

COMMISSION DECISION

C(2007)2269 of 01/06/2007

on a Multi-annual Indicative Planning Document (MIPD) 2007-2009 for Montenegro

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

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

Whereas:

- (1) Regulation (EC) No 1085/2006 creates a coherent framework for Community assistance for candidate countries and potential candidate countries. 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) Montenegro is listed in Annex II to Regulation (EC) No 1085/2006.
- (4) The Council adopted on 30 January 2006 the European Partnership with Montenegro².
- (5) This Decision is in accordance with the opinion of the IPA Committee set up under Article 14 of Regulation (EC) No 1085/2006,

¹ OJ L 210, 31.7.2006, p.82

² Council Decision 2006/56/EC of 30 January 2006 on the principles, priorities and conditions contained in the European Partnership with Serbia and Montenegro including Kosovo as defined by the United Nations Security Council Resolution 1244 of 10 June 1999 (OJ L35, 7.2.2006, p.32)

HAS DECIDED AS FOLLOWS:

Sole article

The Multi-annual Indicative Planning Document (MIPD) for the years 2007-2009 for Montenegro attached to the present Decision is hereby adopted.

Done at Brussels, [...]

For the Commission

[...]

Member of the Commission

ANNEX

Instrument for Pre-accession Assistance (IPA)

**MULTI-ANNUAL INDICATIVE PLANNING DOCUMENT FOR
THE REPUBLIC OF MONTENEGRO
2007 - 2009**

List of abbreviations

CAFAO	Customs and Fiscal Assistance Office
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBC	Cross-border cooperation
CEFTA	Central European Free Trade Agreement
MIEREI	Ministry for International Economic Relations and European Integration
DIS	Decentralised Implementation System
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECAA	European Common Aviation Area
EIB	European Investment Bank
EIDHR	European Initiative for Democracy and Human Rights
EU	European Union
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft für technische Zusammenarbeit
IBM	Integrated Border Management Strategy
IFI	International Financial Institutions
ILO	International Labour Organisation
IMF	International Monetary Fund
IA	Interim Agreement
IOM	International Organisation of Migration
IPA	Instrument of Pre-accession Assistance
IPR	Intellectual Property Rights
JLS	Justice, Liberty and Security
KfW	Kreditanstalt für Wiederaufbau
MIFF	Multi-annual Indicative Financial Framework
MIPD	Multi-annual Indicative Planning Document
MONSTAT	Montenegrin Institute of Statistics
NGO	Non-Government Organisation
NIPAC	National IPA Coordinator
OSCE	Organisation for Security and Cooperation in Europe
PAR	Public Administration Reform
PHARE	Poland and Hungary: Aid for Restructuring of the Economies
SAA	Stabilisation and Association Agreement
SAP	Stabilisation and Association Process
Sida	Swedish International Development Agency
SME	Small and Medium-sized Enterprises
SPO	Senior Programming Officer
SEETO	South Eastern Europe Transport Observatory
TAEIX	Technical Assistance Information Exchange Office
TAM / BAS	TurnAround Management / Business Advisory Services Programmes (of EIB)
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
VET	Vocational Education and Training
USAID	United States Agency for International Development
WB	World Bank
WTO	World Trade Organisation

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Preface

The main objective of the **Instrument for Pre-Accession Assistance (IPA)**¹ is to help the country to face the challenges of European integration, to implement the reforms needed to fulfil EU requirements and progress in the Stabilisation and Association Process and to lay the foundations for fulfilling the Copenhagen criteria for EU membership.

The IPA instrument consists of five components: (IPA-I) the Transition Assistance and Institution Building component²; (IPA-II) the Cross-Border Cooperation component which applies to border regions between beneficiaries from member states, candidate countries and countries in pre-accession status; (IPA III, IV and V) the Regional, Human Resources and Rural Development components which are planned only for Candidate Countries.

Potential candidate countries will receive assistance through components I and II of IPA. Potential candidate countries and candidate countries that have not been accredited to manage funds in a decentralised manner (DIS) should however be eligible, under component I, for measures and actions of a similar nature to those which will be available under components III, IV and V.

The basic policy documents for setting down the priorities for programming of assistance under IPA are the European Partnership, the Strategy Paper, which presents the Commission's overall enlargement policy for the candidate and potential candidate countries, as well as the Annual Report on progress made on the road towards the EU, including implementation and enforcement of EU standards. IPA will allow flexibility in order to respond to possible new priorities identified in annual Progress Reports of the Commission.

This **multi-annual indicative planning document (MIPD)** is the strategic document for IPA. It is established for a three year rolling period, with annual reviews. It follows the Multi Annual Indicative Financial Framework (MIFF) which indicatively allocates funds per beneficiary and per component. It draws on the pre-established IPA components.

The priorities set out in the MIPD components will serve as a basis for the annual programming of EU funds in 2007, 2008, and 2009.

Executive Summary

In line with the recommendations of the European Partnership, IPA will assist Montenegro to:

- Fulfil the political requirements of the SAP. The first sub-component focuses on the fulfilment of the Copenhagen political criteria and deals with the following sectors: consolidation of democratic institutions, public administration reform, decentralisation and local government, budget and fiscal management, reform of the judiciary, and

¹ Council Regulation (EC) No 1085/2006 of 17 July 2006, Official Journal L210, page 82.

² The Transition Assistance and Institution Building Component translates the priorities set out in the European Partnership in 3 sub-components: Political requirements where EC assistance will be used to support a stable, modern, democratic, multi-ethnic and open society based on the rule of law. Special impetus will be given to Public Administration and Judiciary Reform; Socio-economic requirements where EC assistance will be used in support of the development of the socio-economic environment; European standards where EC assistance will support and accompany the country in its European integration plan (legal approximation, administration needs and requirements for DIS).

enforcement of the rule of law, fight against corruption, reform of the police, human rights and protection of minorities, anti-discrimination, civil society, and the media.

- Improve the socio-economic situation of the country and its population by dealing with issues and sectors related to employment generation, education, social inclusion, health, business environment, SMEs, restructuring and competitiveness, fiscal and macro-economic matters, as well as infrastructure and rural development. Some activities which will prepare the country for future structural funds may be funded under the second sub-component.
- Approximate to European Standards in sectors related to the introduction and implementation of the EU 'Acquis' in all areas, including the overall coordination of the European integration process. It will continue to strengthen Montenegrin administrative capacity to implement the SAA, to develop local ownership of the Pre-Accession Instrument (IPA), to prepare for the introduction of the Decentralised Implementation System (DIS) and to EU funds management. Participation to Community Programmes is also covered under this third sub-component.

IPA will support cross-border cooperation between the Republic of Montenegro and EU Member States as well as with adjacent Candidate and potential Candidate Countries.

The indicative allocations to Montenegro under the MIFF amount to € 97.3 million, as specified below in Table 1.

Table 1: Montenegro: Multi-Annual Indicative Financial Framework in million €(current prices)

Component	2007	2008	2009	2007-2009
<i>I. Transition assistance and Institution Building</i>	27.5	28.1	28.6	84.2
<i>II. Cross-Border Cooperation</i>	3.9	4.5	4.7	13.1
Total	31.4	32.6	33.3	97.3

Although components I and II have a separate allocations in the MIFF, complementarity and synergy between actions programmed under the two components shall be ensured.

Section 1 – Assessment of strategic priorities and objectives

Following the positive result of the referendum held on 21 May 2006, independence was proclaimed on 3 June; the Republic of Montenegro is now a potential candidate country participating in the Stabilisation and Association process (SAP). Montenegrin authorities face numerous challenges related to the consolidation of state institutions, economic and institutional reforms and the strengthening of the administrative capacity in order to implement the future Stabilisation and Association Agreement and to prepare the ground for further progress on the path towards European integration.

