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**COMMISSION IMPLEMENTING DECISION**

**of 18.11.2011**

**on a Multi-annual Indicative Planning Document (MIPD) 2011-2013 for Montenegro**

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on a Multi-annual Indicative Planning Document (MIPD) 2011-2013 for Montenegro

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)<sup>1</sup>, and in particular Article 14 (2) (a) thereof,

Whereas:

- (1) Regulation (EC) No 1085/2006 creates a coherent framework for European Union assistance for candidate countries and potential candidates. Article 6 (1) of that Regulation requires that the assistance shall be provided on the basis of multi-annual indicative planning documents established by country in close consultation with the national authorities.
- (2) In accordance with Article 6 (3) of Regulation (EC) No 1085/2006 assistance for countries listed in Annex II to that Regulation shall be based on the European Partnerships and cover the priorities and overall strategy resulting from a regular analysis of the situation in the country and on which preparation for further integration into the European Union must concentrate.
- (3) At its meeting of 16-17 December 2010, the European Council agreed to give Montenegro the status of candidate country. Accordingly, Council Regulation No 1085/2006 is to be modified by a Regulation of the European Parliament and the Council, in order to list Montenegro in Annex I to that Regulation. The Commission has presented on 20 July 2011 a proposal to that effect<sup>2</sup>.
- (4) The Council adopted on 22 January 2007 a European Partnership with Montenegro<sup>3</sup>.
- (5) This Decision is in accordance with the opinion of the IPA Committee set up under Article 14 of Regulation (EC) No 1085/2006,

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<sup>1</sup> OJ L 210, 31.7.2006, p. 82

<sup>2</sup> COM (2011)446.

<sup>3</sup> Council Decision of 22 January 2007 on the principles, priorities and conditions contained in the European Partnership with Montenegro (2007/49/EC) (OJ L20, 27 January 2007)

HAS DECIDED AS FOLLOWS:

*Article 1*

The Multi-annual Indicative Planning Document (MIPD) for the years 2011-2013 for Montenegro attached to the present Decision is hereby adopted.

*Article 2*

This Decision shall enter into force on the day on which the Regulation whereby Montenegro is inserted into Annex 1 of Regulation (EC)1085/2006 enters into force.

Done at Brussels, 18.11.2011

*For the Commission*  
*Štefan FÜLE*  
*Member of the Commission*

**ANNEX**

**Instrument for Pre-Accession Assistance (IPA)  
Multi-annual Indicative Planning Document  
(MIPD)  
2011-2013  
Montenegro**

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## Executive summary

The purpose of this Multi-Annual Indicative Planning Document (MIPD) is to set out the EU's priorities for assistance to Montenegro on its way towards EU accession during for the programming period 2011-2013.

The present MIPD is based on the needs identified in the European Partnership as well as in the Opinion<sup>1</sup> (adopted on 9 November 2010 as part of the Enlargement Package) and with the country's own strategies. The Government of Montenegro, local stakeholders, EU Member States and other donors have all been consulted in the design of this MIPD.

The Commission has taken a number of steps to enhance the strategic nature of this process over the last few years and to strengthen the link between the priorities established in the progress reports/opinion and the programming of assistance. To better illustrate this focus, the Commission will increase its use of a sector-based logic in its planning of pre-accession assistance for Component I and II.

To increase the impact of IPA assistance and to give greater focus to achievable results, the Commission has decided to concentrate its efforts on targeted sectors. A sector approach will facilitate cooperation among donors and beneficiaries, where possible under the lead of the national authorities, eliminating duplication of efforts and leading to greater efficiency and effectiveness. This in turn should allow all stakeholders to focus increasingly on the impact of our combined efforts.

By focusing increasingly on priority sectors, the Commission can better support the development of such programmes on which the EU and other donor assistance can then be based.

The following priorities for IPA support to Montenegro over the period covered by this MIPD have been identified. They stem out of the Opinion "key priority areas" to be fulfilled before opening negotiations, and out of the related analytical report. Taking into account that other donors are also actively involved in assisting Montenegro, areas where IPA can make a contribution to further approaching EU membership, have been selected with the following priorities:

- Strengthen the Parliament's legislative and oversight role; complete essential steps in public administration reform; enhance media freedom and strengthen cooperation with civil society;
- Strengthen rule of law; improve the anti-corruption legal framework and strengthen the fight against organised crime;
- Implement effectively the *acquis* throughout the programme, and specifically through strengthening the administration capacity, since Montenegro received the status of candidate country;
- Prepare Montenegro for the management of Structural Funds for the future EU cohesion policy, namely the European Regional Fund and Cohesion Fund regarding the

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<sup>1</sup> SEC(2010) 1334

environmental and transport sectors (in the areas of railways and maritime) and the European Social Fund (in the areas of human resources development, ie. employment, education and social inclusion);

- Strengthen the environmental administration including for EIAs, for the management of protected areas, for climate change and to identify sustainable funding for implementation;
- Strengthen the administrative capacity in the sector of agriculture and rural development, including food safety, veterinary and phytosanitary issues, and focus preparations on setting up basic instruments and institutions for managing the CAP.

To achieve these priorities in the programming period 2011-2013, the Commission will focus its assistance on the following sectors:

- **Justice and home affairs.**
- **Public administration reform**
- **Environment and Climate Change.**
- **Transport.**
- **Social Development.**
- **Agriculture and rural development.**

## **1. IPA STRATEGIC OBJECTIVE**

The overall objective of EU financial assistance to Montenegro is to support its efforts for reform and towards compliance with EU law in order to become fully prepared to take on the obligations of membership to the European Union.

The Europe 2020 agenda offers the enlargement countries an important inspiration for reforms. Montenegro is invited to consider the priorities of the strategy and adapt main challenges in the national context. Enlargement policy also supports the Europe 2020 strategy by extending the internal market and enhancing cooperation in areas where cross border cooperation is key.

## **2. STRATEGIC PLANNING OF IPA ASSISTANCE**

### **2.1. Country challenges and needs assessment**

Montenegro is a very small economy, with a population of over 624,000 distributed on a mountainous territory of 13,812 square kilometers. The country has natural resources, mainly bauxite, coal, wood, but also a significant renewable energy potential, and a favourable climate for agriculture and tourism. In addition, it benefits of natural beauties from the coastal area towards the Northern mountains, which represents an important potential for tourism.

Like its neighbor's, it is however subject to natural disasters (floods, earthquakes, fires). The industrial base is narrow but services, notably tourism and trade, are more developed.

Montenegro became independent in June 2006. The new Constitution was adopted in the Parliament on 19 October 2007. Democratic and electoral standards in the country are considered to be satisfactory. Montenegro plays a constructive regional role.

Economic stability reached a degree considered sufficient to allow economic operators to make decisions in a climate of predictability. This has resulted in high growth rates which were on average above 5% in the years preceding the economic crisis. Foreign investments were attracted by the improved business environment. The Montenegrin economy remains very open and the level of trade and investment integration with the EU and the Western Balkan region is high. Gross domestic product reached EUR 3 billion in 2009. The distribution of both population and income reflects regional differences between a more populated and rich south (coastal and capital areas) and the less developed northern municipalities. Employment in mining and heavy industry declined, while employment in tourism and construction increased. Employment in the public sector represents some 25% of total employment, while employment in agriculture is rather low (less than 6% of the labour force in 2009). Informal employment appears to have increased due to the crisis, to 25% of the labour force in 2009. Tourism has seen a continuous growth despite the crisis, and its contribution to GDP has been 20.8% in 2009, with 17.8% of total employment.

Informal employment appears to have increased due to the crisis, to 25% of the labour force in 2009. The increasing reliance on temporary migrant workers for seasonal jobs in agriculture, construction and tourism and high vacancy rates for highly skilled jobs point to a significant mismatch between required and supplied skills.

In order to address the above issues, there is a need to improve the education and vocational training systems, as well as to improve the labour market.

The country has a still insufficient energy and transport infrastructure. Most of all, persisting weaknesses in the rule of law negatively affect the socio-economic environment.

According to the latest data from the National Human Development Report (NHDR 2009), poverty remains steady (around 11%) and is relatively high in the north of the country, where unemployment, comparatively high illiteracy especially among elderly and women, and low income levels contribute to high poverty rates.

