

Standard Summary Project Fiche – IPA centralised programmes
Project Fiche: 4

1. Basic information

1.1 CRIS Number: 2011/023-173

1.2 Title: Support to Local Self-Government Reform (III)

1.3 ELARG Statistical code: 1.36

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 Beneficiary (including details of project manager):

- **Ministry of the Interior (MoI)**

The Project Manager will be:

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- **Union of Municipalities of Montenegro (UoM)**

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- **Montenegrin municipalities**

Project managers will be appointed by the beneficiaries accordingly.

Financing

1.8 Overall cost (VAT excluded)¹: EUR 2.325 Million

1.9 EU contribution: EUR 1.9 Million

1.10 Final date for contracting:

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 (see Section 7.6)

Three years from the date of signature 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 the contracts.

2. Overall Objective and Project Purpose

2.1 Overall Objective

To strengthen the capacity of local governments for efficient and effective management of service delivery and to contribute to a more balanced regional socio-economic development in Montenegro.

2.2 Project purpose

To improve capacity of local governments and their Union to facilitate local economic development through enhanced inter-municipal cooperation.

2.3 Link with AP/NPAA/ EP/ SAA

The European Partnership document (Council decision of 22 January 2007) identifies, under the Political Criteria section, the “continued implementation of the decentralisation process and upgrading the capacities of municipalities” as a short term priority.

Also in the European Partnership under Democracy and the Rule of Law (Page L227/28), medium-term priorities are listed as: “*Promote Local Government* - adopt and implement decentralisation reform and ensure sufficient local capacities...”

The Analytical Report accompanying the EC Opinion 2010

The project replies to following passages of the EC Analytical Report 2010:

“Administrative procedures are cumbersome and time-consuming and must be simplified. Transparency needs to be improved by facilitating access to public information including on economic governance and allocation of public assets...”

The quality of legislation and of decisions and acts produced by the public administration needs to be considerably improved. This is inextricably linked to improving the quality, capacity and expertise of public servants, with the aid of merit-based recruitment and promotion and continuous training. Further considerable efforts to strengthen administrative capacity to deal with future EU accession obligations are needed.”

The SAA, under art.114 ‘Public Administration’, underlines the need to promote good governance at all levels of public administration, including local government.

2.4 Link with MIPD

The MIPD (2011-2013) identifies under Chapter 3.2.3. (*Sector Objectives for EU support over next three years*):

Local self government would be supported to pursue efforts for its management and for developing its needed socio-economic infrastructures.

Moreover funds will continue to support local governments in developing capacity and infrastructure.

2.5 Link with National Development Plan

Not applicable.

2.6 Link with National strategies

The proposed project is linked to a number of key government strategies and plans, namely:

Strategy of the Public Administration Reform for 2011-2016 was adopted by the Government in March 2011. One of the priorities defined within the chapter on Local Self-Government aims at strengthening inter-municipal cooperation as “To encourage efficient, economical, and effective work of local self-government, the respective units should engage in close cooperation so that they could **valorise their joint potential** in a given region that they gravitate towards but also to **jointly solve problems**”.

The Action Plan for Better Local Government for 2011 approved by the Coordination Committee for Local Self-Government Reform and adopted by the Government in March 2011. Among others, the Action Plan provides the time-table for preparation and adoption of the Strategy for Inter-Municipal Cooperation. It is expected to be adopted by June 2011.

Regional Development Strategy of Montenegro 2010-2014 was adopted by the Government in February 2011. Two out of three strategic goals refer to a more balanced development of local governments and optimal use of capacities.

For further details see Annex 3.

3. Description of project

3.1 Background and justification

Since independence, Montenegro has made significant progress on local government reform:

- The Committee for Coordination of Local Self-government Reform (CCLSGR) was established in February 2007. It is composed of representatives of the Ministry of Finance, Ministry of Interior, Union of Municipalities and selected municipalities (rotation is applied) and it facilitates institutional dialogue, cooperation and coordination between central and local government.
- Strategy of the Public Administration Reform for 2011-2016 was adopted by the Government in March 2011.
- The Action Plan for Better Local Government has been adopted by the CCLSGR and is adopted by the Government in March 2011.
- The Law on Local Self-Government was amended and adopted in December 2009.

