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## COMMISSION DECISION

of

**on a Multi-annual Indicative Planning Document (MIPD) 2009-2011 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)<sup>1</sup>, 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 [per / for the] 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, 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) On 22 January 2007, the Council adopted the European Partnership with Montenegro<sup>2</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.

HAS DECIDED AS FOLLOWS:

### *Sole article*

The Multi-annual Indicative Planning Document (MIPD) for the years 2009-2011 for Montenegro attached to the present Decision is hereby adopted.

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

<sup>2</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)

Done at Brussels,

*For the Commission*

*Member of the Commission*

**Instrument for Pre-accession Assistance (IPA)**

**MULTI-ANNUAL INDICATIVE PLANNING DOCUMENT**  
**(MIPD)**

**2009 – 2011**

**MONTENEGRO**

## TABLE OF CONTENTS

Instrument for Pre-accession Assistance (IPA).....	2
MULTI-ANNUAL INDICATIVE PLANNING DOCUMENT (MIPD) .....	2
2009 – 2011 .....	2
MONTENEGRO .....	2
Executive Summary .....	5
1. Section 1 – Assessment of past and ongoing assistance .....	7
1.1. Introduction .....	7
1.2. Overview of the past and on-going assistance (EU and other assistance) and of lessons learned .....	7
1.2.1. Overview of past and on-going EC assistance.....	7
1.2.2. Overview of past and on-going multilateral and bilateral assistance.....	8
1.2.3. Lessons learned .....	9
2. Section 2 Pre-accession assistance strategy for the period 2009-2011 .....	10
2.1. Introduction .....	10
2.2. Strategic objectives and choices for IPA during the period 2009-2011.....	10
2.2.1. Strategic objectives for IPA assistance during the period 2009 - 2011 .....	10
2.2.2. Strategic choices for IPA assistance during the period 2009-2011.....	11
2.2.2.1. Component I - Transition Assistance and Institution Building.....	11
2.2.2.2. Component II - Cross Border Co-operation.....	12
2.3. Multi-annual planning by component .....	12
2.3.1. Component 1. Transition Assistance and Institution Building .....	12
2.3.1.1. Priority axis 1 - Political Criteria .....	12
2.3.1.2. Priority axis 2 - Economic Criteria .....	16
2.3.1.3. Priority axis 3 - Ability to assume the obligations of membership.....	19
2.3.1.4. Support programmes .....	24
2.3.2. Component II. Cross Border Co-operation .....	25
2.3.2.1. Current programmes under IPA component II for Cross-Border Cooperation (CBC) .....	25
2.3.2.2. Priorities for cross-border cooperation programmes.....	27

2.3.2.3. Expected results of cross-border cooperation programmes .....	27
2.3.2.4. Financial indications .....	28
Annex 1	
Indicative allocations for main areas of intervention for the period 2009-2011 .....	29
Annex 2	
Overview of EU assistance in Million €under CARDS and IPA.....	30
Annex 3	
Contracting and disbursement rates under on going programmes .....	31
Annex 4	
Cross-cutting issues.....	32
Annex 5	
List of abbreviations.....	33

## EXECUTIVE SUMMARY

In line with the recommendations of the 2008 Enlargement Strategy, the European Partnership (EP) priorities, the National Programme for Integration 2008-2012 (NPI), the Stabilisation and Association Agreement (SAA) signed in October 2007, and past IPA and CARDS assistance, IPA **component I** will support Montenegro in the following areas:

- Political criteria. This priority axis will continue to focus on the consolidation of democratic institutions, reform of the judiciary, public administration reform, fight against corruption and organised crime, human rights and protection of minorities, anti-discrimination, as well as the media. Civil society development and promotion of dialogue will be given special attention. Small grants will assist NGOs dealing with environment, good governance, anti-discrimination, gender equality, social inclusion, health, business advocacy and consumer protection<sup>3</sup>.
- Economic criteria. Attention will be given to pursuing economic reforms, strengthening competitiveness, developing an appropriate business environment and social dialogue; increasing research capacity and fostering human resources development, employment, education; culture, promoting social inclusion; promoting health and providing access to health care; improving infrastructure in areas such as transport, energy, and environment.
- Ability to assume the obligations of membership. Attention will be given to (a) the continuation of the alignment with the *acquis* i.e. transposition and enforcement of legislation including internal market, rural development and food safety, environment, transport, energy, statistics, security (integrated border management, visa and migration policy) with a focus on obligations under the SAA, and in line with the NPI; and (b) to introducing decentralised implementation system (DIS) to manage EU funds, including for the future components III and IV.
- Support programmes. Assistance is foreseen to allow Montenegro to participate in Community agencies and institutions; in Community programmes; to access the Project Preparation and Technical Assistance facility, as well as a special measures facility.

**Component II** will support cross-border cooperation activities between Montenegro and EU Member States as well as with adjacent Candidate and potential Candidate Countries; in complementarity with the above priority axes, along the programmes already approved for 2007-2011. In Montenegro, cultural heritage could be financed under this component.

The indicative allocations to Montenegro under the Multi-annual Indicative Financial Framework (MIFF) for 2009-2011 amount to **€102 million**, as shown in Table 1.

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<sup>3</sup> It will be complementary to the EIDHR programme dealing with democracy and human rights

*Table 1: Montenegro: Multi-Annual Indicative Financial Framework in M€*

The	<b>Component</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2009-2011</b>
	I. Transition assistance and Institution Building	28.63	29.24	29.84	<b>87.71</b>
	II. Cross-Border Cooperation	4.67	4.76	4.86	<b>14.29</b>
	<b>Total</b>	<b>33.3</b>	<b>34.0</b>	<b>34.7</b>	<b>102</b>

indicative financial weight allocated for each of the major areas of intervention in component I is presented in annex 1.



## **1. SECTION 1 – ASSESSMENT OF PAST AND ONGOING ASSISTANCE**

### **1.1. Introduction**

The main adjustments done to the present MIPD stem out of the various assessments performed by the European Commission, in particular the 2008 Progress Report and evaluation reports; out of the findings of international organisations and of donors; and of the recently adopted NPI; they complement on-going and foreseen IPA 2007 and 2008 as well as CARDS programmes. . The MIPD is based on the 2008 Enlargement Strategy Paper and the European Partnership adopted in 2007. There are no major changes in the strategic choices, despite the financial crisis, the effects of which will be mitigated by the present and complementary programmes. Priorities for financial assistance are identified annually on the basis of the results of the enhanced permanent dialogue, political criteria and socio-economic needs; they also depend on activities of other donors.

The transition from the implementation of pre-accession assistance by the European Agency for Reconstruction (EAR) to the European Commission Delegation in Podgorica has been completed. The agency phased out on 31 December 2008.

### **1.2. Overview of the past and on-going assistance (EU and other assistance) and of lessons learned**

#### *1.2.1. Overview of past and on-going EC assistance*

While during its initial phase CARDS programmes put emphasis on development, infrastructure and humanitarian relief, the emphasis since the year 2003 shifted gradually to institution building and to assistance to help Montenegro to comply with the European Partnership.

CARDS 2005 and 2006 supported Democratic Stabilisation, Good Governance and Institution Building, Administrative Capacity and Justice and Home Affairs, Economic and Social Development, Environment, and the participation of Montenegro in Community Programmes. The Regional CARDS programme supported measures of common interest to the Western Balkans region, and the Tempus programme 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).

Achievements under the CARDS programme have been significant, for example in the management and control of borders including the building and equipment of border crossing points; in the development of legal instruments, policy making and institution building in key areas such as agriculture, environment and energy; in investment in infrastructure; as well as in providing needs assessments in key sectors such as judiciary, public administration, agriculture, veterinary and phyto-sanitary, environment and energy, SMEs, as well as in key areas of the *acquis*.