Social exclusion is concentrated among certain vulnerable groups of the population, with six main vulnerable groups identified as "excluded", such as long term unemployed, pensioners, people with disabilities, Roma, Ashkali and Egyptian (RAE) population, and displaced refugees and internally displaced persons. The existing social welfare and education system in Montenegro is in the process of intensive reforms and decisive endeavours are needed. The overall local level social security is still weak, despite the significant allocations for social transfers and subsidies (e.g. in 2007, 25% of the total budget was allocated for social transfers and subsidies).

## **2.2. National strategies**

The National Programme for Integration 2008-2012 (NPI) defined specific short and medium term activities of relevant institutions in the normative and institutional sense, based on a detailed analysis of its degree of implementation, with special emphasis on the degree of compatibility of national legislation with the EU *acquis*. The NPI includes a review of administrative capacity and employment plan and a financial assessment of its

implementation. In addition, it aims at consolidating the rule of law and democracy, promoting human rights, and enhancing commitments to regional initiatives. It proposes structural reforms to, inter alia, promote market economy, strengthen public financial management, enhance environmental and agricultural standards, and improve the performance of energy, transport and other needed infrastructures. The Government is currently working on the revision of the NPI, expected in the course of 2011.

The Government is in the course of finalizing its Strategic Coherence Framework (SCF) giving the main strategic intervention areas and priorities for EU investment support. It provides the reference document for programming the Regional Development as well as the Human Resources Development components of IPA. The overall objective of the draft SCF is "to develop Montenegro as an Ecological State, ensuring ongoing sustainable growth and facilitating its progress towards EU accession."

### **2.3. Relations with the EU**

The Stabilisation and Association Agreement (SAA) was signed on 15 October 2007 and entered into force on 1 May 2010. The SAA with Montenegro is one of the most liberal association agreements due to the open economy of Montenegro. Where needed, IPA contributes to assist the country to implement the SAA. Since December 2009, a visa free regime has been in place for Montenegrin citizens following the successful implementation of a Roadmap on visa liberalization.

Montenegro applied for EU membership in December 2008. After the assessment of the responses to a questionnaire, the Commission came to the following conclusion in November 2010: "the Commission recommends that the Council should grant Montenegro the status of candidate country... The Commission considers that negotiations for accession to the European Union should be opened with Montenegro once the country has achieved the necessary degree of compliance with the membership criteria and in particular the Copenhagen political criteria requiring the stability of institutions guaranteeing notably the rule of law. In this regard Montenegro needs in particular to meet key priorities." And on 17 December 2010, "The European Council endorsed the Council's conclusions of 14 December 2010 on enlargement and agreed to give Montenegro the status of candidate country".

The key priorities that will closely be monitored before opening negotiations are the following: improve the legislative framework; complete public administration reform; strengthen rule of law; improve the anti-corruption legal framework and implement the government's anti-corruption strategy and action plan; strengthen the fight against organized crime; enhance media freedom and strengthen cooperation with civil society; implement the legal and policy framework on anti-discrimination; adopt and implement a sustainable strategy for the closure of the Konik camp.

One of the practical implications for Montenegro of receiving candidate status is the access to the other three components of IPA<sup>2</sup>, namely regional development; human resources development; and agriculture and rural development.

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<sup>2</sup> Once the Regulation is amended in order to list Montenegro in Annex I (Candidate Countries)

## **2.4. Lessons learned**

Experience with the implementation of the first two components of IPA assistance and the evaluation carried out for CARDS projects in the fields of public administration, justice, liberty and security, and civil society led to strategic and operational recommendations which included: the need to better target project objectives; to improve the planning of operations; to increase the awareness on sustainability; to conduct functional needs assessments; to improve donor coordination; to improve project design and project preparation; to involve civil society in the programming steps, not only for social matters; to increase the monitoring of project implementation; to ensure that cross-cutting aspects lead to concrete impact; to ensure ownership by the beneficiaries and sufficient absorption capacity.

On the practical level, this requires that: (i) projects are mature and well designed; (ii) staffing in the relevant institutions is adequate; (iii) there is a mobilisation of the civil society and a political consensus on their role and on the key reform activities; (iv) there is an efficient donor coordination system, based on strategic reform priorities and in particular on its drive towards European integration; (v) the Montenegrin administration should be encouraged to develop a greater inter-sector awareness and cooperation relating to the use of EU co-funding.

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

Today, ownership has increased with final beneficiaries involved in the preparation of IPA projects; institutions are showing greater commitments in implementing strategies as well as programmes; civil society is present in a large number of instances. Donor coordination is progressing well under the recent leadership of the Deputy Prime minister's office. In addition, as mentioned already in the previous MIPDs, a key lesson learnt from the 5<sup>th</sup> enlargement process is that reforms in the judiciary and rule of law should be tackled at an early stage of the pre-accession process in order to produce results on time.

## **2.5. Needs assessment and consultations with stakeholders and donors**

For the purpose of the present MIPD, a needs assessment was carried out, based on the existing strategies, the needs expressed by Government, the conclusions of the sub-committees, the shortcomings mentioned in the progress report and in the Opinion, the SWOT analysis done for the draft Strategic Coherence Framework, and on the lessons learnt from past and on-going assistance.

In addition, the EU delegation carried out a survey to identify the existing strategies or action plans in view of identifying priority sectors, as well as of programming IPA assistance for the next three years period. Among the main documents, are:

- National Programme for Integration (NPI) of Montenegro into the EU for the period 2008-2012
- Strategy for Judiciary Reform of Montenegro 2007-2012
- The Strategy on Anti-Corruption and Organised Crime for the Period 2010-2014 and the Action plan for its implementation for the Period 2010-2012

- National Strategy for Sustainable Development
- Social Inclusion Strategy
- Solid Waste Management Plan of Montenegro for the period 2008 – 2012
- Montenegro's Agriculture and Rural Development Strategy
- The Energy Development Strategy of Montenegro by 2025
- National Energy Efficiency Action Plan
- National Programme for Food Production and Rural Development 2009 – 2013
- The Transport Development Strategy of Montenegro
- National Strategy for the Cooperation of the Government of Montenegro and NGOs
- Strategy for Tourism Development in Montenegro until 2020

The Commission conducted missions in February and October 2010 for consultations on the revised approach for programming, in an attempt to identify one or more sectors responding to the criteria of a "sector wide approach", as well as to identify possible lead donors. The main stakeholders, i.e. government Senior Programme Officers (SPOs) of the line ministries, task managers of the EU delegation, as well as all the donor community participated in the debates. The consultation showed that a number of governments' agencies, Member States, bilateral donors, international organizations as well as local NGOs have been actively involved in the development of strategies and action plans, often though, in an un-coordinated approach. Participants at the donor coordination meeting outlined the sectors which they found to be priority areas for future development assistance, such as environment, good governance or assistance to EU accession. Italy is supporting sustainable development and environment and could consider itself as a lead donor. Germany, through GTZ is assisting the employment sector through vocational education and economic development as well as in the tourism sector, energy efficiency, communal land management. Austria is involved in the education and tourism sector.

IPA support will closely work with those donors. KfW is the biggest donor in the energy sector, financing investments in energy production, transmission and energy efficient measures both on the supply and on the demand sides. Moreover KfW is financing water and waste water projects at the coast.

With the World Bank, areas for potential close cooperation with IPA have been identified in the sectors of Agriculture and food safety; in energy efficiency and in education. EIB is investing in environment Northern region and in the railways sector, in close collaboration with IPA also. Donor coordination is crucial for the efficient use of scarce funds.

The preparation of the SCF has been a continuous ongoing process and required full commitment and ownership from the relevant authorities. In the first half of 2010, several rounds of interactive workshops and a SWOT analysis as well as consultations, identified the list of possible priorities and measures for the relevant sectors. In parallel, Montenegrin Government is preparing for the implementation of the future Common Agriculture Policy,

and is currently improving its institutional capacity through the development of the rural development programme and implementing structures. These include the establishment of IPARD rural development paying Agency as well as developing awareness raising activities.

In view of the conferral of management of IPA funds in the near future, the National Authorising Officer (NAO) and other key positions, like Competent Accrediting Officer (CAO) and Programme Authorising Officer (PAO) have been nominated. The Government adopted the updated "Action Plan for the conferral of management of IPA funds for the Component I and II" in March 2010 following the "gap assessment phase". The "gap plugging" activities are ongoing. The timing for the request for conferral of management for Comp I and II shall depend on progress made in the implementation of the action plan.