- The Law on Local Self-Government Financing was amended and adopted in December 2010. One of the new provisions in the Law is related to the use of conditional grants for the purposes of co-financing of municipal infrastructure projects that are funded from external funds.
- Regional Development Strategy of Montenegro 2010-2014 was adopted by the Government in February 2011.

For details please refer to Annex 3.

However, much remains to be done. There are still key challenges on the local level related to municipal management and service delivery. The local infrastructure, particularly in the less-developed municipalities, is in poor condition and urgently requires additional investments.

Municipal Infrastructure

The municipal infrastructure has deteriorated considerably in the past 15 years because of inadequate investment and maintenance and requires urgent improvement. This is especially a problem in the rural municipalities in the North of Montenegro which attracted very small percentage of the private sector investments focusing mainly on the coastal cities and the capital Podgorica.

Municipal management and service delivery

As a result of decentralization and increased responsibilities of the municipalities, there is a growing trend in expectations from the local population, organizations and businesses for more effective and focused local service delivery. The municipalities are expected to improve standard of living and quality of life at the local level and provide favourable business environment that brings investments and increased employment. Introduction of EU standards and best practices is seen as essential to achieve these objectives and the process of European Integration provides strong incentives for municipal management and citizens for active cooperation.

As municipal responsibilities become increasingly complex and demanding, municipalities should continually seek out the best way to provide the services needed by their communities. One tool to assist in addressing this challenge is **inter - municipal cooperation**.

Creation of inter-municipal and area-based development partnerships is important for socio-economic growth and to better exploit future EU funding support. Municipalities began to recognize the need for making joint efforts to solve common problems, developing, financing and managing projects and promoting the region, especially to attract foreign investors, etc. These issues are still to be carefully planned in line with developing government policy on regional development and the future role of municipalities in local/regional development. In addition, during realization of IPA 2008 Support to Local Self-Government Reform project it was concluded that inter-municipal cooperation can usefully be focused on building absorption capacity.

The proposed project will help to address these problems in a way that it will help to establish a Municipal Grant Scheme that will provide grants for inter municipal small infrastructure investments and increase the funds already available through the central government support, municipal budget funds and other donor support.

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

This project is the third phase of an initiative implemented under IPA 2008 and IPA 2010 national programmes. It seeks to consolidate and strengthen the work carried out in areas agreed upon with the project's main beneficiaries (MoI, UoM and municipalities), with a view to ensuring the full ownership by the national authorities at central and local level, of the initiatives undertaken within the framework of the project.

The impact of the project will be improved municipal services in line with the strategic goals of government strategies and the SAA.

The successful implementation of the grant scheme for small inter municipal infrastructure investments will demonstrate good investment practice and adherence to EU standards. Consequently it shall further enhance inter municipal cooperation and investor confidence at the local level.

New and improved infrastructure should impact on the socio-economic situation of the municipalities, enabling creation of new jobs, promoting sustainable regional economic development, and contributing to a more balanced regional development.

The project is laying the ground for future initiatives and projects in the area of local infrastructure development, providing a basis for IPA programming processes in the coming years, in accordance with both national and EC strategic priorities.

3.3 Results and measurable indicators

Results 1: Increased capacities of local governments to deliver services to citizens and business on municipal and inter-municipal level.

Measurable indicator:

At least two inter-municipal schemes established/institutionalized.

Results 2: Capacities of local governments for strategic planning at inter-municipal level strengthened.

Measurable indicator

At least two sets of planning documents for inter-municipal projects prepared by municipalities.

