

ANNEX A

FINANCING PROPOSAL FOR THE NATIONAL PROGRAMME FOR MONTENEGRO UNDER THE IPA – TRANSITION ASSISTANCE AND INSTITUTION BUILDING COMPONENT – FOR 2010

1. IDENTIFICATION

Beneficiary	MONTENEGRO
CRIS number	2010/022-154
Year	2010
Cost	EUR 28 638 823
Implementing Authority	European Commission
Final date for concluding the financing agreements	31 December 2011.
Final dates for contracting	Three years following the date of conclusion of the Financing Agreement. No deadline for audit and evaluation projects covered by this Financing Agreement, as referred to in Article 166 (2) of the Financial Regulation. These dates apply also to the national co-financing.
Final dates for execution	Two years following the end date for contracting. These dates apply also to the national co-financing.
Sector Code	15130, 15113, 15112, 15170, 21030, 14022, 41081, 16010, 22040, 31220, 16062, 31192, 32310, 12191, 33110, 99810
Budget line(s) concerned	BGUE-B2010-22.020200-C1-ELARG
Programming Task Manager	Unit B1 Croatia, Montenegro
Implementation Task Manager	Delegation of the European Union in Montenegro.

2. PRIORITY AXES / (MEASURES) / PROJECTS

Montenegro applied for membership to the European Union in December 2008. The Council decided in April 2009 to implement the procedure laid down in Article 49 of the Treaty on European Union. Accordingly, the Commission was requested to submit to the Council its Opinion on the application, which will assess whether Montenegro complies with the Copenhagen criteria for membership (political criteria, economic criteria and the ability to assume the obligations of membership) and the conditions set in the Stabilisation and Association Process. IPA programmes accompany the integration process, and in particular in the years to come.

2.a Priority Axes

The national programmes are focused on the objectives set out in the Multi-Annual Indicative Planning Documents (MIPD). The current MIPD 2009-2011 reflects the key priorities of the European Partnership and the next steps in the Stabilisation and Association Process (SAP). It takes into account what was financed under CARDS and what is on-going and foreseen under IPA 2007, 2008 and 2009 and probable future priorities coming up in the overall European integration process (including the “Enhanced Permanent Dialogue” and sub-Committees) as well as the recommendations of the Montenegro progress report for 2009. It is also considering the National Programme for Integration (NPI) 2008-2012.

The IPA 2010 national programme for Montenegro focuses on infrastructures (with a leverage effect on EIB loans) (35%), as this helps mitigating the impacts of the financial crisis and provides employment, in addition to developing the necessary infrastructure needs, through two large projects on railways rehabilitation and Waste Water Treatment and grants for Municipalities; it also includes two new projects in the social sector, on gender equality and a large social inclusion one dealing with inclusive education, social welfare reform and child care; then a series of projects in the main *acquis*-related areas.

Due to the small size of the country and of its administration, and taking into consideration its absorption capacity, small support programmes are more efficient, therefore an amount to 10% (around 3 million) of the total envelope of the programme is foreseen. They will allow for flexible and well targeted rather small projects such as twinning-lights, technical assistance or ad-hoc supply contracts.

No project is foreseen for Civil society in 2010, as a large 2009 support to civil society has not yet been launched, and the 2007 one is just starting. The regional multi-country "civil society facility" is in place in Montenegro which will work in close coordination with an on-going smaller well targeted technical assistance.

Per priority axis, the IPA 2010 national programme is clustered as follows:

(a) Political criteria. This includes support for local self government, as a continuation of the IPA 2008 project including grants for infrastructure; for strengthening the police; and pursues the fight against corruption through developing integrity framework in the public administration; in addition to creating the path towards gender equality.

(b) Economic criteria; this axis includes support for infrastructure (railways and environment); for reforms in the social area for an inclusive society; for environment through forestry projects and awareness campaigns; as well as for assisting the ministry of Information society.

(c) Ability to assume obligations of membership. This axis supports the implementation of *acquis* related activities in the areas of statistics, phytosanitary, construction norms, blood transfusion, market surveillance, as well as tax administration

(d) To participate in Community programmes, IPA facilitates the "entry ticket" for the 7th Framework programme in Research; Entrepreneurship & Innovation; Culture and Customs 2013.

(e) The last priority axis consist in support programmes, including project preparation, technical assistance, small supplies where appropriate and other support measures.

	TOTAL IPA in EUR	
<i>Axis 1. Political criteria</i>	<i>6 700 000.00</i>	<i>23.40%</i>
<i>Axis 2. Economic criteria</i>	<i>13 250 000.00</i>	<i>46.27%</i>
<i>Axis 3. Ability to assume obligations of membership</i>	<i>5 600 000.00</i>	<i>19.55%</i>
<i>Axis 4. Community programmes</i>	<i>318 483.00</i>	<i>1.11%</i>
<i>Axis 7. Support activities</i>	<i>2 770 340.00</i>	<i>9.67%</i>
Total	28 638 823 00	100%

2.b Description of projects grouped by priority axes

The total amount allocated to ME in the MIFF is EUR 29 238 823. An additional amount of EUR 600 000 has been added in order to start socio-economic activities at the border with Kosovo (CBC-type activities) instead of a CBC component II programme. The TEMPUS programme of EUR 1 200 000 is implemented under the IPA Multi-beneficiary programme, and thus does not appear in the matrix below. The total amount for this component is **EUR 28 638 823**.

The following matrix summarises the projects that make up the IPA 2010 National Programme.