Key challenges include the continuation of reforms in areas such as the judiciary, public administration, the fight against corruption and organised crime, as well as in the overall process of transposing and implementing the EU 'Acquis' in areas such as internal market, customs, competition, environment, energy, agriculture and veterinary and phyto-sanitary controls. In addition, consolidation of the macro-economic situation, restructuring of enterprises, improving technological development, education and vocational training, as well as contributing to sustainable development are high on the agenda.

1.1 Introduction

The Multi-annual Indicative Planning Document (MIPD) 2007 - 2009 is the key strategic planning document for assistance to Montenegro under the Instrument for Pre-Accession Assistance (IPA). It sets the context and identifies the major areas of intervention and main planning priorities for subsequent development of annual Action Programmes. Priorities are in line with the recommendations of the European Partnership³, the draft Action Plan for the implementation of the European Partnership prepared in March 2007 and expected to be adopted by the Montenegrin Government, as well as the other relevant strategic documents of the Montenegrin Government. As Montenegro is a potential candidate country, it will only benefit from Components I and II of IPA.

The present MIPD builds on results from projects implemented under the CARDS programme, as well as on the findings of the various assessments of Montenegro performed by the European Commission, in particular the annual progress report, and on the findings of other international organisations and experts working under multi-beneficiary and regional programmes.

The Montenegrin authorities have provided a contribution to the establishment of the present document. A national coordination mechanism for the Pre-Accession Instrument was introduced by the Montenegrin government in July 2006. According to this mechanism, a National IPA Coordinator has been nominated, a Commission for Coordination of Assistance Programmes established and Senior Programming Officers for IPA have been appointed in each line ministry.

1.2. Objectives of pre-accession assistance

As stated in the IPA regulation (Title I) the general objective is to achieve a "progressive alignment of the beneficiary countries with the standards and policies of the European Union, including where appropriate the *acquis communautaire*, with a view to membership". The priorities for pre-accession assistance to the Republic of Montenegro have been selected on the basis of a balanced assessment of ambitious goals and realistic expectations. Particular attention will be paid to further consolidation of the rule of law and strengthening of the administrative and institutional capacity.

The assessment of the progress of the Republic of Montenegro against the requirements of the SAP has led to a number of three clusters of priorities under **Component I: Transition Assistance and Institution Building**.

³ Council Decision of 22 January 2007 on the principles, priorities and conditions contained in the European Partnership with Montenegro (*Official Journal of the European Union*, L 20 of 27.1.2007). All references to the European Partnership in the MIPD refer to this document.

- (1) In the area of Political Requirements, specific attention will be given to:
 - strengthening democratic institutions, good governance, judicial reform, consolidation and enforcement of the rule of law ;
 - implementation of reforms; in particular public administration reform (including at local level);
 - civil society and media development;
 - protecting human and minorities' rights and the rights of vulnerable groups, including children and the disabled .

- (2) In the area of Socio-Economic Requirements the attention will be given to
 - pursuing economic reforms, strengthening competitiveness, developing an appropriate business environment and social dialogue;
 - human resources development, employment, education, and social inclusion;
 - improving infrastructure in areas such as transport, energy, environment.

- (3) In the area of European standards, in addition to assisting the overall process of European integration, attention will be given to
 - progressive alignment with the *acquis* i.e. transposition and enforcement of legislation in the areas covered by the EU 'acquis' including internal market, agriculture, environment, energy, security (integrated border management, visa and migration policy);
 - introducing decentralised implantation system (DIS) to manage EU funds.

Under **Component II: Cross Border Co-operation** Montenegro will receive support to participate in:

- cross border cooperation with Italy, Slovenia and Greece over the Adriatic Sea (focusing on environmental and maritime matters);
- cross border cooperation with neighbouring (adjacent) candidate/potential candidate countries: Serbia, Croatia and Bosnia and Herzegovina, as well as with Albania.

Component II supports also the participation of Montenegro in the relevant ERDF transnational and interregional programmes.

Throughout IPA programmes and projects, major **cross cutting issues** will be taken into account:

- Civil Society, which plays a major role in transition societies, includes employer's organisations, trade unions, and associations of local self-governments as well as non-governmental organisations. Ensuring that those groups' concerns are duly taken into account in the European development agenda, and enhancing their policy dialogue with public authorities will be mainstreamed in assistance programmes. Civil society will also be supported by the European Initiative for Human Rights and Democracy

and the IPA financial framework. The justified balance will be kept between Western Balkans' regional activities for civil society and specific activities in IPA programmes.

- Environmental considerations will be duly reflected in all IPA financed activities in addition to be supported by specific actions. Environmental impact assessments are compulsory for new legislation or for any investment proposal.
- Equal opportunities and non-discrimination will be respected as regards gender as well as minorities at the programming and implementation stage, particularly in relation to socio-economic support programmes.
- Furthermore human rights, in particular for minorities, vulnerable groups', including refugees and the disabled, will be reflected in all activities programmed under IPA, in particular when it concerns public services, legislative matters and socio-economic development.
- Strengthening of the administrative capacity and good governance will receive specific attention through monitoring, evaluation and control mechanisms, through awareness building campaigns involving wider public, as a way to fight corruption and enhance civic responsibility.
- Finally attention will be paid to the problems of the underdeveloped mountain areas in the North of Montenegro, and activities aiming at eliminating disparities and creating opportunities for economic and social development in these areas will be added – where relevant– to socio-economic support programmes.

1.3. Overview of past and on-going EU assistance

IPA will be building on the results achieved under CARDS. Between 1998 and 2006 the EU committed over € 277.2 million to Montenegro. While the first years of the CARDS programme put emphasis on development and infrastructure (the funds were used for emergency and humanitarian relief, reconstruction and development activities and balance of payments), the emphasis since the year 2003 shifted gradually to institution building and to assistance to comply with the priorities of the European Partnership.

The priorities of CARDS in the years 2005 and 2006 have been Democratic Stabilisation, Good Governance and Institution Building, Administrative Capacity and Justice and Home Affairs, the Economic and Social Development (including development of SMEs), the Environment, and the participation of Montenegro in Community Programmes.

Montenegro also benefits from the Regional CARDS programme, which supported measures of common interest to the Western Balkans region, such as infrastructure development, institution building and cross-border cooperation.

In addition, the Tempus programme has provided support to the modernisation and the reform of the higher education system since 2001, in the areas of curriculum development, university management and structural reform.

Support has also been provided for cross-border cooperation with EU Member States (with neighbouring Italy and under the ERDF transnational programme CADSES) under CARDS, whereas other donors have financed cross-border activities in particular with the Republic of Albania.

Results and performance under the CARDS programme have been significant. Key projects in the area of judicial and administrative reform have helped to create or strengthen institutions. Achievements include:

- border management and control including the building and equipment of border crossing points;
- the development of legal instruments, policy making and institution building in key areas such as agriculture, environment and energy;
- development of legislation based on the EU 'Acquis';
- investment in infrastructure;
- gap analysis and needs assessments for further assistance in key sectors such as judicial and public administration reforms, agriculture and veterinary control, environment and energy, SMEs, as well as in key areas of the EU 'Acquis'.

As of 14 December 2005, the European Agency for Reconstruction (EAR)'s global rate of contracting for combined 1998-2005 EC funds in Montenegro was 89% funds contracted and 81% disbursed.