Results 3: Selected projects financed and implemented

Measurable indicators

3.1 At least two inter-municipal projects funded and implemented.

3.2 Full amount of available funds from the EC Municipal Development Grant is committed

3.4 Activities

The Project activities will be implemented through a grant scheme. Building up upon the 2 previous call for proposals (financed under IPA2008 and IPA 2010) and taking into consideration the latest development in the area of public administration reform, of regional development and investment at local level.

Grant contracts will be awarded to municipalities, following a selection of the proposals on the basis of a call for proposals;

This grant scheme will be designed to meet the results above mentioned according to the following criteria to be revised and finalized prior the publication of the call for proposals :

- The grant scheme will be open for the municipalities benefitting from the equalization fund
- The grant scheme is also for joint inter-municipal projects
- Priority areas for intervention will be mainly , but not limited to:
 - support to investments and supply of equipment in key sectors defined in the Grant guidelines
 - the preparation of large investment documents for inter-municipal projects,
 - financing technical support and assistance in setting up and/or operating inter-municipal organization, projects
- all projects shall contribute to improve a balanced regional development
- all projects will have to be linked to local development plans and investment priorities as per the requirement of the law on regional development
- co-financing arrangement must be clearly presented by each applicant

The technical assistance financed under IPA 2010 National Programme will provide support to beneficiaries in identification of relevant project ideas, preparation of Grant Guidelines, support to the Contracting Authority in launching of a Call for Proposals, organizing information seminars and providing clarifications, support to beneficiaries to prepare applications. It will also provide support to beneficiaries in the preparation of tender documents for secondary procurement, the tendering process as well as with the, monitoring of contracts implementation in co-operation with the CFCU and the Union of Municipalities.

3.5 Conditionality and sequencing

The project implementation is subject to the following conditions:

- Montenegrin government co-financing for grant scheme guaranteed;
- Adoption of the Action Plan for Better Local Government 2012;
- Projects pipeline at the local level are mature enough to be considered for funding from the Grant Scheme
- Project management capacity at local level have been strengthened since the first call launched in 2010

As regards sequencing for implementation, this Grant Scheme will build on the activities and results of the IPA 2008 and IPA 2010 projects supporting local governments (technical assistance and grant scheme).

In the event that conditions are not met, suspension or cancellation of projects will be considered.

3.6 Linked activities

Under IPA 2008 national programme, the EU is financing the implementation of the project supporting Local Government in the area of training in project formulation and management. As a part of the project, the assistance is provided to Union of Municipalities for building capacity for coordination and management of the training process as well as a €3.5 million Municipal Development Grant Scheme for financing small municipal infrastructure. Training in project formulation and management will build the capacity for preparation of quality project proposals and projects pipeline for municipality infrastructure projects to be considered for funding from IPA funds.

In this context IPA 2010 national programme provided additional €2 million to complement the IPA 2008 Municipal Development Grant scheme. The both grants have been launched at the same time. First call for proposal was launched in June 2010 and was open until October 2010. Seven municipalities received grants for small infrastructure projects with total value of €5.3 million (€3.8 million IPA funds and €1.5 million National co-financing). Second Call for Proposal for the remaining €1.7 million from IPA funds was launched on the 31st March 2011 (until 4th July 2011). Contracts are expected by the 4th Quarter 2011.

Under IPA 2010 national programme, additional technical assistance support will be provided to municipalities and to CFCU to continue building up the capacity at local level and central level in preparing manage and monitor such type of contracts. In this regard, this project is supporting the beneficiaries in the cull period of implementation of all grants contracted under the calls for proposals funded under IPA (2008, 2010 and 2011).

Under IPA 2009 national programme, the EU is financing the implementation of the project supporting the network of rural roads in northern Montenegro. The project aims to contribute to the implementation of the Strategy for food production and rural development and to support balanced regional economic development in Montenegro. Within the project, appropriate machinery will be provided for the maintenance of rural roads in northern Montenegro thus improving maintenance of the network of rural roads and sustainability of rural communities. Four “Machinery rings” have been established and agreements between municipalities have been signed. The project is currently in the process of purchasing equipment required for maintenance of rural roads in northern Montenegro.