## **2.6. Selected priorities for EU assistance**

EU considers that financial assistance is needed to address the shortfalls mentioned in the Opinion, not only from IPA, but also from other donors as well as from Government. The following priorities for IPA support over the period covered by this MIPD have been grouped in three areas: (1) support to the key priorities of the Opinion; (2) the opening of three new components; (3) support to the *acquis*.

- (1) The "key priority areas": improve the legislative framework; complete public administration reform; strengthen rule of law; improve the anti-corruption legal framework and implement the government's anti-corruption strategy and action plan; strengthen the fight against organized crime; enhance media freedom and strengthen cooperation with civil society; implement the legal and policy framework on anti-discrimination; adopt and implement a sustainable strategy for the closure of the Konik camp.
- (2) As Montenegro received the status of candidate country components III, IV and V are opened for IPA support and the EU will continue to closely work with national authorities which are in the course of finalising the draft SCF and its draft operational programmes (OPs) in view of: (i) Preparing to manage and implement structural funds; i.e. mainly investments in the fields mentioned in the draft SCF, rail and maritime transport, environment, and human resources development; (ii) Preparing for rural development policy; i.e mainly investments aiming at implementation of EU standards, strengthening economy in rural areas; (iii) Addressing key socio-economic needs for the development of the country; (iv) Set-up the structures for the "decentralized management" of EU funds.
- (3) A priority for IPA is to support Montenegro's efforts through significant strengthening of administrative and implementation capacities in the areas of the *acquis*. Indeed, IPA will concentrate on the outcomes of the Opinion highlighting that Montenegro should, (i) in the medium term, have the capacity to "comply with the requirements of the *acquis* in the following fields": taxation; enterprise and industrial policy; science and research; education and culture; customs union; financial and budgetary provisions; (ii) develop "additional efforts" in the following fields: freedom of movement for workers; right of establishment and freedom to provide services; free movement of capital; public procurement; company law; competition policy; financial services; information society and media (incl. electronic communications); intellectual property

rights; transport policy; energy; economic and monetary policy; trans-European networks; consumer and health protection (incl. actions in public health<sup>3</sup>); (iii) carry out "considerable and sustained efforts" in: free movement of goods; intellectual property law; agriculture and rural development; food safety, veterinary and phytosanitary policy; fisheries; statistics; social policy and employment; regional policy and coordination of structural instruments; judiciary and fundamental rights; justice, freedom and security; financial control. Related to energy, as a member of the Energy Treaty Community, Montenegro is obliged to implement substantial parts of the *acquis* in energy, environment and competition. There are important shortcomings which will need to be addressed with financial support.

### 3. MAIN SECTORS FOR EU SUPPORT FOR 2011 – 2013

In the programming period 2011-2013, the Commission will thus focus its assistance on the following broad sectors:

- (1) Justice and home affairs
- (2) Public administration
- (3) Environment and Climate Change
- (4) Transport
- (5) Social development
- (6) Agriculture and rural development

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

This will include in particular de-politicised and merit-based appointments of members of the judicial and prosecutorial councils and of state prosecutors as well as through reinforcement of the independence, autonomy, efficiency and accountability of judges and prosecutors; implementation of the government's anti-corruption strategy and action plan; establishment of a solid track record of proactive investigations, prosecutions and convictions in corruption cases at all levels, and in organised crimes, based on threat assessment and proactive investigations. It will also include increased cooperation with regional and EU partners; improved penitentiary system; efficient processing of criminal intelligence; and enhanced law enforcement capacities and coordination.

In addition, targeted action will tackle the key priorities on anti-discrimination and on developing sustainable solutions for the Roma, Ashkali and Egyptian (RAE) populations and other vulnerable groups.

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<sup>3</sup> such as human substances, communicable diseases, tobacco control, cancer screening, mental health.

**Public administration reform**, which includes also parliament, media freedom, institution building for the *acquis*, and civil society. The objective is to further support the country's efforts (centrally and locally) in its reform; to enhance professionalism and de-politicisation of the public administration; to improve the financial management systems including for decentralised management of EU funds; to strengthen control and supervision bodies (e.g. Court of Auditors, Ombudsman etc); to consolidate efforts in the statistics in line with EU requirements. Measures would also support media freedom to align with the European Court for Human Rights. The cooperation with civil society will be further developed.

This would include amendments to the law on general administrative procedure and the law on civil servants and state employees and the strengthening of the Human Resources Management Authority and the State Audit Institution, and support a transparent, merit-based approach to appointments and promotions. The set up of sound procedures and competent horizontal administrative structures will be necessary to allow Montenegro, in the medium term, to apply EU rules and the *acquis*, and channel the funds from the EU structural instruments. Local self government would be supported to pursue efforts for its management and for developing its needed socio-economic infrastructures.

**Environment and Climate Change:** Environment is a main sector for Montenegro who aims to increase its tourism potential, as an important source of income. The Opinion stresses the importance to fully align with the environmental and climate change *acquis*; to speed up strategic planning in all sectors and identify sustainable funding for implementation.

The Opinion is clear on the needs for the sector and mentions that the environment has to be integrated into other sectors more systematically, including at the policy implementation level, in particular regarding EIAs and the Birds and Habitats Directives; the management of protected areas need to be significantly strengthened; a comprehensive environmental monitoring and an information system need to be functioning; the environmental administration should be strengthened ; the country should ensure the necessary resources for local self-government units to implement their responsibilities ; in addition, inspectorates and enforcement capacities and cooperation with the judicial system need to be reinforced.

Therefore IPA assistance throughout the period of the MIPD to the sector will have the objectives of not only comply with EU environmental and climate change legislation requiring the adoption and implementation of relevant Directives, but also to create a cleaner, safer environment for citizens and tourists. Investments shall comprise mainly wastewater management and solid waste management. The opinion also mentions that "substantial investments" and strengthening administrative capacity, including for climate change, are needed. Both components I and III will contribute to support the sector

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

The Opinion mentions the need to strengthen administrative and implementation capacities in this sector. For the course of this MIPD, IPA will contribute to investments in the maritime and railway sectors. Both components I and III will contribute to support the sector.

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

In order to reach these objectives, it is essential to establish reliable labour market and social data and related statistics. As mentioned in the Opinion, the country also needs to prepare itself for participation in the cooperation processes developed at European level in the fields of employment, social inclusion and pensions. Both components I and IV will contribute to support the sector.

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

In addition, and in line with the Opinion, Montenegro will receive assistance to strengthen its administrative capacity and focus preparations on setting up basic instruments and institutions for managing the future CAP in particular with regard to the paying agency and the integrated administration and control system. In the preparation for this an important action is the timely establishment of all operational structures for implementing pre-accession assistance to rural development (IPARD). Furthermore, Montenegro needs to establish a solid basis of precise agricultural statistics. Both components I and V will contribute to support the sector.

In view of the involvement of other donors in specific sectors, of the scarcity of IPA funds, of the need to better focus IPA assistance, of the involvement of IPA regional multi-beneficiary funds in specific complementary areas, the national IPA programme might not be needed in sectors such as SMEs (due to the IPA regional funds in EFSE, and EBRD), or in energy investments (IPA regional funds, KfW, World Bank), in nuclear aspects (regional IPA funding).

Related to civil society, the European Enlargement Strategy and Main Challenges 2007-2008 and the last Strategy Documents (2008, 2009 and 2010) underlined the importance of civil society being able to play its role in a participatory democracy. The "*Civil Society Facility*" (CSF), financed under both the IPA Multi-beneficiary and the IPA national programmes, was set up as the tool to financially support the development of civil society. The CSF includes actions to strengthen freedom of expression, as it represents a basic precondition for a functioning democracy. A network of technical assistance desks (TACSO) has been established in the Western Balkans. Local Advisory Groups have been established consisting of representatives from the EU delegations, governments, civil society and other donors. Support to civil society will be integrated in all sectors of the MIPD, in particular in the field of the environment, justice and home affairs, public administration reform as well as employment and social inclusion. IPA will allocate indicatively around 2-5% of the overall assistance for the three years to this.

In line with the recommendations of the 2010 ELARG strategy, fighting corruption is a crucial challenge for most of the countries in the enlargement process. Tangible results and credible track-record in the fight against corruption are important elements for moving forward in the stages of the EU accession process. Financial assistance will pay particular attention to this aspect, as corruption remains prevalent in many areas and needs to be tackled.