Table 2 : EU assistance to Montenegro (1998-2006):

Reconstruction and development assistance (CARDS/OBNOVA)	€146.3 million
Humanitarian assistance (ECHO)	€74.5 million
Macro financial assistance	€35.0 million
Others (EC food security programme)	€1.4 million
Total	€277.2 million

The main **lesson learned** from the implementation of Community assistance in Montenegro, to be taken into account for future assistance, is the need to ensure that there is increased ownership on the side of the beneficiaries and the corresponding sufficient *absorption capacity*. This requires that:

- projects are mature and well defined when they are introduced in annual programming;
- staffing in the relevant institutions is adequate (both for the preparation and management of projects and for following up on results and recommendations), and where institutions do not exist, they should be created and strengthened;
- there is a mobilisation of the civil society and a political consensus on key reform activities in order to generate greater support for the reform process (this would contribute to project implementation in key sectors with obvious political significance such as Public Administration Reform and Justice and Home Affairs, and sectors where a partnership between the authorities and the civil sector is needed, such in the area of social dialogue or environmental protection);
- donor coordination is based on the strategic reform priorities of Montenegro and in particular on its drive towards European integration and its structures are improved;

- Montenegrin administration should be encouraged to develop a greater inter-sector awareness and cooperation relating to the utilisation of EU co-funding. This is particularly the case with the sectors of environment and sustainable development, and the introduction of the EU 'acquis' in key areas of the internal market.

1.4 Relevant IFI, multilateral and bilateral assistance

A number of multi-lateral and bilateral donors are active in Montenegro. The main donors, beside the EU are EIB, USAID, the World Bank, Germany and UNDP. Some donors and international organisations, including EU member states, focus on institution and capacity building, whereas others focus on socio-economic development, protection of vulnerable groups, poverty reduction, environmental protection and sustainable development. UNICEF supports the Government in reaching European standards in relation to the promotion of children rights. UNHCR focuses on the support to the protection of refugees and displaced persons.

The IFIs in general focus on investment in infrastructure projects and the World Bank in particular focuses on poverty reduction..

The US (mainly through USAID) has been providing extensive assistance to Montenegro which is now being reduced before being phased out by 2012. It has assisted the Ministry of Finance to introduce budgetary management reforms, whereas it has also worked in the area of local government reform and reform of the judiciary. During the next period up to 2012 USAID plans to focus on social and regional development in Montenegro's underdeveloped regions in the North of the country.

Section 2 – Pre-accession assistance strategy for the period 2007-2009

In the context of a newly acquired independence, particular attention will be paid to the need to strengthen the administrative and institutional capacity of the Republic of Montenegro and to build the conditions for a political and society consensus on its own future around new democratic institutions, capable to face the challenges posed by independence and carry on with the reforms initiated under previous political circumstances.

2.1. Strategic choices

Given the size of the IPA envelope for Montenegro's national programmes under the present MIFF, choices will have to be selective and focused on those sectors which have an overwhelming political, economic, social and institutional significance, expected catalytic impact across sectors, as well as project readiness. For impacts to materialise there is a need for a close matching between strategic priorities and corresponding programmes as well as for an efficient donor coordination system.

In most cases assistance will build on programmes financed under CARDS where sustainable financing over the years is required to produce the desired results such as: addressing key socio-economic issues such as employment, education, innovation and competitiveness; civil

society development and its role for fostering consensus on key reforms; protection of vulnerable groups such as Roma and refugees.

Therefore EU support will strengthen the administrative, legal and institutional capacities as well as consolidate reforms. The main focus will be in:

- reforms in the area of the **rule of law** through judicial reform, police reform, fight against corruption and organised crime and all other forms of criminal activities, with special accent put on strengthening organisational, human and technical potentials;
- pursuing reform of the **public administration** to improve quality, accountability and performance, including of local self-government;
- **sector interventions** focusing on investments in terms of human, administrative and capital investment (environment, agriculture and fisheries) or where the IPA intervention can help mobilise resources from IFIs or private investment (energy, transport);
- progressive transposition and implementation of the **EU 'Acquis'** in particular in the area of Justice, Freedom and Security (one of the key requirements of the European Partnership).
- general **European integration** issues and structures (such as the management of IPA funds with a view to introduce DIS);

National programmes will have to be closely coordinated with other EC interventions such as Multi-beneficiary programmes or Community programmes (from line DGs). In addition, complementariness with national resources will have to be ensured as the national budget should be used to implement the requirements of the European Partnership priorities. It will also provide matching funds for investment and to increase absorption capacity.

The above approach however (and the successful realisation of the programme) largely depends on the continuing commitment of the Montenegrin authorities to reforms; to the implementation of the European partnership; and to strengthening the structures which are required for a solid implementation and follow-up of projects.

In addition, IPA will, under the present MIPD, finance the following activities programmed under the Multi-Beneficiary MIPD 2007-2009: Nuclear Safety; as well as Tempus and Erasmus Mundus. Indeed, due to the need to develop harmonised approaches, the latter are programmed under the Multi-Beneficiary IPA Programme where it is described in detail.

Assistance is foreseen for the support to Customs and Taxation administration, supplementing existing programmes in the area, allowing them to continue or ensuring follow-up to present actions.

In relation to Component II, it should be noted that cross border cooperation is a relatively new subject for Montenegro. Its successful realisation will depend on the development of sufficient capacity of Montenegro to plan and implement projects, on a smooth relationship between central and local authorities as well as with the civil society. The establishment of a functioning working relationship with neighbouring countries will be essential.

Because of the relative limited size of Component II under the MIFF, the priorities – notably for CBC with neighbouring candidate/potential candidate countries – focus mainly on people-

to-people contacts and projects including the involvement of municipalities and non-governmental organisations.

In the case of cross-border cooperation with Albania, the focus will be on socio-economic and environmental cooperation, in particular on the Skadar Lake, building on activities performed to date and financed by different donors. Cooperation over the Adriatic (with Italy, Slovenia, Greece and the coastal areas of the other Western Balkan countries) apart from people-to-people and municipality cooperation, may also finance small investment along the coast.

Cross-border cooperation is highly important for the stability, cooperation and economic development of the country. Development of such a programme is dependant on capacity building activities of responsible authorities. Therefore institution building under component I and II have an objective to generate additionality, complementarity and catalytic effect between components.

2.2. Component I – Transition Assistance and Institution Building

For 2007-2009, as mentioned in 1.2. above, the areas of intervention are broadly grouped into three sub-components⁴:

- Political Requirements;
- Socio-economic Requirements;
- European Standards.

2.2.1. Political Requirements

Following its proclamation of independence, Montenegro has to put in place the legal and institutional structures of a democratic state participating in the SAp and aiming at fulfilling the Copenhagen political criteria. This requires the drafting, adoption and implementation of a new Constitution which will have to reflect European standards.

Following a recommendation of the European Partnership, the Montenegrin authorities have developed a draft Strategy for **judicial reform**, aiming at creating a strategic framework for reforms in this key sector. In addition to addressing issues related to the independence and the status of judges and prosecutors; upgrading the capacities, strengthening the efficiency of the judiciary and improving the education of judges are essential elements. Some activity has already taken place in this field, resulting notably in the creation of an administrative office at the Supreme Court, charged with the management of the budget for the judiciary.

The CARDS programme has in the past supported the training of judges and prosecutors and the creation and strengthening of a Centre for Education in Judiciary as a Public Institution and the establishment of a set of mandatory requirements for the training of judges and prosecutors. Following the adoption of the law on judicial training in April 2006, the Centre for Education in Judiciary (operating in the past with donor support and support from the

⁴ As per the IPA regulation, each year, the Commission will prepare a Financing Proposal based on project proposals submitted by the authorities, after consultation of the IPA Committee. This will lead to a Commission decision and the signature of an annual Financing Agreement with Montenegro. Simultaneously, the Commission and the authorities will sign an Exchange of Letters, setting down the project fiches including the technical elements for implementation

Government of the Republic of Montenegro) is expected to be transformed as from 1 January 2007 into a public body under the Supreme Court. Apart from CARDS, assistance has been granted by other donors such as USAID, aiming at strengthening capacities and rationalising court work.

