (with a focus on a Northern region)</p>	<p>competitiveness in the SMEs, clusters, business incubators etc.; especially trough preparation of different applications for IPA funds related to support of regional competitiveness enhancing;</p> <ul style="list-style-type: none"> - Number of local MSMEs assisted/benefited through this project (e.g. participated in trainings, sensitization meetings, received materials / guidelines, adopted / implemented quality standards and requirement of new markets) increased by 30%; - Number of stakeholders from relevant support institutions participated in project activities and meetings. increased by 40%; - Number of support institutions adapting their service portfolios/training curricula as part of program increased by 20%. 		
<p>Activities</p>	<p>Means</p>	<p>Costs</p>	<p>Assumptions</p>
<p><i>Activities 1 and 2</i> A1.1 Preparation of the Preliminary design</p>	<p>3 Service contracts</p>	<p>Service Contract/s 1 IPA - 800,000 €</p>	<p>The National IPA Coordinator Office is fully functional</p>

<p>and EIA for the construction of waste water system in Rozaje municipality.</p> <p>A2.1 To prepare IPA III Operational Programme 2014-2020 (or successor programme after 2013)</p> <p>A2.2 - To prepare a pipeline of projects and three applications with associated Tender Dossiers/Contractual document</p> <p>A2.3 - To strengthen the capacity of target institutions on projects preparation in line with OP priority axes</p>		<p>Service Contract 1 NC – 150,000 €</p> <p>Service Contract 2 NC – 100,000€</p>	<p>IPA III Ministries remain committed to the development of capacity in relation to EU programming and retain trained staff for appropriate tasks and actively identify opportunities</p>
<p>Activity 3</p> <p>A.3 Activities related to results for establishment and development EIS</p> <p>Procurement and installation of computer equipment required for implementation and use of software solution.</p> <p>Development of a software solution, or application for establishing the Environmental Information system.</p> <p>Organization two training sessions for usage of EIS:</p> <ul style="list-style-type: none"> Training for use and application of software solution; Training for training staff capacity towards enhancing and upgrading 	<p>1 Service contracts</p> <p>1 Supply contract</p>	<p>Service Contract 3 IPA - 400,000 €</p> <p>Supply Contract 3 NC – 40,000 €</p>	

software solution.			
<p>Activity 4 A4. Studies and design for rehabilitation of 12 slopes A4.1 Study on slope stability assessment and priorities for rehabilitation with proposal for the rehabilitation solutions A4.2 Geological-geotechnical investigations and studies (separately for each locality) A4.3 Geodetic (topographic) surveying (separately for each locality) A4.4 The main design preparation (working separately for each locality), Part of Main design is also: - Study on impact assessment of environmental -Slope rehabilitation project - Waste management plan - Site organization plan with dynamic of work performance - Safety Elaborate and implementation of the security measures during proceedings the Railway transport - Special project for the Gallery's traction and cable channels.</p>	2 Service contracts	Service Contract 4 IPA and 5 IPA - 600,000 €	
<p>Activity 5 A5.1 Support to strengthening of minimum 5 current pilot clusters with good performing potentials A5.2 Technical support and capacity building of the Ministry of Economy to develop and implement cluster support</p>	1 Contribution Agreement (joint management with the UN Agency - UNIDO)	Contract 6 IPA – 500,000€ (contribution agreement)	

programmes			
------------	--	--	--

Preconditions:

The IPA 2009 project “Strengthening the management and control systems for EU financial assistance in Montenegro” successfully implemented by the end of 2012.

Adoption by the Government of the Strategy for sustainable economic growth in Montenegro expected by February 2012.

IPA 2008 twinning project produced need assessments and recommendations about: Computer infrastructure, principles for collecting data, data storage, data manipulating and analysis and ways for manipulating the spatial data of Environmental Information System.

