

UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE

ENVIRONMENTAL PERFORMANCE REVIEWS

MONTENEGRO

Third Review
Synopsis



UNITED NATIONS
2015

CONTENTS

Preface	3
Executive summary	5
Conclusions and recommendations	11
Implementation of the recommendations in the second review	23

Preface

In 1993, the second Environment for Europe Ministerial Conference (Lucerne, Switzerland) mandated ECE to carry out EPRs for those ECE member States that are not members of the Organisation for Economic Co-operation and Development (OECD). Subsequently, the ECE Committee on Environmental Policy decided to make them part of its regular programme. Since then, the environment ministers affirmed their support for the EPR Programme, decided in 2003 that the Programme should continue with a second cycle of reviews, and formally endorsed the third cycle of reviews in 2011.

Through the peer review process, EPRs also promote dialogue among ECE member States and the harmonization of environmental conditions and policies throughout the region. As a voluntary exercise, an EPR is undertaken only at the request of the country concerned. The studies are carried out by international teams of experts from the region working closely with national experts from the reviewed country. The teams also benefit from close cooperation with other organizations in the United Nations system and outside.

The third EPR of Montenegro began in November 2013 with a preparatory mission. During this mission, the structure of the review report was agreed upon and the time schedule established. A team of international experts took part in the review mission on 3 – 10 February 2014.

The draft EPR report was submitted to Montenegro for comment and to the ECE Expert Group on EPR for consideration in August 2014. During its meeting on 30 September – 1 October 2014, the Expert Group discussed the report with expert representatives of the Government of Montenegro, focusing in particular on the conclusions and recommendations made by the international experts.

The EPR recommendations, with suggested amendments from the Expert Group, were then submitted for peer review to the nineteenth session of the Committee on Environmental Policy on 30 October 2014. A high-level delegation from Montenegro participated in the peer review. The Committee adopted the recommendations as set out in this report.

The Committee and the ECE secretariat would like to thank the Government of Montenegro and its experts who worked with the international experts and contributed their knowledge and assistance. ECE wishes the Government of Montenegro further success in carrying out the tasks involved in meeting its environmental objectives, including the implementation of the recommendations in this third review.

ECE would like to express its appreciation to Sweden for its financial contribution through the Swedish International Development Cooperation Agency, to Portugal for having delegated its experts for the review, and to UNDP for its support of the EPR Programme and this review. ECE would also like to thank Austria, the Netherlands and Switzerland for their financial support to the EPR Programme.

Executive summary

The second Environmental Performance Review (EPR) of Montenegro was carried out in 2007. This third review intends to assess the progress made by Montenegro in managing its environment since the second EPR and in addressing new environmental challenges.

Environmental conditions and pressures

Montenegro is a service-based economy. Its tertiary sector accounted for 73.3 per cent of total gross domestic product (GDP) in 2012. The industrial sector produced 12.4 per cent of total GDP in 2012, while primary production – agriculture, forestry and fishing – accounted for 8.8 per cent and construction 5.5 per cent. GDP per capita in current purchasing power parity (PPP) in 2012 was US\$13,551 or 40.9 per cent of the EU-28 average.

Sulphur dioxide (SO₂) emissions increased by 236 per cent – from 11,794 tons in 2007 to 39,728 tons in 2011. Practically all SO₂ emissions were emitted from combustion of fossil fuel in the energy and energy-transformation industry. Most of the energy industry emissions came from the thermal power plant (TPP) Pljevlja.

Emissions of nitrogen oxides (NO_x) converted to NO₂ grew considerably more slowly, by about 26 per cent (from 8,040 tons in 2007 to 10,152 tons in 2011). Ammonia (NH₃) emissions dropped by 14.7 per cent from 3,400 tons in 2007 to 2,900 tons in 2011. Mercury emissions increased by 24.3 per cent between 2007 and 2011, while cadmium emissions were reduced by 4.3 per cent and lead emissions by 51.5 per cent during the same period.

Total greenhouse gas (GHG) emissions decreased by 17 per cent between 2007 and 2011, while CO₂ emissions increased by 8.1 per cent during the same period. The energy sector, comprising energy supply and consumption in the transport, residential and service sectors, has the highest share of GHG emissions, accounting for nearly 68 per cent of total emissions in 2011. This share was followed by those of industry (20 per cent), agriculture (10 per cent) and waste (2 per cent).

The total water abstraction had a 7.44 per cent increase from 2005 to 2011. Over the same period the amount of water consumed dropped by 7.4 per cent because the water losses increased by 24 per cent – from 48.18 million m³ in 2005 to 59.77 million m³ in 2011. Over 80 per cent of the water in 2011 came from ground and spring sources.

The sectoral use of water underwent transformation between 2005 and 2011. Household water use increased by 10.2 per cent while the water used for irrigation decreased by 72.6 per cent. Similar diminishing water use took place in manufacturing (45.6 per cent less) and electricity production (20.3 per cent less).

Forest area had expanded from 7,180 km² in 2007 to 9,640 km² in 2013 (i.e. by 34.3 per cent). In 2013, forests covered 69.8 per cent of Montenegro's land area. At the same time, the impact of forest fires on forested area diminished.

By the end of 2013, the total protected area had expanded to 1,249.72 km², covering 9.05 per cent of the country's territory. The increase was largely due to the establishment of the National Park Prokletije (16,038 ha) in 2009. Most (81.34 per cent) of the total protected area is covered by the five national parks.

Legal and policymaking framework and its practical implementation

Since 2007, Montenegro has significantly changed its legal and policy framework for the environment and sustainable development. A new package of laws and corresponding secondary legislation has been adopted, and a strategic framework for environment and sustainable development has been further developed. However, the implementation of legislation lags behind the intensive efforts to improve the legal and policy framework.

The main driver behind the strengthening of environmental policy and legislation has been the process of accession to the EU. The National Programme for Integration for the period 2008–2012 and the Programme of Montenegro’s accession to the European Union 2014–2018 (PPCG) played crucial role in the prioritization of legislative and policy measures, as well as for allocation of financial and other resources for their implementation.

The 2007 National Strategy for Sustainable Development (NSSD), accompanied by the Action Plan, provides an overall strategic framework for activities on environment and sustainable development. As of February 2014, the Government had adopted five reports on NSSD implementation.

Although strategic documents were adopted to define the strategic vision in many specific sectors of environmental protection, yet some areas, e.g. water and climate change, are still not covered by overarching strategic documents. Implementation of some strategic documents, e.g. the Biodiversity Strategy, encounters difficulties because of poor financing. The development of strategies, plans and programmes at the local level faces significant delays.

Since 2007, substantial institutional changes have taken place in the set-up of environmental authorities. Establishment of the Environmental Protection Agency (EPA) in 2008 allowed the separation of law and policymaking from implementation, with the former functions now vested in the Ministry of Sustainable Development and Tourism and the latter being the responsibility of the EPA. Another substantial change was the creation in 2012 of the Administration for Inspection Affairs as a separate institution, bringing together all inspections, including environmental, forestry, water, housing and sanitary-epidemiological ones. The Hydrometeorological Institute and the Seismological Bureau were merged into one institution in 2012. A notable development was the creation of an institutional system for ionizing radiation.

The reform of the National Council for Sustainable Development in 2012–2013 strengthened the climate change dimension in the work of the Council. The mandate of the Council, renamed the National Council for Sustainable Development and Climate Change and headed by the President of Montenegro, includes monitoring NSSD implementation and provision of advice on various legal, strategic and planning documents related to sustainable development.

Montenegro has a number of instruments and initiatives directed at various aspects of green economy. However, the country does not have a strategic document that would explicitly state its commitment to green economy.

Since 2007, the competences of local self-government authorities on environmental matters have increased. They were assigned new responsibilities and were also provided with a range of opportunities to improve environmental policy at the local level. However, local self-government authorities dealing with environmental issues are poorly staffed and trained, and face difficulties in coping with their environment-related responsibilities.

Compliance and enforcement mechanisms

The establishment in 2012 of the Administration for Inspection Affairs separated enforcement from implementation. However the focus of compliance monitoring is on the number rather than quality of inspections. There is no formal methodology behind the current inspection planning approach. No standardized operating procedures for inspections have been adopted to date. The establishment of an efficient enforcement system in the water sector remains a challenge, because of the limited resources of the water inspection, as well as difficulties with data coordination and exchange between the environmental and water authorities.

Laws on EIA and IPPC became applicable in 2008 and relevant secondary legislation has been developed and enhanced. In practice the EIA instrument is overused, especially at the local level. The capacity and ability of local administration bodies to perform IPPC procedures raise doubts. Water permits are not integrated with IPPC permits.

The assistance to the regulated community to act in compliance with environmental matters is very limited. Smaller businesses, in particular, lack expertise and information about means of compliance. Initiatives to

promote resource efficiency and cleaner production are in their inception phase. The adoption of environmental management systems has progressed lately, though the number of certified enterprises is stagnating.

Putting the environmental information system in operation and ensuring the functioning of the integrated register of environmental polluters are urgent priorities. Currently, the lack of these tools hinders compliance and enforcement, making it difficult to identify and profile the regulated community, plan and organize inspections and keep the public informed.

Economic instruments and environmental expenditures for greening the economy

There has been increasing use of economic instruments for promoting environment protection. Pollution taxes that were already legally prescribed long before 2007 were finally implemented in 2008. This was associated with a doubling of tax rates for most pollution taxes compared with the rates that should have applied before. There has also been a reform of the methodology for calculating charges for water pollutants. At the same time, there is no evidence that pollution charges create significant, if any, incentives for polluters to change their behaviour towards the environment.

The 2008 Law on Environment does not mention any earmarking of the revenues from pollution charges. However, the situation differs for water pollution charges as revenues from these charges are earmarked for the financing of water management. An environmental fund, as an additional source of financing, has not yet been established.

There is no direct flow of information concerning the revenues from pollution charges from the State Treasury neither to the EPA, nor to the Water Directorate of the Ministry of Agriculture and Regional Development. Such information is available only upon special request to the Ministry of Finance. This makes it difficult to gauge the incentive effects of pollution charges at the level of individual polluters. Information about revenues and bill collection rates is not in the public domain.

Budget funds allocated to environmental protection at central government level have remained relatively modest. Environmental protection accounted for some 0.3 per cent of the total state budget, corresponding to 0.16 per cent of GDP, in 2013.

The 2011 Law on Public Procurement provides for the possibility to include environmentally related subcriteria and energy efficiency requirements in public tenders. However, there is as yet little experience concerning green procurement, pointing to the need for more training in the area.