One of the key considerations in Montenegro is the limited **administrative capacity** as well as the existence of many actors with an independent role, who need to coordinate themselves. The Public Administration Reform Strategy 2002-2009 adopted by the Montenegrin Government foresees the introduction of the principles of professionalism, continuous training, transparent salary system, etc. The legal framework is gradually put in place and the Authority for Human Resources Management is being strengthened with support from CARDS.

Local government reform is based on the Work Programme for Better Self-Government adopted by the Government, it includes a number of activities related to the consolidation of the legal framework for the local government and to the strengthening of its administrative capacity. The Government plans to set up a coordination body to synchronise and monitor the overall decentralisation process. The focus of its work will be to clarify the competences of local self-government bodies and to address issues of financing. Some assistance from the Council of Europe has been provided to revise and implement a local government legislative framework as well as to assist the Ministry of Finance in developing a medium term financial framework on a rolling 3-year basis (including implementation of the treasury and personnel information systems and funding relevant equipment).

The government has adopted a Strategy for the **fight against corruption** and organised crime (July 2005) followed by an Action Plan (July 2006). In addition, the Programme and Action Plan for fighting against corruption at local authority level have been adopted. The establishment of a coordination body is foreseen, it will be in charge of monitoring and enhancing activities in the area of the fight against terrorism, corruption and money laundering.

Establishing contacts with regional and international organizations, in order to improve the fight against **drugs trafficking** will be needed. In order to create preconditions for fighting organized crime, the Law on witness protection has been adopted and organizational, material and human resources preconditions for its implementation created.

A key challenge is to create synergies and ensure appropriate coordination between law enforcement bodies (in particular the directorate for the fight against money laundering, police and prosecution and tax administration) as well as with the relevant preventive actions and measures in particular in the area of conflict of interest, where a revision of the current framework is needed.

In the area of **police reform**, the Ministry of Interior has developed a strategic "Vision Document" adopted in April 2005. This document foresees a number of organisational and strategic reforms which are in the process of being implemented. In the framework of planned reforms and fulfilment of EU standards, the Police Directorate is facing necessary rationalisation of the number of employees. It aims at increasing the capacity of the police organisation to deal with the challenges set by the rule of law and the fight against criminality and develop a service-oriented culture about community policing.

The Decision on Establishment of the Police Academy has been enacted and the Police Academy started its operation. Basic and specialised training is needed. Support mainly came from bilateral donors (US and EU member states, such as Denmark, Germany, Italy and Slovenia) whereas OSCE has provided training to police personnel. CARDS is supporting curriculum development for the Police Academy.

In spite of structural and institutional weaknesses, the **civil society** sector in Montenegro is playing a key role in areas such as democratisation, rule of law, fight against corruption, election monitoring, European integration, environmental protection and social dialogue. Memoranda of Understanding have been signed between NGOs and ministries including the Ministry of International Economic Relations and European Integration. The Montenegrin Government is in the process of devising a strategy for cooperation between NGOs and the Government, with a goal to enhance cooperation in areas which are of crucial importance in the fulfilment of Copenhagen criteria. In the past indeed cooperation between the government and NGOs has not been free of problems.

With the accession of Montenegro to independence, the setting up of the legal and institutional framework which will guarantee protection of **human and minority rights** is a key priority; it includes support to vulnerable groups, (beyond the issue of identification of sustainable solutions to the status of refugees). Support has been provided under the CARDS programme for housing solutions and institution building support to the Commissariat for Refugees and Displaced Persons aimed at building local ownership in identifying long-term solutions to the problems of integration and/or return. In the past few years EU funds have been used to support democratisation, human rights and confidence building measures between ethnic communities within the framework of the European Initiative for Democracy and Human Rights (EIDHR) programme. CARDS supports the involvement of civil society organisations in the implementation of the Poverty Reduction Strategy Paper agenda. Support is also provided for an enhanced social dialogue between relevant social partners.

The improvement of **prison conditions** is a particular challenge for Montenegro. It includes aspects related to human rights; the need to reduce ill-treatment; to increase security as well as corrective and re-integration measures.

In spite of some progress, there is still a lot to be done regarding **media**. The Radio Television of Montenegro has started its transformation into a public service broadcaster; the broadcasting authority is an independent body which should further strengthen its independence, whereas upgrading professionalism in the media is a key issue for the political developments in Montenegro. Some assistance under CARDS in the past has been focusing on the development of a new legislative media framework. The audiovisual field has profited from extensive cooperation in the context of regional meetings aiming at the introduction of European standards.

2.2.1.1. Main priorities and objectives

The main priorities will be as follows:

- Strengthen the legal and constitutional framework in the areas of rule of law, as well as organisation of election, de-politicisation of electoral administration.
- Strengthen the efficiency of the judicial system to fully play its role as a guarantor of the rule of law in the country; including juvenile justice.

- Further implement the Public Administration Reform Strategy, with the objective of building a professional and accountable public administration, politically neutral and geared to a service-based culture. Strengthen the capacity of the Ombudsman Office (including for children), and ensure the proper follow-up of recommendations, as well as the institutional and administrative capacity of the Parliament.
- Implement the decentralisation process with the aim of strengthening local democracy, develop the capacity of the municipalities to perform their tasks and improve their competences.
- Implement governmental strategy and action plan to fight corruption at national and local levels, with due consideration to coordination among law enforcement bodies and other entities, and to the involvement of civil society organisations; the latter to create a balance between preventive and law enforcement actions.
- Support police reform to fight terrorism, drugs, organised crime, trafficking of human beings; and to ensure adequate assistance to and protection of victims.
- Improvement of prison conditions, in particular as regards vulnerable groups such as juvenile offenders.
- Improvement of the protection of human and minority rights; implementation of the National Strategy to address the needs of refugees and displaced persons, as well as of strategies and action plans relevant to the integration of the Roma.
- Creation of a partnership between the authorities and Civil Society to strengthen democracy by involving NGOs, academic institutions, trade unions and employers organisations, political parties and local authorities. Enhance the capacity of civil society organisations to promote and protect human rights.
- In the area of media, promote the public service character of the Radio Television of Montenegro and contribute to its restructuring, including through the involvement of civil society organisations in the sector.

2.2.1.2. Expected results and timeframe

Results will have to be laid down in detail during the annual programming phase. In more general terms, these are as follows.

- Institutional clarity and capacity to deal with key political issues (including constitutional guarantees for human rights protection, the existence of a codified legislation and party-neutral administration for elections, as well as a framework for protection of minorities in line with European standards).
- Significant progress in the implementation of reforms in the judiciary: this would include a new system for appointment and career development of the judges and prosecutors based on professional and objective criteria; the creation and institutional development of the High Judicial Council as the organ responsible for human resources management and monitoring and evaluation of the work of judges; the revision of parameters for financing the judiciary; the adoption and implementation of juvenile justice law.

- Improved functioning of public administration, including at Parliament level; significant progress in sustainable financing of local authorities; strengthened capacity to deal with new competences and to provide services to citizens and to local communities, regardless of the ethnic affiliation of their members; clarified competences between central and local government.
- Problems of vulnerable groups being addressed (health services, education and housing) in line with anti-discrimination legislation and European standards of human rights and with the EU strategy on the rights of the child; existence of synergies between central and local authorities as well as among public authorities and NGOs; existence of constitutional guarantees regarding protection of human and minority rights; improved legal, institutional and administrative capacity for implementation and enforcement; strengthened Ombudsman's Office; elimination of cases of ill-treatment, especially for the persons with special needs; improved situation of prisons; Action Plans relevant to the integration of the Roma under implementation.
- Fully fledged new organisation of police, functioning according to EU standards including: upgraded capacity of the departments fighting drugs and organised crime; a functioning system of regional and international cooperation including with EUROPOL; upgraded capacity of the Police Academy; developed witness protection and criminal intelligence; improved detention premises; strategy on small arms and light weapons control and reduction implemented; active regional and international cooperation.
- Sustainable solutions for the refugees applied including integration and return to place of origin; National Strategy in addressing the needs of the displaced persons implemented.
- Upgraded capacity of civil society; existence of a permanent dialogue for future cooperation with Government in mutual interest; internal communication within civil society well developed.
- Public service character of the Radio Television of Montenegro fully confirmed; involvement of civil society and other interest groups; significant progress in media compliance with standards on independence and objectivity.