Equal opportunities and non-discrimination will be respected as regarding gender at the programming and implementation stage, particularly in relation to socio-economic support programmes. Minority and vulnerable groups' concerns will be reflected in all activities programmed under IPA, in particular when it concerns public services, legislative matters and socioeconomic development.

In line with the Europe 2020 Strategy, Montenegro also needs to ensure that the challenges linked to climate change are addressed, in particular by reducing the emission intensity of its economic development. Any IPA funding will comply with the principles of sustainable development and meet the requirements of the environmental *acquis*, in particular the EIA as well the Birds and Habitats directives.

According to the Multi-annual Indicative Financial Framework for IPA for the years 2011-2013<sup>4</sup>, Montenegro will receive an indicative allocation of EUR **104 853 687** of pre-accession funds. This amount includes component II Cross-Border-Cooperation programme (CBC). The planned allocation per sector and per year is presented below, without taking into account CBC, i.e. for EUR **91 286 105**. It is understood that the amounts per sector comprise the amounts needed for institution building and the *acquis*, which are part of component I, as well as those of the corresponding component (III to V), therefore the percentages in the two tables below differ.

In EUR

<b>Indicative Financial Allocation per Sector (€ million)</b>			
	<b>Period 2007 - 2010</b>	<b>Period 2011 - 2013</b>	
(1) Justice and home affairs	17.85	7,30	8%
(2) Public administration	21.65	10,04	11%
(3) Environment and Climate Change	14.80	22,82	25%
(4) Transport	16.20	18,26	20%
(5) Social development	8.63	9,13	10%
(6) Agriculture and Rural Development	8.10	14,60	16%
(7) Ad hoc measures*	8.11	9,13	10%
<b>TOTAL</b>	<b>106.54</b>	<b>91,28</b>	<b>100%</b>

- \*IPA shall finance actions that fall outside the scope of these sectors such as, but not limited to: i) project/sector programme identification and preparation; ii) *acquis* related actions that need to be adopted/implemented according to an established timetable (e.g. negotiating framework; iii) participation in EU Programmes to which the country becomes eligible and which are not covered in one of the sectors chosen above; iv) as well as support measures for the implementation, monitoring and audit of IPA programmes.

<sup>4</sup> COM (2010) 640 of 10 November 2010.

- \*\*Out of this total a certain amount will be shifted to the IPA multi-beneficiary programme for education (TEMPUS), nuclear activities, and for the Civil Society Facility.

The financial assistance will be implemented through the relevant IPA components as presented in the table below, based on the MIFF and on the MIPD 2011-2013 for CBC, containing indications for components III, IV and V.

<b>IPA Component</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>TOTAL</b>	<b>%</b>
I. Transition Assistance and Institution Building	29,843,599	16,346,471	5,238,958	51,429,028	49.05%
II. Cross Border Cooperation (CBC)***	4,310,344	4,588,551	4,668,687	13,567,582	12.94%
III. Regional Development	0	8,000,000	15,200,000	23,200,000	22.13%
IV. Social Development	0	2,800,000	2,957,077	5,757,077	5.49%
V. Agriculture and Rural Development	0	3,300,000	7,600,000	10,900,000	10.40%
<b>TOTAL</b>	<b>34,153,943</b>	<b>35,035,022</b>	<b>35,664,722</b>	<b>104,853,687</b>	<b>100.00%</b>

\*\*\* IPA Component II, Cross-border cooperation, is dealt with in a separate MIPD

Financial allocations are indicative and may vary according to actual financial needs identified at time of programming.

### **3.1. Justice and home affairs**

#### *3.1.1. Description of sector*

The Strategy for Judiciary Reform (2007-2012) has the objective of strengthening the independence, efficiency and effectiveness of the judiciary; increase public confidence in the judiciary; staff education in the judiciary organisations; strengthening of the international and regional cooperation; alternative solving of disputes; fight against crime, and namely corruption, terrorism and organised crime; strengthening of human resources; improving the penitentiary system; launching and using the judiciary information system. Its Action Plan highlights the need to combat corruption at national and local level, as well as through an inter-agency cooperation between judicial bodies and other institutions. The action plan also stipulates the need to foster the participation of civil society organisations (CSOs).

In July 2010, Montenegro adopted the 'the Strategy on Anti-Corruption and Organised Crime for the Period 2010-2013' and the action plan for its implementation. An important role is given to the Directorate for Anti-Corruption Initiative (DACI) and the Commission for the Prevention of Conflict of Interests in enhancing the preventive measures in the fight against corruption. The Action Plan contains specific measures and activities, responsible bodies and institutions, deadlines, success indicators and risk factors. Special attention is given to European and other international agreements, conventions etc.

The Parliament enacted the Resolution on the Fight against Corruption and Organised Crime in 2008 by which it has expressed its readiness to get involved in setting up the national anti-corruption legislation and in establishing as close international and regional cooperation in the field of fighting corruption and organised crime as possible.

Another important preventive high-level standard in the fight against corruption is the prevention of conflict of interests. The Law on Prevention of the Conflict of Interest was adopted by the Parliament at the end of 2008. The Parliament elected the Commission for the prevention of conflict of interest.

Related to the new Criminal Procedure Code (CPC), which entered into force in August 2010, the most important point is the modification of the concept of investigation, i.e. its placement under the authority of the Prosecutor, and not anymore the Court.

However, the Opinion highlights numerous weaknesses which are reflected in the above mentioned key priorities, and notes in its analytical report, among other, that the judiciary still has to demonstrate its independence, accountability and efficiency, notably by producing convincing results, including final decisions on corruption and organised crime cases at all levels. Monitoring corruption and conflict of interest for judges and prosecutors needs to be tightened up. The capacity of the prosecution needs to be strengthened, in particular in view of its leading role under the new CPC. Cooperation with judicial and prosecutorial services of neighbouring countries should be further developed, including on extradition. Systematic training should be put in place, in particular on new legislation and EU law, for all judges and prosecutors. Administrative capacity of the judiciary should be improved. The strategic framework for fighting corruption is not yet based on risk analysis. Key legislation needs to be amended to improve its scope and implementation.

Related to human rights and respect for and protection of minorities, while the legal framework is largely in place and broadly corresponds to European standards, implementation is lagging behind, mainly due to insufficient awareness on the part of the authorities (administration, judiciary and municipalities). Among the main causes for concern are discriminatory practices against RAE (whether domiciled or displaced) and persons with disabilities; insufficient respect for gender equality, domestic violence, ill-treatment of detainees by police and sub-standard prison conditions are further problems.

This sub-sector contains one of the key priorities to be implemented to open negotiations, as mentioned in the Opinion: "Implement the legal and policy framework on anti-discrimination in line with European and international standards; guarantee the legal status of displaced persons, in particular Roma, Ashkali and Egyptians, and ensure respect for their rights. This will include the adoption and implementation of a sustainable strategy for the closure of the Konik camp."

### *3.1.2. Past and ongoing assistance (EU and other donors)*

This sector has been a priority for most of the donors active in Montenegro in the past years. These include, in addition to the EU (CARDS and IPA), OSCE, UNDP, Council of Europe, Government of Norway, United Nations Democracy Fund, United States Agency for International Development (USAID), Swedish International Cooperation Agency (SIDA), Foundation Open Society Institute (OSI).

Since 2007, IPA financed projects for over EUR 17million or 15.1% of IPA components. These projects are partly finished, on-going, or in tendering stage, with so far quite satisfactory results. In particular, the projects focused on the following aspects: Fight Against Organised Crime & Corruption; Justice Reform; Juvenile Justice System Reform (with UNICEF); Police criminal and financial investigations / fight against organised crime & corruption; Prosecutors Criminal Investigations (law on CPC); Forensic analysis /investigation; Intelligence led policing; Fight against drug trafficking; Border management; Efficiency of the Judiciary; Fight against corruption; Personal Data Protection; Asylum and Migration; IDPs, Refugees.

The EU strong political leverage facilitates technical cooperation and policy dialogue and programmes development. Sector strategies and monitoring mechanisms are available for the justice, anti-corruption as well as the organized crime sector, and a donor coordination mechanism is in place for the whole sector. In addition, watchdog NGOs play an active role in monitoring policy developments in the JLS sector.