Major progress with tariff reform has been achieved in the electricity sector, where cross-subsidies in favour of households have been largely eliminated since 2011. However, there are concerns that current tariffs allow only for covering operating costs but not full costs, which also requires a sufficiently high margin of return on real capital and adequate provision for depreciation. This continues to restrain urgently needed investments in the electricity sector infrastructure.

The management of the five national parks is funded from their own revenues, grants and transfers from the state budget. However total revenues are barely sufficient to finance operating costs and basic maintenance works. There is significant public underinvestment in the national parks.

Environmental monitoring, information and education

Montenegro has made notable strides in the last few years on environmental monitoring. The EPA has taken control over most of the monitoring activities and made efforts to strengthen the various monitoring networks and to organize them in accordance with the latest international practice. At the same time, the legal framework requires amendments to improve the functioning of the networks.

Monitoring budget has been decreasing from year to year since 2009. There is a lack of adequate equipment for some monitoring activities.

Efforts were made to establish an integrated environmental information system, of which the air quality and water information systems are an integral part. However it has been developed partially, and for the parts available no automatic information flows have been ensured. Data reporting by enterprises is still limited.

Montenegro adopted a list of 55 national environmental indicators. However the available data allow calculating only 36 of the adopted indicators.

The first indicator-based state of environment (SoE) report was produced in 2013 and adopted by the Government in 2014. The SoE is based on the 36 indicators from the adopted list of 55 national indicators. However the assessed situation is currently not linked to policy development and its application.

The environmental information and data that are available are made accessible to the public, either through the websites of the Government or upon request. Data acquired through monitoring activities are included in relevant reports but are not accessible directly at webpages, except data on air quality.

Educational reform following internationally accepted practices is implemented in order to move from content-oriented curricula to goal-oriented planning of curricula. Major challenge is the shortage of qualified teacher trainers to provide training on the new curricula and to apply a more multidisciplinary approach to teaching, which is a must for teaching the complex concepts of sustainable development.

Implementation of international environmental agreements

Since 2007, Montenegro has acceded to a number of global and regional multilateral environmental agreements (MEAs). It completed accession to all ECE environmental conventions. The country is not yet a party to two protocols: the Protocol on Water and Health to the Convention on the Protection and Use of Transboundary Watercourses and International Lakes and the Protocol on Pollutant Release and Transfer Registers to the Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters.

The implementation of MEAs strongly depends on international financial support. While Montenegro has enjoyed funding from the GEF, the EU through the IPA, and many other international donors, the situation of high dependence on international aid cannot be sustainable in the future.

Progress was achieved on some indicators with regard to the national commitments on the MDGs. For example, the country managed to increase the proportion of territory protected to preserve biodiversity, as well as to increase the proportion of renewable energy out of total energy consumption. At the same time, Montenegro is about to fail to reach some of its MDG commitments. There is no progress on increasing the proportion of protected marine ecosystems, on the anthropogenic impact on the quality of surface water, or on reducing losses in the water supply network.

Climate change mitigation and adaptation

Montenegro participates in UNFCCC and Kyoto Protocol. It submitted the Initial National Communication in 2010. The second National Communication is under preparation. Two CDM projects have been registered: the HPP at Otilovici in Pljevlja and the windmill park Mozura near Bar; however, both projects are delayed because of problems with financing.

Montenegro has not yet defined any national targets for GHG mitigation or limitation. The energy sector, comprising energy supply and consumption in the transport, residential and service sectors, has the highest share in GHG emissions, accounting for 68 per cent of the total emissions in 2011. This was followed by the industry (20 per cent), agriculture (10 per cent) and waste (2 per cent) sectors. About 99 per cent of emissions from the industrial sector originated from Aluminum Plant Podgorica (KAP).

The work to develop national strategy on climate change, tackling both mitigation and adaptation, is in progress. Some progress has been made to integrate climate change adaptation into sectoral policies, mainly in the forestry sector. A climate change adaptation strategy for the health sector is under development. Other sectors are less advanced, especially agriculture and coastal zone management.

Although Montenegro has high potential for renewable energy, only hydropower is used for electricity production in considerable quantity, as is biomass for heating purposes. The country faces challenges to increase renewable energy sources. These include improving conditions for investors in renewable electricity production and implementing needed grid improvements.

Montenegro has undertaken steps to increase energy efficiency in the construction sector, mainly for new buildings. At the local level, these steps led to some changes, such as increased efficiency of public buildings and lighting. The process of legalization of illegal settlements can be used as a trigger for improving efficiency standards of existing buildings.

The Government is making efforts to raise public awareness on climate change-related issues. Official websites describe efforts on climate change and energy efficiency. At the local level, awareness is growing and has led to some changes, such as increased efficiency of public buildings and lighting.

Water management

Although policy and legislative improvement has occurred in recent years, a number of challenges remain in the area of water management. Among them is groundwater protection, since most water for human consumption relies upon groundwater from karstic aquifers. Another challenge is coastal zone management, where the introduction of integrated management is required.

Only 44 per cent of the urban population is connected to a sanitary network according to 2012 data, a value that represents 28 per cent of the total population. WWTPs are in operation in Bar, Budva, Mojkovac and Podgorica. Several WWTPs are being built in the coastal area and in the central and northern regions. In addition, some WWTPs are expected to be under construction soon and others are in the public tender process. Nevertheless, wastewater drainage networks are required to be in place.

The 2007 Law on Water defines two river basin districts – the Adriatic and the Black Sea river basin districts. According to the Law, river basin management plans for these districts and a new water master plan for the whole country are to be prepared by 2016. A water information system, which would include data about water use and planning, is not yet developed. However, in the process of negotiations with EU it was agreed to prolong deadline for this activity and insure financial resources through IPA 2014-2020 Programme.

In 2012, about 45 per cent of rivers had good water quality, 30 per cent were very good and 25 per cent were bad. Most polluted rivers include the Vežišnica, Čehotina in Pljevlja, Morača in the area of Podgorica, Ibar near Bač and Lim near Bijelo Polje. Groundwater is of good quality, in general, although urban and industrial development represents a significant threat. Aquifers are at risk near the major settlements.

Floods potentially threaten 250 km² of farmland and urban zones. The need for flood protection measures is particularly evident in the large flat karst plain areas. Most of the constructed drainage systems are not in operation, in general due to insufficient maintenance. Flood protection and mitigation measures have involved the linearization of rivers and the construction of artificial channels.

Waste management

Montenegro established a solid legal framework for a national waste management system by adopting the new Law on Waste Management in 2011. It is currently preparing a new national waste management strategy, along with a new national waste management plan. Key challenges for implementation include low level of coordination, limited cooperation among key stakeholders (including municipalities) in waste management and, in some cases, non-enforcement of legislation.

The new landfills in Podgorica and Bar are a significant improvement for the waste management in central and coastal regions but the mountain region is lacking one. Development of a new sanitary landfill in the mountain region is a priority to allow decommissioning of old disposal sites.

Organizing waste services on a regional level is key to achieving sustainable and effective waste management in the country. Although there have been many discussions with municipalities to strengthen cooperation in

waste management, only three inter-municipal companies for management of regional sanitary landfills have been established.

Data on industrial and municipal solid waste do not seem to realistically reflect waste generation. The data is based on estimations and data verification is lacking. Practically all strategic documents call for improvement of waste inventories.

Fee collection rate in waste management remains very low (56.5 per cent for households and 68 per cent for companies). This has an impact on the financial performance of municipal companies collecting waste.

Montenegro started activities aimed at recovery of secondary raw materials from waste. However these are hindered by the lack of market oriented mechanisms to stimulate recycling of waste. Instruments supporting the sale of recyclables (e.g. compensating part of the costs of exporting recyclables) are not in place.

The situation in medical waste management has improved since 2011. The Ministry of Health signed a concession contract to build seven facilities for the treatment of medical waste within the following 15 years. The first medical waste treatment plant was put into operation in Berane in 2013.

No national PCB monitoring programme is currently in place. The total amount of PCBs in Montenegro is not known, but a survey conducted in 2007 indicated about 2,000 tons of PCBs in transformers and capacitors. A detailed, countrywide inventory of equipment containing PCBs is lacking.

A temporary facility for storage of radioactive waste was built in 2006-2008. A permit for its operation was issued in 2012. This allows safe storage of this waste according to international standards.

CONCLUSIONS AND RECOMMENDATIONS

Chapter 1: Legal and policymaking framework and its practical implementation

During the period 2007–2013, Montenegro has made notable efforts to harmonize its legislation with EU law. In fact, a new package of laws was adopted in this period. These laws replaced the earlier adopted laws on the same issues, although many of the latter were only three to six years old.

Now, the Government plans once again to adopt new laws in several areas covered by relatively recent laws. In particular, the 2013 EU Accession Programme for the period 2014–2018 (PPCG) envisages the adoption of new laws on the environment, national parks, energy, the efficient use of energy, and protection against ionizing radiation, nuclear and radiation safety. Since the legal prerequisite for the adoption of a new legal act in Montenegro is the revision of at least 50 per cent of an existing legal act, it appears that every three to six years Montenegro drastically changes its legal framework for environmental protection and management. Taking into account that every time a new law is adopted it takes time and resources to adjust the institutional system and responsibilities for implementation and to adopt secondary legislation, the implementation of laws lags behind the intensive efforts to improve the legal framework.

In order to put implementation of the current legislation on track, both governmental institutions and stakeholders need a period of legal stability with a clear focus on implementation. During such a period, only significant legal gaps revealed by the actual experience of implementation could be addressed through the adoption of amendments.

Recommendation 1.1:

The Government should:

- (a) *Ensure that decisions on the development and adoption of new environment-related laws are taken carefully and that the political will is in place to implement and enforce the adopted legislation;*
- (b) *Prioritize implementation of environment-related legislation, in particular the Law on Environment, the Law on Nature Protection, the Law on Water, the Law on Chemicals and the Law on GMOs.*

Since 2007, the Government has adopted a number of strategic documents to define the strategic vision in specific sectors of environmental protection and sustainable development. Furthermore, it has developed plans and programmes to specify measures, timelines and resources for implementation.

Yet some areas, e.g. water and climate change, are still not covered by overarching strategic documents. The development of some strategic documents, e.g. a national renewable energy action plan, is facing significant delays. Some strategic documents are incoherent: *Development Directions of Montenegro for the period 2013–2016*, for example, envisages the elaboration of a strategy on financing of measures on the environment, whereas no such strategy is planned under the PPCG.