ANNEX 2: Indicative Implementation Schedule (periods broken down per quarter)

Contracted	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Contract/s 1 IPA				800,000								
Contract 2 IPA				400,000								
Contract 3 IPA	300,000											
Contract 4 IPA		300,000										
Contract 5 IPA	500,000											
Cumulated	800,000	1,100,000		2,300,000								
Disbursed	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Contract/s 1 IPA				210,000			170,000			170,000		250,000
Contract 2 IPA				100,000			100,000			100,000		100,000
Contract 3 IPA	120,000	180,000										
Contract 4 IPA		120,000	180,000									
Contract 5 IPA				200,000				200,000				100,000
Cumulated	120,000	420,000	600,000	1,110,000			1,380,000	1,580,000		1,850,000		2,300,000

ANNEX 3: Description of Institutional and Legal Framework

1. Institutional Framework

The beneficiaries of the proposed assistance are Rozaje and Berane municipalities, the Ministry of Sustainable Development and Tourism, the Environmental Protection Agency, the Ministry of Transport and Maritime Affairs, the Ministry of Economy and the 11 municipalities in the Northern part of Montenegro.

At the level of national administration, the bodies responsible for environmental protection activities are: the Ministry of Sustainable Development and Tourism, the Environmental Protection Agency, the Ministry of Agriculture, Forestry and Water Management, the Water Administration.

At the level of local administration, units of local self-government are responsible for the organization of activities related to water management (supply & waste water) and treatment of municipal waste and other types of non-hazardous waste (collection, disposal, recycling, creating conditions for selective collection of waste, recovery of bio-waste, activities of educating population, etc.).

In accordance with the Operational Programme for the Regional Development 2012-2013 component, the OS is composed of the following specific bodies:

- Ministry of Sustainable Development and Tourism
- Ministry of Transport and Maritime Affairs
- Railway Infrastructure of Montenegro
- The Department for Public Works

The Deputy Minister of Sustainable Development and Tourism will act as the Head of the Operating Structure in the meaning of Article 167 (3) of the IPA Implementing Regulation.

2. Reference list of relevant laws and regulations

Laws:

- Law of Railway, Official Gazette of Montenegro, 48/91
- Law on Environment, Official Gazette of Montenegro, 48/08
- Law on Strategic Environment Assessment, Official Gazette of Montenegro, 80/05
- Law on Environmental Impact Assessment, Official Gazette of Montenegro 80/05, 40/10
- Decree on projects for which environmental impact assessment is required, 20-2007
- Rulebook II on the content of documentation which is submitted with the request for deterring the scope and content of elaborate on environmental impact assessment, 014-2007
- Rulebook III on the content of documentation which is submitted with the request for determining the need of environmental impact assessment, 014-2007
- Rulebook on the content of the elaborate on environmental impact assessment, Official Gazette of Montenegro 80/05
- Law on Water, Official Gazette of Montenegro, 27/07
- Regulation on the quality and sanitary-technical conditions for wastewater discharge into the recipient and the public sewage system, the method and the examination of waste water, the minimum number of tests and determined the contents of the report on the quality of wastewater, Official Gazette of Montenegro, 09/10
- Law on communal activities, Official Gazette of Montenegro, 12/95

- Law of nature protection, Official Gazette of Montenegro, 51/08
- Law on Waste Management, Official Gazette of Montenegro, 64/11
- Regulation on fees, the method of calculation and payment of fees for environmental pollution, Official Gazette of Montenegro, 33/08
- Regulation on the classification of waste and its processing methods and disposal, 68/09
- Regulation on the procedure for placing application packaging and packaged products on the market, the establishment of systems acquisitions, collection and treatment of packaging waste and operation of the system, Official Gazette of Montenegro, 09/10
- Rulebook on Location Characteristics, Construction Conditions, Sanitary – Technical Conditions, Operation Method and Closure of the Landfills, Education and Qualification of Landfill Manager, Official Gazette of Montenegro, 84-2009
- Regulations on the form, content and manner of filling in the form of the transport of waste and waste records, annual reports on waste, contents and methods for keeping data and content and form of summary reports, Official Gazette of Montenegro, 46/10
- Decree on the criteria, the amount and manner of special charges for Waste Management, 11-2009
- Decree on Amendments to the Regulation on the criteria, the amount and manner of special charges for Waste Management, 46-2009
- Law of Local Self Government, Official Gazette of Montenegro, 88/09
- Law on Spatial Planning, Official Gazette of Montenegro, 51/08
- Law on Air Pollution Protection, Official Gazette of Montenegro 25/10
- Rulebook on Allowed Concentration of Dangerous Substances in the Air, Official Gazette of Montenegro, 4/82, 8/97
- Rulebook on Emission of Pollutants in the Air, Official Gazette of Montenegro, 25/01
- Law on noise protection, Official Gazette of Montenegro, 28/11
- Rulebook on Content of the Technical Documentation for Issuing Water Regulations and Permits, Official Gazette of Montenegro, 04/95
- Decree on Penalties, Methods, for Calculation and Payment of Fines for Environmental Pollution, Official Gazette of Montenegro, 26/97, 9/00, 52/00
- Law on Public Procurement, Official Gazette of Montenegro, 42/11