In general, lessons learnt include that there is a good project ownership and commitment of beneficiaries; twinning, and grants with UN agencies, are the preferred implementation modalities for institution building actions. However, beneficiaries still have there remains a limited absorption capacity of beneficiaries

### *3.1.3. Sector Objectives for EU support over next three years*

The main objective of IPA involvement in the sector is to contribute to strengthening the independence and efficiency of the judiciary and enhance the rule of law, including in the fight against organized crime and corruption. Addressing this sector will have an indirect impact on the implementation of the 2020 strategy, as it fosters foreign direct investments and economic development, thus participates to mitigating the impacts of the financial crisis, and to increasing job opportunities.

Among specific objectives enhancing training is of utmost importance, it would include training with set curricula for all members of the judiciary including foreign languages, IT and comprehensive training on EU law; systematic training on new legislation for all judges; enhanced training for prosecutors on implementation of the new CPC; systematic training, in particular on new legislation and EU law, for all judges and prosecutors. The development of a pro-active approach for the prosecution service and the undertaking of *ex officio* investigations has been mentioned in the Opinion as important too. The cooperation with judicial and prosecutorial services of neighbouring countries, based on harmonization of legislation, including on extradition (also of own nationals) is to be developed. The opinion mentions also the need to improve the administrative capacity of the judiciary; the finalization of the implementation of the already adopted IT-based court case management system and the need to upgrade the skills of judges. In order to allow the required changes, carrying out investments in equipment and courtrooms and other infrastructure; and implementing the measures foreseen to improve the penitentiary system, could need support.

Activities shall build on previous projects; thus ensuring the continuation of the reform in the sector.

In order to see if these objectives are achieved, possible qualitative indicators to measure the results could include:

- Number of investigations and prosecutions of corruption and corruption-related criminal offenses (such as corruption in public procurement or in privatization process) and in particular high level corruption;
- Number of successful prosecutions and final convictions for cases of organized crime;
- Increased amount of proceeds of crime effectively recovered;
- Number of trainings (and of trained participants) for law enforcement and judiciary;
- Number of sanctions taken by the Conflict-of-Interest Commission to promote better discipline and compliance with the requirement to declare assets;
- Number of public consultations on key reforms and on development projects to foster transparency;
- Introduction of a merit based recruitment system and consolidation of qualitative criteria for the appraisal of judges and prosecutors;
- Reduction of the length of court proceedings;
- Public perception on the integrity of the police and the judiciary (through surveys);
- Survey the public perception on the integrity of the police;
- Quality of the municipal anti-corruption action plans, statistics and perception survey of their implementation;
- Improved court management system adequate internal procedures and efficient use of alternative dispute resolution mechanisms;
- Reduced number of complaints on petty corruption, such as in the education or health sectors;
- Coordination amongst law enforcement bodies for money laundering and trafficking of human beings;
- Implementation of sustainable measures in favour of the population of the Konik camp areas;
- Promoting social inclusion of disadvantaged people ;
- Executed awareness raising campaign.

### **3.2. Public Administration Reform**

#### *3.2.1. Description of sector*

There is no *acquis* on public administration reform. A focus on reform is often used as a substitute for a focus on performance and the existence of a reform programme is taken as an indicator of good administration (SIGMA). The management of European integration mobilizes a significant proportion of available capacities in a context where institutions are

still being established. One major reason for the shortcomings in public governance is the lack of respect of the law and of democratic institutions. The small size of the country (in terms of population) and its social structure makes impartial public administration difficult to attain. Good governance and capacity development are particularly important in enhancing overall competitiveness and thus, small states should give a reinforced priority to good governance as a matter of survival, by soundly securing highly needed public sector reliability and efficiency. This participates also to the implementation of the Europe 2020 strategy.

The Strategy of the Administrative Reform of Montenegro was updated by the 2010 Public Administration Reform Agenda in Montenegro (“Aurum”). “Aurum” aims at providing basic guidelines for further activities in three priority areas: state administration, local self government and public services. Its main objectives are to continue to prepare Montenegro for EU accession; to manage the *acquis* after accession; to continue to transform and to modernize the economy and the society and to improve services to all citizens. One of the elements of the reform agenda is the preparation of a new Law on Civil Servants.

At the beginning of 2010 the Government Council for Public Administration Reform was established, with the mandate to plan the public administration reform process and to coordinate and monitor its implementation. In the second half of 2009 the Human Resources Management Authority (HRMA) launched a legislative project to prepare the new Law on Civil Servants, but the lack of law-drafting competence within this body gave rise to concerns.

Parliament can play a stronger role in European integration, notably by developing information and communication activities and in the dialogue between the state and civil society.

There are 21 municipalities in Montenegro. The Constitution stipulates that the right to local self-government is one of the basic rights of the citizen. Municipalities are autonomous legal entities. Although the Committee for Coordination of Self-Government Reform (CCLSGR) established in February 2007 has a pivotal role in taking forward the decentralisation process, its functioning remains to be strengthened. The National Training Strategy (NTS) for local self-government adopted by the Parliament late in 2008 provides a good basis for building the administrative capacity. The Union of Municipalities initiates changes in legislation in order to enhance local self-government and is in charge of the implementation of the NTS in cooperation of HRMA.

However there are key challenges and shortcomings, mentioned in the Opinion, such as: adoption of the Law on territorial organisation and of the amendments to the Law on local finances and to sectoral laws; decentralisation still at an early stage; lack of administrative capacity, corruption and inefficiency at municipal level; lack of transparency, accountability and capability of managing new powers, in particular the new fiscal competences.

As regards media, the Opinion states that intimidation of journalists and disproportionate fines for defamation are a matter of concern. Legislation and practice on defamation needs to be fully aligned with the jurisprudence of the European Court of Human Rights. The independence of the media regulator needs to be preserved.

Civil society and non-governmental organisations are very active in awareness-raising, research and watchdog activities. Cooperation between the government and civil society has improved, including participation by civil society in formulation of policies and legislation.

However, the Opinion stresses that the existing dialogue is not fully satisfactory, and that in some cases, the most critical NGOs have been exposed to pressures. The basic legal framework for the functioning of non-governmental organisations in Montenegro is determined by the Constitution and specific regulations.

The Law on NGOs adopted in July 1999 is considered to be the most liberal one in the region. It represents a good basis for registration and functioning of non-governmental associations, non-governmental foundations and international NGOs in Montenegro. Other laws are favouring NGOs: the Tax laws, the Law on Value Added Tax, the Law on Profit Tax and Law on Personal Income Tax which prescribe that “all costs procured through educational, health, scientific, religious, cultural and sports purposes, as well as those for the environment protection, should be exempted from taxation for up to 3% of total income

The fight against corruption represents also an important part of Montenegrin public administration reform strategy, which states that the modern, efficient, expert and responsible public administration is needed with the clear division of competencies and high level of transparency of the public institutions. It also states that modern and efficient public administration is one of the essential tools in the fight against organised crime, corruption and other abuses in society, which is the priority task for the Government.

Overall, the opinion concluded that improvements in the public administration is part of the key priorities, and mentions that the public administration remains weak and highly politicised. Administrative procedures are cumbersome and time-consuming and must be simplified. Transparency needs to be improved. The quality of legislation and of decisions and acts produced by the public administration needs to be considerably improved. This is 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.

### *3.2.2. Past and ongoing assistance (EU and other donors)*

Public Administration Reform is a priority for several donors in Montenegro. EU projects in this field started with CARDS in the past years. IPA Multi Beneficiary programme, through a project with SIGMA (OECD) is providing constant technical assistance and advice. Other donors such as Norway, UNDP, OSI, OSCE, and USAID are also active in this field.

Strengthening of the Parliament was supported by one of the four components of a twinning IPA<sup>5</sup> project with Slovenia, as well as by small assistances managed by local NGOs aimed to enhance the dialogue between the Parliament and civil society. Moreover, the Parliament has been supported from 2005 to 2009 by a Joint Initiative by PACE and EAR/EC<sup>6</sup>. OSCE is currently supporting the parliamentary committees to review legislation and exert effective oversight over the government and other State institutions. WFD (Westminster Foundation for Democracy) recently signed a cooperation agreement with the Parliament to work on its HRD and training plan.