Implementation of some strategic documents, e.g. the Biodiversity Strategy, faces difficulties because of poor financing. Others, e.g. CEHAP, are not known by the decision makers in charge of their implementation. The preparation of implementation reports for existing strategies and action plans often takes place with delays or, in some cases, does not take place at all for capacity and financial reasons.

Recommendation 1.2:

The Government should improve the quality of strategic planning documents, their implementation and review, and in particular:

- (a) *Achieve stronger coherence between strategic documents;*
- (b) *Allocate adequate resources for the implementation of measures envisaged in strategic documents;*
- (c) *Ensure regular and timely preparation of implementation reports.*

The implementation of the 2005 Law on SEA, applicable from 2008, has been at full speed. SEA procedures are actively applied to plans and programmes at both national and local levels. In some cases, SEA procedures are

applied to national strategies. The EPA encounters difficulties in evaluation of draft SEA reports, since the provision of opinion on the draft SEA reports by other ministries and agencies upon request of the EPA is not mandatory, and the EPA has no funding to hire independent experts or pay the independent members of an evaluation committee. The majority of environmental NGOs rarely participate in SEA procedures.

Recommendation 1.3:

The Ministry of Sustainable Development and Tourism should:

- (a) *Consider amending the Law on SEA, and in particular:*
 - (i) *Introduce mechanisms, including financial ones, to ensure the availability of multidisciplinary professional expertise for the evaluation of SEA reports;*
 - (ii) *Ensure consistent application of SEA procedures in relation to strategies;*
- (b) *Raise the awareness of environmental NGOs about SEA procedures and opportunities to participate.*

At the local level, capacity to implement the 2005 Law on SEA is rather low.

Recommendation 1.4:

The Government, in cooperation with the Union of Municipalities, should strengthen capacity for conducting SEA procedures at the local level.

Montenegro has a number of instruments and initiatives directed at various aspects of green economy. However it does not have a strategic document that would explicitly state the country's commitment to green economy. The current process of preparing a revised National Strategy for Sustainable Development for 2014–2020 under the auspices of the National Council for Sustainable Development and Climate Change provides an opportunity to clearly define the green economy vision and objectives in the national strategic framework. Other strategic documents under development (e.g. Energy Development Strategy of Montenegro until 2030) should also integrate the green economy objectives.

Recommendation 1.5:

The Ministry of Sustainable Development and Tourism, in cooperation with other relevant ministries, should ensure that:

- (a) *The green economy concept has a prominent place in the revised National Strategy for Sustainable Development for the period 2014–2020;*
- (b) *Green economy transition approaches are integrated into other relevant strategic documents under development.*

Since 2007, the competences of local self-government authorities on environmental matters have increased. They were assigned a number of new responsibilities and were also provided with a range of opportunities to improve environmental policy at the local level.

However, local self-government units face difficulties in coping with these responsibilities and using the opportunities provided by legislation (e.g. to introduce local taxes for the protection of the environment). Local self-government authorities in charge of environmental issues are poorly staffed and trained, and are in need of stronger capacity to conduct EIA, SEA and IPPC procedures, as well as to attract donor funding.

The amount of strategic and planning documents required from authorities at the local level is high, whereas assistance in their elaboration from the national Government is poor. In these circumstances, local self-government authorities do not cope with developing the plans and programmes they are expected to adopt. The development of strategies, plans and programmes at the local level faces significant delays.

Cooperation and exchange of information between local self-government authorities and the Ministry of Sustainable Development and Tourism and the EPA need to be improved to ensure that local self-government authorities are assisted in the implementation of responsibilities assigned to them and involved in the preparation of policies and legislation that affect them.

Recommendation 1.6:

The Ministry of the Interior, in cooperation with the Ministry of Sustainable Development and Tourism and relevant authorities, should:

- (a) Analyse and optimize the environmental responsibilities of local self-government authorities;*
- (b) Assist local self-government authorities in the implementation of their environmental responsibilities through the provision of necessary guidance and training, including on how to access donor funding;*
- (c) Optimize and streamline, for efficiency purposes, the amount of strategic environment-related documents required from the local level and support the preparation of local strategies, plans and programmes through the provision of guidance (e.g., development of model documents);*
- (d) Ensure regular two-way exchange of information with local self-government authorities in charge of environmental issues and involve them in the development of policies and legislation under their purview.*

Chapter 2: Compliance and enforcement mechanisms

The institutional framework for compliance assurance remains weak. Communication and coordination among various authorities is not yet effective. Local self-government units have been transferred many responsibilities while their capacity for environmental management is limited, in particular for implementing EIA and IPPC-related legislation. Serious doubts can be raised about the capacity and ability at local level to assess technically complex IPPC applications. At the same time, the central authorities complain of a lack of reporting as to what is happening at the local level.

Central authorities are not adequately resourced, with the notable exception of the water authorities. There are competency overlaps between the environmental inspection and the communal police. Coordination between environmental and water permitting is weak. The integrated register of environment polluters is not yet operational. Environmental protection and water information systems do not yet exist. Lack of competent staff is sometimes flagrant, with competent authorities failing to recruit a chemicals inspector, for example. A clear imbalance exists between resources allocated to EIA and permitting in comparison with those allocated for inspection and administrative enforcement.

Recommendation 2.1:

The Government should establish mechanisms that will improve communication and coordination within the environmental compliance system, and strengthen capacity at all levels, with a focus on environment-related inspections, by:

- (a) Enhancing information management and sharing among the different agencies responsible for compliance assurance, and developing more structured coordination and cooperation mechanisms;*
- (b) Operationalizing the integrated register of environmental polluters;*
- (c) Centralizing responsibilities on IPPC matters at the national level, and systematically assessing human capacity for environmental regulation, implementation and enforcement.*

The EIA instrument is overused in Montenegro, especially at the local level. The system of direct payment of the members of EIA commissions and of IPPC technical committees, especially to governmental officials, by the applicant developer may jeopardize the integrity of these bodies. The practice was changed in mid-2014. The project proponent payment goes to the state budget. The members of the EIA committee employed in the competent authority are not paid. The other members committee are paid through the state budget.

The best practice would be that project proponents/applicants pay a fee for respective procedures that would include all administrative costs, including fees for independent experts who are members of these bodies.

There is a very complex and intricate system of single-medium permitting. Water permits are not integrated with IPPC permits. There is no adaptation of relevant information to the needs and understanding of the general public; among other issues, this leads to a very low degree of interest in public hearings organized as part of the assessment procedures.

Recommendation 2.2:

In order to further increase the procedural soundness, transparency and cost recovery of EIA and permitting:

- (a) The Ministry of Sustainable Development and Tourism should improve capacity to conduct project screening, especially at the local level, thus reducing the excessive use of EIA procedures;*
- (b) The Environmental Protection Agency should develop schemes for payment to independent experts who are members of EIA commissions and IPPC technical committees, ensuring that the integrity of these bodies is not jeopardized;*
- (c) The Ministry of Agriculture and Rural Development, in cooperation with the Ministry of Sustainable Development and Tourism, should take legislative steps to ensure that water permits are integrated into IPPC permits.*

The focus of compliance monitoring is on the number rather than quality of inspections. High numbers of inspections per inspector denote their limited content and single-medium orientation. Risk-based criteria are said to be applied, though there is no formal methodology behind the current inspection planning approach. It would be good practice to make an analysis of the general risks of each category of installations, not only from a prioritization perspective but also from a frequency perspective. The use of further prioritization criteria for inspections will enable more effective use of resources. The establishment of an efficient enforcement system in the water sector remains a challenge. No standardized operating procedures for inspections have been adopted to date. Joint inspections and close cooperation with the EPA on feedback for IPPC is lacking. There is a lack of specialized inspectors.

Recommendation 2.3:

The Administration for Inspection Affairs should focus environment-related inspection on performance, and enhance its transparency and accountability by:

- (a) Developing a clear and transparent approach for inspection planning and reporting, backed by the enactment of relevant standard operating procedures;*
- (b) Building capacity in and strengthening the practice of joint and integrated inspections, especially for IPPC installations;*
- (c) Enhancing the system of data collection and analysis in support of inspection;*
- (d) Revising the frequency of inspection.*

There is very limited assistance to the regulated community to act in compliance with environmental matters. Smaller businesses, in particular, lack expertise and information about means of compliance. The adoption of environmental management systems has progressed lately, though the number of certified enterprises is stagnating. Initiatives to promote resource efficiency and cleaner production are in their inception phase.

Recommendation 2.4:

The Government should assess the effectiveness of compliance promotion mechanisms, identify relevant measures, define responsibilities and start implementing compliance promotion activities.

The outcomes of judicial enforcement remain to be improved. Challenges include gathering evidence, building cases for prosecution, unclear and lengthy procedures, a lack of effective communication and limited individual capacity. Knowledge of environmental specifics is very low in the courts.

Recommendation 2.5:

The Administration for Inspection Affairs, in cooperation with the Ministry of Sustainable Development and Tourism, the Ministry of Justice and the judicial authorities, should:

- (a) Provide joint capacity-building for inspectors and judges and strengthen communication mechanisms between them;*
- (b) Develop manuals on environmental misdemeanours and crime to facilitate evidence gathering and prosecution.*

Chapter 3: Economic instruments, environmental expenditure and investments for greening the economy

There has been increasing use of economic instruments for promoting environment protection and ensuring a more rational use of natural resources in Montenegro in recent years. Pollution taxes that were already legally prescribed long before the second EPR was carried out have finally been implemented, since 2008. This was associated with a doubling of tax rates for most pollution taxes compared with the rates that should have applied before. There has been, moreover, a reform of the methodology for calculating charges for water pollutants, but it is not yet applicable given the overall lack of WWTPs and tools for measuring the pollution content of effluents. In other respects, however, the situation has not changed very much since 2007. Levying pollution charges is, moreover, not automatically tantamount to the effective application of the polluter pays principle. In Montenegro, there is no evidence that pollution charges create significant, if any, incentives for polluters to change their behaviour towards the environment. Furthermore, pollution charges are not applied in combination with stringent regulatory instruments to raise the overall incentives for a targeted level of pollution abatement. In addition, the amount of revenues collected are available to the EPA only upon special request, which can make it difficult to gauge the incentive effects of pollution charges at the level of individual polluters. In the event, the main effect of pollution charges has been to generate government revenue.