Under IPA, the EU is financing the implementation of the project supporting Local Government (phase II) building up on the results of IPA 2008 support.

Major municipal environmental infrastructure projects in the North of Montenegro are supported through EIB loan and IPA resources from national programmes (IPA 2008, 2009, 2010) as well as multi-beneficiary one (IPA 2008 Multi-beneficiary project titled "Municipal Window of the Infrastructure Projects Facility).

GTZ is currently implementing the “Municipal Land Management project”, which aims at improving municipal planning and administration in the use of land as resource. The project addresses the core problem of inadequate data and planning and management competencies for directing strategic spatial development in all Montenegrin municipalities.

UNDP is implementing the Project *Local Governance Capacity Development in Montenegro*. Project has two components: (1) Strengthening inter-municipal cooperation (IMC) practices: increased governance capacity of local authorities in the sector of IMC, significant cost savings, increased efficiency, and improved quality of public services; (2) Strengthening Municipal Assemblies: improved effectiveness and functions of Municipal Assemblies. In regards to inter-municipal cooperation the Project is aiming to provide policy and technical support to institutional strengthening of the governance structures in Montenegro to facilitate

the establishment, maintenance, and development of cooperative arrangements; increase awareness of local authorities regarding institutional framework of IMC at national and regional levels and identification of sustainable IMC projects.

In 2010 UNDP and the Ministry of Interior prepared the publication “Strengthening of Inter-Municipal Co-operation in Montenegro”. The objectives of this publication are: (1) to raise awareness of the current state of inter-municipal cooperation (IMC) practices in Montenegro, (2) to discuss the experience of the region (namely, the Former Yugoslav Republic of Macedonia) and draw useful findings from it, and (3) to provide recommendations for further development of IMC in the country.

As a part of its Democratisation Programme, the OSCE is currently financing a project on improving transparency and efficiency of local governance. The project is implemented by the Union of Municipalities.

The Austrian Development Agency (ADA), has contributed € 2, 9 million since 2004 to support five municipalities of the region Bjelasica & Komovi (Andrijevisa, Berane, Bijelo Polje, Kolasin and Mojkovac). In the follow-up project ADA provides further support to the development of this area by helping to establish the Regional Development Agency and providing, together with other stakeholders, financial and TA support for this operation. In addition, ADA is providing Euro 1 million to the Small Project Fund within the project that RDA is implementing. Part of this fund is at disposal of municipalities for project (co)financing. This project has high potential relevance to the project in two aspects. First, the Small Project Fund could be one additional source for co-financing of the investment projects to be funded from the EC grant for small infrastructure. Second, part of the training in project formulation and management can be organized under auspices of the RDA and in this way increase the size and relevance of the project proposals developed for financing from the grant fund. The ADA project will benefit from the increase relevance of the established RDA.

The Program Strengthening Local Self-Government in Montenegro-Phase II is a Joint Initiative of the European Commission and the Council of Europe. The Program aims to support the Montenegrin authorities at central and local level in the implementation of institutional and legal reforms in the field of local self-government. The Program provided advice and support in preparation of the Action Plan for Local Self-Government Reform for 2010, preparation of amendments to the Law on Local Self-Government and the harmonization of sectoral laws with the revised law; the drafting of a new Law on Territorial Organization; the drafting the Law on Public Service, drafting the Law on Local Elections, preparation of amendments to the Law on Inspection Control.

Specific component of the Program is strengthening public ethics at local level which is being implemented in co-operation with the Union of Municipalities and OSCE. It supports implementation of the Action Plan for fighting corruption at local level and implementation of the codes of conduct by the Montenegrin municipalities.