IPA currently implements several actions for the civil society sector, under the multi-beneficiary as well as under the national programmes. Together, these form the Civil Society Facility. Under the IPA national programmes, grant schemes and other forms of support exist

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<sup>5</sup> IPA 2007 Twinning Project "Legal Harmonization"

<sup>6</sup> "Support to Parliamentary Institutions in the Republic of Serbia and in Montenegro"

for a total of EUR 3.2 million Euros. In addition, the European Initiative for Human Rights (EIDHR) has provided useful assistance to the sector.

### 3.2.3. *Sector Objectives for EU support over next three years*

The objective for EU is to further support the country's efforts (centrally and locally) in its reforms in general.

More specifically, IPA will contribute to enhance professionalism and de-politicisation of the public administration; to improve the financial management systems; to strengthen control and supervision bodies (e.g. Court of Auditors, Ombudsman etc); to consolidate efforts in the statistics in line with EU requirements; as well as progressing towards decentralised management of EU funds. Measures will also support the efforts of the Parliament and media freedom to align with the European Court for Human Rights. The cooperation with civil society will be further developed.

This would include amendments to the law on general administrative procedure and the law on civil servants and state employees and the strengthening of the Human Resources Management Authority and the State Audit Institution, the set up of procedures and structures to allow Montenegro to apply EU rules and channel the funds from the EU structural instruments.

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

In collaboration with other donors, IPA will provide institution building support including to the existing strategies, and in particular for the preparation of the required legislation, for the improvement of managing skills throughout the public administration; strengthening the merit principle; enhancing mobility within the civil service; aligning the classification system with job content; upgrading the integrity system (incompatibilities, Code of Ethics, conflict of interest); improving mechanisms for career development; improving the system of disciplinary responsibility; upgrading the central civil service system register. It shall also ensure support for a dynamic and professional civil society. Moreover funds will continue to support local governments in developing capacity and infrastructure.

Having insisted on the crucial role of Parliament, the EU is also committed to support the Parliament in its various roles; to ensure high quality legislation compatible with EU *acquis* needs, as well as its capacity to ensure appropriate oversight of the government.

In relation to media freedom, one of the key priorities mentioned in the Opinion is "Enhance media freedom notably by aligning with the case-law of the European Court for Human Rights on defamation". IPA will continue to support the improvement of media freedom.

In order to see if these objectives are achieved, possible qualitative indicators to measure the results could include:

- improved quality of the public services, assessed through perception surveys;
- enacted legislation related to civil servants ensuring the long term sustainability of public finances;
- merit-based appointments;

- amounts of tax collection;
- internal audits and inspections;
- promotions recognizing efficiency;
- efficient and visible actions carried out by the Parliament, i.e. specific role related to EU integration or to media freedom;
- successful participation of the civil society in all public debates of relevance;
- accreditation for conferral of management of EU funds;
- new or revised legislation on the *acquis*;
- degree of satisfaction within media actors.

### **3.3. Environment and Climate Change**

#### *3.3.1. Description of sector*

The Constitution defines Montenegro as an ecological state. It enshrines the key principles of sustainable development and environmental protection, provides for a universal right to a sound environment and makes it mandatory for everyone, in particular the state, to preserve and improve the environment. The national environment programme (NEP) determines the key actions and priorities for environmental protection and for strengthening Montenegro's legal and institutional framework.

In addition, past and recent natural disasters call for a cautious strategy on risk management.

The National Strategy for Sustainable Development of Montenegro highlights the importance of developing infrastructure, including wastewater treatment, as a pre-condition of implementing its strategy. The absence of such infrastructure directly inhibits the country's economic growth by jeopardizing its natural resources, by limiting the potential for foreign investment and restricting the development of tourism.

The Government has adopted strategic investment master plans to ensure the rational development of its environmental infrastructure system. Sewage and Wastewater Strategic Master plan for example contributes to giving priority orientations to the needed investments. Besides this Strategic Master Plan, the government adopted the Solid Waste Management Plan for the period 2008-2012. The main objectives of the Plan are, among others, the following:

- Establishment of an integral system of waste management, which will be based on increased share of waste collected, lowering the scope of waste at the source and introduction of recycling.
- Revitalisation and closure of existing dump-sites.
- Development and establishment of inter-municipal landfills, where waste will be properly treated before disposal.

Regarding waste management, Montenegro is facing considerable problems. Related to municipal waste, although the waste is generated on daily basis in the entire territory of Montenegro, not all producers of waste have access to the services of collection and transport of waste. In municipalities, waste collection services are provided mainly in the central areas (cities, i.e. urban areas) of local self-governments, while the waste generated in rural areas, i.e. villages and small settlements, is not collected, and disposed on illegal landfills.

Sustainable development in Montenegro requires addressing, as a critical issue, the management of the waste generated in the previous period by large industrial systems, such as the Aluminium Plant of Podgorica, Ironworks of Niksic, the shipyard Bijela; and Thermal Power Plant of Pljevlja etc. in addition to the waste generated by small and medium-sized enterprises.

As regards climate change, Montenegro has ratified the Kyoto Protocol. Montenegro is a non-Annex-I Party to the United Nations Framework Convention on climate change (UNFCCC). It has not submitted a national communication (NC) under the UNFCCC, but development of the first NC is under way.

The Opinion concluded that Montenegro will have to make considerable and sustained efforts to align with and especially to implement and enforce the environmental and climate *acquis*. It will be particularly important to create conditions for building the necessary technical and human capacities and resources in this area within the next few years. Effective compliance with EU legislation requiring a sustained high level of investment and considerable administrative efforts can only be achieved in the long term. However, given the challenge ahead efforts to align in this area need to be considerably speeded up.

### *3.3.2. Past and ongoing assistance (EU and other donors)*

Besides the EU, major international donors are active in the sector: all the IFIs (EIB, KfW, World Bank, EBRD). Bilateral donors such as ADA, USAID, Italy, Luxembourg are important actors too, however, in a smaller scale, and mainly active in "green" environment, such as national parks protection and forestry.

Related to floods, the EU activated in 2010 the Union Civil Protection Mechanism. Since 2007, each annual IPA programme under component I, contributes to support financially, under grants, the needed infrastructure in solid waste, and waste water. In total more than 12% of IPA between 2007 and 2009 has been allocated to the sector.

### *3.3.3. Sector Objectives for EU support over next three years*

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

More specifically, assistance to the environmental and climate change sector will look into the preservation of natural resources and environmental protection by providing improvements in the solid waste and waste water infrastructures. Montenegro will be supported to speed up its strategic planning in all sectors; to integrate environment and climate change into other sectors more systematically; to improve the consultation processes; and develop a

comprehensive environmental monitoring and information system. IPA will also support local self-government units to have the necessary resources to implement their responsibilities effectively; strengthen inspectorates and enforcement capacities; and ensure cooperation with the judicial system.

Apart from investment measures, further reforms are essential on tariffs, and on willingness to pay for waste water treatment, etc.

The specific objectives in the field of environment and climate change are

- To protect Montenegro's water resources by improving water supply and integrated waste water management systems, and
- To develop the waste management infrastructure in order to reduce the impact on the environment
- To manage natural disasters' risks (floods prevention, fire fighting, emergency equipments)
- To develop actions to mitigate and adapt to climate change.

In order to see if these objectives are achieved, possible qualitative monitoring indicators to measure the results, well described in the draft operational programme include: Population benefiting from improved waste management systems; amounts of m<sup>3</sup> of treated sewage; Number of Municipalities benefiting from improved waste management systems; Population served by new WWTP; Forms and quantities of waste water treatments; New Waste Water Treatment Plants; Water supply networks constructed or renovated; Improvements in the policy and legislative situation related to climate change; equipment in place for emergencies; km of riverbanks consolidated.

### **3.4. Transport**

#### *3.4.1. Description of sector*

As many similar countries in the region, the transport sector has been facing important difficulties that limit accessibility and mobility at national level and with the neighborhood countries. In addition, Montenegro faces topography constraints which have direct effects in increasing investments and maintenance costs within the railway and road transportation sector.

Over the last years, efforts have been concentrated in improving the legislative framework, starting structural reforms in order to separate infrastructure from operations apart of course from solving major urgent problems in the transport infrastructure network (basically roads and recently railways). However the needs are huge and the financial envelope to solve all existent bottlenecks and infrastructure degradation is much higher than the own limited resources. In that sense, Montenegro has already started to promote public private partnerships, concession agreements, bank financing, and international donors' contribution in order to be able to tackle such required investments.