More recently, the main involvements of IPA 2007 focus on transport infrastructure, the fight against organised crime and corruption, judiciary reform; as well as on quality infrastructure (standardisation and metrology), education and energy. In 2008 the main areas of intervention

include local governments, refugees, media production, labour and SMEs, waste water investment and environmental protection agency, financial regulators, preparing rural development, food safety, animal diseases, customs, migration and border management.

Overall, between 1998 and 2008 the EC committed over € 343 million to Montenegro: 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): €21.4 million; and IPA 2007 and 2008: €66.1 million.

### *1.2.2. Overview of past and on-going multilateral and bilateral assistance*

A number of multi-lateral and bilateral donors are active in Montenegro. The main bilateral donors from the EU are Austria, Germany (KfW and GTZ), Italy and Sweden. Other main donors are EIB, EBRD, USAID, the World Bank and UN agencies.

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's efforts to reach European standards in relation to children's rights. UNHCR focuses on the protection of refugees and displaced persons. The UNDP project Capacity Development Programme is giving assistance to the Secretariat for European Integration; UNDP is also providing assistance to vulnerable groups (especially those affected by HIV/AIDS) and for environmental management.

The USA (mainly through USAID) has been providing extensive assistance to Montenegro and is progressively phasing out until 2012. It has assisted the Ministry of Finance in introducing budgetary management reforms; it has also worked in the area of local government reform and reform of the judiciary. During the next period, USAID will focus on social and regional development in Montenegro's underdeveloped regions in the north of the country.

Assistance from the Council of Europe has been provided for the 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.

Support for police reform and the Police Academy mainly came from bilateral donors (USA and EU Member States, such as Austria, Denmark, Germany, Italy, Slovenia and Sweden) whereas OSCE has provided training to police personnel. Sweden strengthened the intelligence and investigation service of the criminal police directorate; and also supported MONSTAT.

Austria is active in the field of regional development mainly focussing on mountain tourism and employment, good governance and education (professional and higher education).

In the last couple of years, funds for reconstruction and modernization of existing infrastructure have been provided by loans from EIB, EBRD and KfW as well as by other bilateral donors. KfW is also involved in the energy sector.

In order to increase effectiveness and efficiency in the delivery of assistance through donor coordination, the Commission and the EU Member States ensure coordination of their respective assistance programmes. This coordination is extended also to the IFIs and other non-EU donors. At local level, high level government official is chairing regular and well

structured donor coordination meetings. In addition, a consultation mechanism has been established for the different phases of the assistance cycle.

The Commission organised a donor coordination conference in October 2008 where the Commission and Member States, together with the IFIs and non-EU donors, agreed to an active and affirmative approach for enhanced donor coordination. The MIPDs could become a strategic instrument for donor coordination and the consultation on the present one will determine areas of common interest and possibilities for sector coordination and division of labour. The results and plans for action will be reported at the next donor conference. Additionally, the coordination between the Commission and EU Member States also takes place in the context of the IPA Committee.

### *1.2.3. Lessons learned*

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.

On the assistance side, the main lesson learned is the need to ensure ownership by the beneficiaries and sufficient absorption capacity. This requires that: (i) projects are mature and well designed; (ii) staffing in the relevant institutions is adequate, and where institutions do not exist, they should be created and strengthened; (iii) there is a mobilisation of the civil society and a political consensus on 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 EC co-funding.

These elements are being taken into account in practice, ownership has greatly increased with final beneficiaries involved in the preparation of IPA projects; institutional capacity is showing strong commitments in implementing strategies as well as programmes; civil society is present in a large number of instances; donor coordination is efficient and constructive (a number of projects are complementary to each other).

## **2. SECTION 2 PRE-ACCESSION ASSISTANCE STRATEGY FOR THE PERIOD 2009-2011**

### **2.1. Introduction**

IPA's 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 main new element in Montenegro during 2008, related to the present MIPD, is the adoption of the National Programme for Integration 2008-2012, as well as a significant number of new laws which are reported to be in line with the *acquis*.

Montenegro benefits from Components I and II of IPA, and until it receives DIS accreditation, foreseen in the coming years, IPA assistance is managed centrally by the European Commission Delegation in Podgorica. The Secretariat for European Integration (SEI) and the overall government coordination on European integration are the responsibility of the Deputy Prime Minister in charge of European integration who is the IPA coordinator (NIPAC).

The roadmap for DIS is being implemented at the foreseen pace with IPA support. If progress continues, Montenegro could be granted DIS in 2010.

### **2.2. Strategic objectives and choices for IPA during the period 2009-2011**

#### *2.2.1. Strategic objectives for IPA assistance during the period 2009 - 2011*

IPA national programmes will focus on those sectors which have an overwhelming political, economic, social and institutional significance and an expected catalytic impact across sectors, taking into account project readiness.

The European Commission approved a financial package to mitigate the impacts of the financial crisis; the programmes foreseen in the present MIPD are part of it, and complement it.

The needs for the next period have been assessed and include (i) strengthening of civil society and the continuation of reforms in areas such as the judiciary, public administration and the fight against corruption and organised crime, focusing on achieving results on the ground; (ii) transposition and implementation of the *acquis* in areas such as the internal market, environment, energy, transport, agriculture and rural development, food safety, veterinary and phyto-sanitary controls, and statistics, with a focus on strengthening administrative capacity; (iii) consolidation of the macro-economic situation, improving private sector development, labour market and human resource development policies, increasing investment in research, contributing to growth and employment in a sustainable way. However, even if focusing on fulfilling the Copenhagen criteria and addressing policy questions will receive priority over investments, IPA will also play a crucial role in facilitating IFIs (especially EIB and EBRD) interventions in crucial sectors like renewable energy, environment and railways rehabilitation.

IPA National programmes will also finance some activities managed by the Multi-Beneficiary MIPD such as Nuclear Safety and Tempus programmes as well as regional studies where

appropriate. These two IPA programmes will have to be closely coordinated; the same applies for Community programmes (managed by line DGs).

Component II focuses on people-to-people contacts which were evaluated as having the best impact, and on projects including the involvement of municipalities and non-governmental organisations, cultural projects, when having a socio-economic impact, can receive support.

Growing importance will be given to cross-cutting issues, namely: involvement of civil society; environmental considerations; equal opportunities and non-discrimination which will be considered as from the early stage of programming and throughout the process; human rights, in particular for minorities, vulnerable groups and good governance. Attention will be paid to the problems of the underdeveloped mountain areas in the north of Montenegro.

## 2.2.2. *Strategic choices for IPA assistance during the period 2009-2011*

### 2.2.2.1. Component I - Transition Assistance and Institution Building

Within the given set of 4 priority axes, the choices have been carefully selected on the basis of needs assessments.

- Under “Political criteria” specific attention will be given to: good governance, judicial reform, consolidation and enforcement of the rule of law; implementation of public administration reform, including at local level; media development; protecting human and minorities’ rights and the rights of vulnerable groups, including children and the disabled; civil society development and dialogue; networking with EU and regional counterparts; NGOs dealing with human rights<sup>4</sup>, gender equality, social inclusion, health, environment, culture, business advocacy and representation, and consumer protection; and to introducing decentralised implementation system (DIS) to manage EU funds, including preparation for components III and IV.
- Under “Economic criteria” attention will be given to pursuing economic reforms, strengthening competitiveness, developing an appropriate business environment and social dialogue; increasing research capacity and fostering human resources development, employment, education; culture; promoting social inclusion; promoting health and providing access to health care; improving infrastructure in areas such as transport, energy, and environment. The latter are included in the package to mitigate the effects of the financial crisis.
- Under “Ability to assume the obligations of membership”, attention will be given to the continuation of the alignment with the *acquis* i.e. transposition and enforcement of legislation including internal market, rural development and food safety, environment, transport, energy, statistics, justice, freedom and security (visa, border management, asylum, migration) with a focus on obligations under the SAA.
- Related to the “Support programmes”, assistance is foreseen to allow Montenegro to participate in Community agencies and institutions; in Community programmes; to access the Project Preparation and Technical Assistance Facility; as well as to access the special measures facility.