Priorities	IPA indicative budget EUR	Beneficiaries, purpose and expected results	Management mode ¹ financing procedure and indicative timelines
Priority Axis 1 POLITICAL CRITERIA	6 700 000		
Project 01 Strengthening the police directorate in integrated border management, criminal intelligence and the fight against drugs	1 800 000	<p><u>Beneficiary:</u> Police directorate</p> <p><u>Purpose:</u> Strengthening of the administrative, technical and infrastructure capacities of the Police Directorate of Montenegro in the area of integrated border management, criminal intelligence and the fight against drugs.</p> <p><u>Results:</u> (i) Criminal Intelligence system implemented and strategic documents developed; (2) Improved system of Blue and Green border security in the territory of Montenegro, territorial waters and coastal area established; (3) Capacities of the anti drug department officers in the area of the surveillance of controlled deliveries, proper collection and documentation of evidence and crime scene procedures improved</p> <p><i>Comp I - intelligence led policing (twinning-light):</i> EUR 250 000 and <i>supply of IT equipment:</i> EUR 150 000</p> <p><i>Comp II - Improving capacities of state border control at sea and INTERPOL's services and at border crossing points (two boats and border crossing IT systems):</i> EUR 1 250 000</p> <p><i>Comp III - fight against drug and precursors:</i> EUR 150 000</p>	<p>IPA: EUR 1 800 000 (two light twinings* (400 000) and supply (patrol boats and equipment at borders). The selection process for the twinning contracts and procurement process for the supply contract are expected to begin in Q4 2010.</p> <p>National co-financing: EUR 850 000. The tendering process for 2 contracts, supplies and service, is to be launched in Q3 2011 and Q3 2010</p> <p>Overall cost (VAT excluded): EUR 2 650 000</p>
Project 02 Support the implementation of the anti corruption strategy and action plan	700 000	<p><u>Beneficiary:</u> Directorate for Anti-Corruption Initiative (DACI) and the Commission for the Prevention of Conflict of Interests</p> <p><u>Purpose:</u> Support the implementation of the anti corruption strategy and action plan, focusing on the preventing measures (e.g. the law on conflict of interest, measures to improve integrity and ethics) resulting in a reduced level of corruption and increased public trust in the institutions.</p> <p><u>Results:</u></p>	<p>IPA: Twinning* contract EUR 700 000. The selection process is expected to begin in Q3 2010.</p> <p>National co-financing: service contracts EUR 37 000 (EUR 25 000 and EUR 12 000) to be tendered in Q3 2010</p> <p>Overall cost (VAT excluded):</p>

¹ If not otherwise specified, the management mode for IPA is centralised management

		<p>Procedures and measures on integrity are prepared and enforced</p> <p>Enhanced institutional and administrative capacity of the DACI and the Commission for the Prevention of the Conflict of Interest to coordinate anti-corruption preventive measures, including the enforcement of integrity measures in the public sector</p> <p>Anti-corruption coordination, prevention and monitoring measures/system established and fully operational</p> <p>Legal/regulatory framework on anti-corruption prepared, adopted and enforced</p> <p>Increased public awareness (in the public sector, private sector and among the citizens) on integrity, ethical principles and anti-corruption measures</p>	EUR 737 000
<p>Project 03</p> <p>Support to Local Self-Government for implementing the National Training Strategy (NTS) and provision of grants to municipalities</p>	3 500 000	<p><u>Beneficiaries:</u> Montenegrin municipalities, Ministry of Internal Affairs and Public Administration, Union of Municipalities of Montenegro (UoM), Human Resources Management Authority</p> <p><u>Purpose:</u> To support UoM and its members in implementation of capacity building programmes in line with the National Training Strategy for Local Self-Government (NTS) while continuing support to priority municipal investments in line with EU best practice in local governance.</p> <p><u>Results:</u> (1) Local government capacities for effective HR development strengthened; (2) UoM capacities strengthened to support capacity building in municipalities in accordance with the NTS Action plan; (3) Professional training environment for local self-government improved; (4) EU Municipal Development Grant is fully committed for quality projects in line with the municipal strategic plans.</p>	<p>IPA Service contracts of EUR 1 500 000 to be tendered in Q4 2010; and call for proposals under the grant scheme*** of EUR 2 000 000, to be launched in Q3 2010.</p> <p>National co-financing service contract of EUR 270 000 to be tendered in Q3 2010 and grant scheme of EUR 170 000 (to be launched in Q3 2010).</p> <p>Overall cost (VAT excluded): EUR 3 940 000</p>
<p>Project 04</p> <p>Gender Equality</p>	700 000	<p><u>Beneficiary:</u> Ministry of Human and Minority Rights</p> <p><u>Purpose:</u> Strengthened capacities, improved mechanisms and advanced policies improved the conditions for the implementation of the three specific components of the National Action Plan for Gender Equality:</p> <p style="padding-left: 40px;">Violence against women and domestic violence;</p> <p style="padding-left: 40px;">Political empowerment of women, and</p> <p style="padding-left: 40px;">Economic agenda for women</p>	<p>IPA: a direct grant to UNDP (Art 168.1.c IR) due to its monopolistic situation in the country on the matter, of EUR 700 000** to be negotiated in Q4 2010.</p> <p>Co-financing: UNDP contribution of EUR 78 000</p> <p>Overall cost (VAT excluded): EUR 778 000</p>