Montenegro adopted in September 2007 the Restructuring Strategy of the Railway of Montenegro. The Strategy is harmonized with the Stabilization and Association Agreement and the EU Transport Policy, which envisages the following principles: structural form of

organization according to the laws and European directives; promotion of competitiveness and creativity in the improvement of the quality of services; interoperability and technical harmonization with European systems; promotion of international (transit) transportation and co-ordination of the activities from the Government level.

The Opinion states that the country will have to undertake additional efforts to align with the transport *acquis*. Further adjustments of the legal and institutional framework and in particular strengthening of administrative and implementation capacities are needed. Particular attention needs to be paid to further alignment of the eco-tax and road charges legislation as well as to transposition of the third railway package. Montenegro need also to ensure sound implementation of social and technical rules in road transport, safety and security requirements in the maritime sector as well as the standards for transport of dangerous goods by road.

#### *3.4.2. Past and ongoing assistance (EU and other donors)*

Under CARDS programme, transport has been supported through the EAR programmes for strengthening the capacities for strategic planning and drafting regulations in the field of railway transport, for restructuring Railways of Montenegro and for establishment of the Project Implementation Unit for Railways.

Since 2007, each annual IPA programme under component I contribute to support financially, under grants, the needed infrastructure in roads transport (IPA 2007) and Railways (IPA 2009 and 2010). Overall more than 15% of IPA between 2007 and 2010 has been allocated to the sector.

Besides the EU, the IFIs are highly active in the transport sector, and mainly EIB and the EBRD.

#### *3.4.3. Sector Objectives for EU support over next three years*

The overall strategic objective is to promote environmentally friendly transport modes contributing to better accessibility and mobility within Montenegrin territory and ensuring good safety and efficiency standards. IPA is committed to support these objectives. In addition, assistance to this sector will focus on improving railways and maritime infrastructure with a focus on environmental friendly transport modes in line with EU policies in the field, as proposed in the Opinion. This will also contribute to the implementation of the 2020 strategy of the EU. Thus, IPA funding will continue to be allocated to this sector, through component I for institution building and through component III for infrastructures.

Related to Component III, the specific objectives are:

- (1) To modernize the railway system mode by improving its efficiency and security; Actions under this measure will focus on improving the quality of some sections of the railway; line Bar-Vrbnica by promoting projects contributing in reducing the risk of accidents and concentrating on the safety and security equipment, signalling and telecommunications.
- (2) To upgrade the sea and maritime transport mode in order to ensure a better protection of the natural environment. Actions under this measure will concentrate on improving the facilities of the Port of Bar and Kotor, in particular those aiming to improve security and safety and to preserve the natural environment.

In order to see if these objectives are achieved, possible qualitative monitoring indicators to measure the results, well identified in the draft Operational programme, include for example: Rail structures rehabilitated; Volume of oil waste collected & treated; Port reception and treatment facilities in place; Port staff trained for operating and maintaining port reception and treatment facilities.

### **3.5. Social development**

#### *3.5.1. Description of sector*

Governmental policy documents suggest that the leading sector of the economy will continue to be tourism, and that agriculture, transport, trade, and construction will also grow. These should therefore provide a primary focus for HRD in the next three year period in order to secure an adequate number of people with the appropriate knowledge, skills and competences and thus alleviate the need to import labour.

The unemployment rate was recorded at over 11% by administrative data at the end of 2009 and at a much higher level by the labour force survey (LFS), with an upward tendency due to the impact of the economic and financial crisis, and a large share of long-term unemployed. Areas of concern are the raising level of informal employment, the increasing segmentation of the labour market, with increased usage of fixed-term contracts and the persisting skills mismatch. Developing reliable data and statistics remains an outstanding issue in several areas, in particular for labour market analysis. VET will thus be essential, including for developing the manufacturing sub-sector.

Montenegro has a national strategy for employment and human resources development in place for the period 2007-2011, which is supplemented by a national action plan for employment (NAPE), currently covering 2010-2011. However, implementation of the NAPE has until now fallen short on its main objective of increasing employment rates, partly due to the impact of the economic and financial crisis. Employment policy consists mainly of a number of active labour market measures, which up to 2009 took more than 50% of the total budget for labour market measures. Cooperation between the employment offices and the training institutions should be strengthened.

As regards education and training, Montenegro has initiated reforms with extensive legislative changes in the past few years. The main objective of the reforms is the modernisation of the education system, with the focus on the design and structure of various education subsystems. The country will need to significantly strengthen its administrative capacity in order to ensure sound financial management of the decentralised education programmes. Non-discrimination of EU nationals within the Montenegrin education system will need to be ensured. Inclusive education of vulnerable groups and children with special needs deserves continued attention.

In terms of preparation for the European Social Fund (ESF), further efforts should be made to support an improvement of the programming process and to help building institutional and administrative capacity in view of the decentralised management of IPA funds. The administrative capacity of all authorities involved, mainly government bodies, but also municipalities and education institutes, will need to be strengthened.

As regards social inclusion, the Constitution of Montenegro prohibits discrimination 'on any ground' and a comprehensive Anti-discrimination Law was adopted in July 2010. The law includes provisions on the "Protector of human rights and freedoms" (Ombudsman)

designating this institution as an equality body with competences corresponding to those set out in related EU directives.

However, efforts still need to be done in favour of persons with disabilities, children and elderly; to respect gender equality; to fight domestic violence, to promote inclusive education of vulnerable groups and children with special needs.

### *3.5.2. Past and ongoing assistance (EU and other donors)*

Apart from a large Government public spending in this sector, IPA projects in this sector date from 2008 and until 2010, around EUR6 million have been allocated to projects dealing with Labour Market Reform and Workforce Development, as a follow-up of a CARDS project; as well as Harmonisation and Implementation of the Regulations on Labour and Safety at Work Inspections; Social Welfare and Child Care System Reform: Enhancing Social Inclusion. CARDS had provided assistance to IDPs mainly.

IPA will seek to be complementary to what other donors are doing or to collaborate together. For example ILO implemented an Austrian funded project related to the Legal and Institutional Foundations of Social Dialogue; GTZ implemented an adult education with the overall goal to improve the employability of vocational school graduates. Related to the Roma population, UNDP assisted the Ministry of Labour Social Welfare. UNICEF provided assistance for children with disabilities. NGOs are active in the social sector, they are supported by UNICEF, IPA, and other donors. The World Bank is implementing a large project on Education; and UN agencies (UNICEF, UNDP, WHO, UNHCR, etc.) are involved in several sub-sectors.

### *3.5.3. Sector Objectives for EU support over next three years*

The main objective of IPA support to this sector is to prepare Montenegro for the implementation and management of the European Social Fund and bringing Montenegro closer to EU policies, both in terms of strengthening employment and HRD policy development as well as building institutional and administrative capacity. In addition, it aims to improve competitiveness of the economy, to promote social inclusion, to foster quality education.

More specifically, and as mentioned in the draft SCF, financial support should contribute to creating jobs and increasing the employment rate of the work force, investing in people development, innovation and research; improving educational levels; reinforcing social inclusion; and promoting adaptability of workers and enterprises. It is also to strengthen institutional capacity of the Montenegrin public administration at both national and local level to ensure an efficient management of the local assets. The planned activities are thus related to education and training in a life-long learning perspective; to VET reform; to inclusive labour market; and to social inclusion.

The European Training Foundation (ETF) provided an interesting analysis of the sectors and recommends possible policy orientations which might be reflected in the next three national programmes. Thus, IPA funding will continue to be allocated to this sector, through component I and through component IV.

Activities could include:

- Active employment measures and labour market integration, including promotion of local partnerships; promotion of employability among job seekers and optimisation of labour market ; enhancing adult education and life long learning;
- Investing in human capital and employability which could include: investment in human capital; and in “Research & Innovation” (probably mainly in innovation for the period of the present MIPD, as the country has not enough capacity for engaging into pure research).
- Promoting social inclusion of the elderly and disabled persons and other persons with special needs;
- Promoting respect of gender equality; fight against domestic violence; inclusive education;
- Institution building to increase administrative capacity in view of *inter alia* conferral of EU funds management..