Recommendation 3.1:

The Ministry of Sustainable Development and Tourism, in cooperation with the Ministry of Economy and the Ministry of Finance should:

- (a) Conduct a review of the existing system of pollution charges, keeping in mind medium-term strategies, ensuring an adequate gradual increase of such charges;*
- (b) Create stronger incentives for enterprises to adopt pollution abatement measures,*
- (c) Take into account the complementary roles of pollution charges and stringent regulation of pollution sources in achieving an effective environmental policy mix;*
- (d) Ensure a regular and automatic flow of information from the State Treasury to the Environmental Protection Agency about pollution charges collection;*
- (d) Ensure an effective collection of pollution charges by the State Treasury;*
- (e) Make information on aggregate revenues from pollution charges publicly available.*

The tariff system for municipal utility services (water supply and wastewater, and waste collection and disposal) is characterized by private households paying much less than enterprises and other legal entities do for similar services provided by the public utility companies. There is thus an indiscriminate cross-subsidization of households, which benefits, notably, the better-off households which tend to generate more waste and consume more water than do low-income households.

Tariff levels are, moreover, insufficient to ensure a stream of revenues that ensures the viability of utility companies because they cover, in general, only operating and basic maintenance costs. This problem has been accentuated by often low bill collection rates from households. In the event, utility companies have to rely on (state and municipal budget) support for financing much-needed investments for rehabilitation, modernization and extension of the waste and water sector infrastructure. Given that municipalities are the owners of the utility companies, they should have a strong interest in setting adequate tariffs to improve the financial viability of their companies.

Recommendation 3.2:

The Ministry of Sustainable Development and Tourism, in cooperation with the Ministry of Economy and local self-governments, should design mechanisms that aim at:

- (a) Phasing out the current tariff policy for utility services and introducing effective measures to ensure the affordability of higher tariffs for low-income households, if needed, by involving independent regulatory agencies (e.g., the Energy Regulatory Agency);*
- (b) Ensuring the financial viability of utility companies and internalizing externalities by gradually raising tariffs to levels that allow for full cost recovery and reflect the real supply costs of services provided to the main customer groups;*
- (c) Regionalizing communal utility services to exploit the scope for public-private partnerships in the provision of these services;*

- (d) *Increasing bill collection rates, notably from households;*
- (e) *Introducing in the waste sector (in the more advanced regions) more innovative tariffs (such as per capita-based or weight-based tariffs).*

Limited capital investments and inadequate maintenance have led to significant deterioration of the environmental infrastructure in Montenegro. Given the pent-up investment needs and increasing requirements for upgrading the environmental infrastructure that are associated with the EU accession process, it is clear that financing of the resources required will have to be based on a mix of instruments which – besides a gradual shift to tariffs that ensure cost recovery (see above) – include, notably, foreign financing sources, commercial bank lending and public sector funds.

Government and municipal budgets have been adversely affected in recent years by the effects on Montenegro of the global financial crisis in 2008/2009, which led to a sizeable reduction in government revenues and an associated need for more restrictive expenditure policies. This has also adversely affected financing of environmental projects, including municipal infrastructure projects, given the emerging financing gaps due to the inability of the Government and municipalities to cofinance these projects. In a more general way, the current situation recalls the need (also in good economic times) for a medium-term expenditure framework based on clear and transparent criteria for allocation of scarce government financial resources.

Recommendation 3.4:

The Government and the local self-government authorities should:

- (a) *Integrate medium-term environmental investment plans with the annual and multi-annual budget processes and allocate the necessary funds for prioritized, results-oriented programmes, taking into account the results of a cost-benefit analysis;*
- (b) *Strengthen the capacities at the municipal level for managing the budget cycle of projects, such as budget preparation, planning and implementation, and financial reporting;*
- (c) *Consider the possibility of entrusting a governmental institution to act as an environmental investment centre able to implement medium-term environmental investment plans.*

Chapter 4: Environmental monitoring, information and education

Montenegro has made notable strides in the last few years in the area of environmental monitoring. The Environmental Protection Agency, established in 2008 and operational since 2009, has taken control over most of the monitoring activities and made efforts to strengthen the various monitoring networks and to organize them in accordance with the latest international practice. At the same time, the monitoring budget has been decreasing from year to year since 2009. Administrative procedures may impede monitoring activities. Adequate equipment for some monitoring activities is lacking.

Recommendation 4.1:

The Government should increase the performance and efficiency of environmental monitoring activities, in particular by:

- (a) *Ensuring the necessary funding to perform these activities;*
- (b) *Ensuring the continuity of monitoring activities through necessary adjustments to administrative procedures;*
- (c) *Acquiring the necessary monitoring equipment,*
- (d) *Considering the need to establish a laboratory for the calibration of analysers.*

Despite good progress in improving the national legal framework for monitoring activities, there has not been equal progress for the various environmental media. The monitoring provisions of the Laws on Water and on Agricultural Land do not follow international standards and latest practice. The Law on Water is also not in line with the Law on Environment regarding the monitoring competences. There is no law that would govern the monitoring of coastal seawater and there is no requirement for bathing water monitoring. Furthermore, there are some inconsistencies in the legal framework, which require clarification and relevant amendments of the respective laws to improve the functioning of the networks and to ensure that various institutions carry out complementary rather than overlapping monitoring activities.

Recommendation 4.2:

The Government should clarify responsibilities related to environmental monitoring (of soil and water) and amend accordingly the related legislation to provide an effective legal basis for monitoring activities.

Environmental information and data reporting have also improved over recent years. The national environmental indicators have been defined and adopted. The EPA prepared the very first indicator-based SoE report, including the majority of the adopted national indicators. The report was approved at the beginning of 2014 by the Government. The monitoring activities are being refocused to supply data for elaboration of the indicators and hence to create better understanding about the changes to the state of the environment in Montenegro. At the same time, despite efforts made to establish an integrated environmental information system, it has been developed only partially, and for the parts available no automatic information flows have been ensured. Data reporting by enterprises is still limited.

Recommendation 4.3:

The Ministry of Sustainable Development and Tourism, through the Environmental Protection Agency, and in cooperation with relevant environment data holders, should:

- (a) Accelerate the development of the integrated environmental information system and establish protocols for data and information flows;*
- (b) Establish data collection and processing for indicators where such data are not available;*
- (c) Improve the indicator-based state-of-the-environment report by making it more oriented towards policymaking;*
- (d) Enforce reporting by enterprises.*

The environmental information and data that are available are also made accessible to the public, either through the websites of the Government or upon request. At the same time, the majority of the information and data published currently are only available through the reports posted on the websites rather than being provided directly on the web pages. There is great potential with a relatively small budget to publish, in particular, environmental indicators on a dedicated web page, which would allow for more easy access to them.

Recommendation 4.4:

The Government should improve the online accessibility of environmental information and data, including by providing direct access to monitoring data and information as well as to the indicators.

Montenegro is implementing educational reform following internationally accepted practices. This is, however, a slow process, mainly due to the lack of funding for training teachers in teaching the new curricula. There are not sufficient, qualified teacher trainers to provide training on applying the new curricula and to apply a more multidisciplinary approach to teaching. The latter is a must for teaching the complex concepts of sustainable development.

Recommendation 4.5:

The Ministry of Education, with the support of the Bureau for Education Services and the Centre for Vocational Education, should accelerate teacher training for the effective introduction of the new curricula related to environment and sustainable development.

Chapter 5: Implementation of international environmental agreements

State budget (i.e. central government) funds allocated to environmental protection have remained relatively modest. The total central government environmental expenditures declined from €10 million in 2009 to €5.3 million in 2013 (chapter 3). The implementation of multilateral environmental agreements (MEAs) in Montenegro strongly depends on international financial support. Since 2007, Montenegro has enjoyed funding from the GEF, the EU through the IPA, and many other international donors. The situation of high dependence on international aid cannot be sustainable in the future.

Recommendation 5.1:

The Government should systematically and gradually reduce the country's dependence on international aid in order to fulfil its obligations under multilateral environmental agreements, and aim to raise its capacity to act within a scenario in which most of the funds are provided from domestic sources.

Montenegro has made progress on some indicators with regard to the country's commitments on the MDGs. For example, the country managed to increase the proportion of territory protected to preserve biodiversity, and to increase the proportion of renewable energy out of total energy consumption. At the same time, Montenegro is about to fail to reach some of its commitments. The country showed no progress on increasing the proportion of protected marine ecosystems, on the anthropogenic impact on the quality of surface water, or on losses in the water supply network.

Recommendation 5.2:

The Government should ensure that adequate funding is made available for implementation of the country's commitments on MDG7.

Since 2007, Montenegro has acceded to a number of global and regional MEAs. Montenegro also completed accession to all ECE environmental conventions. At the same time, the country is not yet a party to a few instruments, such as the Protocol on Water and Health and the Protocol on Pollutant Release and Transfer Registers.

Recommendation 5.3:

As soon as appropriate capacities for implementation are available, the Government should accede to the following protocols:

(a) The Protocol on Pollutant Release and Transfer Registers to the Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters;

(b) The Protocol on Water and Health to the Convention on the Protection and Use of Transboundary Watercourses and International Lakes.

In 2013 the Parliament ratified Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL).

Recommendation 5.4:

The Ministry of Transport and Maritime Affairs, in cooperation with the Ministry of Sustainable Development and Tourism, should ensure the implementation of the Annex VI Prevention of Air Pollution from Ships of the International Convention for the Prevention of Pollution from Ships (MARPOL).

Chapter 6: Climate change mitigation and adaption

Montenegro is already affected by climate change by having a higher average temperature. The country might face less availability of water, more frequent and intense heatwaves and more frequent extreme weather conditions leading to droughts or flooding. Montenegro is working on a national strategy on climate change, tackling both mitigation and adaptation.

Some progress has been made to integrate climate change adaptation into policies, mainly in the forestry sector. Other sectors are less advanced, especially agriculture, public health and coastal zone management. National GHG emissions per capita are rather low, but projections to 2020 indicate an increase, but also considerable potential to reduce emissions. Montenegro does not yet have mitigation targets or a long-term mitigation strategy.

Recommendation 6.1:

The Government, through the National Council on Sustainable Development and Climate Change, should:

(a) Ensure that priority areas for further actions, measures and instruments to reach climate change mitigation and adaptation targets, as well as implementation plans, are integrated into the strategy on climate change and secure funding for its implementation;

- (b) *Ensure the integration of climate change adaptation issues into sectoral policies and strategies, especially for agriculture, health and transport.*

The energy sector is the dominant source of GHG emissions. Available projections indicate an increase in GHG emissions from the energy sector, mainly due to the construction of the new lignite TPPs Maoče and Pljevlja II. Whether mitigation of GHGs will be successful depends strongly on whether the combustion of fossil fuels for generating electricity, heating purposes and transport can be reduced, and whether high electricity consumption can be reduced. Long-term scenarios looking for alternatives for additional power plants, which take into account higher renewable targets and reduced electricity consumption, are lacking.