		<p><u>Results:</u></p> <p>A sustainable and efficient system for the protection of victims of domestic violence has been established and sustainable measures to combat domestic violence have been introduced</p> <p>Gender sensitivity of political parties and administrative authorities strengthened</p> <p>Women's entrepreneurship and employment enhanced through the development and implementation of specific measures</p> <p>In this area, UNDP is in a monopolistic situation in Montenegro due to its experience and current activities.</p>	
Priority Axis 2 ECONOMIC CRITERIA	13,250 000		
<p>Project 05</p> <p>Major rehabilitation of the main Railway line Bar-Vrbnica (Piatovo Kolo-Mojkovac) section</p>	5 000 000	<p><u>Beneficiary:</u> Ministry of Transport, Maritime Affairs and Telecommunications</p> <p><u>Purpose:</u> Major rehabilitation of the main line Bar – Vrbnica through restoration of railway superstructure, planned arrangement of section and infrastructure protection in gauge of route section</p> <p><u>Results:</u> (1) Track section from 313+314 to 321+733 completely restored, in civil and electric parts Mitovo Kolo-Mojkovac; (2) Restored 8 steel bridges on line Vrbnica-Bar.</p>	<p>IPA: EUR 5 000 000 for a works contract: tendering is to start in Q3 2010.</p> <p>Co-financing: EIB EUR 7 000 000 through 3 loan tranches (EUR 150 000; EUR 6 700 000; and EUR 150 000) to be tendered in Q1 2011.</p> <p>Overall cost (VAT excluded): EUR 12 000 000</p>
<p>Project 06</p> <p>Upgrading the Pljevlja waste water treatment system</p>	3 500 000	<p><u>Beneficiary:</u> Municipality of Pljevlja</p> <p><u>Purpose:</u> To improve the quality and sustainability of Montenegro's environmental wastewater infrastructure base, in particular targeting the protection of environmentally sensitive streams receiving waters e.g Čehotina river and its tributaries.</p> <p><u>Results:</u> (1) Fully equipped and operational WWTP, including belonging collector pipelines, having the capacity to treat 90% of effluent quantities projected to the year 2030, constructed in full compliance with the contractual technical requirements and increased quality of discharge waters; (2) Reconstructed Čehotina</p>	<p>IPA: EUR 3 500 000 for a joint management with EIB through a <u>contribution agreement</u> (in anticipation of the results of the assessment required under Art 53d of the FR, in accordance with Art 43 IR to the FR), to be signed in Q1 2011</p> <p>IPA Multi-Beneficiary programme 2008 (IPF Municipal Window) of</p>

		<p>riverbed, having protection for flooding surrounding areas and having condition for main sewage collector construction; (3) Technical staff of the beneficiary institution is fully trained in the operation and maintenance of the WWTP equipment, ensuring long-term sustainability of the investment.</p>	<p>EUR 1 800 000 will contribute to finance this project;</p> <p>Co-financing: EIB loan is for EUR 5 000 000;</p> <p>Co-financing: Municipality contribution of EUR 700 000 for a service contract to be tendered in Q3 2010</p> <p>Overall cost (VAT excluded): EUR 11 000 000</p>
<p>Project 07</p> <p>Raising environmental awareness</p>	500 000	<p>Beneficiary: Ministry of Spatial Planning & Environment (MPE)</p> <p>Purpose: Increased environmental awareness as a preventive tool focused on stimulating appropriate responsible behaviour of identified target groups limiting the threat to the natural resources</p> <p>Results: (1) Established conditions for supervision, coordination and monitoring of various environmental actions through establishment of inter sector team; (2) Environmental awareness campaign successfully organized and implemented; (3) Educational programme introduced targeting children, NGOs, business sector and media.</p>	<p>IPA: Service contract for EUR 500 000. Tendering to start in Q3 2010</p> <p>Overall cost (VAT excluded): EUR 500 000</p>
<p>Project 08</p> <p>Social welfare and child care system reform: enhancing social inclusion</p>	3 000 000	<p>Beneficiary: Ministry of Education and Science and Ministry of Labour and Social Welfare</p> <p>Purpose: Comprehensive, inclusive and sustainable social and child welfare system with advanced inclusive education for children with special education needs, established</p> <p>Results:</p> <p><i>Component 1- Inclusive education services:</i> Four Resource centres for SEN students established; Increased number of RAE pupils in mainstream preschools/elementary schools; Education system with improved conditions to integrate students with special needs</p> <p><i>Component 2 – Social welfare reform:</i> Improved central level social system capacity to plan, commission and manage decentralization of existing and introduction of innovative social services through Social Innovation Fund (SIF);</p>	<p>IPA service contract of EUR 570 000: tendering is to start in Q4 2010</p> <p>IPA direct grants to UNDP: EUR 1 180 400** and to UNICEF: EUR 1 249 600** (under Art 168.1.c IR based on the respective monopolistic situation of these UN agencies in Montenegro). Both are to be negotiated in Q4 2010</p> <p>National co-financing: (i) Service contract of EUR 62 000 (to be tendered in Q3 2010), and supply of EUR 30 000 (to be tendered in Q3 2010); (ii) UNDP EUR 118 040 and (iii) UNICEF</p>