In order to see if these objectives are achieved, possible qualitative monitoring indicators to measure the results, well detailed in the Operational programme, could include:

- increased employment in SMEs and manufacturing sub-sector;
- rate of school enrolment, specifically for vulnerable population;
- number of complaints against discrimination in all sectors (gender, RAE, disabled, etc.);
- statistical indicators to monitor social inclusion and social protection.
- design of training programme for staff of children’s Centres;
- educational/training programme for people with special needs upgraded;
- executed awareness raising campaign.

### **3.6. Agriculture and Rural Development**

#### *3.6.1. Description of sector*

Montenegro has a surface area of about 13,812 square kilometers with agricultural land accounting for 38% (516,067 hectares) of the total territory. The greatest share of agricultural land resources consists of pasture and grassland (88%; 454,138 hectares), which is used extensively. Covering a relatively small area and benefiting from a Mediterranean climate, Montenegro’s agriculture is quite diversified — from growing olives and citrus fruits in the costal region, through early season vegetables and tobacco in the central parts to extensive livestock breeding in the north. Agriculture is by far the largest activity of the rural population — more than 60,000 households obtain their income partly or entirely from agriculture. Food production and agriculture play an important role in Montenegro’s economy, with the primary sector alone providing more than 10% of total Gross domestic product (GDP). Agricultural employment stood at 8.3% in 2007.

The Government has been increasing its support to agriculture, but wants to move away from simple direct support into other measures that are more likely to lead to long term sustainable

development in the sector. Under the SAA, the Montenegrin market will open to agricultural products from the EU within five years. Under CEFTA, Montenegro has totally liberalised trade in agricultural products with Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia and Serbia; and it has agreed additional concessions with Albania and Croatia. Montenegro has also joined several international organisations, including the International Organisation of Vine and Wine (OIV), and has observer status in the Food and Agriculture Organisation (FAO). Although agriculture will never be a major export earner, the domestic market has a potential, especially given the increasing number of tourists.

Framework of the Montenegro's agricultural policy is based on the Law on agriculture and rural development adopted in 2009. This law sets the objectives of agriculture policy and provides the general framework for the development of and support to agriculture and rural areas, grouped under four main strands: market price, rural development policy, activities of public interest and social transfers to the rural population. The Poverty Reduction Strategy, the EU Accession Strategy and the Agriculture Strategy all identify the need for development and diversification of the rural economy.

The "National Programme for Food Production and Rural Areas Development for the period 2009 – 2013" focuses on the central role of agriculture, and the "Strategy of Agriculture and Rural Development – Montenegro's Agriculture and the European Union" (adopted in 2006) provides the basis for major reforms and the legislative work required for modernising agriculture.

The Ministry of Agriculture, Forestry and Water Management has overall responsibility for rural development policy and implementation, albeit with limited capacity. Thorough preparations will be required to adopt EU-compatible delivery mechanisms. The first important step is the timely establishment of complete IPARD (Instrument for Pre-accession Assistance for Rural Development) structures for implementing pre-accession assistance. Cooperation between all concerned departments of the Ministry and related IPA structures should needs to be strengthened.

### *3.6.2. Past and ongoing assistance (EU and other donors)*

This sector has received assistance from CARDS and IPA programmes. On-going assistance from an IPA 2008 project in close collaboration with a World Bank loan helps aims at aligning adjust the domestic agricultural policy to the principles of the EU Common Agriculture Policy (CAP), thus to implement the reform of the institutions in agriculture; and provide for the development of the administrative structures to implement rural development policy, in a first instance in the pre-accession period under IPARD.

Lux Development is supporting forestry, including with IPA funding; DANIDA supports Organic Agriculture Development. The World Bank implements the "Montenegro Institutional Development and Agriculture Strengthening (MIDAS)", to strengthen the MAFWM's rural development programme including administrative and management capacity, as well as a proto-paying agency (a precursor of the future IPARD agency) in close coordination with the IPA project.

### *3.6.3. Sector Objectives for EU support over next three years*

The overall objective is to support the development of a sustainable agricultural sector together with the implementation of EU standards and *acquis* concerning the Common

Agriculture Policy (CAP) and related policy areas like food safety, veterinary and phytosanitary and preparation for the implementation of Component V (IPARD).

In the next three years there is a need to address the challenges of adapting the agricultural sector and rural areas to the demands of the Common Agricultural Policy (CAP), in particular implementation of EU standards, support for the development of the rural economy and preparation for the utilization of the Component V (IPARD). Montenegro needs to create implementing structures, in particular a Managing Authority and IPARD Agency as a means of administering and managing financial support under Component V once the country becomes eligible for it.

In addition the IPARD Agency is planned to become responsible for managing nationally funded rural development measures and is to become, in effect, an agency for the implementation of support under the CAP if and when Montenegro joins the EU. Along with the system to administer financial flows, a special information system to track policy implementation will be needed.

IPA in coordination with the World Bank (MIDAS) project will continue developing activities to prepare and implement the future rural development component IPARD. This will require strengthening the institutional capacity of MAFWM and legislative changes. The process of legislative harmonization will be accompanied by strengthening the institutional structure of MAFWM in policy analysis and development. They will be based on the results of existing projects and needs assessments.

IPA assistance will be provided through component I and V. For the coming years IPA assistance will be in the following areas:

- Improve the administrative capacity for the development and implementation of the agriculture and rural development policy, in particular preparation for the implementation of the pre-accession assistance under rural development (IPARD)
- Improve the capacity of advisory and extension services
- Strengthen civil society organizations in the area of agriculture and rural development
- Increase and facilitate access to credits in rural areas
- Improve quality of statistical data

With respect to Component V:

- Contribute to the implementation of the *acquis*
- Improve overall competitiveness of the agricultural sector and to contribute to the sustainable development of rural areas

In order to see if these objectives are achieved, possible qualitative indicators to measure the results could include: adoption and/or implementation of relevant legislation in the sector; increase in the purchase power and standard of living of rural populations; increased in number of rural jobs; extent of progress in development of IPARD management and control system, access to and availability of credit facilities for farmers and rural dwellers; number of projects financed under the call for proposals.

## **Annex**

### List of abbreviations

CEB	Council of Europe Development Bank
CAO	Competent Accrediting Officer
CAP	Common Agriculture Policy
CCLSGR	Committee for Coordination of Self-Government Reform
CEFTA	Central European Free Trade Agreement
CIP	Competitiveness and Innovation Programme (EU Programme)
CPC	Criminal Procedure Code
CSOs	Civil society organisations
DACI	Directorate for Anti-Corruption Initiative
DANIDA	Danish International Development Agency
DPS	Democratic Party of Socialists
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
ECAA	European Common Aviation Area
EIA	Environmental Impact Assessment
EIB	European Investment Bank
FAO	Food and Alimentation Organization
FDI	Foreign Direct Investment
GRECO	Group of States against Corruption
HRMA	Human Resources Management Authority
IDA	International Development Association and other
IFI(s)	International Financing Institutions
IPARD	Agriculture and rural development paying Agency
KfW	Kreditanstalt fuer Wiederaufbau/German Development Bank
MAFWM	Ministry of Agriculture, Forestry and Water Management

MEI	Ministry for European Integration
MIDAS	Montenegro Institutional Development and Agriculture Strengthening
MIFF	Multi-annual Indicative Financial Framework
MIPD	Multi-Annual Indicative Programming Document
NHDR	National Human Development Report (2009)
NPI	National Programme for Integration 2008-2012
NTS	National Training Strategy
OECD	Organisation for Economic Co-operation and Development
OSCE	Organisation for Security and Cooperation in Europe
PACE	Parliamentary Assembly of the Council of Europe
PAO	Programme Authorising Officer
PAR	Public Administration Reform
RAE	Roma, Ashkaly and Egyptian populations
SAA	Stabilisation and Association Agreement
SCF	Strategic Coherent Framework
SEETO	South East Europe Transport Observatory
SEETO	South East Europe Transport Observatory
SIDA	Swedish International Cooperation Agency
SIGMA	SIGMA is a joint initiative of the EU and OECD
SMEDA	Directorate for Small and Medium-sized Enterprises
SPOs	Senior Programme Officers
SWAP	Sector Wide Approach
SWOT	Strengths, Weaknesses, Opportunities and Threats analysis
TEN	Trans-European Network
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development

WB	World Bank
WFD	Westminster Foundation for Democracy
WWTP	Waste Water Treatment Plant