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<sup>4</sup> Human rights will be supported through the EIDHR

### 2.2.2.2. Component II - Cross Border Co-operation

Montenegro will receive support to participate in: (1) cross border cooperation with Italy, Slovenia, Greece, Croatia, Bosnia Herzegovina, Albania, Serbia under IPA CBC Adriatic Programme (focusing on environmental and maritime matters); (2) cross border cooperation with neighbouring candidate countries (Croatia) and potential candidate countries (Albania, Bosnia and Herzegovina, and Serbia). CBC with Kosovo<sup>5</sup>; could be considered; (3) the ERDF trans national programme "South East Europe" and "Mediterranean", with rather small financial participation.

### 2.3. Multi-annual planning by component

The indicative budget allocation for the period 2009-2011 foresees €87.7 million for Transition Assistance and Institution Building and €14.3 million for Cross-Border Cooperation. The table below gives an overview over the annual allocation.

<b>Component</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2009-2011</b>
I. Transition assistance and Institution Building	28.63	29.24	29.84	<b>87.71</b>
II. Cross-Border Cooperation	4.67	4.76	4.86	<b>14.29</b>
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#### 2.3.1. Component 1. Transition Assistance and Institution Building

##### 2.3.1.1. Priority axis 1 - Political Criteria

Montenegro needs to continue upgrading its administrative capacity in the areas covered by the SAA. Particular attention has to be paid to enhancing law enforcement, especially in view of the changes envisaged under the new Criminal Procedure Code and as regards corruption and organised crime.

The new Constitution provides for important changes in the judiciary, aiming at reducing the influence of the parliament over the appointment and dismissal of judges by transferring it to a new body, the Judicial Council. The adoption of implementing legislation progressed, but is still not finalised. Particular efforts are needed to counterbalance persisting weaknesses of the new constitution and to effectively strengthen the independence of the judiciary. Some progress has been made in reducing the important backlog of pending cases, but Montenegro needs to enhance the efficiency of its courts and the capacities of the prosecution service. This will be particularly important in view of the challenges the provisions of the new Criminal Procedure Code will create and the need to achieve better results in fighting financial and organised crime and corruption. The improvement of prison conditions is a particular challenge for Montenegro. It includes aspects related to human rights, the need to reduce ill-treatment and security as well as corrective measures and re-integration measures.

The government has taken some additional steps to fight corruption, mainly focusing on the adoption of new strategies and training activities. The legislative framework still shows

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<sup>5</sup> Under UN Security Council Resolution 1244/99.

significant loopholes. Supervisory and auditing authorities lack sufficient competencies and independence to work effectively and ensure proper monitoring of critical areas such as financing of political parties, conflict of interest and public procurement. Prosecution of corruption cases needs to be improved.

Police reform is ongoing. However, there is an overall need to strengthen the capacities of all law enforcement bodies and their cooperation in investigating and fighting corruption, financial and organised crime, both with national and international partners, in particular Europol.

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. Although considerable progress has been made over the past few years in establishing an effective system of public financial management (and initial steps have been taken to set up a medium-term budgetary framework (MTBF) as well as programme budgeting) strategic planning is still not the driving principle of budgetary policy. The country has also embarked in a roadmap for the decentralised implementation system, needed for the management of EC assistance.

The Constitution provides for the autonomy of local self-government, but municipalities face a general problem of administrative capacity and a lack of substantive powers. Financial issues regarding both the revenue and expenditure of municipalities and municipal property remain unresolved. There is a need to harmonise local self-government legislation with sectoral laws as well as to enhance municipal capacities to attract investment.

The Constitution also provides for a favourable framework for the protection of human and minority rights. The action plan to implement the Law on protection of the child and social protection, adopted in 2005 and covering the period until 2010, is being implemented. The National Strategy for the Development of Social and Child Protection in Montenegro (for 2008-2012), the National Strategy for the Integration of People with Disabilities (for 2008-2016), the National Strategy for the development of Social protection of the Elderly (for 2008-2012) were adopted in 2007 and are to be implemented.

Large numbers of displaced persons still lack full access to employment, health insurance, social welfare and property rights. Physical living conditions for displaced Roma are particularly poor. Montenegro needs to allow displaced persons who opt to integrate locally to do so without major obstacles. Montenegro signed the Framework Convention for the protection of national minorities and the European Charter on regional and minority languages in June 2006.

Regarding media, progress has been made. However, there are concerns on the independence of the new Electronic Communications Authority, which has been established by the Law on electronic communications adopted in July 2008. Upgrading professionalism in the media will be important for the democratic development of Montenegro.

The civil society sector in Montenegro plays a key role in areas such as democratisation, rule of law, fight against corruption, election monitoring, European integration, environmental protection and social dialogue. The Montenegrin Government is developing a strategy for cooperation between NGOs and the Government. Overall, cooperation between the government and NGOs is improving, in particular in relation to drafting or revising legislation in social or environmental fields. However, cooperation with NGOs which perform a

watchdog function has to improve. Broader public attention and adequate legislation are needed to fight domestic violence.

The European Commission is establishing a new regional (Western Balkans) financing facility under the multi-beneficiary IPA programme to promote civil society development and dialogue. National and multi-beneficiary projects will be programmed in a coordinated manner to stimulate civil society development. This regional facility will enhance the capacity of local civil society organisations for civic mobilisation, advocacy, project development and management to encourage networking, and will support their dialogue with corresponding bodies in the EU. Sectors covered will include human rights, gender equality, social inclusion, fighting domestic violence, health, culture, environment, business advocacy and representation and consumer protection.

### Objectives and choices

In view of the above and in collaboration with donors and Government, possible areas for support are:

- (1) strengthening the legal and constitutional framework in the areas of rule of law in particular implementation capabilities, and efficiency of the law enforcement institutions; strengthening the judicial system including the Judicial Council to fully play its role as a guarantor of the rule of law in the country; improving conditions in prison, in particular as regards vulnerable groups such as juvenile offenders, as well as improving the capacity of the Ombudsman Office (including for children), to ensure proper follow-up of recommendations
- (2) further implementing 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; assisting a sustainable financing of local authorities; clarifying competences between central and local government; supporting an efficient public financial management system providing a professional financial planning and fiscal transparency; as well as preparing the de-centralized implementation system (DIS) encompassing programming, procurement, control and monitoring aspects of EU assistance, including for components III and IV;
- (3) implementing the decentralisation process and strengthening local democracy; developing the capacity of the municipalities to perform their tasks and improve their competences;
- (4) implementing governmental strategy and action plan to fight corruption at national and local levels, with due consideration to prevention of corruption, capacity building and improved coordination among law enforcement bodies and other entities, and to the involvement of civil society organisations;
- (5) supporting police reform and the fight against terrorism, illicit drug trafficking, smuggling, organised crime, money laundering, trafficking of human beings; and to ensure adequate assistance to and protection of victims;
- (6) improving the protection of human and minority rights; implementing 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;



- (7) promoting the public service character of the Radio Television of Montenegro and contributing to its restructuring and digitalisation, fostering the involvement of civil society organisations in the sector of media;
- (8) developing a programme of small grants for local NGOs, in partnership with municipalities where appropriate; enhancing the capacity of civil society organisations to perform their roles and responsibilities.