Montenegro has high potential for renewable energy. At present, only hydropower is used for electricity production in considerable quantity, as is biomass for heating purposes, though mostly in an ineffective way. Montenegro has undertaken several steps to increase renewable energy sources, but there are still obstacles to overcome. There is evidence that technical requirements for grid connection are unfavourable and cost intensive for investors. The transmission and, especially, distribution grids are outdated and have to be modernized to reduce the technical electricity losses. Investments could be used to bring the grid in line with higher use of renewable energy. A modernization plan taking into account a higher share of variable renewables is lacking.

Montenegro has potential for energy efficiency and energy savings and has undertaken steps to raise this potential in the construction sector, mainly for new buildings. Pilot projects show great potential for energy reduction in existing buildings with quite short amortisation periods. The process of legalization of illegal settlements can be used as a trigger for improving efficiency standards of existing buildings.

Recommendation 6.2:

The Ministry of Economy should:

- (a) *Increase investments to reduce losses in the electricity transmission and distribution grid and ensure that grid improvements are in line with the targets and needs of a higher share of variable renewable energy, and urge the Montenegrin Electric Enterprise (EPCG) to elaborate and implement a grid modernization plan;*
- (b) *Further improve the conditions for investors in renewable electricity production by verifying and, if necessary, adapting requirements on grid connection to avoid exceeding connection costs;*
- (c) *Develop, in cooperation with the Ministry of Sustainable Development and Tourism, a national low interest loan programme to rehabilitate buildings to improve their energy performance and to waive legal fees for the regularization of illegal housing where the occupants have introduced energy-saving equipment;*
- (d) *Develop alternatives to lignite-fired power plants, by developing scenarios with high efficiency step-up technology and enhanced use of renewable energy, taking into account environmental impacts.*

Chapter 7: Water management

The 2001 Water Master Plan has expired, although it is still being used. Water management plans for the Adriatic and Black Sea river basin districts, to be adopted by 2016, have not yet been developed, since in the process of negotiations with EU it was agreed to prolong deadline for this activity and insure financial resources through IPA 2014-2020 programme. Water resources management is not integrated in spatial planning. The national water information system is not yet in place.

Recommendation 7.1:

The Ministry of Agriculture and Rural Development, in collaboration with the Ministry of Sustainable Development and Tourism and related bodies, should develop:

- (a) *A water master plan;*
- (b) *River basin management plans for the Adriatic and Black Sea River Basin districts;*
- (c) *A national information system for water planning and use.*

Although policy and legislative improvement has occurred in recent years, there is still a noticeable gap regarding implementation. In several municipalities wastewater treatment and water resources protection against pollution is not fully addressed by all concerned industries. A comprehensive sludge valorization line is absent.

In addition, water losses in the water supply systems are very high: this inefficiency increases operational costs and constrains the drinking water supply in outbreaks of scarcity. In urban settlements, including in the coastal zone, flash floods are an additional concern and construction should not be allowed in flooding zones. Natural engineering measures should be used for erosion protection in natural watersheds, whenever possible.

Recommendation 7.2:

The Ministry of Agriculture and Rural Development, in collaboration with the Ministry of Sustainable Development and Tourism, should implement:

- (a) *Sustainable solutions for municipal and industrial wastewater treatment and sludge valorization;*
- (b) *Design codes for water infrastructure in urban areas so that it is sensitive to flood risks, as well as measures for erosion mitigation.*

Chapter 8: Waste management

Montenegro is transforming its waste management system towards a modern system of material recovery facilities and sanitary landfills. New landfills in Podgorica and Bar are a significant improvement for the central and coastal regions but the mountain region is lacking a safe disposal site.

Development of a new sanitary landfill in the mountain region will complete the basic network of landfills in Montenegro and allow decommissioning of old disposal sites. This will reduce environmental pollution from uncontrolled disposal.

Recommendation 8.1:

The Ministry of Sustainable Development and Tourism, in cooperation with the municipalities of the mountain region, should develop a new sanitary landfill in that region.

Although Montenegro is starting activities aimed at recovery of secondary raw materials from waste, these are hindered by the lack of a market for recyclables. Instruments supporting the sale of recyclables (e.g. compensating part of the costs of exporting recyclables) are lacking. If there is a guaranteed income for waste collection companies from the sale of recyclables, it will be an incentive to introduce and extend the separate collection of waste.

Recommendation 8.2:

The Ministry of Sustainable Development and Tourism, in cooperation with the Ministry of Finance, should elaborate schemes for stimulating market-based mechanisms for the recycling and reusing of waste.

Organizing waste services on a regional level is key to achieving sustainable and effective waste management. However, although there have already been many discussions with municipalities to strengthen cooperation in waste management, progress in forming regional waste management companies is behind expectations. Preparation of the Waste Management Plan for the period 2014–2020 is focusing on this problem, but additional action from the Government could facilitate the required change in attitude.

Recommendation 8.3:

The Ministry of Sustainable Development and Tourism, together with the local self-governments, should:

- (a) *Negotiate the creation of regional waste management companies;*
- (b) *Support inter-municipal cooperation in waste management.*

Data on industrial and municipal solid waste do not seem to realistically reflect waste generation because it is based on estimations.

Moreover, there is no data verification. Practically all strategic documents call for improvement of waste inventories. An inventory of equipment containing PCBs would contribute to planning future action in hazardous waste management.

Recommendation 8.4:

The Statistical Office and the Environmental Protection Agency should improve the collection and verification of waste data.

Recommendation 8.5:

The Ministry of Sustainable Development and Tourism and the Administration for Inspection Affairs should perform a detailed, countrywide inventory of equipment containing PCBs .

IMPLEMENTATION OF THE RECOMMENDATIONS IN THE SECOND ENVIRONMENTAL PERFORMANCE REVIEW¹

PART I: POLICYMAKING, PLANNING AND IMPLEMENTATION

Chapter 1: The decision-making framework and its implementation

Recommendation 1.1:

The Government should urgently establish the Environmental Protection Agency (EPA), as defined in the model proposed by the cross-sectoral Advisory Committee, with the following main responsibilities: data collection, data analysis and data reporting, environmental permitting, and inspection and enforcement. Environmental permitting and inspection functions should be performed by separate units.

The recommendation is implemented. The EPA was established in 2008 and became operational in 2009. It is in charge of environmental permitting and data collection, analysis and reporting. Environmental inspection has been taken out of the EPA, following the creation in 2012 of the Administration for Inspection Affairs as an autonomous governmental institution, but supervised by the Ministry of Economy. The Administration for Inspection Affairs also integrated all other inspections. An exception is the nautical safety inspection that remained at the Ministry of Transport and Maritime Affairs.

Recommendation 1.2:

The Government, and in particular local self-governments (municipalities), should strengthen the number and capacities of staff of environmental authorities at the national and local levels. Training programmes and awareness-raising activities for both the regulated entities and the general public should be promoted to ensure that environmental legislation is implemented properly.

The recommendation is partially implemented. The EPA is relatively well staffed. The environment-related departments of the Ministry of Sustainable Development and Tourism are not adequately staffed, though the staffing situation is still at an acceptable level. Environmental authorities at the local level are understaffed. Training programmes and awareness-raising activities for the general public are organized, but more effort is needed to achieve sustained results. Awareness-raising activities for regulated entities (e.g. facilities that need to receive an IPPC permit) have been organized.

Recommendation 1.3:

The Government should harmonize sectoral strategies and action plans with the priorities and goals of the National Strategy for Sustainable Development. The Government and the ministries concerned should reconcile the content of the strategic documents, and coordinate their implementation.

The recommendation is partially implemented. The 2007 National Strategy for Sustainable Development is referred to in sectoral strategic documents. However, strategic documents are often not coherent and implementation coordination is lacking. For example, the document *Development Directions of Montenegro for the period 2013–2016* envisages the elaboration of a strategy on financing of measures on the environment. However, no such strategy is planned under the Programme of Montenegro's accession to the European Union 2014–2018 which includes a comprehensive list of legislation and strategic planning documents to be elaborated.

¹ The second EPR of Montenegro was carried out in 2007. During the third review, progress in the implementation of the recommendations in the second review was assessed by the EPR Team based on information provided by the country.

Recommendation 1.4:

The Ministry of Tourism and Environment should start implementing on a pilot basis the recently adopted legislation on strategic environmental impact assessment (SEA), environmental impact assessment (EIA), integrated pollution prevention and control (IPPC) and waste management.

The recommendation is implemented. In 2006–2007, a pilot project on SEA was conducted in relation to the National Spatial Plan. In 2009, capacity-building training for effective implementation of the laws on SEA, EIA and IPPC were organized and awareness-raising materials were disseminated. In 2012–2013, the EPA implemented the project “SEA and EIA – Improving comprehensive implementation in Montenegro”. By 2014, SEA and EIA procedures had become a regular practice in the country. IPPC permits are still to be issued for a number of facilities, but the process is ongoing. Local self-government units lack capacity with regard to implementation of SEA, EIA and IPPC laws.

Recommendation 1.5:

To ensure that the protection of the environment is taken into account in privatization agreements, the Government should:

- (a) *Require enterprises and industries put up for privatization to carry out environmental audits;*
- (b) *Develop and introduce clauses on past environmental liabilities into the privatization agreements; and*
- (c) *Include compliance plans, negotiated with the new owner, in these agreements. The plans should specify the measures that enterprises and industries have to implement to comply with environmental standards and regulations.*

The recommendation is partially implemented. In particular for the industrial sector and some other activities that might have an impact on the environment, environmental audits are required. However, even though this is common practice in Montenegro, it is not stipulated as an obligation by a separate act on privatization. All privatization agreements include at least a clause in respect of environmental legislation and standards. Regarding past pollution from state-owned companies, the Government is fully liable.