		<p>Capacities of local self governments built to manage Social Programmes; Improved provision of existing and introduction of Social Innovation Programmes (SIPs) in three pilot municipalities</p> <p><i>Component 3: Child Care System Reform:</i> Policies and legislation in the area of child and social protection harmonized with relevant international standards; Institute for Social Welfare established and joint child protection databases created; Enhanced capacities of social welfare, health and education professionals to provide children and families with preventive and inclusive programmes; Enhanced family and community based services as an alternative to institutionalization; Awareness creation and sensitization of the general public on social inclusion.</p>	<p>EUR 124 960.</p> <p>Overall cost (VAT excluded): EUR 3 335 000</p>
<p>Project 09</p> <p>Strengthening administrative capacities in information society</p>	<p>500 000</p>	<p><u>Beneficiary:</u> Ministry for Information Society</p> <p><u>Purpose:</u> To strengthen administrative capacities of Ministry for information society in order to increase the quality of information society services and to stimulate access and usage of on-line government services</p> <p><u>Results:</u> (1) Capacity to prepare and implement legislation for information society development in accordance with EU directives is strengthened; (2) Level of awareness of all relevant stakeholders on importance of information society increased; (3) Framework and standards for developing e-Government services are defined; (4) Infrastructure capacities for the implementation of the information society services are strengthened.</p>	<p>IPA: Twinning* (EUR 500 000) to be selected in Q4 2010</p> <p>National co-financing: Supply (EUR125 000) to be tendered in Q4 2010</p> <p>Overall cost (VAT excluded): EUR 625 000</p>
<p>Project 10</p> <p>Support for capacity building in the forestry sector</p>	<p>750 000</p>	<p><u>Beneficiary:</u> Forest Sector of Ministry of Agriculture, Forestry and Water Management, and Forest Administration of Montenegro</p> <p><u>Purpose:</u> To strengthen capacity of the Montenegro forestry sector through the establishment of, and training in, sustainable forest management systems in line with EU standards, specifically forthcoming EU Regulations on Placing Forest Produce on the EU Market and the EU Regulation on Rural Development</p> <p><u>Results:</u> (1) State forest Institutions capable for implementation of the National Forest Policy, Legislation and National Forest Programme; (2) Strengthened internal capacities within State Forest Institutions to provide capacity building for its own forestry professionals and forestry staff in the private sector, and to deliver service to private forest owners; (3) Monitoring and information management system established according to EU Regulations and standards.</p>	<p>IPA Indirect Centralised Management (ICM) through a EUR 750 000 delegation agreement (for institution building through services, and supplies) with Lux-Development (Art 56.1 FR (6-pillar assessment of 16 June 2009) to be agreed in Q4 2010.</p> <p>National co-financing: (i) supply and service EUR 125 000 to be tendered in Q3 2011 and (ii) Lux Development EUR 125 000</p> <p>Overall cost (VAT excluded): 1 000 000</p>

Priority Axis 3 ABILITY TO ASSUME OBLIGATIONS OF MEMBERSHIP	5 600 000		
Project 11 Improving statistical information system	1 200 000	<u>Beneficiary:</u> Statistical Office of Montenegro (MONSTAT) <u>Purpose:</u> Strengthened capacity of MONSTAT for collection and distribution of data in 3 sectors: agriculture statistics; national accounts; and business register <u>Results:</u> (1) Agriculture statistics (incl. agro-monetary) improved by, introducing new surveys, improving methods for data collection and the development of the statistical farm register; (2) National accounts and price statistics improved and more accurate data provided; (3) Business statistics harmonized with EU standards; (4) Improved IT support and metadata in accordance with EU and international standards.	IPA: Service contract EUR 1 200 000 to be tendered in Q1 2011 National co-financing: EUR 100 000 (service contracts) to be tendered in Q3 2011 Overall cost (VAT excluded): EUR 1 300 000
Project 12 Strengthening of the Phytosanitary Directorate	700 000	<u>Beneficiary:</u> Phytosanitary Directorate of Montenegro. Purpose: Upgrade and strengthen capacity of Phytosanitary Directorate for successful implementation and transposition of EU legislation in phytosanitary area - plant health, plant protection products, seed and propagating material, plant variety rights and inspections <u>Results:</u> (1) National legal framework in the phytosanitary area is harmonized with EU legislation; (2) Inspection and other administrative and operational procedures in the phytosanitary area developed and adopted; (3) Inspectors, administration and laboratory staff are capable to properly carry out related duties in accordance to the acquis; (4) Set up and improved information system.	IPA: Twinning* (EUR 700 000) to be selected in Q3 2010 National co-financing: EUR 70 000 (supply) to be tendered in Q3 2010 Overall cost (VAT excluded): EUR 770 000
Project 13 Achieving highest safety and technical quality of construction	700 000	<u>Beneficiary:</u> Ministry for spatial planning and environment <u>Purpose:</u> To create prerequisites for the harmonization of national regulations and standards for structural analysis and design with the regulations and standards of EU and for building capacities for their successful adoption, implementation and use. <u>Results:</u> (1- Approved action plan for adoption of the Eurocodes; (2) IT equipment and methodology for elaboration of the nationally determined parameters to all	IPA: Twinning* (EUR 700 000) to be selected by Q3 2010 National co-financing: EUR 70 000 supply to be tendered by Q1 2012 Overall cost (VAT excluded): EUR 770 000