2.2.1.3. Programmes to be implemented

- Support to the implementation of the future Constitution and subsequently of a set of systemic laws in key areas such as the codification of electoral legislation, and to the establishment of a framework for financing of electoral campaigns.
- Support to the judicial reform strategy, including for the development of the institutional capacity of the High Judicial Council and for the Centre for Education in Judiciary; in terms of curricula and concrete training actions; support would include upgrading procedural legislation and enforcement as well as establishing juvenile justice.
- Support to the implementation of the governmental strategy and action plan for the fight against corruption and organized crime; capacity building to the Ministry of Interior, Police Directorate and to the Police Academy including provision of equipment and other infrastructure.

- Support to the implementation of Montenegrin Public Administration Reform Strategy 2002-2009, including to the ombudsman offices, and the Parliament.
- Contribution to the implementation of the Work Programme for Better Local Government; including upgrading the financial management capacity of the municipalities, and use of public procurement rules.
- Support to the development of the legal and institutional framework for human rights and the protection of minorities.
- Capacity building and practical measures for integration or other sustainable solution to the problems of displaced persons and refugees; including shelter solutions, employment generation and education and return to place of origin.
- Support to improving prison conditions, including juvenile and persons with special needs imprisonment, and enhancement of security system.
- Capacity building of Civil Society organisations and for the definition of systems and channels of permanent communication between Civil Society and Government.
- Implementation of reforms in the Radio Television of Montenegro, to the Broadcasting Council; and support to journalists organisation for self-regulation and introduction and implementation of codes of ethics.

2.2.2. Socio-Economic Requirements

Montenegro has achieved a lot over the past period in terms of macro-economic stabilisation and restructuring of the economy. The CARDS programme has supported activities in the area of business environment, facilitation of investment and restructuring of enterprises. However, competitiveness of the economy, restructuring and employment remain serious challenges for Montenegro in the future. The Government's **Economic Reform Agenda** gives emphasis to regional development and to the competitiveness of the economy including technological development. A CARDS 2006 programme aims to determine a reform and capacity building plan for the labour administration and employment services, in line with the requirements for better labour market governance and future EU integration. The output will be a number of development lines with medium-long run performance targets to ensure institutional and policy readiness for participation in EU employment and social policies and support frameworks.

In the area of **labour market and employment**, policy reforms have started; however employment authorities and social partners have to continue efforts to meet the Copenhagen competitiveness criteria. Social partners present still institutional weaknesses and will require considerable technical support to ensure that they are an effective interface for the government in order to lead an inclusive and consensus-oriented development of the country.

According to the official data of Montenegrin Employment Office from October 2006, key indicators underlining the socio-economic challenges show that the employment rate, which measures the share of employed people in the population aged 15 to 64 years, stands at 36.6% (in the EU-25 it is 63.8%); the female employment rate reaches 33.3% (in the EU-25 it is 56.3%); the unemployment rate is 18.4% (in the EU-25; 9%); and the rate of female unemployment is 22% (in the EU-25; 9.87%).

It is estimated that some 30% of the registered unemployed hold jobs in the informal economy. Unemployment is a key determinant of poverty in Montenegro. The presence of national and ethnic minorities (particularly Roma) is manifestly significant in the unemployment rate (43%), followed by refugees (33%) and IDPs (39%).

In the **private sector** area, activities (i.e. in manufacturing and services) account for an estimated 50-55% of GDP. The Government launched a project for the restructuring of state and socially-owned enterprises in 2005. By the end of 2005, some 80% of company capital had been privatised, and 272 out of 386 formerly state or socially-owned enterprises are now privately-owned. However, newly established enterprises and SMEs are predominantly found in the tourism, agricultural and small-scale trade sectors and large-scale, formerly state-owned enterprises account for the largest share of exports (e.g. the Aluminium Kombinat). The “increase of private sector participation in GDP formation” is one of the priorities listed in Montenegro’s Economic Reform Agenda and a new SME development strategy is currently in the process of being formulated.

The latest World Bank’s *Doing Business* survey indicates a worsening of Montenegro’s relative positioning (from the 64th place in 2005, ahead of all other countries in the region, to the 70th place in 2006, behind Serbia). As for obstacles to financing, despite a recent increase, lending to private sector operators, remains low; compared with 40-60% in other South East European countries.

Over the years, the EC has actively supported private sector development through the provision of assistance for the privatization of key state owned enterprises, the establishment of the Directorate for SME Development (SMEDA), the creation of the Euro Info Correspondence Center (EICC), and the provision of direct support to individual companies through the TAM and BAS initiatives managed by the EBRD. Most recent EC initiatives include the creation of the legal and institutional environment for establishment of public private partnerships in key sectors of infrastructure and tourism, establishment of a credit guarantee fund (CGF) in line with EU practice, and a pilot project on business incubation, implemented by SMEDA in collaboration with the Municipality of Podgorica, the University and leading industrial companies and financial institutions.

In the area of **environment** and sustainable development, activities have taken place at the strategic and implementation level. The Ministry for Tourism and Environmental Protection is the central environmental protection authority of the Government with a political, monitoring and controlling role. However the relationship with other ministries and state agencies, including local authorities, needs to be further clarified. During 2005, the Montenegrin Assembly has adopted four legal acts: the Law on Environmental Impact Assessment (EIA), the Law on Strategic Impact Assessment (SIA), the Law on integrated pollution prevention control (IPPS), and the Law on waste management, which are harmonised with the EU directives, including those regarding public participation in the field of environmental protection. Nowadays the group of experts prepared revision of the Law on Environmental Protection (from 1996) which will be broadly consistent with EU principles of environmental management.

To date, CARDS supported strategic master planning and project identification in wastewater/solid waste sectors, assessment of environmental legislation and institutional capacity, and a proposal for structural reform (establishment of an Agency of environmental protection and Project Implementation Unit). UNDP supports sustainable development under

the leadership of a strategic structure created within the Government (Office for Sustainable Development) and a Strategy for Sustainable development is under preparation.

Regarding **energy**, CARDS has provided assistance to the Government to develop and implement an energy policy in accordance with the Energy Community Treaty for Montenegro and to improve energy efficiency. The restructuring of the Electricity Company, the financial viability of the electricity sector, the preparations for privatisation and facilitation of investments have been also supported as well as some capacity building for the independent energy regulator.

Regarding **Transport**, activities have focused on legislation, building the administrative and institutional capacity and promoting and supporting investment. The road and rail surface transport system of Montenegro has suffered chronic under-funding in the past decade. The Government has addressed legislative obstacles to investment by adopting new laws governing transport. Road transport legislation rationalises institutional arrangements and the allocation of available investment between new construction and maintenance. The legislation promotes competition and the opening of markets (for example as envisaged under EU directive 91/440 related to railways). In terms of investment on infrastructure, key priorities are: (a) the connection of the Port of Bar with corridor X; therefore, the route Bar – Beograd is not just a strategic goal for Montenegro’s connection to central Europe, but also a part of an already defined road and railway corridor, thus giving a special importance to the Port of Bar in the overall economic development of Montenegro; (b) the continuation of activities on the construction of the Adriatic-Ionian motorway, i.e. connecting to corridor Vc.