#### Expected results and indicators

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

Significant progress in the reform of the judicial system and of the law enforcement bodies would include the readiness of courts, prosecution offices and police to deal with the challenges arising from the new Criminal Procedure Code as well as the improvement of the overall investigative capacities, in particular as regards cases of financial crimes, organised crime and corruption. This has to be complemented by improving the independence and effectiveness of the work of supervisory authorities, in particular as regards areas such as conflict of interest, financing of political parties and auditing of the State budget. *Indicators:* Higher numbers of detected cases and final convictions, in particular in the area of financial crimes, organised crime and corruption; increased investigative capacity; increased effectiveness and confidence in the system.

An improved public administration would include significant progress in sustainable financing of local authorities; strengthened capacity to provide services to citizens and to local communities; clarified competences between central and local government. The progress in creating an efficient Montenegrin public financial management system would mean a flexible system capable of accurate strategic and medium term financial planning and aligned with the internationally accepted standards of fiscal transparency. The road map to DIS accreditation would be implemented. *Indicators:* number of attendants and number of professional trainings in the public administration; municipal budgets well managed; number of citizens' information centres; a system and procedures for strategic planning within the Government established, and a long and medium-term economic development strategy for Montenegro developed; Ministry of Finance's Information System enabled to support budget processes within the MTBF; Linkages between different functions within public finance (strategic planning, MTBF, annual budgeting, Treasury, accounting, auditing) established; DIS accreditation at a well advanced stage.

Vulnerable groups' problems addressed: this would include improved health services, health promotion and access to healthcare provided by adequate human and financial resources, 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; improved legal, institutional and administrative capacity of the various institutions dealing with these sectors; strengthened Ombudsman's Office; elimination of cases of ill-treatment, especially for the persons with special needs; improved situation of prisons; implementation of Action Plans relevant to the integration of the Roma. *Indicators:* increased access to educational facilities for vulnerable groups; number of enrolled teachers among vulnerable groups; better representation of Roma in the professional life.

Police functioning according to EU standards: this would include upgraded capacity of the departments fighting illicit drug trafficking, organised crime and trafficking of human beings (including in locations where the risk of organised crime and corruption is higher); a functioning system of regional and international law enforcement cooperation including with EUROPOL; developed witness protection system and criminal intelligence capacity; active cooperation between law enforcement bodies; improved detention premises; implemented strategy on small arms and light weapons control and reduction. *Indicators*: number of criminal cases processed and of international cases solved; number of trained police officers; improved perception of corruption rate; increased number of corruption cases opened and solved; improved cooperation among law enforcement bodies; legislation aligned with UN conventions.

Refugees living under sustainable solutions: this would include integration and return to place of origin where appropriate; National Strategy in addressing the needs of the displaced persons implemented; social inclusion measures widespread; legislation governing rights of refugees adopted in line with international standards. *Indicators*: appropriate measures for enabling refugees to access to employment, increased number of refugees employed; health insurance, social welfare and property rights enforced; number of projects implemented under the National Strategy.

The Radio Television of Montenegro confirmed in its public character, involving civil society and media “watchdog” organisations and other interest groups; significant progress would be seen in media compliance with standards on independence and objectivity. *Indicator*: number of media operating impartially and independently.

Civil society in general and NGOs in particular become more assertive and Government recognizes their role. This includes: civil society being invited to consultations meetings, participating in the review of legislation; CSOs and local governments working together and agreeing on local social and economic policies; NGOs well trained and able to submit project proposals of good quality; partnerships between local NGOs and those in other Western Balkan countries as well as between local and European NGOs. *Indicators*: observations of civil society taken into account in official documents (legislation, strategies); number of projects approved, number of partnerships; positive impacts of CSOs activities and projects.

#### 2.3.1.2. Priority axis 2 - Economic Criteria

Montenegro is a very open economy, with total trade in goods and services above 150% of GDP. In 2007 the services sector became the major source of export revenue due to the performance of the tourism industry, which recorded higher revenue than the traditional metals trade. The EU remains the main destination for Montenegrin export (65% in June 2008, followed by the CEFTA countries with 33%) and the second supplier for domestic imports (41% following CEFTA countries with 50%). FDI from the EU totalled €534 million or 53% of total inflows, followed by Russia with 18%. Overall, the level of economic integration with the EU is fairly high, although dependent on the performance of a few markets.

A strategy on poverty reduction and social exclusion was refocused, setting out the activities to be carried out over the period 2007-2011 in the areas of health services, education, social protection and employment. Implementation now needs to be given priority.

Montenegro is fully involved in the European Charter for Small Enterprises and has shown a good performance on entrepreneurship education, tax reform, on facilitating start-ups for

SMEs and on advocacy and representation of SMEs. The government adopted a national strategy for development of SMEs for 2007-2010 and a programme to eliminate barriers to entrepreneurial development. A Council for the elimination of barriers to business was established in April 2008 and a first annual operational plan was adopted. However the establishment of a national guarantee fund remains a priority to compensate for the shortage of collateral for start-ups and enterprises in rural areas.

Concerning socially vulnerable and/or persons with disabilities, a Law on professional rehabilitation and employment of disabled people was passed in July 2008, but the draft law on protection of persons with disabilities from discrimination has yet to be adopted. In general, action is needed to make existing measures, such as hiring incentives for employers, more effective, to improve access to social services and to accelerate preparation of the Law on VET and employment for persons with disabilities. Further progress is needed on de-institutionalisation, community-based services and aid to dependent persons, including in the field of mental health.

Despite falling unemployment and rising employment levels, the labour market faces significant challenges. The main reasons are the structural character of unemployment, the strong seasonal pattern of employment (construction, agriculture and tourism) and the significant impact of the informal sector. Unemployment among young people is still high, and a significant proportion of job seekers are long-term unemployed.

Social partners present institutional weaknesses and will require considerable technical support to ensure that they are an effective interface for the government. Health and safety at work needs to be improved and the labour inspection needs to fully play its role.

A Council for Scientific Research has been established and in July 2008 the government adopted a strategy for scientific and research activities in Montenegro for the period 2008-2010, which defines the science and technology (S&T) priorities and sets out an annual budget for research, aiming at a gradual increase. Efforts are required to attract young people to science and increase the research capacity.

This section include infrastructure as part of socio-economic development. Investments in the areas of transport, environment and energy remain high. The government receives support from loans from the IFIs, to which IPA also contributes. Support to the administrative capacity will be dealt with in priority axis 3, ability to assume the obligations of membership. Environmental investments are badly needed in the country, especially on waste water, water supply and solid waste management. The road and rail surface transport system of Montenegro has suffered chronic under-funding in the past decade.

In terms of investment on infrastructure, key priorities are: (a) the rehabilitation of the railways system (b) the connection of the Port of Bar with corridor X; (c) the continuation of activities on the construction of the Adriatic-Ionian motorway, i.e. connecting to corridor Vc.

### Objectives and choices

In view of the above, and in collaboration with donors and the Government, the following possible areas of support have been identified:

- (1) developing human resources and labour market policy with specific reference to the European Employment Strategy (EES), the realisation of active labour market measures, the for improvement of the quality, efficiency and

relevance of the education, vocational training and life long learning developments; strengthening capacities of both social partners' organisations; social inclusion policies should be given a special effort;

- (2) strengthening the competitiveness of the Montenegrin economy and improving the business environment; encouraging investments in research; sustaining macro economic stability; supporting the transport sector and the development of regional networks, with special emphasis on railways;
- (3) supporting investments in the areas of environment (waste water, solid waste, air pollution and nature protection) and transport (road, maritime, rail);
- (4) supporting the Ministry of Finance including the tax administration for further enhancement of public finance management and approximation of *acquis* in tax related legislation;

### Expected results and indicators

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

The national labour market policy is aligned with the standards and requirements of EES; this would include improved regulations, good governance, equal opportunities in the employment field; appropriate development of social dialogue; investment in human capital development; active labour market measures; harmonized national legislation in particular with respect to labour law, health and safety at work, social inclusion and anti-discrimination; enhanced access to employment and labour market re-integration. Cross-stakeholder efforts (education, labour, social partners) will address labour market integration. *Indicators*: reduction in unemployment; Economic and Social Council up and running; improved capacity of the social partners; increase in the number of adult learners; improved employment rates, particularly of youth, women and disadvantaged groups.