The Dutch government MATRA programme is currently financing the project “Increasing accountability and transparency at the municipal level in Montenegro” implemented by the Union of Municipalities and VNG International. The project includes all 21 municipalities of Montenegro and civil society representatives. It is expected that the project will raise awareness of the need to increase transparency and accountability at the municipal level among civil society, municipal staff and elected representatives. It will develop participatory mechanism with five pilot municipalities for increased transparency and accountability based on the best EU practice and build the capacity of the Union of Municipalities to provide support to municipalities in this area.

The World Bank has signed a Loan Agreement for Land Administration and Management Project (LAMP) just at the end of 2008 of 22 million EUR (11million EUR World Bank loan combined with another 11 million EUR Government co-financing). This project is to be implemented by the Ministry of Sustainable Development and Tourism. There are three components: (A) Real Estate Administration (71% of Project costs) concentrates on improving registration services to the public by improving the facilities at local offices, especially in Podgorica where the majority of transactions occur. The activities under the Project fit within the Real Estate Administration Department READ five year plan for 2008 to 2013, and include four subcomponents: (i) improving registration services; (ii) information system development; (iii) provision of base maps; and (iv) building the real estate cadastre (REC). (B) Improving Planning and Permitting (24% of Project costs) to support MED and those municipalities that have limited funds to develop spatial and general plans in line with the recently approved National Spatial Plan (NSP). There are four subcomponents: (i) improving the planning process and support to the Ministry; (ii) improving the planning process at municipal level and completion of plans; (iii) improving construction permitting and inspection; and (iv) support to the business environment. (C) Project Management (5% of Project costs).

3.7 Lessons learned

Although impact realised through the previous assistance overall is satisfactory, a number of challenges remain:

- *Implementation:* In the past there has been considerable emphasis on establishing the legal framework, with insufficient attention paid to the capacity to implement the law and relevant strategies. This proposed project will put an emphasis on creating capacity for implementation.
- *Resources:* Often project implementation is hampered by either insufficient staff and resources, or insufficient operational funds. This proposed project will have very explicit conditions about sufficient resources being made available in the government budget.
- *Cooperation with civil society:* Municipalities, especially in smaller towns and from rural areas, have limited experience with and capacity to develop, implement and manage projects. Experience shows that inclusion of civil society in the project management cycle significantly increases the success rate, as civil society organisation often do have the required experience with donor funded projects. Mechanisms to promote their inclusion in the municipal investment projects, through measures such as rewarding extra points during evaluation for those municipalities that have a civil society organisation as partner, therefore should be considered.

4. Indicative Budget (amounts in €)

			TOTAL EXP.RE	SOURCES OF FUNDING								
				IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB	IN V	EUR (a)=(b)+(c)+(d)	EUR (b)	%	Total EUR (c)=(x)+(y)+(z)	%	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	%
Grant scheme	X		2,325,000	1,900,000	82%	425,000	18%	340,000	85,000			
TOTAL IB			2,325,000	1,900,000	82%	425,000	18%		85,000			
TOTAL INV												
TOTAL PROJECT			2,325,000	1,900,000	82%	425,000	18%	340,000	85,000			

Amounts net of VAT

*The exact amount and source of funding from the national contribution (central, local, IFI) will be known only after the result of the call for proposals

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

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1 (IPA +_NC)	Q1 2012	Q3 2012	Q3 2013

6. Cross cutting issues

6.1 Equal Opportunity

In general, gender needs will be considered as an analytical instrument, from programme design onwards.

Equal treatment and opportunities for women in the relevant institutions will be taken into account in policies and practices that reflect the working capacities and family obligations of their staff, especially women's participation.

6.2 Environment

There will be a requirement that selected proposals from municipalities take into account environmental issues. It is likely that some of the municipal projects proposals will foresee actual improvements to municipal infrastructure, in sewage treatment or water supply for instance, thus having a more direct environment benefit.

6.3 Minorities

The project will assist beneficiaries in implementing mechanisms to ensure that in the legislative process the principle of equitable representation of ethnic minorities is taken into consideration. There will also be a requirement that selected proposals from municipalities take into account minorities' interests.