Recommendation 1.6:

The Government should define:

- (a) *The horizontal responsibilities in environmental matters and the coordination of environmental management, in particular regarding the protection of natural resources; and*
- (b) *The vertical division and coordination of competences between national and municipality levels to improve the implementation of the sectoral environmental legislation.*

The recommendation is partially implemented. As for horizontal responsibilities in environment-related matters, there seem to be no major drawbacks except for a multiplicity of governmental institutions involved in the water sector. The vertical division and coordination of competences between the national and municipal levels are relatively well defined in the Law on Environment (OG 48/08, 40/10, 40/11), Law on Nature Protection (OG 51/08, 21/09, 40/11, 62/13, 6/14), Law on Environmental Impact Assessment (OG 80/05, 40/10, 73/10, 40/11, 27/13), Law on Strategic Environmental Assessment (OG 80/05, 73/10, 40/11, 59/11), Law on Integrated Prevention and Control of Environmental Pollution (OG 80/05, 54/09, 40/11), Law on Waste Management (OG 64/11), Law on Air Protection (OG 25/10, 40/11), Law on the Protection against Environmental Noise (OG 28/11, 28/12, 1/14) and Law on Energy Efficiency (OG 29/10). However, local authorities lack capacity to ensure the efficient implementation of tasks assigned to the local level. Coordination and exchange of information between national and local levels are sporadic.

Recommendation 1.7:

The Government should strengthen significantly the capacity of the bodies responsible for enforcement to ensure effective enforcement of legal requirements, in particular by:

- (a) *Increasing the number of inspectors;*
- (b) *Promoting capacity-building programmes for inspection bodies in environmental law enforcement, particularly for new legislation, including permitting procedures and public participation;*
- (c) *Establishing a polluter register, as requested by the legislation, and using it to streamline the environmental inspection activities;*

- (d) *Increasing the cooperation of environmental law enforcement authorities with the police;*
- (e) *Initiating training programmes for judges, state prosecutors and police, to strengthen their capacities in the field of environmental law enforcement; and*
- (f) *Collecting and publishing data on concluded administrative, civil and criminal lawsuits concerning the environment.*

(a) The recommendation was partly implemented. Following establishment of the EPA, the number of environmental inspectors was gradually increased from four positions (only two occupied) in 2006 to 12 inspectors in 2011. However, after the transfer of the environmental inspectors under the Administration for Inspection Affairs in 2012, their number decreased to seven. One more position was recently made available to cover new responsibilities on chemicals management.

Two water inspectors at the Administration for Inspection Affairs monitor the implementation of the water-related legislation, as compared with six positions previously dedicated to this work under the Ministry of Agriculture and Rural Development. The inspection for forestry, hunting and plant protection employs 11 forestry and wildlife inspectors. The inspection for marine fisheries has four inspectors and this number did not change in recent years.

(b) In general terms, this recommendation was implemented. Various training has been conducted, mostly in the context of international initiatives such as the Regional Environmental Network for Accession (RENA). Management training for EPA staff was delivered through twinning and IPA capacity-building projects. Most of the capacity building, however, depends heavily upon external assistance and this (along with the high turnover of staff) poses a problem in terms of sustainability of results.

The capacity for environmental management at local level, including EIA and IPPC permitting, remains worryingly low. Training activities were concentrated in the Ministry of Sustainable Development and Tourism's Directorate of Environment and Climate Change and did not involve inspectors as intensively as the Ministry staff. The move of environmental inspectors to the Administration for Inspection Affairs may also affect the delivery of training for them, since assistance for capacity building has to date been delivered via the Ministry.

(c) The recommendation was not implemented. Based on the requirements of the 2008 Law on Environment, a Rulebook on the detailed content and method of keeping the register of environment polluters (OG 43/10) was adopted in 2010, presuming that the register will be linked in the future to the E-PRTR system. The system includes the duty to establish registers at the municipal level. Information from pollution sources is to be submitted to the local administrations and, further, to the EPA, which should maintain the integrated register of environment polluters. The system is not working because of the uneven capacities of municipalities and the difficulty in collecting information at the central level from the municipalities. To date, relevant information (if collected at all) has been kept at the local level or sent to the EPA on simple electronic sheets. Sanctions for the non-provision of information on pollution sources are not enforced. Collected data are not yet available online.

The EPA reports that it does not have adequate software for keeping the integrated register of environment polluters, providing data entry, processing and display of data. The development of the environmental information system would make the register of polluters operational. In short, the legal framework for the register of environment polluters exists but technical and institutional problems remain, preventing the register from becoming operational.

(d) The recommendation is implemented. According to the 2009 Law on Inspection Control, police authorities should ensure the undisturbed performance of inspection, upon an inspector's call. The Police Directorate often acts in support of the Administration for Inspection Affairs, particularly on forestry, marine fisheries and spatial planning. Recently, a memorandum of cooperation was signed between the Ministry of the Interior and the Administration for Inspection Affairs.

(e) The recommendation is implemented. Some joint training seminars and other forms of capacity building for inspection authorities, prosecutors and judges have been organized, most of them with external assistance. For example, in December 2012, the Judicial Training Centre, in cooperation with the REC and the

Ministry of Sustainable Development and Tourism, organized the seminar “Implementation of the Third Pillar of Aarhus Convention in Montenegro (Access to Justice)”, under the project “Training Graduate Lawyers in the Fields of National and International Environmental Regulations and Support to the Public in Access to Justice in Environmental Matters” funded by Finland through the Environment and Security initiative. The seminar was attended by 20 participants, comprising 6 representatives of the public prosecutorial service, 7 representatives of the judiciary, a judge from the Misdemeanour Council, and representatives of the Ministry of Justice, EPA, Aarhus centres, etc.

(f) The recommendation was not implemented. Most often, inspectors are not informed about the results of court proceedings, despite the legal obligation of judicial authorities to do so.

Chapter 2: Information, public participation and education

Recommendation 2.1:

The Ministry of Tourism and Environment, in cooperation with relevant stakeholders, should complete the reform of the environmental integrated monitoring and information system. The Ministry should take the leading role in its implementation as well as responsibility for mobilizing the internal and external resources needed. The Ministry of Tourism and Environment should, in particular:

- (a) *Harmonize the environmental monitoring programme and reporting system with European Environment Agency standards;*
- (b) *Clarify the responsibilities of the respective monitoring institutions for the implementation of the different parts of the integrated monitoring programme;*
- (c) *Clarify the procedures and standards for providing, processing and disseminating information; and*
- (d) *Revise current reporting policies and procedures in order to disclose to the public, on a regular basis, environmental information produced by monitoring actors and competent government organizations, including through the Internet.*

(a) This recommendation is implemented. The monitoring programmes for all media, except for water, have been refocused to collect data in line with the standards of the European Environment Agency.

(b) This recommendation is partially implemented. There is the need for further clarification of responsibilities with regard to air monitoring between the EPA and the HSS, and water monitoring between the EPA and the Ministry of Agriculture and Rural Development (as the monitoring programme is prepared by this ministry), including the HSS.

(c) This recommendation is nearly implemented. The Law on Environment obliges the EPA to operate an environmental protection information system, and other environmental data holders to share their data with the Agency. All the data collected, except those on quality of soil, are shared with the Agency.

(d) This recommendation is implemented. The reporting policies and procedures are in place.

Recommendation 2.2:

To strengthen the environmental non-governmental organization (NGO) sector further and to improve public participation in environmental decision-making, the Government, in cooperation with NGOs, should:

- (a) *Review the NGO legislation on tax exemptions;*
- (b) *Complete preparatory procedures to accede to the Convention on Access to Information, Public Participation in Decision-making, and Access to Justice in Environmental Matters (Aarhus Convention);*
- (c) *Further improve regulations on public access to environmental information and participation in environmental decision-making, in particular in EIA and permitting procedures, and the development of environmental policies, plans and programmes; and*
- (d) *Initiate the revision and approval of policies and clarify procedures of cooperation between government agencies and NGOs.*

(a) This recommendation is implemented. The Law on Non-Governmental Organizations (OG 39/11) stipulates that NGOs should be tax exempt.

(b) This recommendation is implemented. Montenegro acceded to the Aarhus Convention in 2009.

(c) This recommendation is implemented. SEA and EIA procedures have become a regular practice in Montenegro over recent years. By law, the public has the opportunity to participate in the EIA, SEA and permitting processes, and is encouraged through the Aarhus centres to do so.

(d) This recommendation is implemented. The legal basis for cooperation between government agencies and NGOs is in place. Furthermore, a memorandum of cooperation was signed in 2010 and an action plan was elaborated based on the memorandum. In addition, a special group was established, whose members – signatories of the memorandum – exchange relevant information, documents and opinions on matters of interest.

Recommendation 2.3:

To complete educational reform and implement the Strategy of Education for Sustainable Development, the Ministry of Education and Science, in cooperation with the Ministry of Tourism and Environment and other relevant stakeholders responsible for specific areas of professional education, competent institutions and NGOs, should:

- (a) *Increase the number of training programmes in teacher training colleges and for all actors involved in the implementation of educational reform at the primary and secondary school levels, with a special focus on the environment and sustainable development;*
- (b) *Facilitate the incorporation of environmental issues and sustainable development principles in programmes of graduate education, professional training and adult education; and*
- (c) *Facilitate the involvement of environmental NGOs in informal environmental education and education for sustainable development, through educational projects and campaigns.*

(a) This recommendation is partially implemented. The teacher training is an ongoing activity and new training programmes have been developed. At the same time, there is a need for additional programmes and training, for which the budget is quite limited.

(b) This recommendation is implemented. Through the new curricula, the incorporation of environmental issues and sustainable development concepts has been facilitated. At the same time, there is a need for developing new teaching programmes for adults in various subjects.

(c) This recommendation is implemented. The Government encourages the involvement of NGOs in raising public awareness on nature protection and sustainable development. A number of campaigns have been organized over the last year in this regard, with the support of the NGOs.

Chapter 3: Implementation of international agreements and commitments

Recommendation 3.1:

The Government should strengthen the institutional capacity of the Ministry of Tourism and Environment for international environmental cooperation, to meet the requirements linked to the further development of multilateral environmental agreements and their implementation, as well as the European Union (EU) accession process (including the establishment of a project implementation unit).

The recommendation is implemented. Until 2009, environmental policy was vested in the Ministry of Tourism and Environment, and from 2009 to 2011 in the competency of the Ministry of Spatial Planning and Environment; since 2011 it has been vested in the competency of the Ministry of Sustainable Development and Tourism. The number of staff who work on environmental and sustainable development issues increased from 15 in 2006 to 21 in 2014.

A project implementation unit has not been established. Regarding the EU accession process, the Directorate of Environment and Climate Change includes the Division of Harmonization with EU and Horizontal Legislation. However, the limited liability company “Project – Consulting” (PROCON) was founded by the Government in 2008 to provide expert support in the implementation of projects on environmental protection and communal services adopted by the Government and/or local self-government authorities and supported by international financial institutions.