Further progress in establishing a national qualification framework (NQF) linked to next phase developments of life-long learning policies and services is achieved; this includes training and support for employment creation addressing micro-enterprise development and HRD measures. Further education reforms ensure greater relevance of general and vocational curricula to the needs of enterprise, including development of key competences. Institutional preparations for life-long learning policies as well as integration into the European Research Area are being carried out. *Indicators*: vocational national qualification system completed; upgraded market responsive curricula; increased numbers enrolled in education and training of disadvantaged groups; advanced preparation to participate to the EU LLP community programme; number of projects in the research programmes with Montenegrin partners.

Competitiveness in the private sector is achieved through an improved framework for private enterprises, including reduction in business barriers; improved business support services; progress in strengthening the technological capacity of SME and in increasing the support for innovation; improved SME access to finance and, generally the implementation of the European Charter for Small Enterprises. *Indicator*: the European Commission and the OECD

have established a system of performance indicators<sup>6</sup>; number of newly established firms in urban as well as rural areas; access to credit guarantees for SMEs.

Efficient and reliable financial control and audit functions would include improved budget preparation; reforms in public expenditures management implemented, in particularly regarding the treasury and budgetary execution with the IT system; improved management of overall state property; well trained Staff of the Supreme Audit Institution and of Ministry of Finance and other public agencies, new business procedures and IT systems for budgetary execution, treasury operations, cash and debt management; a state asset management department in the Ministry of Finance and capacity to update the inventory and valuation of the state assets.

The needed investments in infrastructures include improved in environmental infrastructures, including solid waste and waste water management; transport infrastructures (road and railway networks, as well as maritime transport where appropriate).

### 2.3.1.3. Priority axis 3 - Ability to assume the obligations of membership

Montenegro has initiated the introduction and implementation of the *acquis* in the past few years according to the 2007 EP. A comprehensive National Programme for Integration 2008-2012 has been approved by Government; all stakeholders involved in the implementation of the SAA have participated in its elaboration. Support is being provided in the area of trade legislation as well as in metrology and quality assurance. The TAIEX facility has been used in several areas.

Montenegro has to produce statistics according to the European Statistical System, however the capacity of the national statistical office, MONSTAT, remains weak and major shortcomings have been identified in the statistical infrastructure.

In accordance with the strategy for the development of food production and rural areas, agricultural policy continued to be gradually reformed and harmonised with the Common Agricultural Policy (CAP). Control capacity needs to be reinforced.

A national strategic plan for the fisheries sector is being finalised, setting objectives for the development of aquaculture and marine fisheries, including scientific assessment of fish stocks.

Reform of the energy sector remains the key issue. Electricity demand is growing fast, while production is hampered by outdated structures and the urgent need for capital investment. A national energy development strategy (NEDS) covering the period up to 2025 was adopted in December 2007. Montenegro has also ratified the Energy Community Treaty. An action plan on renewable energy sources (RES) (prepared in response to Directive 2001/77/EC) and an action plan for promotion of biofuels (prepared in response to Directive 2003/30/EC) were adopted under the auspices of the Energy Community in late July 2007. As signatory to the Energy Community Treaty, Montenegro is bound to apply the relevant EU energy and environmental *acquis* with effect from 1 July 2007, except for the provisions on market opening to which a specific timetable applies. The action plan for the implementation of the

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<sup>6</sup> Montenegro's progress in business environment issues will be analysed in early 2009 using the system of around 60 different indicators.

Energy Development Strategy needs to reflect the commitments taken in the framework of the Energy Community Treaty.

Montenegro has pursued alignment with the EU environmental legislation and taken big steps forward with horizontal legislation, air quality, water quality and chemicals, however, administrative capacity is weak and coordination between central and local government is poor. The national strategy on sustainable development has been adopted plus an action plan for integration of sustainable development into the education system (2007-2009). A strategic environmental impact assessment on the Spatial plan of Montenegro has been prepared which needs to be fully taken into account during the implementation phase. Improvements are needed in the area of waste management, water quality, industrial pollution and risk management, as well as in nature protection. The environmental protection agency has recently been established with few core staff in place and particular attention needs to be paid to strengthening administrative capacity.

Regarding transport, the national transport development, adopted in July 2008, would help build the administrative and institutional capacity and promote investment. Montenegro is an active participant of the South East Europe Core Regional Transport Network and it is also taking part to the negotiation of a new regional transport treaty which will involve the South East European countries.

Under the European Common Aviation Area (ECAA) Agreement, Montenegro is gradually implementing the EU aviation *acquis* (e.g. in the areas of safety, security and ATM) and opening up the air transport market, so as to become the part of the ECAA by 2010. Montenegro also participates to the Implementation of the Single European Sky In South East Europe (ISIS) initiative.

In the area of internal market legislation Montenegro needs to make further progress on alignment with the *acquis*. A focus on this field is imperative as Montenegro is expected to accede to the WTO in the near future. Also, a number of key obligations under the SAA refer to this area (public procurement, protection of Intellectual Property Rights, competition, etc.). Montenegro has made progress as regards competition and state aid with the setting up of the Directorate for Competition Protection and the State Aid Commission and in the field of intellectual property rights, with the opening of the Intellectual Property Office. However on institutional capacity for intellectual property rights protection still requires considerable strengthening, and there remains a poor level of enforcement, a high level of piracy and counterfeiting, as well as a low level of awareness among public bodies and stakeholders. Public Procurement also constitutes a field to which special attention should be paid, both in terms of aligning legislation and of strengthening the administrative capacity of the institutions involved in this field and their degree of alignment with the *acquis*

A specific focus is to be given on the introduction of EU standards in the area of border control. A strategy on Integrated Border Management (IBM) and a related action plan, adopted in February 2006, are being implemented. 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 supervisory authority, is a key obligation under the SAA. A strategy and an

action plan on personal data protection have been adopted. The Law on personal data protection was adopted by Parliament in December 2008. Additional assistance is however required to support the setting up of an independent supervisory authority following the adoption of the new legislation.

Regarding customs, further alignment is needed on rules of origin, transit procedures and valuation, statistical reporting, fight against corruption and smuggling. Montenegro recorded progress in the areas of taxes but there is a need for further enhancement in direct and indirect tax legislation with *acquis*. On public procurement, transparency and accountability need to be further enhanced by alignment to concession and public-private partnership and strengthening of organisation capacity and stakeholders awareness.

In the insurance field, the priority of the Agency for Insurance Supervision, which became operational January 2008, is to harmonise the operations of the existing insurance and brokerage companies and also the activities of insurance intermediaries and other services in the field of insurance under the new legislation in force.

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

The changes in the broadcasting and electronic communications legal environment prompted the need for assistance in building of administrative and regulatory capacity of the Ministry of Transport, Maritime Affairs and Telecommunications and of the Agency for Electronic Communications and Postal Services.