ANNEXES

- 1 - Logical framework matrix in standard format
- 2 - Amounts contracted and disbursed per quarter over the full duration of the programme
- 3 - Description of Institutional Framework, Reference to laws, regulations and strategic documents, National Support Schemes
- 4 - Details per EU funded contract

ANNEX I - Log frame in Standard Format (see next page

- LOGFRAME PLANNING MATRIX : Support to Local Self-Government Reform (III)

Programme: IPA 2011 - Component 1 - Montenegro National Programme	Contracting period expires 3 years after signing FA	Disbursement period expires: One year after the final date for execution of the contract
	Total budget: 2.325.000	IPA budget: 1.900.000

Overall objective	Objectively verifiable indicators	Sources of verification	Assumptions
To strengthen the capacity of local governments for efficient and effective management of service delivery and to contribute to a more balanced regional socio-economic development in Montenegro.	<ul style="list-style-type: none"> • Fiscal capacity of municipalities • Improved citizen satisfaction with the municipal services compared to before the project • Value of the development index of municipality 	<ul style="list-style-type: none"> • Ministry of Finance’s Report on Public Spending at local level • Municipal documentation • Local opinion survey • Official Gazette of Montenegro • Final and interim project reports 	
Purpose	Objectively verifiable indicators	Sources of verification	Assumptions
To improve capacity of local governments and their Union to facilitate local economic development through enhanced inter-municipal cooperation.	<p>Number of services organized at inter-municipal level.</p> <p>Extension of communal services to local population in at least 4 municipalities.</p>	<p>Final and Interim Project reports</p> <p>Municipal reports and records</p> <p>Union of Municipalities’ reports</p>	<ul style="list-style-type: none"> • Collaboration of UoM and the MoI is confirmed • Municipalities keep their commitment to apply for inter-municipal projects.
Results	Objectively verifiable indicators	Sources of verification	Assumptions
<p>1.Increased capacities of local governments to deliver services to citizens and business on municipal and inter-municipal level.</p> <p>2.Capacities of local governments for strategic planning at inter-municipal level strengthened.</p>	<p>At least two inter-municipal schemes established/institutionalized.</p> <p>At least two sets of planning documents for inter-municipal projects prepared by municipalities.</p>	<p>List of the projects/proposals</p> <p>List of contracts</p>	<ul style="list-style-type: none"> • Activities of UoM are continuously supported by municipalities • Municipalities are able to develop good quality project proposals

3.Selected projects financed and successfully implemented	At least two inter-municipal projects funded and implemented. Full amount of available funds from the EC Municipal Development Grant is committed.		
Activities	Means	Cost	Assumptions
The TA project financed under IPA 2010 National Programme will provide support to beneficiaries in identification of relevant project ideas, preparation of Grant Guidelines, support to DEU in launching of a Call for Proposals, organizing information seminars and providing clarifications, support to beneficiaries to prepare applications, support to DEU in preparation of contracts and attuning of the budgets, support to beneficiaries in preparation of tender documents for secondary procurement and implementation of tenders in co-operation with CFCU and the Union of Municipalities, Monitoring of Contracts implementation in co-operation with the Union of Municipalities andCFCU.	Grant scheme (IPA and NC)	IPA contribution : 1.900.000€ National co-financing: 425 000€	<ul style="list-style-type: none"> • Set of clearly defined criteria for selection of projects eligible for the programme • Required technical documentation for individual projects and scheme sub-projects prepared
			Preconditions
			Beneficiaries' co-financing for individual projects available

ANNEX 2: Amounts contracted and disbursed by quarter for the project (in €) – only IPA funds

Contracted	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Contract 1			1,900,000				
Cumulated			1,900,000				
Disbursed	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Contract 1			1,425,000				475,000
Cumulated			1,425,000				1,900,000

ANNEX 3:

Description of institutional framework

The Committee for Coordination of Local Self-government Reform (CCLSGR) was established in February 2007 (Official Gazette, 14/07, 22/07). It is composed of representatives of the Ministry of Finance, Ministry of the Interior, Union of Municipalities and 5 selected municipalities (rotation is applied) and it facilitates institutional dialogue, cooperation and coordination between central and local government. Under the CCLSGR three commissions have been established: 1. Commission for international cooperation 2. Commission for fiscal decentralisation and 3. Commission for administrative decentralisation.