		Eurocodes is provided in 18 months from the beginning of the implementation of the project; (3) Approved action plan for implementation of the Eurocodes; (4) National annex to Eurocode 8 part 1 prepared in Montenegrin language.	
Project 14 Implementation of the European Blood Transfusion System	1 800 000	<p><u>Beneficiary:</u> Ministry of Health</p> <p><u>Purpose:</u> To secure sufficient quantities of safe blood and blood products to meet the needs of all patients, in regular and emergency situations, provided as part of a sustainable and modern blood transfusion programme within the existing health care system in accordance with the EU standards for blood transfusion.</p> <p><u>Results:</u></p> <p><i>Component 1 Legal and organizational framework:</i> (1) Legal and regulatory framework harmonized with EU requirements and WHO recommendations; (2) System of voluntary non-remunerated blood donation extended; (3) Quality control system established and initiated</p> <p><i>Component 2 Capacity building:</i> Staff involved in the blood transfusion service adequately trained according to assessed needs</p> <p><i>Component 3 Physical Infrastructure:</i> (1) Facilities of the Institute for Blood Transfusion constructed according to legal, work process and transfusion requirement; (2) Laboratory equipment for Institute of Blood Transfusion purchased and installed; (3) Equipment for national information system network for blood transfusion service procured, installed and IS established.</p>	<p>IPA: <u>direct grant</u> to WHO EUR 700 000** (under Art 168.1.c IR based on the monopolistic situation of WHO in this area), to be signed by Q4 2010. And supply contracts of EUR 1 100 000 to be tendered by Q1 2011</p> <p>Co-financing: EUR 1 200 000 :works contract to be tendered by Q3 2010</p> <p>Overall cost (VAT excluded): EUR 3 000 000</p>
Project 15 Consumer protection and market surveillance	700 000	<p><u>Beneficiary:</u> Market inspection (Ministry of economy)</p> <p><u>Purpose:</u> To improve the efficiency and effectiveness of the system of market surveillance and consumer protection in Montenegro</p> <p><u>Results:</u> (1) National legal and strategic framework in the area of consumer protection and Market surveillance compliant with Regulation (EC) 765/2008 is in place; (2) Improved coordination and exchange of information between the responsible market surveillance authorities; (3) Improved capacity of the Market Inspection to perform effective market surveillance; (4) Raised awareness of consumer on their rights and functioning of market surveillance system.</p>	<p>IPA Service contract: EUR 700 000 to be tendered in Q4 2010</p> <p>National co-financing: EUR 35 000: supply contract to be tendered in Q2 2011.</p> <p>Overall cost (VAT excluded): EUR 735 000</p>
Project 16 Upgrading IT	500 000	<p><u>Beneficiary:</u> Tax Administration of Montenegro</p> <p><u>Purpose:</u> Strengthening the capacity of the Tax Administration of Montenegro to</p>	<p>IPA service contract of EUR 500 000 to be tendered by Q4 2010</p>

capacity of the Tax Administration		increase tax collection thus contributing to maximising the government's fiscal revenues. <u>Results:</u> The new IT solution installed and operational	National co-financing contribution (service and supply): EUR 167 000 to be tendered by Q3 2010 and Q4 2010. Overall cost (VAT excluded): EUR 667 000
Priority axis 4 Support for participation in Community programmes and Agencies	318 483		
Project 17 Support for participation in Community programmes	318 483	The objective is to co-finance the costs of the "entry-tickets" in accordance with the relevant Memoranda of Understanding establishing its participation in Community programmes, inter alia Culture, Competitiveness and Innovation Framework Programme 5CIP-EIP and CIP-ICT PSP), 7 th Framework Programme for Research, and Customs 2013.	IPA : a grant of EUR 318 483 National co-financing : EUR 171 832
Priority Axis 7: Support activities	2 770 340		
Project 18 Technical Assistance and Project Preparation Facility (TA&PPF)	2 023 000	<u>Beneficiary:</u> all public institutions <u>Purpose:</u> support the preparation and early implementation of activities under this and subsequent IPA National Programmes. Foreseen assistance to Ombudsman and the Government office for Civil Society will be included.	IPA: EUR 2 023 000 for an indicative number of 20 services, grants, and twinning* light contracts, amounting from EUR 50 000 to EUR 200 000 per project, or above if duly justified in case of more complex project preparation activities. No co-financing
Project 19 Support Measures Facility (SMF)	747 340	<u>Beneficiary:</u> all public institutions <u>Purpose:</u> a facility to cover the costs of activities linked to follow-up directly necessary for the implementation of other activities already defined in the programme and the attainment of their objectives. Activities may cover studies, trainings, seminars, small works or supplies, supervisory services and related technical assistance.	IPA: EUR 747 340 for an average of 10 contracts (mostly service, grants and supply) No co-financing

TOTAL COMP I	28 638 823		
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* The essential selection and award criteria for selection of the proposals are laid down in the twinning manual referred to in point 4.3 of this Financing proposal. Where a twinning call for expression of interest is not successful, alternative methods of recruiting expertise will be employed. These may include service contract or twinning light agreement

**According to provision of Article 168.1 of the IR

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

2.c Overview of past and on going assistance (EU / IFI / Bilateral and national assistance) including lesson learned and donor coordination

Past and on-going assistance

Overall EU CARDS assistance to Montenegro between 1998 and 2006 amounted to some EUR 280 million. The purpose of the CARDS programme was to support: good governance, institution building and the rule of law; the development of a market economy, while investing in vital physical infrastructure and the environment; the stabilisation of democracy, social development and civil society.

The pre-accession assistance under IPA 2007, 2008 and 2009 provided an additional EUR 84 235 235 under the national programme (including what was shifted to the regional programmes) and EUR 13 064 765 under the Cross Border Cooperation (CBC) programmes.

Particular attention will be given to ensure complementarity with the Multi-Beneficiary IPA programmes, managed by Commission headquarters. Indeed, they support numerous sectors of common interest, such as justice, social issues, statistics, municipal infrastructures and refugees. They also include (1) the project on civil society development, included in the broader Civil Society Facility; (2) the projects of infrastructures, included in the financial crisis package and the Western Balkan Investment Framework; and (3) municipal infrastructures, included in the Municipal Window.