Montenegro is also developing its capacities to deal with the challenges of air transport in the context of the ECAA by participating in harmonization of multilateral and horizontal agreement about the “single European sky” and unification of safety and security standards⁵.

Montenegro sees its participation in SEETO not just as an obligation but as a chance for improving its position in the transport network. In the shipping industry sector a new legal framework is prepared. It consists of a set of maritime laws that have to be fully implemented in practice in the forthcoming period.

The CARDS programme has to date provided assistance aimed at improving the efficiency and effectiveness of the transport network. EU funds have been used to support the strategic planning capacity of the Ministry of Transport, the restructuring of the Railway Company, the implementation of road and rail infrastructure programmes funded by IFIs and the strengthening of the road sector administration. Some investment has also been provided to the improvement of the core road network. In last couple of years, funds for reconstruction and modernization of existing infrastructure have been provided by loans of EIB, EBRD and KfW as well as by other bilateral donors.

2.2.2.1. Main priorities and objectives

- Sustaining macro economic stability and pursuing fiscal adjustment and consolidation; improving budget management and fiscal policy, as well as implementing reform of the state property administration.

⁵ This subject will be further elaborated in the next sub-component dealing with EU standards.

- Human resources development and labour market policy adjustments with specific reference to the European Employment Strategy (EES).
- Improving the quality, efficiency and relevance of the education system, including VET; and development of life long learning.

Strengthening the competitiveness of the Montenegrin economy and improve the business environment

- Introduction of key environmental legislation and its enforcement, including on environmental impact assessment; implementation of activities and investments in the areas of waste water, solid waste and air pollution.
- Support to the transport sector and to the development of regional networks.
- Completion of the restructuring of the energy sector and ensuring its financial and social viability; and development of the regional energy market.

2.2.2.2. Expected results and time frame

Specific results will be laid down in detail during annual programming. In more general terms, the expected results are:

- Strengthened financial control and audit functions; improved budget preparation; public expenditures management reforms implemented, in particularly regarding the treasury and budgetary execution with the IT system; improved management of overall state property and existence of data.
- National labour market policy aligned with the standards and requirements of EES; improved regulations and good governance in the employment field; appropriate development of social dialogue; existence of investments in human capital development; active labour market measures; harmonized national legislation in particular with respect to labour law, health and safety at work, equal opportunities, social inclusion and anti-discrimination; enhanced access to employment and labour market re-integration.
- Progressive establishment of the national framework for vocational qualifications; promotion of life-long learning; innovated curricula; increased skill levels amongst the disadvantaged (e.g. long-term, youth, women, and minority unemployed); integration into the European Research Area.
- Existing and functioning competitiveness in the private sector; improved framework for the establishment and operations of private enterprises, including reduction in business barriers and transaction costs; existing legal and institutional framework for development of public private partnerships; improved SME access to medium and long term finance; improved business support services and conditions for entrepreneurship development and enterprise creation, with an increase in the number of newly established, innovative firms in modern technology sectors; progress in terms of technological development and investment facilitation.
- Clear delineation of competences among national institutions dealing with environmental protection and improved capacity of the Ministry for Tourism and

Environmental Protection, of the Environmental Protection Agency and of municipalities related to policy making, monitoring, enforcement and control of environmental protection; functioning of a comprehensive environmental monitoring system; as well as improved investments in environmental infrastructures.

- Facilitated investment in transport and existence of a transparent and sustainable system for financing infrastructure investment and maintenance; Montenegro's transport network integrated into the sub-regional networks and into the Trans-European Transport Network; safe and secured transport-logistic chain in all modes of transport, for all participants, goods and environment; improved transport services quality with fair prices; existence of inter-modal transport facilities, of infrastructure database.
- Improved energy efficiency; wider use of renewable energy; independent energy transmission; functioning market regulator; harmonisation with the Energy Community Treaty taking into account potential social impacts.

2.2.2.3. Programmes to be implemented

- Capacity building to the Ministry of Finance; implementation of IT system for management of state property, training of staff; development of by-laws and methodology for evaluation of state property in line with EU standards.
- Institutional building to relevant line Ministries and Agencies for the harmonisation of the national legislation with the EU acquis in the chapter "Employment and Social Policies" (mainly Ministry of Health, Labour and Social Welfare (MoHLSW) and Ministry of Education and Sciences) ; support to the National Employment Service; support to the implementation at local level of measures to target employment opportunities; capacity building to enhance competitiveness, self-employment and business creation; support to improved access to employment and increase sustainable participation of women in the labour market, promotion of equal opportunities, health and safety at work and social dialogue;
- Support the national framework for vocational qualifications; support the development of life-long learning perspectives and policy on adult learning across all levels of the employment administration, including the labour inspectorate, educational institutions and the social partners; support to higher education institutions for curriculum development in close coordination with the Tempus programme; support to pre-school education with a special focus on disadvantaged groups;
- Support to the establishment of a legal and regulatory framework in favour of private sector development; support to the Programme to Eliminate Business Barriers and to the Strategy for the Introduction of Quality Standards in Companies; training of managers and employers; support to initiatives launched under previous programmes (credit guarantee fund - CGF) and/or other initiatives aimed at alleviating the risk of lending (e.g. credit bureau or similar initiatives); promotion of the active involvement of relevant EU institutions, such as the European Association of Guarantee Funds (*Association Européenne du Cautionnement Mutuel* – AECM); development of business support services; support to projects related to the implementation of the European Charter for Small Enterprises; support to investment in innovation.

- Support to the environmental sector through capacity building; raising of awareness of the obligations of industries, consumers and citizens, and municipalities; investment in priority environmental infrastructure and equipment;
- Capacity building to the Ministry of Transport and relevant authorities in the transport sector including the Aviation Authorities for policy, legislative or institutional developments, training for the preparation of transport infrastructure projects and provision of equipment for transport management institutions; investment in priority transport or environmental infrastructure including in local communities; support to the creation and maintenance of a database for a cadastre/registry of roads.
- Administrative capacity building to the Ministry of Economy; promotion of wider use of renewable energy sources and of energy efficiency measures, assistance to meet the obligations undertaken as part of the Energy Community Treaty, including support to address social issues that might arise; support to the Energy Regulatory Agency.

2.2.3. European Standards

Montenegro has initiated the introduction and implementation of the 'Acquis' in the past few years, according to the European Partnership. Comprehensive programmes have started to be implemented in a number of areas such as agriculture and environment. Montenegro still needs to devise a comprehensive programme for adoption of the 'Acquis' and launch its implementation. Some limited support to date has been or is in the process of being provided in the area of trade legislation as well as in metrology and quality assurance. The TAIEX facility has been used in certain areas aiming mainly at a familiarisation of Montenegrin officials with the EU 'Acquis'. A focus on this field is becoming imperative as Montenegro is preparing to finalise negotiations for an SAA.

The **Statistical** Office of Montenegro received support from national and regional CARDS programmes. Past and ongoing projects aim to increase the institutional capacity and develop a sustainable statistical system. The main areas covered are management and the development of National Accounts and economic and business statistics. Despite progress made, the scope of the official statistics produced has been limited and the quality variable. The main reason is the lack of human, technical and financial resources of the Statistical Office of Montenegro.

Significant support has been provided to **agriculture** under CARDS to date, covering institutional and policy developments as well as investment in structures and equipment in the area of veterinary and phyto-sanitary controls. A TAIEX peer review assessment mission for the sector was organised in autumn 2005, which has identified the needs for policy and institutional development and possible support to the sector, in particular in the veterinary and phyto-sanitary sector. As a result of support so far, the Ministry of Agriculture has developed its capacity to conduct agricultural policy and is overall aware of the challenges linked with the SAA implementation and WTO membership, as well as European integration. Furthermore, a Strategy for the Development of Agriculture has been prepared which focuses on the central role of agriculture in rural and regional development. Montenegro is committed to preparing the ground for the future implementation of the rural development component under IPA whenever this will become possible.