Plans, Programmes, and Strategies

Poverty Reduction Strategy (2003)

Energy Efficiency Strategy (2005)

Republic Level Waste Strategic Master Plan (2005)

The Strategic Master Plan for Sewerage and Wastewater in Central and Northern Region (2005)

Strategy for Development of Food Production and Rural Areas (2006)

Administrative Capacity Building Action Plan for Implementation of the Stabilization and Association Agreement (2006)

Foreign Direct Investment Incentives Strategy of Montenegro (2006)

National Strategy for Sustainable Development (2007)

National Strategy of Biodiversity with Action Plan for period 2010-2015 (2010)

Plan for Waste Management in Montenegro for the Period 2014-2020 (To be prepared in Q1 2014)

Regional Development Strategy of Montenegro 2010-2014

Transport Development Strategy of Montenegro (2008)

Program for the maintenance of the Railway line Vrbnica-Bar for 2009-2012

Feasibility Study done by Italferr (not so detailed)

Reference to other strategic documents

Communication Strategy for Informing the Public on Montenegro's EU Association Process (2004)

Foreign Direct Investment Incentives Strategy of Montenegro 2006

Cetinje Cultural Tourism Strategy, British Council 2008

Cetinje Historical Core Management Plan, UNESCO 2009

Council of Ministers of Culture South East Europe

• **Reference to EP / SAA**

The European Partnership Document

Short-term priorities

- Continue approximating Montenegrin legislation to EU legislation and standards, notably environmental protection framework legislation. Develop the administrative capacity to implement and enforce adopted legislation.
- Develop an overall environment protection strategy (water, waste, air). Adopt the land use plan; adopt the sustainable development strategy and sector strategies (integrated coastal zone management, biodiversity, climate change). Strengthen environmental management administrative capacity.

Medium-term priorities

- Begin implementing the land use plan and the overall environment protection strategy. Begin implementing the sustainable development strategy and other sector strategies (integrated coastal zone management, biodiversity, climate change). Ensure a viable financial framework for implementing a mid- to long-term environmental protection policy.
- Ratify and start implementing the Kyoto protocol.
- Continue strengthening the administrative capacity of ministries and bodies in charge of environmental planning, permitting, inspecting, enforcement and monitoring, as well as project management.

The Stabilization and Association Agreement (SAA, March 2007)

Article 111:

The Parties shall develop and strengthen their co-operation in the environmental field with the vital task of halting further degradation and start improving the environmental situation with the aim of sustainable development.

The parties shall, in particular, establish co-operation with the aim of strengthening administrative structures and procedures to ensure strategic planning of environment issues and co-ordination between relevant actors and will focus on the alignment of Montenegro's legislation to the Community *acquis*. Co-operation could also centre on the development of strategies to significantly reduce local, regional and trans-boundary air and water pollution, to establish a framework for efficient, clean, sustainable and renewable production and consumption of energy, and to execute environmental impact assessment and strategic environmental assessment. Special attention will be paid to the ratification and the implementation of the Kyoto Protocol.

• **Reference to MIPD**

Main Priorities and objectives (environment-related)

The Montenegro 2009-2011 **MIPD** identifies as a main priorities strengthening the competitiveness of the Montenegrin economy and improve the business environment via, *inter*

alia, the introduction of key environmental legislation and its enforcement, including environmental impact assessment; implementation of activities and investments in the areas of waste water, solid waste and air pollution.

One of the objectives defined by the MIPD 2009 – 2011 related to transport is to develop a transparent and sustainable system for financing transport infrastructure investment and maintenance is well established and includes the integration of Montenegro's main transport network into the Core Regional Transport Network.

The Montenegro 2011-2013 MIPD highlights that the overall strategic objectives are to protect, respect and improve Montenegrin environment and natural resources, as a potential for future sustainable social and economic development, to mitigate and adapt to climate change, and to improve natural disaster risk management. IPA is committed to support these objectives through Components I for institutional building and III for investments in infrastructures.