Lessons learned

The programming of IPA 2010 funds takes into account the lessons learned from previous CARDS as well as of Phare assistance, and of the IPA 2007, 2008 and 2009 exercises. The recent evaluation of CARDS Public Administration Reform, Civil Society, and Justice, Liberty, and Security programmes has given strategic and operational recommendations. Most of them have already been adopted in subsequent years. These are the following: (1) sector strategies should be the starting point of programming; the limited absorption capacity should be mitigated through training of trainers; conditionalities should be strictly used; functional needs assessments of institutions are needed to avoid duplication; careful planning and sequencing should be done; donor coordination should avoid contradictory advices; increase awareness on sustainability should be supported; (2) project design is to be improved; civil society should be considered as such, not only to carry out social activities; increased monitoring of project implementation should be carried out; cross-cutting issues should be mainstreamed.

Donor coordination

Formal donor coordination is taking place under the chairmanship of the Prime Minister. Donor coordination is also done through regular sectoral meetings led by line ministries. Local institution in charge of donor coordination is the Secretariat for European Integration (SEI) under the Minister for European Integration. The SEI also links donor interventions more systematically to the National Programme for Integration (NPI).

Donor information exchange is being developed through filling in an information matrix where each donor and agency indicates in which DAC sectors they are currently involved.

The main bilateral and multilateral donors present in Montenegro are the following. Germany, through GTZ and KfW is one of the biggest bilateral donors to Montenegro, planning to provide some EUR 31 millions (5 millions of grants and 26 millions of locus) in assistance for the country's development in 2009. The funds will be used for developing projects in the fields of water supply, energy efficiency and modernisation of communal infrastructure. Since 2000, Germany and Montenegro have already signed nine cooperation protocols worth approximately EUR 200 millions. The projects, which are financed by the German side, include support for structural reforms, rehabilitation and development of the financial sector,

development of infrastructure, entrepreneurship and tourism. USA through USAID is mainly involved in fostering the rule of law. It is also involved in decreasing discrepancy in economic development between Northern and Southern part of Montenegro. Netherlands, through SNV, is mainly involved with capacity building and rural development projects. Italy is mainly involved in social sector, sustainable tourism and environment, and projects on integrating Roma population. Turkey through TICA has implemented 50 smaller projects in the field of technical assistance. Austria through ADA is focussing on projects on sustainable social-economic and democratic development, as well as on education.

Regarding the IFIs, EIB is focusing on environmental infrastructure and transport (railways). The World Bank is implementing a large number of projects involved in the sustainable economic growth, in rural development (through the MIDAS project), and private sectors through IFC. EBRD is mainly focused on projects in economic development and infrastructure through financial instruments.

Among the UN agencies, UNDP is involved in social inclusion, institutional and judicial reform, economy and environment, regional environmental programme; UNHCR in establishing asylum system and finding durable solution for displaced persons; UNICEF on child protection reform and de-institutionalisation. Whereas the OSCE is implementing projects fostering democratization and protection of human rights, law enforcement, and media development, as well as assisting Parliament. The Council of Europe is focussing on public administration reform.

2.d Horizontal Issues

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

Equal opportunities and non-discrimination (Gender equality)

Montenegrin Gender Equality Office performs expert and coordination tasks related to the implementation of the principle of gender equality / women's rights. Specific attention is given to ensure that women's needs and interests (including of those facing higher risks: refugees, Roma women, uneducated women, unemployed women, single-mothers, etc.) are addressed throughout projects development and outputs (laws, regulations, policies, etc.) and activities are organised so as to encourage/facilitate their participation in order to reduce the high rate of discrimination against women in Montenegro. The 2010 project on gender equality will greatly help encourage this in a sustainable way, across institutions.

Support to Minorities and Vulnerable Groups

Although Montenegro has policies in place to promote the inclusion of minorities and vulnerable groups, implementation (e.g.; in education, use of languages, public administration, access to health care, etc.) often lags behind. Activities will be organised so as to encourage/facilitate their participation, so as to reflect the diversity of Montenegrin society. The 2010 Social Inclusion project will ensure that this is closely looked at throughout any project.

Environmental protection

The Constitution envisages that the country will become an "ecological state" and requires strict environmental standards are enforced. However, recent years have seen environmental degradation which directly affects the quality of life, notably of people living in urban areas, and of minorities who are at greater risk of being exposed to environmental hazards. Protecting the environment is also crucial to Montenegro's growing tourist industry. The special project on

environment awareness will enhance the protection of the environment in Montenegro by inhabitants.

Good Governance

Good governance, particularly the fight against corruption, is an important cross cutting issue in any effective assistance programme. It is also explicitly addressed in a number of the proposed projects, and in particular in the project supporting the integrity in the public sector and the prevention of conflict of interest.

2.e Conditions

The programme includes the following conditions:

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

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

Beneficiary institutions will formally endorse the design and tender documents, including terms of reference.

The government shall ensure the availability of land, free of ownership claims or disputes, for the construction of the planned works. The Government shall ensure long-term sustainability of the actions by allocating the necessary resources, including running costs and maintenance costs.

Related to project 5 "Major rehabilitation of the main rail line Bar-Vrbnica", the Government shall reimburse disbursements in case of privatisation within project duration.

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

In the event that these conditions are not met, suspension or cancellation of the project or specific activities will be considered.

2.f Benchmarks

This section shows the indicative benchmarks for the tendering and contracting of the funds. This is based on the assumption that the Financing Agreement will be signed before end 2010.