Fisheries is a sector which has been relatively neglected in the past in terms of EU assistance. However, taking into account the requirements for the implementation of the Stabilisation and

Association Agreement in this area, and the new full competences of Montenegro in the area of fisheries policy following independence, support is highly needed.

Montenegro has not advanced much in the introduction of **internal market** legislation. It has still to devise a comprehensive programme for the adoption of the *acquis* and then launch its implementation. However, some activities have already taken place and thus there is a basis for further work. An increasingly important focus on this field is becoming imperative as Montenegro aspires to WTO accession. Also, a number of key obligations under the Stabilisation and Association Agreement refer to this area (public procurement, protection of Intellectual Property Rights, competition).

In June 2006, Montenegro signed the European Common **Aviation Area** (ECAA) Agreement which extends the Community internal aviation market to the Western Balkan countries. Under this agreement, Montenegro should gradually implement EU aviation aquis (e.g. in the areas of safety, security and ATM) and open up the air transport market, so as to become the part of the ECAA by 2010. Montenegro is an active participant of the South East Europe Core Regional Transport and of the SEE-FABA (South Eastern Europe Functional Airspace Blocks Approach) initiative. Progress in this area has been made but further efforts are necessary.

In addition to the sectors dealt with under "Political Requirements" a specific focus on the introduction and implementation of EU standards in the area of **JLS** is needed to help Montenegro to assume all its new competences following its independence, in particular in the areas of visa, migration policy and border control.

Justice and Home Affairs has been a key priority for past CARDS programmes and results have been obtained in the area of border management and control (resulting to the adoption of an Integrated Border Management Strategy), and they are in the process of being built in the area of police training. Significant assistance has been provided under regional CARDS projects and other EU initiatives, which have resulted in upgrading of capacities at national level to deal with regional cooperation or to tackle key areas of cooperation in this field. Other donors (in particular the US and the OSCE) have provided basic support in judicial training and reform as well as in the area of police reform.

A strategy on **Integrated Border Management** (IBM) was adopted in February 2006. Four main bodies (Ministry of Interior, Customs, Veterinary Service, Phyto-sanitary Service) are currently controlling implementation. There is a further need for the adoption of secondary legislation on border crossings management and to establish a control mechanism for integrated border management at national level.

The setting up of a system for protection of **personal data**, including the establishment of an independent authority, in line with the requirements of the EU 'Acquis' and the standards of the Council of Europe, is also becoming imperative because of the overwhelming importance of this area for unhindered exchange of data with the EU. It will be also a key obligation under the future Stabilisation and Association Agreement. No support has been provided yet in this area apart from training activities organised by TAIEX. A draft law is under preparation.

In the **insurance** field, the primary objective is to establish a regulatory body and pass new legislation leading to increased competitiveness of the insurance market and possibly attraction of foreign insurance companies into the domestic market.

Further enhancement of the **financial system** will be achieved through the strengthening of the capacities of the Central Bank and capital market institutions, and their ability to develop further the regulatory environment in their respective fields.

Montenegro has not advanced much in the EU' *acquis*' regarding electronic communications and **information society**. A well implemented regulatory framework in this sector is a prerequisite for the development of this sector to the benefit of consumers and the overall economic development in the country.

2.2.3.1. Main priorities and objectives

- Preparing Montenegrin public administration, in particular the Ministries of International Economic Relations and European Integration to deal successfully with the European integration process and with the implementation and enforcement of the SAA; future WTO obligations and commitments under the CEFTA.
- Upgrading internal market legislation including on free movement of goods; quality infrastructure (standardisation, metrology, accreditation and conformity assessment); public procurement rules; financial control and audit; competition and consumer protection; customs and taxation; intellectual property rights; tele/electronic communications; and strengthening of administrative capacity in these areas.
- Reform of the Montenegrin Statistical Office with a focus on national accounts, agricultural statistics, price statistics, and statistics related to economic activities (business, tourism, transport etc.); introduction of NUTS classification.
- Development of the institutional capacity of the Ministry of Agriculture; adoption of the EU 'acquis' and implementation of the National Strategy for Agricultural development based on quality, biological agriculture and sustainable development.
- Development of capacities to implement EU food safety, veterinary and phyto-sanitary standards; as well as to implement international agreements in the field of public health (communicable and non communicable diseases).
- Institutional and legal strengthening in the fishery sector (covering both marine and inland fisheries) and industry standards.
- Support to Integrated border management (IBM) Strategy and Action Plan; strengthen border police and the other bodies involved; develop a policy for a visa, asylum and migration including for security of travel and identity documents.
- Protection of personal data; set up of new legislation; support the future independent data protection authority.

Montenegro shall receive assistance to participate in **Community programmes**, complementary to IPA in several fields

2.2.3.2. Expected results and time frame

Specific results will be laid down in detail in the context of annual programming. In more general terms, the expected results include the following:

- An upgraded and more efficient system of coordination on European integration issues including on implementation of the European partnership priorities; existence of a functioning system for the implementation of the SAA.
- Existence of an efficient system for IPA coordination; ability to prepare good-quality, mature projects for funding; a working system of coordination of approximation of legislation; road map to DIS accreditation developed and implemented, including appropriate support programmes.
- Progressive introduction of EU internal market 'acquis'.
- Existence of efficient institutions, notably in the areas of financial management, audit, public procurement, protection of intellectual property rights, quality infrastructure (standardisation, metrology and accreditation); competition and consumer protection.
- Aligned customs and taxation legislation to the acquis; and upgraded operational capacity of the Customs and Tax Administration.
- Improved frame for National Accounts Statistics and improved basic statistics; existence of an agricultural census; introduction of a NUTS classification; and of a sustainable system of standardisation, metrology and accreditation.
- Upgraded capacity of the Selected Conformity Assessment Bodies (CAB's) to establish the Notified Bodies necessary for the implementation of the New Approach Directives.
- Increased capacity of market surveillance system.
- Increased capacity of the Ministry of Agriculture to deal with EU and WTO policy and legislative issues, including issues of investment support and payments;
- Trade related veterinary, phyto-sanitary and food safety legislation aligned to EU acquis; increased capacity of veterinary and phyto-sanitary controls; increased awareness about rights and obligations on the side of producers and consumers.
- Progressive improvement of the public health sector.
- Advanced alignment of the air transport sector to the *acquis* and improved infrastructure in the field; compliance with the obligations of the European Common Aviation Area agreement; participation in the SEE-FABA initiative.
- Existence of a functioning border police and a functioning coordination structure for the implementation of the Integrated Border Management strategy.
- Existence of a satisfactory legal framework for a visa policy and a sustainable system for its implementation
- A complete legal and institutional framework for the protection of personal data in line with European standards and a fully functioning and independent authority for the protection of personal data.
- Improved legislative background and institutional capacity for the development of the "information society".