According to MIPD for 2011 -2013 one of the aims is strengthen the environmental administration including for EIAs and for the management of protected areas and identify sustainable funding for implementation; a comprehensive environmental monitoring and an information system need to be functioning.

- **Reference to National Development Plan**

In accordance with the National Development Plan of Montenegro for the period 2013-2016 (adopted in March 2013), 50-60% of all available public funds should be allocated to sustainable growth where 40-50% will be directed to the physical infrastructure (transport and the environment) and the remaining 10% for agriculture and other sectors in the region.

- **Reference to national / sector investment plans**

Not applicable

The Government's **National Strategy for Sustainable Development** identifies the following priority tasks to improve environmental management:

the establishment of the efficient legislative and institutional framework for environmental protection (particularly relating to free access to information, implementation of EIA, SEA and IPPC legislation and strengthening other regulatory and market instruments for environmental management). The measures to achieve this include further harmonization with EU legislation, building capacities of administration at all levels, particularly relating to efficient application of the new legislation, establishment of the Environmental Protection Agency and the eco-fund, alignment of monitoring programs and reporting systems with EEA standards, activities to enable free access to information and more significant public participation in decision-making, etc. Certain measures relevant for the achievement of this objective are given also within other sectors and topics – in industry, new technologies, water, air, waste, governance and participation, etc.

Commission Opinion on Montenegro's application for membership of the European Union states the following:

“Regarding environment, further coordinated and significant efforts will be needed to align with the EU *acquis* and to implement it effectively. These should include substantial investments and strengthening administrative capacity for the enforcement of legislation in order to achieve compliance on the most important issues, including climate change, in the

medium term. Full compliance with the *acquis* could be achieved only in the long term and would necessitate increased levels of investment.”

The Regional Development Strategy of Montenegro (2010-2014) identifies maintenance and improvement of the communal and public infrastructure, especially management of wastewater and solid waste as regional priority.

Background and justification for the Environmental Information System

Environmental Protection Agency in Montenegro was established in 2008. The Agency is the operative implementation authority of the law on environmental protection. It has taken over part of the affairs and employees of the Ministry of Tourism and Environmental Protection and the Ministry of Health, Labour and Social Welfare. After its establishment, the Government of Montenegro has adopted the Rulebook on internal organization and systematization of the Environmental Protection Agency, whereby it began operation formally and legally on March 1, 2009. The Agency is responsible for environmental monitoring, issuing permits, environmental inspection and environmental legal issues.

Environmental data is produced by many institutions in Montenegro but this data are not available electronically within one single environmental information system. Institutions can only share available environmental data among themselves using official data requesting procedures. The absence of an indexing mechanism for available environmental data is a major obstacle to the Agency’s mandate. The aim of the single Environmental Information System is to make environmental data more accessible allowing the Agency to effectively operate.

Environmental information access is crucial for the Agency to monitor the implementation of the environmental *acquis*. The Environmental Information System should be designed as Web-based application which enables synchronized operation of large number of users, as well as online completing and delivering of required data. The System would consist of web-based application for completion and submission of reports which would be used by authorized legal persons who have an obligation to report and central application in which all reports are stored and where data processing is made for the needs of the Environmental Protection Agency. There is also a need for spatial representation of data concerning the environment, and particularly: protected sites, biodiversity, polluted areas, sites for measuring air quality, water quality, soil quality which can be implemented by GIS technology.

Purpose of project of establishment and development of Environmental Information System is enhancement and facilitation in decision making process concerning environmental management for example:

- improving the quality of strategic and planning documents,
- improving the decision making process on giving consent to reports on strategic impact assessment and environmental impact assessment,
- improving the work of inspection bodies etc.,

as well as improving the process of reporting on state of the environment towards national and international institutions and public.

Environmental information is based on data and analysis delivered to the Environmental Protection Agency through implementation of the annual program of monitoring by all segments of the environment.

Functional EIS should provide detailed view and assessment of the state for individual segments of the environment (air, water, soil, sea, biodiversity, etc.). Based on available data and detailed analysis, accurate and clear information about the degree of contamination of certain segments of the environment requiring special attention should be obtained and furthermore make proposals of activities that should be conducted to address identified problems and improve the current state of the environment in Montenegro.