	2010		2011 (cumulative) ***		2012 (cumulative) ***		2013 (cumulative) ***	
	EU	NF*	EU	NF*	EU	NF*	EU	NF
Number of tenders launched **	13	19	15	24	15	24	15	24
Number of calls for proposals launched	1		1		1		1	
Direct Grant Awards / Contribution agreement/delegation agreement	3		6		6		6	
Contracting Rate (%)	8.36	37.35	85,00	88,00	95,00	99.00	100	100

* Parallel Counterpart Co-financing under centralized management. There is no National Fund

** Includes twinning

*** Cumulative numbers refer to the IPA community contribution and to counterpart co-financing respectively

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

Preparations towards decentralised management for IPA are ongoing. Following elections and formation of a new government in spring 2009, a new National Authorising Officer (NAO) was nominated, the other key positions, like Competent Accrediting Officer (CAO) and Programme Authorising Officer (PAO) remained unchanged. The government updated in October 2009 the "Action Plan for the conferral of management of IPA funds for the Component I and II", which envisages the submission of application for conferral of management powers for Comp. I and II by end 2010. An implementing agreement (between newly appointed NAO and PAO) has been signed in October 2009. Out of the 16 Senior Programme officers (SPOs) 14 have been designated and Operational agreements with the PAO were signed. By the end of November 2009 the two remaining operational agreements are expected to be signed. A formal gap assessment (stage 1 of the roadmap to decentralised management for IPA) for Comp I and II has been launched in November 2009.

A Strategic Coordinator (Deputy Minister for European Integration) has been designated for IPA Components III and IV and an "Overall Action Plan of the Government of Montenegro for IPA Comp III and IV" established, which outlines the main steps for elaborating the Strategic Coherence Framework (SCF) and Operational Programmes (Ops) and for the accreditation for the conferral of management.

Assistance in the process of preparing for conferral of EU fund management for IPA Comp I and II is ongoing under a CARDS project, which is to be followed-up by three IPA projects that will support the introduction of decentralised management of EU funds for all five IPA components.

3. BUDGET (AMOUNTS IN EUR)

3.1. Indicative budget table

amounts in 000 000 Euros	Institution Building (IB)					Investment (INV)					TOTAL IB+INV	TOTAL IPA		
	IB TOTAL	IB IPA	%	IB NC*	%	INV TOTAL	INV IPA	%	INV NC*	%	EUR	EUR	%	% per axis
	(a)=(b)+(c)	(b)	(1)	(c)	(1)	(d)=(e)+(f)	(e)	(1)	(f)	(1)	(g)=(a)+(d)	(h)=(b)+(e)	(1)	(2)
Axis 1. Political criteria	3,935,000	3,300,000	83.86	635,000	16.14	4,170,000	3,400,000	81.53	770,000	18.47	8,105,000	6,700,000	82.67	23.40
1. Strengthening the police directorate in integrated border management, criminal intelligence and the fight against drugs	650,000	400,000	61.54	250,000	38.46	2,000,000	1,400,000	70.00	600,000	30.00	2,650,000	1,800,000	67.92	
2. Support the implementation of the anti corruption strategy and action plan	737,000	700,000	94.98	37,000	5.02	0	0	0.00	0	0.00	737,000	700,000	94.98	
3. Support to Local Self-Government for implementing the National Training Strategy (NTS) and provision of grants to municipalities)	1,770,000	1,500,000	84.75	270,000	15.25	2,170,000	2,000,000	92.17	170,000	7.83	3,940,000	3,500,000	88.83	
4. Gender Equality	778,000	700,000	89.97	78,000	10.03	0	0	0.00	0	0.00	778,000	700,000	89.97	
Axis 2. Economic Criteria	5,905,000	4,750,000	80.44	1,155,000	19.56	22,555,000	8,500,000	37.69	14,055,000	62.31	28,460,000	13,250,000	46.56	46.27
5. Major rehabilitation of the main Railway line Bar–Vrbnica (Miatovo Kolo-Mojkovac) section	300,000	0	0.00	300,000	100.00	11,700,000	5,000,000	42.74	6,700,000	57.26	12,000,000	5,000,000	41.67	
6. Upgrading the Pljevlja waste water treatment system	500,000	0	0.00	500,000	100.00	10,500,000	3,500,000	33.33	7,000,000	66.67	11,000,000	3,500,000	31.82	
7. Raising environmental awareness	500,000	500,000	100.00	0	0.00	0	0	0.00	0	0.00	500,000	500,000	100.00	
8. Social welfare and child care system reform: enhancing social inclusion	3,305,000	3,000,000	90.77	305,000	9.23	30,000	0	0.00	30,000	100	3,335,000	3,000,000	89.96	
9. Strengthening administrative capacities in information society	500,000	500,000	100.00	0	0.00	125,000	0	0.00	125,000	100.00	625,000	500,000	80.00	