The Ministry of Interior established a Local government department which staffed with approx.10 civil servants. The Ministry of Interior (hereinafter: the Ministry) has the leading role and responsibility for developing the right policy and legislative framework for local government. It needs to overlook the local government fulfilling and to analyze problems and keys obstacles in functioning and performance of the local government bodies.

The Union of Municipalities, Union of Municipalities was founded in 1972, as an association of municipalities of Montenegro. By adopting the Law on Local Self-government (Official Gazette 43/03), terms for registration of the Union as a national association of local authorities of Montenegro have been reached. The Union was register as the National Association of Municipalities in November 2003. The Union is composed by all twenty one municipalities of Montenegro. It is staffed with 8 permanent staff in 2009. The association has its Assembly (all Mayors and Presidents of Municipal Assemblies), Presidency (11 Mayors) and 4 committees. Its main goals are: to develop and improve the legal system and the position of local government; to represent common local government interests in front of Republic bodies and other domestic and international entities; to accomplish mutual cooperation between local governments in order to realize jointly local population interests and to develop and improve education and culture of citizens and local government official.

The Proposal of the Law on Regional Development foresees establishment of the **Regional Development Partnership Council** for the purpose of monitoring and improving regional development of Montenegro. The Partnership Council shall:

- 1) monitor the situation in the area of the regional development and issue recommendations for undertaking measures aimed at improving the regional development of Montenegro;
- 2) provide opinion on the Draft Strategy;
- 3) issue recommendations for determining priorities in the implementation of the development projects;
- 4) review effects of implementation of the regional development policy;
- 5) adopt its Rules of Procedures; and
- 6) perform other activities pursuant to the Law.

The members of the Partnership Council shall be appointed from the representatives of the state administration bodies, local self – government units, union of employers, non - governmental organizations in the area of environmental protection, and organizations performing operations aimed at fostering regional development.

Reference to laws, regulations and strategic documents

Reference list of relevant laws and regulations

- European Charter on local self-government, Official Gazette 5/08
- Constitution of Montenegro, Official Gazette 61/07
- Decree on organization and manner of work of state administration, Official Gazette 54/04
- Law on Local Self-Government, Official Gazette 42/03, 28/04, 75/05, 13/06, 88/09, 03/10
- Law on Financing of Local Self-Government, Official Gazette 42/03, 44/03, 5/08, 74/10
- Law on Public Procurement, Official Gazette 60/03, 46/06
- Law on Territorial Organisation of Montenegro, Official Gazette 10/06
- Law on State-owned Property, Official Gazette 21/09
- Law on Public Servants, Official Gazette 50/08, 86/09
- Law on Administrative Supervision, Official Gazette 39/03,
- Decision on the establishment of the Committee for local self-government reform, Official Gazette , 14/07, 22/07
- Analysis of local self-government functioning, GoM 2005
- Analysis of local self-government activities, GoM 2005
- Analysis of local self-government financing, GoM 2005

Reference to national / sectoral investment plans

Strategy of the Public Administration Reform for 2011-2016 is in the process of adoption by the Government. One chapter of the Strategy deals with development of inter-municipal cooperation:

“Developing inter-municipal cooperation

To encourage efficient, economical, and effective work of local self-government, the respective units should engage in close cooperation so that they could **valorise their joint potential** in a given region that they gravitate towards (e.g. Kolasin, Mojkovac and Bijelo Polje) but also **jointly solve problems** (e.g. waste disposal, joint inspection services, etc.). The effects of such cooperation would include the following: lower costs and better quality of public services thanks to the economy of scales and greater access to sophisticated technologies, same level of service quality provided across municipalities, attract more successfully the funds from public, private or donor funds and other sources, etc. One of the mechanisms for proper development of inter-municipal cooperation is the so called system of incentives, which implies that such cooperation would be stimulated in the provision of public services, particularly of those where the economy of scales is crucial to reducing costs and increasing availability.