2.2.3.3. Programmes to be implemented

- Capacity building to European integration structures; support to overall coordination of European integration tasks, to the implementation of the SAA and to the preparation of the Montenegrin administration to assume responsibilities under the IPA instrument including for donor coordination, inter-ministerial coordination; preparation for DIS; translations where appropriate; equipment related to the implementation of such projects.
- Capacity building in the field of public procurement..
- Capacity building and appropriate investments to the Statistical Office of Montenegro; for standardisation, metrology and accreditation; to selected Conformity Assessment Bodies (CAB's); to the Customs and Tax administrations; to market surveillance authorities; and to protection of intellectual property rights;.
- Capacity building and equipment to the Ministry of Agriculture including investment for analytical and data base support for agriculture including for the agricultural census.
- Capacity building to progressively implement the international agreements in the field of public health.
- Capacity building in the veterinary sector, legislative and management strengthening including training, raising public awareness of farmers, as well as provision of equipment for controls and incineration; development of an integrated food safety system; as well as laboratory capacity in fisheries.
- Developing institution and capacity of relevant authorities in civil aviation, to align with the *acquis*, and assistance to the implementation of the ECAA Agreement.
- Implementation of the Integrated Border Management Strategy; capacity building and investment (including controls in the veterinary and phyto-sanitary sectors); strengthening the capacities of the border police and the upgrading of border facilities.
- Definition and/or implementation of visa and asylum and migration policy.
- Capacity building for the independent authority for the protection of personal data or to other relevant bodies.
- Capacity building in the field of information society and electronic communications.
- Preparation for participation to Community programmes.
- Support to any action earlier undertaken under CARDS (regional and national) in a spirit of rationalisation and flexibility and on the basis of an increased commitment of the authorities to invest in human resources and equipment
- Capacity building to the Montenegrin authorities as well as to public and private institutions at national and local levels in preparing high quality projects (projects fiches, proposals and applications).
- Capacity building to implement future commitments under CEFTA and WTO.

2.2.4. Type of assistance to be provided

During the annual programming for 2007-2009 assistance, it will be the responsibilities of the beneficiary country to establish the exact scope of the project proposals.

The assistance under Component I, Transition Assistance and Institution Building, may be provided in the form of twinning/twinning light support, technical assistance, project preparation facility, procurement of equipment, works, investments and grant schemes. Under certain conditions assistance in form of budgetary support could be provided. A financial contribution will be provided for the participation in the Community programmes.

2.2.5. Financial indications

The indicative financial weight allocated for each of the major areas of intervention will be:

Area of intervention	Percentage range
1. Political requirements	20-25%
2. Socio-economic Requirements	40-45%
3. European Standards	30-35%

2.3. Component II – Regional and Cross Border Co-operation

Since 2003 there have been three CARDS Regional Action Programmes supporting cross-border activities, involving all Western Balkan countries:

- The CARDS 2003 Regional Action Programme included a Technical Assistance project Cross Border Institution Building (CBIB), €2 million;
- The CARDS 2004 Regional Action Programme provided funds (total €15 million) for the participation of Western Balkan countries in cross-border and transnational (CADSES) co-operation programmes (Neighbourhood Programmes) with Member States;
- The CARDS 2005 Regional Action Programme continued the support for participation in Neighbourhood programmes and provided additional funds to initiate cross-border programmes at the borders between Western Balkan countries themselves (total €17,2 million);
- The CARDS 2006 Regional Action Programme is under preparation and will contain a cross-border cooperation module.

2.3.1. Major areas of intervention and goals

IPA Component II will support

- The participation of the Republic of Montenegro in the multilateral IPA Adriatic CBC programme involving the NUTS level III costal areas (or equivalent) of Italy,

Slovenia, Greece, Croatia, Bosnia & Herzegovina and Albania. In the absence of NUTS classification, the eligible areas in Montenegro have been determined at the level of Municipalities. They are as follows: Ulcinj; Bar; Budva; Tivat; Herceg Novi; Kotor; Cetinje; Nikisic; Danilovgrad; Podgorica. The territorial coverage may be reviewed once Montenegro adopts the NUTS classification. The major areas of intervention would be likely to include environmental and maritime matters and people-to-people contacts and will depend on the outcome of negotiations among the participating countries.

- Cross-border co-operation programmes with neighbouring candidate and potential candidate countries where the eligible areas will be determined in compliance with the IPA rules on eligibility (equivalent NUTS level III areas along the border):
 - cooperation with Serbia;
 - cooperation with Croatia;
 - cooperation with Bosnia and Herzegovina;
 - cooperation with Albania in particular around the Skadar lake, which is a national park with environmental challenges.
- Furthermore, the entire territory of Montenegro is eligible to participate in the relevant ERDF transnational/interregional programmes (e.g. the "Europe South –East European Space" programme, the successor of CADSES).

The eligible areas for CBC programmes with neighbouring candidate/potential candidate countries will be determined in compliance with the IPA rules on eligibility (equivalent NUTS level III areas along the border).

2.3.2. Main Priorities and objectives

IPA CBC will combine cohesion and external relation objectives taking into account the specific needs of external borders (this is only valid for EU external borders, not for internal Western Balkans borders):

- Development of cross-border economic, social and environmental activities of border areas.
- Address common challenges in particular in the field of environment and public health and development.
- Promote local "people to people" type actions including among NGOs and local authorities.

2.3.3. Expected results and time-frame

It is expected that after the first year of the programming cycle, the partner countries will have established the relevant joint multi-annual CBC priorities and programmes, will have set up joint management structures and agreed on joint implementation procedures. In the remaining two years, the agreed projects shall be implemented.

2.3.4. Programmes to be implemented

A joint multi – annual CBC programme has to be established by partner countries which have to define together the priorities for cooperation.

For CBC programmes, the identification of suitable joint projects to be financed should primarily take place through competitive joint call for proposals agreed between participating countries. Pre-identification of projects with a genuine cross-border value by the CBC Joint Monitoring Committee is also possible. The participation of Montenegro in ERDF transnational/interregional programmes will follow the implementing rules of those programmes.

2.3.5. Financial indications

The following amounts of IPA funds are earmarked for the participation of Montenegro in the IPA Adriatic programme (million € current prices):

2007:	2008:	2009:
0.73	1.24	1.36

For the CBC programmes between border regions of Montenegro and neighbouring candidate/potential candidates and for the participation of Montenegro in the relevant ERDF transnational/interregional programmes, the following indicative amount of funds have been earmarked (million € current prices):

2007:	2008:	2009:
3.18	3.25	3.31

Annex: Table 3: past and on-going CARDS assistance to Montenegro

<u>PRIORITIES</u>	<u>PROGRAMMES</u>	<u>BUDGET</u>					<u>TOTAL PER SECTOR</u>
		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	
DEMOCRATIC STABILISATION	Civil Society and Media		<u>1.0</u>			<u>1.0</u>	<u>2.0</u>
	Refugees/IDPs				<u>0.7</u>	<u>2.3</u>	<u>3.0</u>
GOOD GOVERNANCE AND INSTITUTION BUILDING	Justice and Home Affairs		<u>3.0</u>		<u>3.0</u>		<u>6.0</u>
	Integrated border management			<u>4.0</u>		<u>1.5</u>	<u>5.5</u>
	Public administration reform	<u>2.0</u>		<u>5.0</u>	<u>3.5</u>	<u>3.0</u>	<u>13.5</u>
	Customs and taxation	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.5</u>	<u>5.5</u>
ECONOMIC AND SOCIAL DEVELOPMENT	Investment climate/ Entreprises / Economic development	<u>3.0</u>		<u>2.0</u>	<u>3.5</u>	<u>2.5</u>	<u>11.0</u>
	Trade					<u>2.0</u>	<u>2.0</u>
	Infrastructure/Transport	<u>2.2</u>		<u>2.5</u>	<u>4.0</u>		<u>8.7</u>
	Environment	<u>1.7</u>	<u>4.0</u>		<u>3.0</u>	<u>3.0</u>	<u>11.7</u>
	Energy	<u>2.6</u>	<u>2.0</u>				<u>4.6</u>
	Agriculture and rural development		<u>1.5</u>		<u>1.8</u>		<u>3.3</u>
	Education and Employment (VET)			<u>2.0</u>		<u>1.5</u>	<u>3.5</u>
	Tempus	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>2.5</u>
GTAF + RESERVE			<u>0.5</u>	<u>1.0</u>	<u>1.0</u>	<u>3.2</u> (incl EAR)	<u>5.7</u>
TOTAL		<u>13.0</u>	<u>13.5</u>	<u>18.0</u>	<u>22.0</u>	<u>22.0</u>	<u>88.5</u>