Recommendation 3.2:

The Ministry of Tourism and Environment should:

- (a) *Clearly define the country's priorities and objectives in the area of international environmental cooperation and identify resources for achieving them from both domestic and external sources; and*
- (b) *In cooperation with relevant national authorities (e.g. the Ministry of Finance and the Secretariat of European Integration), develop a system that will allow for full accounting of international assistance in the area of environmental protection and promote better coordination of the donor activities in this area, both with the donors and among the government agencies and local authorities.*

The recommendation is not implemented. No policy documents clearly define priorities for international cooperation on environmental protection and sustainable development. Similarly, a system that would allow for full accounting of international assistance on environmental protection and promote better coordination of the donor activities in this area, both with the donors and among the government agencies and local authorities, is not in place.

Recommendation 3.3:

Concerning multilateral environmental agreements (MEAs):

- (a) *The Government should:*
 - i. *Proceed with the ratification of MEAs for which all the necessary preparatory work has been done; and*
 - ii. *Designate relevant government bodies as focal points and competent authorities for the MEAs, and create adequate conditions to ensure their implementation. These government bodies should continue attracting international assistance for this purpose, with the ultimate objective being to build sufficient national capacity for their implementation.*
 - (b) *The Ministry of Tourism and Environment should, in cooperation with relevant international organizations and financing institutions, develop national implementation plans (or similar documents) for MEAs that are signed and ratified according to their provisions.*
- (a) The recommendation was implemented.
- (i) Since 2007, Montenegro has become a party to the Convention on Wetlands of International Importance, Convention Concerning the Protection of the World Cultural and Natural Heritage, Convention on the Conservation of European Wildlife and Natural Habitats, Convention on the Conservation of Migratory Species of Wild Animals, Convention on Persistent Organic Pollutants, Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, the United Nations Convention to Combat Desertification, and the United Nations Framework Convention on Climate Change and its Kyoto Protocol. Montenegro has also completed accession to all ECE environmental conventions.
 - (ii) Focal points and competent authorities have been designated to ensure the implementation of the MEAs to which Montenegro is a party. These government bodies continue attracting international assistance for this purpose, the ultimate objective being to build sufficient national capacity for their implementation.
- (b) The recommendation was implemented. National implementation plans (or similar documents) for ratified MEAs according to their provisions have been developed, for example, the 2010 National Biodiversity Strategy with the Action Plan for the period 2010–2015; Action Plan for the implementation of the three protocols to the LRTAP Convention (2011–2014) and Action Plan for the Implementation of Stockholm Convention (2014–2021).

PART II: MOBILIZING FINANCIAL RESOURCES FOR ENVIRONMENTAL PROTECTION

Chapter 4: Economic instruments

Recommendation 4.1:

The Government needs to ensure a more stringent application of environmental policy instruments in line with the polluter- and user-pays principles in order to create adequate incentives for changing behaviour towards the environment. In this context, it should base the determination of specific policy measures on an intensive dialogue with major stakeholders, with the aims of:

- (a) *Reviewing the effectiveness of existing economic instruments for environmental protection in achieving well-defined and realistic environmental objectives;*
- (b) *Determining policies that achieve major environmental benefits in a cost-effective way;*
- (c) *Achieving the gradual elimination of environmentally harmful subsidies, taking into account the need to ensure social affordability and provide for support in the event of compelling competitiveness concerns in well-defined and limited cases; and*
- (d) *Abolishing taxes currently earmarked for environmental financing, but which have no obvious environmental impact, such as the investment tax on business projects requiring an environmental impact assessment, which should be replaced by an appropriate administrative fee.*

The recommendation was partially implemented. Limited progress has been made. Pollution taxes have been collected as from 2008. However, their impact on the behaviour of polluters towards the environment has not been examined. Effective taxation of water pollution remains a major challenge. The investment tax on investments that require an EIA was abolished (as recommended). Investment project developers must finance the costs of conducting the EIA study, in case the latter is required (article 23 of the 2005 Law on EIA). Cross-subsidies in favour of households continue to prevail in the area of water supply and sewerage services and municipal waste management. In contrast, according to the Energy Regulatory Agency, cross-subsidization of household tariffs for electricity consumption was eliminated in 2011.

Recommendation 4.2:

The Government should, as soon as possible:

- (a) *Set a target date for the phasing out of leaded fuel for motor vehicles and for the reduction of sulphur in transportation fuels to current EU maximum levels of 50 parts per million (ppm);*
- (b) *Provide fiscal incentives that promote the use of unleaded fuel and fuels with a lower sulphur content;*
- (c) *Promote the introduction of cleaner vehicles using fiscal incentives;*
- (d) *Prepare the legal basis for the introduction of Euro 3 emission standards, and thereafter ensure their implementation as soon as possible; and*
- (e) *Tighten technical inspection standards for motor vehicles and ensure their effective implementation.*

The recommendation was implemented. The use of leaded fuels for motor vehicles was phased out in 2011. Fuel quality standards have been improved significantly. Since August 2007, the legislation requires vehicles to meet Euro 3 emission standards. Current legislation prohibits the import of vehicles older than three years. Vehicle inspection standards have been tightened.

Recommendation 4.3:

Regarding municipal solid waste management, municipalities should:

- (a) *Establish a system where waste charges are, to the greatest possible extent, proportional to the amount of waste collected, in order to create proper incentives for waste minimization. Municipalities should strive to establish agreements with all major groups of waste producers and with citizens to reduce, sort and deliver waste; and*
- (b) *Increase efforts to promote the recycling of waste and offer the appropriate infrastructure to do this properly.*

The recommendation is not implemented. Waste charges continue to be proportional to the surface area of residential and commercial premises. A legal framework for special waste charges has been adopted. Recycling is typically not done, and there are only few recycling facilities. The scope for recycling has been limited by the small size of the domestic market.

Recommendation 4.4:

For water supply and sewerage services, municipalities should raise user charges in stages to achieve more sustainable water consumption and improve cost recovery. Affordability problems for low-income households should be addressed by appropriate targeted subsidies.

The recommendation was partially implemented. More cost-reflective tariffs were introduced, but households continue to benefit from substantial cross-subsidies from tariffs for legal entities. There exist schemes for providing financial support to low-income households and other vulnerable persons.

Recommendation 4.5:

The Government should enforce more stringent environmental standards within the framework of well-defined emission targets for major pollutants. The associated incentives for firms to increase investments in pollution abatement and control equipment should be supported by adequate fiscal policy measures to stimulate investment in best available techniques (see Recommendation 4.1).

The recommendation is not implemented. New air quality standards were introduced in 2012, which apply, however, only to newly established facilities. Also, these new air quality standards are not in line with the objective of the Gothenburg Protocol, i.e. to reduce emissions of the key pollutants.

Chapter 5: Environmental expenditures and their financing

Recommendation 5.1:

The Government and the municipalities should significantly increase budget resources for the financing of environmental protection measures. The Government and municipalities should integrate medium-term environmental investment plans with the annual and multi-annual budget processes on the basis of prioritized, results-oriented programmes. Funds should be allocated according to clear and transparent criteria, and if possible, should involve a cost-benefit analysis of proposed major projects.

The recommendation was partially implemented. Central and local self-government budget resources for environmental protection were influenced by the overall development of fiscal revenues and, in recent years, the need for fiscal consolidation. The introduction of a medium-term expenditure framework (MTEF) designed to support budgetary targets, improve expenditure prioritization and foster improved government performance is envisaged within the framework of the Strategy of Public Administration Reform in Montenegro for the period 2011–2016. (However, the MTEF has not yet been introduced, at the time of writing this report.)

Recommendation 5.2:

The Government should ensure that the Environmental Fund has an adequate endowment of human and financial resources, and should consider allocating an appropriate share of privatization revenues to financing the activities of the Fund. The Fund should conduct its operations within the framework of a medium- and long-term strategy reflecting environmental priorities and the resources available to achieve them. The Fund should operate in line with recognized international principles and practices. The Fund should support the development of environmental infrastructure at the municipal level by providing loans at favourable conditions to public utility companies. The Fund should engage in regular consultations with foreign donors, with a view to aligning foreign assistance with domestic priorities.

The recommendation is not implemented. The Environmental Fund has not been established.

Recommendation 5.3:

The Government should establish a coherent and comprehensive information and reporting system for environmental protection expenditures and revenues covering the public sector, business sector and private households. As a general framework for this, it should use the European System for the Collection of Economic Information on the Environment (SERIEE) developed by the Organisation of Economic Co-operation and

Development/Eurostat and the associated Classification of Environmental Protection Activities and Expenditures (CEPA).

The recommendation is not implemented. The area of statistical reporting on environmental protection expenditures and revenues remains a major challenge.

PART III: INTEGRATION OF ENVIRONMENTAL CONCERNS INTO ECONOMIC SECTORS AND PROMOTION OF SUSTAINABLE DEVELOPMENT

Chapter 6: Tourism and environment

Recommendation 6.1:

To incorporate the priorities contained in the National Strategy for Sustainable Development regarding sustainable tourism, the Ministry for Economic Development should update the Spatial Plan and the Coastal Area Spatial Plan. The Ministry of Tourism and Environment should incorporate the priorities regarding sustainable tourism contained in the National Strategy for Sustainable Development into the Tourism Master Plan.

The recommendation was implemented. The Spatial Plan was updated in 2008. Concepts of spatial organization and development of the Spatial Plan until 2020 are in accordance with sustainable development principles. The Spatial Plan is a general strategic framework for sustainable spatial development and represents the basis for harmonizing different sector and non-sector policies, which also have spatial consequences. The 2005 Coastal Area Spatial Plan (CASP) is expected to be updated by 2015.

In 2001, the Tourism Master Plan, and in 2003, two regional tourism master plans were prepared. After several years of implementation and analysis of progress, it was decided to amend and update the 2001 Tourism Master Plan. This resulted in the 2008 Tourism Development Strategy to 2020. The Strategy's goal is the creation of a sustainable, high quality, all-year-round and diverse tourism product to enable the growth of revenues and arrivals, at the same time generating new jobs and increasing the standard of living. It places emphasis on sustainability. In particular, it recognizes the importance of products being based on exclusive natural and cultural attractions which reflect the natural surroundings and diverse historical and cultural heritage of Montenegro.