It is of particular importance to encourage the implementation of the European Framework Convention on Transboundary Cooperation between territorial units or authorities and its three protocols, as well as of the EU regulations in this area. The legal basis for the development of this form of cooperation is also recognized in the Local Self-government Act. To ensure a comprehensive approach to the development of inter-municipal cooperation and **establishment of inter-municipal unions and bodies for transboundary and inter-**

territorial cooperation, it is of utmost importance to develop a national strategic document that would serve as foundation for future growth in this area.”

The Action Plan for Better Local Government for 2011 approved by the Coordination Committee for Local Self-Government Reform and adopted by the Government in March 2011. Among others, the Action Plan provides the time-table for preparation and adoption of the Strategy for Inter-Municipal Cooperation. It is expected to be adopted by June 2011.

“To encourage efficient, economical, and effective work of local self-government, the respective units should engage in close cooperation so that they could valorise their joint potential in a given region that they gravitate towards and to jointly solve problems. The effects of such cooperation would include the following: lower costs and better quality of public services, same level of service quality provided across municipalities, attract more successfully the funds from public, private or donor funds and other sources, etc.”

Regional Development Strategy of Montenegro 2010-2014 was adopted by the Government in February 2011. Two out of three strategic goals refer to a more balanced development of local governments and optimal use of capacities.

Strategic goal 1: Balanced development of all local government units and regions;

- *Through the adjustment and better connectivity of the needs at local and regional level with the priorities at national level, and through adjustment of the needs of development at local and regional level with the available national and EU funds for development.*

Strategic goal 2: Rapid development of less developed local government units and regions;

- *Through the creation of the conditions for recognition, increasing and optimal use of their development capacities by eliminating the causes that prevent their development.*

Strategic goal 3: Regional development and environmental protection;

- *Through the improvement of the conditions for sustainable use of natural resources, implementation of low carbon technologies and the development of communal infrastructure, providing special support to the areas that are lagging behind in the development.*

ANNEX 4: Grant to municipalities (IPA-1.9 MEUR; NC - 0.425 MEUR)

Grant contracts will be awarded to municipalities, following a selection of the proposals under the envisaged following criteria to be revised and finalized prior the publication of the call for proposals :

- The grant scheme will be open for municipalities benefitting from the equalization fund
- The grant scheme is also for joint inter-municipal projects
- Priority areas for intervention will be mainly , but not limited to:
 - support to investments and supply of equipment in key sectors defined in the Grant guidelines
 - the preparation of large investment documents for inter-municipal projects,
 - financing technical support and assistance in setting up and/or operating inter-municipal organization, projects

- all projects shall contribute to improve a balanced regional development
- all projects will have to be linked to local development plans and investment priorities
- co-financing arrangement must be clearly presented by each applicant
- the aim is to distribute funds as equal as possible but all projects will be evaluated on competitive basis

Both technical (“hard”) and social (“soft”) inter - municipal infrastructure projects will be eligible.

Applicants for Grants will have to demonstrate that they have clear plan for implementation of the grant and to prove sustainability of action. A co-financing of 18% from national sources is envisaged for each action.

Detailed criteria for the Call for Proposals will be developed and approved by the Delegation of the European Union in Montenegro.

In the case that all available funds are not awarded after the first call for proposal , a second one with revised criteria will be envisaged.

In the case of delays in grant project implementation by the beneficiaries or in the capacity development in inter-municipal cooperation, an extension of the TA contract financed under IPA2010 shall be made possible against a performance assessment by the Contracting authority and request of the beneficiary.

If such an extension in duration would have budget impact, the budget increase would be financed under IPA 2011 budget allocated to this project fiche