- **Air**
Air quality is monitored on automatic stationary stations on which concentration of the parameters is continuously measured and should be automatically updated into EIS.
- **Water**
Considering the importance of water as a natural resource and property in general use, as well as its natural characteristics that make it an indispensable condition for life and work and a healthy environment, it is necessary to follow its natural state and take all necessary measures for its preservation which should be provided by EIS.
- **Marine ecosystem**
Environmental Protection Agency, under the Environmental Monitoring Programme, monitors the state of marine ecosystem, which is implemented in accordance with the methodology of MED POL and the requirements of the European Environment Agency.
Marine ecosystem is a complex and specific segment of the environment. Measures that should be taken are primarily related to the sustainable management and exploitation of the marine ecosystem.
- **Soil and waste**
The results of testing the presence of harmful substances in the soil should be stored into EIS. The degree of soil pollution due to non-selective and improper disposal of industrial or municipal waste has been considered through the testing of soil samples.
- **Biodiversity**
Monitoring of biodiversity aims at its preservation, enhancement and protection by ascertaining its state, major changes and pressures on this important natural resource from year to year. Biodiversity data should be also stored into EIS.

It of utmost priority to have a functional EIS to be used as a basic tool in policy making and planning measures of prevention and/or reduction of pollution.

ANNEX 4: Details per EU funded contract

IPA contracts

Six contracts will be implemented within the project, covering the following tasks:

- Support to the OS for IPA III component in programming and implementation of projects (Service Contract/s - 800,000Euro).
- Establishment and development of Environmental Information System (Service Contract – 400,000Euro).
- Full studies, costing and main project documentation Vrbinca Bar Railway (two Service Contracts – 300,000Euro each).
- Competitiveness enhancing/pilot clusters strengthening/support to Ministry of Economy (Contribution agreement to UNIDO – 500,000Euro).

Expertise required:

Team Leaders (senior long-term key expert): responsible for managing the whole team, for advising the beneficiaries and for managing and overseeing the specific tasks. The experts will be working within the relevant authority. The experts should have experience with procedures similar to those used under the Decentralized Implementation System (including programming and maturing projects) and should demonstrate specific expertise in environment, IT, transport and competitiveness sectors.

Short term experts: having experience with development of projects from the conceptual initiation stage to presentation of mature project proposal, strengthening capacities of OS to implement EU funds on a decentralized basis, experience in the implementation of projects in the field of waste, water and/or transport and experience related to development and implementation of software solution for Environmental Information System, experience related to preparation of the documentation for sector of transport with the focus on Railway infrastructure and long-term experience in field of development of the Clusters.

In general, the various levels of experts should fulfil the following criteria relating to qualifications and experience:

Senior long term key experts:

A bachelor's degree in environmental management (where a university degree has been awarded on completion of three years study in a university or equivalent institution) or other associated field and 10 years of relevant professional experience.

Experts:

A bachelor's degree (where a university degree has been awarded on completion of three years study in a university or equivalent institution) and at least 7 years of professional experience in a specific area associated with this contract.

The contracts will be 100% financed from IPA funds and will be following the EU procedures.

National contracts

Three contracts funded by the National Authorities will be implemented within the project in accordance with national procurement procedures.

Contract 1 NC (service): Preparation of the Preliminary design and EIA for the construction of waste water system in Rozaje municipality.(NC service contract)

The service contract (150.000 EUR) will cover the preparation of the Preliminary design and EIA for the construction of waste water treatment system in Rozaje municipality.

Contract 2 NC (service): Preparation of the Main design and Tender Dossier for the construction of waste water system in Rozaje municipality.(NC service contract)

The service contract (100.000 EUR) will cover the preparation of the Main design and Tender Dossier for the construction of waste water treatment system in Rozaje municipality.

Contract 3 NC (supply): Procurement and installation of computer equipment required for implementation and use of software solution. (NC supply contract)

This contract funded by the National Authorities will be implemented within the project. Procurement and installation of computer equipment required for implementation and use of the developed software for Environmental Information System will be done through this supply contract funded by the national authorities.

By this contract, the following equipment will be procured:

- servers (for databases and web)
- equipment for network solution (routers, switches, hubs, etc.)
- additional equipment for web servers (UPS: Power protection for servers)