The Ministry of Sustainable Development and Tourism monitors its implementation annually and issues an annual action plan. In 2013, the Agenda of Reforms of Tourism was prepared. Among other matters, it emphasizes the importance of further development of the quality of accommodation facilities (among other measures, implementing the standards of Wild Beauty Resorts), strengthening cooperation between agriculture and tourism, and diversifying tourism products. In the framework of the project "Hiking & Biking", pedestrian trails and hiking trails have become part of the national network of mountain trails, which cover a distance of 6,000 km. Intensive work has also been done in arranging these routes and preparing guides and other promotional materials which present the natural beauty that the trails pass through. In addition, some interesting initiatives have been launched, such as educating visitors on the protection of environmental and cultural values through ecological and cultural thematic pathways on historic trade routes, such as the projects "Panoramic routes" and "Ethno-gastronomic routes". In addition, in 2013 the project "Peaks of the Balkans" began, promoting the variety of cultural sites as well as the natural attractions for visitors.

Recommendation 6.2:

The Government should enforce the Law on Environmental Impact Assessment and the Law on Strategic Environmental Assessment (OG RM No. 80/2005) as soon as possible, in order to control the environmentally-sound development and rehabilitation of infrastructure, particularly in tourist areas. (See Recommendation 1.4)

The recommendation was implemented. All buildings and facilities in larger projects have to be assessed for their environmental impact, as does their use. Concerning tourism, EIA is mandatory for related projects while SEA procedures are mandatory for all plans and programmes. In addition, in 2011, Montenegro ratified the Protocol on Integrated Coastal Zone Management (ICZM) in the Mediterranean, in order to ensure consistent

application of the ICZM mechanisms, in particular the introduction of the building ban along the coast 100 m from the high-water line for all new constructions for which the development of planning documents starts after 2011. The Administration for Inspection Affairs has the task of detecting illegal buildings, especially along the coastal zone.

Recommendation 6.3:

To develop new sustainable tourism products, the Ministry of Tourism and Environment should, through the initiation of appropriate programmes and involvement of relevant stakeholders (e.g. agriculture, cultural heritage and nature protection), strengthen cooperation between providers of tourism services in the coastal, central and northern regions. The Ministry for Economic Development, in cooperation with relevant stakeholders, should elaborate and implement broader economic development plans for rural areas.

The implementation of the recommendation is ongoing. In 2008, all stakeholders (i.e. governmental institutions, the Chamber of Commerce, NGOs, farmers' associations) were involved in the preparation of the Tourism Development Strategy to 2020. One of the aims of the Strategy was to connect the coastal area and the hinterland, i.e., to develop the whole of Montenegro as a unique selling point, emphasizing the faster development of the northern (rural) part of Montenegro.

Five years after adoption of the Tourism Development Strategy to 2020, the Agenda of Reforms of Tourism was adopted with the aim of reporting on the progress that had been made since 2008 and to announce which activities and measures have to be implemented to achieve the strategic development goal. Through these activities, among others, the country is more intensively promoting various activities, such as cultural tourism, agrotourism, ecotourism and panoramic routes.

Monitoring of these activities is the responsibility of the Council for Tourism, and its Coordination Team is charged with the preparation for and flow of the tourism season. The Council was established in October 2013. The members of the Council are: the Prime Minister, two vice-premiers, six ministers dealing with tourism, internal affairs, health, culture, traffic and maritime, and finance, the representative of the Ministry of Sustainable Development and Tourism, the Director of Administration for Inspection Affairs, the Secretary general of Union of Municipalities, the President of Montenegrin tourism association, the Secretary of Secretariat for development projects, the Director of the National Tourism Organisation, the Director of Statistical Office, the representative of Montenegro Airlines, the Director of Airports, the Director of the Public Enterprise For Coastal Zone Management, the President of Department for Tourism and Catering of Chamber of Commerce, the Director of PENP, the representative of Montenegrin University for tourism, the representative of Secondary Vocational school, the representative of the Union of employees, two representatives of tourism agencies, the President of Department for tourism agriculture, ecology and urban planning of Parliament, and three independent experts. The Council meets, when needed, and at least once per year.

The Regional Development Strategy of Montenegro for the period 2010–2014 identifies the importance of the achievement of more balanced regional development and the increased competitiveness of less developed local self-governments and regions. Based on implementation reports, a new regional development strategy until 2020 is currently in preparation.

Recommendation 6.4:

The Ministry of Tourism and Environment with relevant stakeholders should further implement management plans for all protected areas.

The recommendation was partially implemented. According to the 2008 Law on Nature Protection (OG 51/08, 21/09, 40/11, 62/13, 6/14), each protected natural asset should have a five-year management plan adopted and an annual management programme. In practice, only the national parks have adopted management plans and annual management programmes.

Recommendation 6.5:

The Ministry for Economic Development, in cooperation with all relevant stakeholders at the national and municipal levels should take effective measures to urgently stop uncontrolled and illegal constructions to preserve the tourism potential and nature values.

The implementation of the recommendation is ongoing. Montenegro recognizes widespread illegal constructions and inadequate use of land as a threat to tourism development, and ultimately as obstacles to sustainable development. The spatial protection inspection within the Administration for Inspection Affairs is carrying out checks regarding this issue; for example, it made 3,656 visits in 2013. The spatial protection inspection also mentions the lack of capacity at the local level. Often, municipalities do not apply spatial planning related legislation. Amending the legislation and strengthening the inspection would contribute to the improvement of the situation. A draft law on legalizing illegal settlements is in preparation.

Recommendation 6.6:

For the development of sustainable tourism, the Government should readjust and put into practice especially the following recommendations that were addressed to Montenegro in the first Environmental Performance Review in 2002 (see Annex 1):

- 13.9. on integrated transport planning;*
- 14.1(c) on eco-standards for tourist premises;*
- 14.1(d) on sustainable tourism indicators;*
- 14.1(e) on inventory of all sites of tourist interest;*
- 14.2 on fiscal incentives for tourist premises that implement eco-standards;*
- 14.3(a) on campaigns to raise awareness of sustainable tourism;*
- 14.3(b) on sustainable tourism development in the curricula of the higher schools; and*
- 14.5 on survey of local products.*

The implementation of the recommendation is ongoing.

(13.9) There are some activities related to integrated transport, mostly along the TRACEA corridor, and the airports of Tivat and Podgorica.

14.1(c) Eco-standards for tourist premises are defined in the coastal zones (blue flag), but not yet developed in the rural areas.

14.1(d) Sustainable tourism indicators were defined and used in the 2008 Tourism Development Strategy to 2020 as well as in its annual action plans.

14.1(e) National and local tourism organisations carried out and maintain national and local inventories of all sites of tourist interest.

14.2 Fiscal incentives for tourist premises that implement eco-standards are not yet developed.

14.3(a) Campaigns to raise awareness of sustainable tourism are carried out by the Ministry of Sustainable Development and Tourism and the National Tourism Organisation when funding is available. Some international NGOs also promote sustainable tourism.

14.3(b) This recommendation is not yet implemented, but incorporating sustainable tourism in the curricula of the higher schools is under development.

14.5 Some surveys of local products were carried out.

Chapter 7: Energy and environment

Recommendation 7.1:

The Government should strive to improve energy efficiency, in particular through:

- (a) Phasing out subsidization of electricity prices to private households and large enterprises;*
- (b) Increasing investments required to reduce losses in the electricity transmission and distribution systems;*
- (c) Improving the collection of electricity bills and introducing special support measures for those who cannot afford to pay full price; and*
- (d) Designing and implementing appropriate incentives for reducing electricity consumption in residential buildings.*

(a) The recommendation was implemented. Cross-subsidies were eliminated in 2011. According to the Energy Regulatory Agency, tariffs are cost reflective, based on the tariff methodology for allowed revenues, notably, justified and efficient operating costs.

(b) The recommendation was not implemented. Losses in electricity transmission and distribution systems have declined to a small extent, but are still very high, especially in the distribution system. Efforts are necessary to modernize the grid.

- (c) The recommendation was partially implemented. Data on bill collection rates are scarce and appear not to be accurate. The Government has introduced a system of subsidies to ensure affordability of electricity bills for vulnerable groups of persons, including low-income households.
- (d) The recommendation was partially implemented. There is funding (low interest loans) for installing solar heating systems for warm water generation and for installing modern biomass heating systems in buildings. However, the majority of existing buildings have low energy performance and there is a lot of potential to reduce energy/electricity consumption. The Government introduced mandatory efficiency standards for new buildings and also for major rehabilitations.

Recommendation 7.2:

- (a) *The Ministry for Economic Development and the Ministry of Tourism and Environment should ensure the development of renewable energy sources (hydropower, solar and wind power, and biomass) in accordance with the goals of the National Strategy for Sustainable Development (NSDS). Various scenarios should be developed and discussed in forums with a high level of public participation. Targets for renewable energy sources should be adopted by the Government within the framework of the general energy policy, NSDS and relevant spatial plans.*
- (b) *The Government should encourage the Electric Power Company of Montenegro (EPCG) and private domestic and foreign investors, and seek foreign assistance, to support the implementation of renewable energy projects.*

- (a) The recommendation is partly implemented. Progress in installing renewable energy plants has been small and realization is far behind the plans in the Energy Development Strategy of Montenegro until 2025. In recent years, Montenegro has introduced a feed-in tariff and other secondary regulations and simplified procedures; success has yet to be achieved. There are different scenarios for future energy development in the energy development strategy until 2030, but they do not vary much in renewable energy contribution. According to the 2012 decision of the 10th Ministerial Council of the Energy Community on the implementation of EU Directive 2009/28/EC on the promotion of renewable energy, Montenegro's target for renewable energy sources as a proportion of gross final consumption of energy is 33 per cent by 2020.
- (b) The recommendation is not implemented. The relations between EPCG and private investors are reported as rather difficult when it comes to connection consent. In general, the situation for investors is described as rather difficult and some neighbouring countries offer better conditions. It has yet to be demonstrated that the simplification of permission procedures shows results.

Recommendation 7.3:

The Ministry for Economic Development, in cooperation with the Ministry of Tourism and Environment, should:

- (a) *Ensure that the existing first block of the Pljevlja coal-fired power plant complies with Best Available Techniques (BAT) within ten years at most;*
- (b) *Ensure that, if built, the next block meets BAT standards; and*
- (c) *Consider alternatives to the Pljevlja coal-fired power plant, by developing a plan for a combined heating and power plant which complies with BAT.*

(See also Recommendation 1.4 on IPPC permits.)

- (a) The recommendation is partly implemented. TPP Pljevlja went through a general overhaul in 2009, during which an electrostatic precipitator and low NOx burner were installed. TPP Pljevlja does not comply with BAT due to sulphur emissions.
- (b) The implementation cannot be assessed yet. The tender for the second block has been finished. The operators reckon that the new block will meet all required standards to get IPPC permit.
- (c) The recommendation is not implemented. Alternatives for the Pljevlja coal-fired power plant have not been considered.