#### Objectives and choices

In view of the above and in collaboration with donors and Government, possible areas of support are as follows:

- (1) supporting the Montenegrin authorities efforts to deal successfully with the European integration process to implement the SAA and to fulfil WTO obligations and commitments under the CEFTA;
- (2) allocating specific attention to internal market legislation and enforcement including on free movement of goods (standardization, conformity assessment, metrology, accreditation, market surveillance and consumer protection); public procurement; financial control and audit; competition and state aid; customs and taxation; intellectual and industrial property rights; electronic communications and information technology;
- (3) pursuing reform and strengthening MONSTAT capacity, professional independence and coordination role with a focus on improving macroeconomic, business, price, agriculture, external trade, social and demographic statistics; as well as introduction of statistical regions aligned with the NUTS Regulation;
- (4) introducing and enforcing key environmental legislation, including on environmental impact assessments; supporting strategic planning and strengthening of the administrative capacity, including at local level;
- (5) completing the restructuring of the energy sector and ensuring its financial and social viability; and development of the regional energy market;

- (6) supporting the Civil Aviation Authorities to fulfil all the requirements for completion of the first and second transitional phase under the European Common Aviation Area Agreement;
- (7) supporting the Ministry of Agriculture and related services/institutions in the adoption of the *acquis* and in the implementation of National Strategies including organic farming, natural resources, ecosystem and biodiversity conservation, and sustainable rural development, as well as preparation for the implementation of rural development policies including IPARD, analysis of priority areas, strengthening advisory and extension services for farmers and rural population and civil society organisations related to agriculture and rural development as well as access for farmers to credits;
- (8) giving priority to food safety, veterinary and phytosanitary standards in the field of animal and plant diseases control, promotion and protection of food products, animal disease control, as well as the implementation of international agreements in the field of public health (communicable and non communicable diseases); supporting to the fishery sector (covering both marine and inland fisheries) and industry standards;
- (9) implementing the Integrated Border Management Strategy (IBM) and related action plans, visa policy, asylum and migration;
- (10) assisting the Customs and Taxation administrations in developing their operational capacity along the lines of the customs and fiscal blueprints and further aligning of the customs legislation with the modernised customs code;
- (11) supporting the implementation of the *acquis* in the areas of protection of personal data including setting up new legislation and an independent data protection supervisory authority; the progressive development of an information society; as well as strengthening the Electronic Communications regulatory body, the Agency for Electronic Communications and the Ministry of Maritime affairs, Transportation and Telecommunications, in view of an improved regulatory environment, increased market competition and broadcasting digitalisation.
- (12) developing the regulatory environment and strengthening the supervisory authorities in the fields of banking, insurance and capital markets.

#### Expected results and indicators

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

European integration issues are dealt with in an appropriate way: this would include the existence of a functioning system for the implementation of the SAA and for IPA coordination; ability to prepare good-quality programmes and projects; coordination of approximation of legislation. *Indicator*: Number of staff devoted to EU integration tasks in relevant institutions, nomination of EU affairs coordinators in line Ministries, Project Implementation Units up and running, number of mature projects for funding.

The EU internal market *acquis* is progressively introduced. *Indicator*: number of legal acts adopted and their degree of alignment with the EU *acquis*, key bodies in this area up and running and with proper enforcement capacity, number of binding decisions issued,



international membership of the relevant quality infrastructure bodies; Notified Bodies up and running; conformity marking adopted and used.

Customs and taxation legislation is aligned to the *acquis*: this would include an upgraded operational capacity of the Customs and Tax Administration based on introduced customs and fiscal blueprints; an increased Tax Administration capacity to collect direct taxes and VAT; Customs Security Programme established; and increased fight against corruption, cross border crime and fiscal evasion.

MONSTAT builds capacity to carry out and operate the agricultural census and becomes a performing institution that is capable to independently conduct its tasks and coordinate the national statistical system. This includes conducting the population and housing census in 2011 and developing systems for maintaining and using the results. It also includes the existence of an improved frame for National Accounts Statistics and for basic statistics. *Indicators*: the agricultural census finalised including farm register and agriculture statistics; introduction of statistical regions; the population census finalised; further alignment with ESA 95 accomplished as well as high coverage and quality of data.

A transparent and sustainable system for financing transport infrastructure investment and maintenance is well established and includes the integration of Montenegro's main transport network into the Core Regional Transport Network; 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 and of infrastructure database, and investment in rehabilitation of the railways system.

Air transport sector is progressively aligned to the *acquis* with improved infrastructure, compliance with the obligations of the European Common Aviation Area agreement and participation in the ISIS initiative.

Institutions dealing with environmental protection (Ministry for Tourism and Environmental Protection, the Environmental Protection Agency and municipalities) are efficient in policy making, monitoring, enforcement and control of environmental protection. This would include the functioning of a comprehensive environmental monitoring system. *Indicators*: number of infrastructures, of monitoring and assessment exercises, of trainings and trainees, of inspectors, degree of legislative alignment to the *acquis*.

Institutional capacity for implementation of the energy efficiency strategy is strengthened, including capacity for energy efficiency and renewable energy campaigns; wider use of renewable energy is achieved; independent energy transmission is created; independent market regulator is capable to implement the regulatory reform, market opening, and implementation of the obligations under the Energy Community Treaty taking into account potential social and environmental impacts. *Indicators*: New legislation aligned with EU standards; restructured and legally unbundled electricity utility; functioning independent transmission system and market operator.

The Ministry of Agriculture and related services/institutions is able to deal with EU and WTO policy and legislative issues. *Indicator*: number of legal acts adopted to align with EU legislation.

The administrative structures responsible for implementation of rural development policy are established and ready to operate, including the IPARD Agency. Their capacity to analyse priority areas as well as extension services and civil society organisations related to

agriculture and rural development is strengthened. *Indicators:* Rural development programme is drafted; increased access for farmers to credits.

Veterinary, phyto-sanitary and food safety legislation is progressively aligned to *acquis*; this would include increased capacity of veterinary and phyto-sanitary services; increased awareness about rights and obligations on the side of producers and consumers, improved promotion and protection of food products, product safety mechanisms are in line with EU good practice; participation in EU-wide animal disease eradication measures. *Indicators:* development of food exports; improved public health indicators; number of foodstuffs with protected designation of origin, protected geographical indication and traditional speciality guaranteed.

Efficient infrastructure, equipment, IT technology to ensure a functioning integrated border management based on appropriate inter-connected or unified IT systems and data bases as well as well trained staff allocated to tasks in all related sectors, including migration, visa and asylum policies in line with EU standards.

The legal and institutional framework for the protection of personal data including for a functioning and independent supervisory authority is set up and applied across the Montenegrin administration.

Digitalisation of broadcasting in line with EU schedules introduced and implemented to the maximum possible extent; electronic communications sector aligned with *acquis* and standards. *Indicator:* number of service providers, availability of services, tariff levels closer (lower) to European level, existing dispute resolution procedures for network operators, service providers and users.

The understanding and the institutional capacity for the development of the "information society" are in place. *Indicators:* number of awareness campaigns, number of projects in the sector.

Banking, insurance and capital markets are in line with the *acquis* and good practices in the area of financial supervision are introduced and implemented; the institutional framework for financial regulation and fight against money laundering and organised crime are in place. *Indicators:* improved efficiency and effectiveness of on- and off-site banking supervision; effectiveness of the Securities Commission; approved legislative framework and approach to regulation mandated by the Lamfalussy process; laws and bylaws on insurance supervision is aligned with EU legislation and practice; effectiveness in the Insurance Supervision Agency is ensured.

#### 2.3.1.4. Support programmes

Montenegro shall receive assistance to participate in Community programmes, complementary to IPA in several fields. Assistance is also available for participating to Community Agencies where appropriate. Montenegro will also benefit of an allocation for Project Preparation Facility (PPF). The European Commission Delegation, as the contracting Authority, will be able to contract special technical assistance, for various activities such as needs assessments, reviews, assessments, etc.

### 2.3.2. Component II. Cross Border Co-operation

#### 2.3.2.1. Current programmes under IPA component II for Cross-Border Cooperation (CBC)

Cross-border cooperation is highly important for the stability, cooperation and economic development of the country. Montenegro has four programmes with its Western Balkan neighbours, one with Member States and other Western Balkan countries, through the Adriatic programme and two through the ERDF transnational programme (the SEE and the MED). Due to its small land area, Montenegro's entire territory is part of one or another CBC programme.