10. Support for capacity building in the forestry sector	800,000	750,000	93.75	50,000	6.25	200,000	0	0.00	200,000	100.00	1,000,000	750,000	75.00	
Axis 3. Ability to assume obligations of membership	4,650,000	4,500,000	96.77	150,000	3.23	2,592,000	1,100,000	42.44	1,492,000	57.56	7,242,000	5,600,000	77.33	19.55
11. Improving Statistical information system	1,300,000	1,200,000	92.31	100,000	7.69	0	0	0.00	0	0.00	1,300,000	1,200,000	92.31	
12. Strengthening of the Phytosanitary Directorate	700,000	700,000	100.00	0	0.00	70,000	0	0.00	70,000	100.00	770,000	700,000	90.91	
13. Achieving highest safety and technical quality of construction	700,000	700,000	100.00	0	0.00	70,000	0	0.00	70,000	100.00	770,000	700,000	90.91	
14. Implementation of the European Blood Transfusion System	700,000	700,000	100.00	0	0.00	2,300,000	1,100,000	47.83	1,200,000	52.17	3,000,000	1,800,000	60.00	
15. Consumer protection and market surveillance	700,000	700,000	100.00	0	0.00	35,000	0	0.00	35,000	100	735,000	700,000	95.24	
16. Upgrading IT capacity of the Tax Administration	550,000	500,000	90.91	50,000	9.09	117,000	0	0.00	117,000	100.00	667,000	500,000	74.96	
Axis 4. Supporting programmes	490,315	318,483	64.95	171,832	35.05	0	0	0.00	0	0.00	490,315	318,483	64.95	1.11
17. Support for participation in Community programmes	490,315	318,483	64.95	171,832	35.05	0	0	0.00	0	0.00	490,315	318,483	64.95	
Axis 7. Support activities	2,770,340	2,770,340	100.00	0	0.00	0	0	0.00	0	0.00	2,770,340	2,770,340	100.00	9.67
18. Technical Assistance and Project Preparation Facility (TA&PPF)	2,023,000	2,023,000	100.00	0	0.00	0	0	0.00	0	0.00	2,023,000	2,023,000	100.00	
19. Support Measures Facility (SMF)	747,340	747,340	100.00	0	0.00	0	0	0.00	0	0.00	747,340	747,340	100.00	
Total	17,750,655	15,638,823	88.10	2,111,832	11.90	29,317,000	13,000,000	44.34	16,317,000	55.66	47,067,655	28,638,823	60.85	100.00

* contribution (public and private national and/or international contribution) provided by national counterparts

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

(2) Priority axis rows only. Expressed in % of the grand total of column (h). It indicates the relative weight of the priority with reference to the total IPA Community contribution of the entire FP

3.2 Principle of co-financing applying to the projects funded under the programme

The EU contribution, which represents **60.85%** of the total budget allocated to this programme, has been calculated in relation to the eligible expenditure, which in the case of centralised management is based on the total expenditure. Parallel co-financing will be used.

In total **11.90%** of co-financing is foreseen for institution building (IB) and **55.66%** for Investment. In view of these overall figures exceeding the minimum required, a 3.23% co-financing for axis 3 and 0% for axis 7 are acceptable. However, if parts of the axis 7 measures are to be implemented through grants, the guide for applicants of the call for proposal shall provide for a co-financing from the final beneficiary.

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

4. IMPLEMENTATION ARRANGEMENTS

4.1 Method of implementation

The programme will be implemented on a centralised basis by the European Commission in accordance with the Financial Regulation² (FR) and the corresponding provisions of the Implementing Rules³.

One project (project 10) shall be implemented under Indirect Centralised Management, in accordance with Art 56.1 of the FR (6-pillar assessment) through a delegation agreement with Lux Development, and another one (project6) under joint management with EIB in accordance with Art 53d of the FR (4-pillar assessment) through a contribution agreement.

The implementation of the programme is delegated to the European Union Delegation in Montenegro.

4.2 General rules for procurement and grant award procedures

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

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

The Commission shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures for EU external actions" ("Practical Guide") as published on the EuropeAid website⁴ at the date of the initiation of the procurement or grant award procedure.

In case of projects containing works, the FIDIC⁵ conditions of contracts will be followed. The supervision of the works will be ensured by the national authorities.

² Regulation 1605/2002 (OJ L 248, 16.9.2002, p.1)

³ Regulation 2342/2002 (OJ L 357, 31.12.2002, p. 1)

⁴ current address: http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm

⁵ FIDIC International Federation of Consulting Engineers (Fédération Internationale des Ingénieurs Conseils)

4.3 Implementation Principles for Twinning Projects

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

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

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

The twinning manual is available on the Commission's website at the following address: http://ec.europa.eu/enlargement/financial_assistance/institution_building/twinning_en.htm

4.4 Environmental Impact Assessment and Nature Conservation

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

The procedures for environmental impact assessment, as set down in the EIA Directive⁶, will fully apply to all investment projects and the application of the European Principles for the Environment will be ensured⁷.

Since projects 3, 5, 6, 10 and 12 are likely to affect sites of nature conservation importance, an appropriate nature conservation assessment shall be made for each project, equivalent to that provided for in Art. 6 of the Habitats Directive⁸.

5. MONITORING AND EVALUATION

5.1 Monitoring

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

5.2 Evaluation

Programmes shall be subject to *ex ante* evaluations, as well as interim and, where relevant, *ex post* evaluations in accordance with Articles 57 and 82 of the IPA Implementing Regulation⁹, with the aim of improving the quality, effectiveness and consistency of the assistance from EU funds and the strategy and implementation of the programmes.

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

6. AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the

⁶ Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment (OJ L 175 5.7.1985, p. 40).

⁷ Cf. Annex EIA to the corresponding investment project fiche, equivalent to that provided for by the EIA-directive).

⁸ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L206, 22.7.1992)

⁹ Commission Regulation (EC) No 718/2007 of 12 June 2007 (OJ L 170, 29.6.2007, p.1)

one hand, the supervision and financial control by the Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors. This includes measures such as *ex ante* verification of tendering and contracting carried out by the Delegation in the Beneficiary Country.

In order to ensure the efficient protection of the financial interests of the Union, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96¹⁰

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

7. NON SUBSTANTIAL REALLOCATION OF FUNDS

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

8. LIMITED ADJUSTMENTS IN THE IMPLEMENTATION OF THE PROGRAMME

Limited adjustments in the implementation of this programme affecting elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature¹¹, may be undertaken by the authorising officer by delegation (AOD), or by the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

¹⁰ OJ L 292; 15.11.1996; p. 2

¹¹ These essential elements of an indicative nature are, for grants, the indicative amount of the call for proposals and, for procurement, the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.