IPA CBC combines cohesion and external relation objectives and supports activities such as: (1) development of cross-border economic, social and environmental activities of border areas; (2) addressing common challenges in particular in the field of environment and public health and development; (3) promoting "people to people" type actions, including among NGOs and local authorities.

#### Adriatic Programme

Montenegro is participating in the multilateral IPA Adriatic CBC programme involving the NUTS level III coastal areas (or equivalent) of Italy, Slovenia, Greece, Croatia, Bosnia & Herzegovina, Albania and Serbia. In the absence of NUTS classification, the eligible areas in Montenegro are the Municipalities of Ulcinj; Bar; Budva; Tivat; Herceg Novi; Kotor; Cetinje; Niksic; Danilovgrad; Podgorica; they cover 42% of the territory. The global objective of the programme is to strengthen sustainable development of the Adriatic region.

#### Programmes with neighbouring candidate and potential candidate countries

During 2007, the four CBC programmes at borders with potential candidate and candidate countries were prepared for the period 2007-2009. As from 2010, Montenegro could update its financial allocations in the CBC programmes between its neighbours; this would then be part of the next MIPD. The IPA 2007 areas of intervention have been selected on the basis of a SWOT analysis and after due consideration of implementing capacities.

For each of the four programmes, the first priority deals with "socio-economic cohesion through joint actions to improve physical, business, social and institutional infrastructure and capacity" with two or more measures such as "improving the productivity and competitiveness of the areas' economic, rural and environmental resources" or "initiatives targeting the exchange of people and of ideas", promoting intercultural dialogue will also be considered. The second priority is technical assistance for programme administration, monitoring and evaluation as well as for programme information and publicity.

#### *Cross-border programme: Albania - Montenegro*

The eligible area covers 42% of Montenegrin territory and 21% of the total Albania's territory. This area is very rich in natural and cultural resources but significant parts of it are underdeveloped compared to national standards.

There is a great potential for tourism and economic development that is generally underexploited. There is a high level of unemployment and unskilled labour force and the economy of the area is mainly based on agriculture, fishing and small uncompetitive industries. The rationale derives from the missed opportunity of cooperation over decades as

the region is sharing common values and potentials for economic development and social cohesion.

#### *Cross-border programme: Bosnia and Herzegovina - Montenegro*

The eligible area of the cross-border programme between Bosnia and Herzegovina and Montenegro covers economic regions of NUTS 2 level represented by 53 municipalities on the part of Bosnia and Herzegovina and 12 municipalities in Montenegro.

Most of the eligible area is under-populated and suffers poor living standards owing to a dependence on low-wage agricultural and unskilled manual activities. Its industrial base is very fragmented, and apart from a major steel foundry and some textile factories is mainly confined to agriculture-based industry. The area also has structural problems related to its transport infrastructure. On the other hand, the eligible area is characterised by a homogenous cultural background and the absence of significant language barriers.

#### *Cross-border programme: Croatia - Montenegro*

The programme focuses the target area of the common Croatian-Montenegrin border, which includes one Croatian region and seven municipalities in Montenegro.

This area suffers from the lack of cross border cooperation in ecological protection and interventions, lack of cooperation in nature and cultural heritage protection, undeveloped civil sector and lack of cooperation between local self government.

On the other hand main strengths of the area are cultural and nature resources suitable for accelerating economic development. The whole area is a worldwide known tourist destination containing 2 cities under UNESCO protection (Dubrovnik and Kotor) and 3 National parks. The income generated from tourism and other related services have the highest share in GDP of the regions. In addition, the area has natural potential for agricultural development, specially organic-agriculture, mareculture and high quality food production.

#### *Cross border programme: Serbia - Montenegro*

The eligible area covers 11% of Serbian territory and 68% of Montenegrin territory.

Large parts of this area are marginalised owing to their great distance from, and inaccessibility to important markets, and their dependence on low wage agricultural activities, giving rise to low living standards. The lack of employment opportunities in rural and some industrial areas under restructuring has led to the migration of the workforce to cities and abroad, leaving behind an aging and largely unskilled labour pool. The area has equally suffered major upheaval and disruption over the last two decades, leaving its economic output at much the same level as in 1991.

#### Participation in ERDF transnational programme

The purpose is to support the participation of Montenegro in the ERDF transnational programmes South–East European and Mediterranean under the European Territorial Co–operation objective of the Structural Funds 2007–2013. For this purpose, EU territory has been partitioned in several homogeneous spaces and the relevant Member States submitted a transnational co–operation operational programme – financed by the European Regional Development Fund (ERDF) – for these spaces.

Considering its geographical inclusion in two of these homogeneous spaces Montenegro participates in these programmes under the lead of Hungary (South–East European) and France (Mediterranean) which are the hosts of the respective Managing Authorities.

#### 2.3.2.2. Priorities for cross-border cooperation programmes

The Adriatic IPA cross-border programme identifies the priorities in the area of economic, social and institutional cooperation, natural and cultural resources, and accessibility and networks.

Based on the needs and characteristics of the region, the main priority of the Albania-Montenegro programme will include interventions in areas supporting economic development, environment, culture and social cohesion.

Due to the specific character of the eligible area, the main priority of the Bosnia and Herzegovina - Montenegro programme will lie on: environment, economy and social cohesion.

The main priority of the Croatia-Montenegro programme lies in the improvement and protection of the environment, nature and cultural heritage, since environment and natural heritage are the main economic resource of the area. Also, the program will aim to create recognizable tourist products and increase cooperation between institutions and citizens.

The main priority of the Serbia-Montenegro programme is to accelerate the economic development of the eligible areas by creating employment opportunities and by improving the productivity of the resources, considering circular migration schemes and usage of remittances for the economic development of the region.

The ERDF South–East European and Mediterranean transnational programmes provide financing for networks and actions conducive to integrated territorial development, concentrating primarily on the following areas: innovation, environment, accessibility, and sustainable urban development

#### 2.3.2.3. Expected results of cross-border cooperation programmes

The expected results of CBC between IPA countries are: (1) diversified tourist products and services and their joint marketing; upgraded skills of people working in tourism, agriculture and SMEs; business, research and education networks created; (2) sustainable use of natural resources in place; studies and awareness raising campaigns in environmental protection implemented; capacities for the protection of the environment increased; (3) networks between people in the areas of education, health care, culture and sports established and communication improved.

The expected results in IPA Adriatic cross border cooperation are: (1) economic, social and institutional cooperation: joint research activities developed and improved; networks between entrepreneurial, academic, training and research sectors established; competitiveness and innovative capacity strengthened; knowledge of the Adriatic area developed; (2) natural and Cultural Resources and Risk Prevention: joint management and risk prevention of the sea and coastal environment in place; renewable energy strengthened; management of natural and cultural resources improved; quality of tourist destinations improved; (3) accessibility and Networks: port and airport systems developed and services connected; sustainable transport services promoted; communication and information networks developed and access secured.

The expected results of cooperation in the ERDF "South East Europe" and "Mediterranean" programmes are (1) innovation: scientific and technological networks created; access to scientific knowledge and transfer of technology established; (2) environment: water management in place, energy efficiency improved, risk prevention for fire, droughts and floods established; maritime security promoted; natural heritage protection enhanced; (3) accessibility: quality and access of transport and telecommunication services improved; investments in trans-European networks attracted; interoperability of national and regional systems enhanced; (4) urban development: networks established and urban-rural links improved; cultural heritage preserved and promoted; strategic integration of development zones on a transnational basis.

#### 2.3.2.4. Financial indications

The following amounts are proposed for cross-border cooperation programmes:

<b>Programmes</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
CBC with Adriatic Programme	1.240.152	1.355.579	1.382.690	1.410.344
CBC with Albania	600.000	600.000	600.000	600.000
CBC with Croatia	500.000	500.000	500.000	500.000
CBC with Bosnia and Herzegovina	600.000	600.000	600.000	600.000
CBC with Serbia	600.000	600.000	600.000	600.000
Participation in ERDF transnational programmes (SEES and MED)	947.296	1.012.242	1.160.462	1.146.057

The figures for years 2010 and 2011 for the CBC programmes with neighbouring candidate and potential candidate countries and for the participation in ERDF are provisional.

ANNEX 1

**Indicative allocations for main areas of intervention for the period 2009-2011**

<b>INDICATIVE ALLOCATIONS FOR MAIN AREAS OF INTERVENTION</b>	
<i>Montenegro</i>	
<b>Component I (Transition Assistance and Institution Building)</b>	
Political Requirements	25%-40%
Socio-economic Requirements	30%-45%
European Standards	25%-40%
<b>Component II (Cross-Border Co-operation)</b>	
CBC with Croatia	11%
CBC with Bosnia and Herzegovina	13%
CBC with Serbia	13%
CBC with Albania	13%
CBC with Adriatic Programme	28%
Participation in ERDF transnational programmes (SEES and MED)	22%

## ANNEX 2

**Overview of EU assistance in Million € under CARDS and IPA**

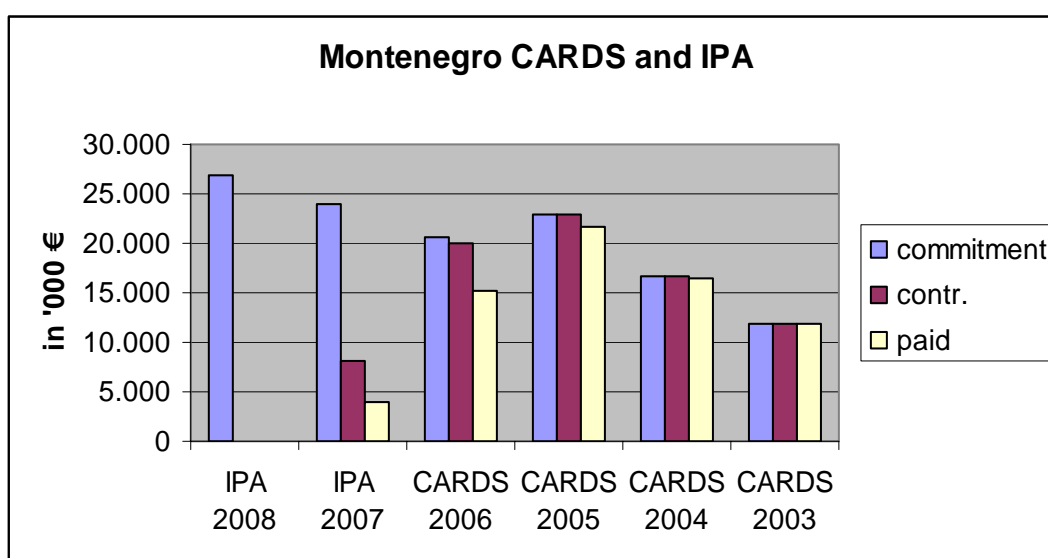
	<b>Cumulated EC assistance over the period 2002-2008</b>
<b>Political Criteria</b>	
Public administration including local government	18.9
Justice and Home Affairs, Liberty and Security	19.95
Civil Society and Media	2.25
Refugees and minorities	7.5
<b>Economic Criteria</b>	
HRD, Education & Employment	3.3
SME Development	1.2
<b>Ability to assume the obligations of the acquis</b>	
Agriculture, rural development, food safety & fisheries	13.4
Transport (including infrastructure)	14.9
Environment (including infrastructure)	16.2
Energy	6.1
Statistics	0.8
Public finance, Customs, Taxation	8.65
Internal Market	13
Investment climate / finance	1.2
<b>Support programmes</b>	
Community Programmes	-
Nuclear safety	0.5
Tempus, Erasmus	5
<b>Total allocation</b>	<b>132.85</b>



ANNEX 3

**Contracting and disbursement rates under on going programmes**

	commitment	contracted	contracted %	paid	paid %
IPA 2008	26.8				
IPA 2007	23.87	8.1	34%	4	17%
CARDS 2006	20.709	20.084	97%	15.285	74%
CARDS 2005	23.018	22.980	99.8%	21.674	94%
CARDS 2004	16.703	16.703	100%	16.401	98%
CARDS 2003	11.898	11.898	100%	11.898	100%



## ANNEX 4

### Cross-cutting issues

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

- **Civil society** plays a major role in transition societies. Civil Society is understood as defined in the Communication from the Commission on Civil Society Dialogue between the EU and Candidate Countries (COM(2005) 290 final); thus it includes the labour-market actors, i.e. social partners (trade unions and employers federations); organisations representing social and economic players at large (consumer organisations for instance); non-governmental organisations (NGOs) and community-based organisations, i.e. organisations at grassroots level through which citizens participate in local and municipal life (e.g. youth or family associations); religious communities and media. Ensuring that those groups' concerns are duly taken into account in the European integration agenda and enhancing their policy dialogue with the authorities will be mainstreamed in assistance programmes. Civil society is also consulted during the programming of EC assistance. Civil society is supported by the European Initiative for Human Rights and Democracy and the IPA financial framework via the national and regional/multi-beneficiary IPA programmes. A balance will be kept between Western Balkans' regional activities for civil society and specific activities in IPA national programmes.
- **Environmental** protection requirements will be duly reflected in all IPA financed activities in coherence with the European Principles for the Environment. In particular EIA is required for any projects likely to have a significant impact on the environment (as per the EU Directive on EIA).
- **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 **specific 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.

## ANNEX 5

### List of abbreviations

ATM	Air Traffic Management
CAFAO	Customs and Fiscal Assistance Office
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBC	Cross-border cooperation
CEFTA	Central European Free Trade Agreement
DIS	Decentralised Implementation System
EC	European Community
EIA	Environmental Impact Assessment
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
COM	European Commission
ECAA	European Common Aviation Area
EIB	European Investment Bank
EIDHR	European Initiative for Democracy and Human Rights
EP	European Partnership
EU	European Union
GTZ	Deutsche Gesellschaft für technische Zusammenarbeit
IBM	Integrated Border Management
IFI	International Financial Institutions
IOM	International Organisation of Migration
IPA	Instrument of Pre-accession Assistance
IPR	Intellectual Property Rights
ISIS	Implementation of the Single European Sky In South East Europe
JLS	Justice, Liberty and Security
KfW	Kreditanstalt für Wiederaufbau
MED	Mediterranean Space (an ERDF programme)
MIFF	Multi-annual Indicative Financial Framework
MIPD	Multi-annual Indicative Planning Document
MONSTAT	Statistical Office of Montenegro
NGO	Non-Government Organisation
NPI	National Programme for Integration 2008-2012
NIPAC	National IPA Coordinator
NUTS	Nomenclature des Unités Territoriales Statistiques
OSCE	Organisation for Security and Cooperation in Europe
SAA	Stabilisation and Association Agreement
SEE-FABA	South East European Functional Airspace Blocks Approach
SEES	South East European Space (an ERDF programme)
SEI	Secretariat for European Integration
Sida	Swedish International Development Agency
SME	Small and Medium-sized Enterprises
SEETO	South Eastern Europe Transport Observatory
TACTA	Technical Assistance for Customs and Tax Administration
TAEIX	Technical Assistance Information Exchange Office
TAM / BAS	Turn Around 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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