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Preface

The second Environmental Performance Review (EPR) of Montenegro began in May 2006 with a preparatory mission, during which the final structure of the report was discussed and established. The review team of international experts included experts from the Czech Republic, Germany, Switzerland, and Ukraine, and from the secretariat of the United Nations Economic Commission for Europe (UNECE).

The review mission took place from 30 October to 3 November 2006. In May 2007, the draft was submitted for consideration to the Ad Hoc Expert Group on Environmental Performance. During this meeting, the Expert Group discussed the report in detail with expert representatives of the Government of Montenegro, focusing in particular on the conclusions and recommendations made by the international experts.

The EPR report, with suggested amendments from the Expert Group, was then submitted for peer review to the fourteenth session of the UNECE Committee on Environmental Policy on 29 May 2007. A high-level delegation from Montenegro participated in the peer review. The Committee adopted the recommendations as set out in this report. The report will be translated into the national language with support from the United Nations Development Programme Country Office in Podgorica.

The UNECE Committee on Environmental Policy and the UNECE EPR review team would like to thank the Government of Montenegro and its experts who worked with the international experts and contributed their knowledge and assistance. UNECE wishes the Government of Montenegro further success in carrying out the tasks involved in meeting its environmental objectives, including the implementation of the conclusions and recommendations in this second review.

UNECE would also like to express its deep appreciation to the Governments of the Czech Republic, Germany the Netherlands and Switzerland, as well as the United Nations Development Programme, for their support to the Environmental Performance Review Programme and to this review.

Executive summary

The first Environmental Performance Review (EPR) of Yugoslavia carried out in 2002 included the review of Montenegro, as at that time it was a constituent part of the country. In 2003 the Federation of Yugoslavia was restructured into a looser federation, the State Union of Serbia and Montenegro, based on the equality of the two member states. In May 2006, by referendum, the people of Montenegro decided that their country should become sovereign. Montenegro proclaimed its independence on 3 June 2006. The second EPR of Montenegro was carried out in 2006 after the country gained its sovereignty. This second review intends to measure the progress made by Montenegro both in managing its environment since the 2002 EPR, and in addressing the coming environmental challenges.

OVERALL CONTEXT

Montenegro, which declared itself an Ecological Country in its constitution of 1992, has experienced robust economic growth since 2002 with a 4 to 5 per cent GDP increase yearly, and is striving to harmonize its rules with those of the European Union (EU) in view of a possible accession.

However, there are serious drawbacks developing in the environmental situation of the country. Water is overused compared to the available resources, and the supply system is experiencing acute problems including summer shortages. Wastewater is discharged without treatment, a serious problem in the coastal region where untreated effluents are released into the sea. Only 60 per cent of all municipal solid waste was collected in 2004. Montenegro has also some severe air pollution hot spots, in particular a large aluminium plant in Podgorica and an important ironworks in Nikšić. At present, Montenegro is privatizing its main industrial assets in the absence of a strong policy to ensure a clean environment, and is encouraging the rapid development of coastal tourism. Its energy efficiency is ranked among the lowest ten countries in the world.

POLICYMAKING, PLANNING AND IMPLEMENTATION

The decision-making framework and its implementation

Montenegro has made significant progress in the harmonization of its legislation towards EU environmental legislation. Sophisticated laws were passed in 2005 on: integrated pollution prevention and control (IPPC); strategic environmental impact assessment (SEA); environmental impact assessment (EIA); noise; and waste. Other laws are in draft including: an environmental fund; air protection; ionizing radiation and radiation safety; chemicals; and water. The 1996 *Law on Environment* is being revised. However, the general lack of implementation of laws is of great concern.

The strategic framework, almost non-existent in 2002, has been considerably strengthened with adoption of an *Agenda of Economic Reforms 2002–2007*, the *Poverty Reduction Strategy*, and a series of more specific strategies to improve the management of coastal zones, mountainous zones, waste, wastewaters, noise, etc. The *National Strategy for Sustainable Development* has been adopted in March 2007. But, these strategies are not harmonized with each other and do not contain reporting obligations on their implementation. Moreover, environmental priorities drawn up by the Government are not clearly set out and examples of action taken to implement these strategies are still scarce.

Capacity for implementing laws and strategies is clearly underdeveloped. The environmental administration is too understaffed to cope with all the tasks caused by the new legislation and strategic framework, let alone undertake complex reforms. The creation of the Environmental Protection Agency (EPA) in 2007 would greatly alleviate the problem. Still, capacity and competences are also lacking at local level. The implementation of the new laws on EIA, SEA and IPPC in 2008 should bring about decentralization of competences to municipal level. Municipalities will also have to develop services to deal with the installations for waste and wastewater management set out in the master plans, tasks they are unable to execute at the moment.

Environmental enforcement is definitely a weakness. It suffers from a deficit in environmental monitoring and reporting, the absence of a polluter register, a fragmented system of permitting, scattered inspection responsibilities, and inefficient inspection practices. Moreover, environmental matters are evidently of little concern to the judicial system as it does not give feedback to the environmental inspectorate on cases prosecuted. There are no sanctions for environmental violations, which explain the little care that regulated entities pay to environmental protection. This is particularly evident in the management of the coastal zone where pressure to develop tourist activities is rising rapidly. In addition, the ongoing privatization process, not being subject at present to any legal environmental constraints, is causing deep concern in respect of big polluting enterprises.

Information, public participation and education

The establishment of the Environmental Protection Agency should strengthen and rationalize environmental monitoring in the medium term. There is no national programme of integrated environmental monitoring yet, although several monitoring institutions do perform measurements and produce data. Since 2001, monitoring tasks have been allocated yearly on tender to these institutions, even though some of them are not accredited and not all meet EU quality standards. The raw data are transmitted to the Ministry, but it does not have the capacity to process them any further. Therefore, at the moment these data are not used to underpin environmental management.

Since 2002, environmental discipline has been incorporated at all levels of education from primary school to university. International assistance is very active on environmental education. Montenegro needs to keep up the momentum and to train regularly teachers on environment and sustainable development issues. The ecological behaviour of the population will be important for the concept of “Ecological Montenegro”. However, informal education is broadly underdeveloped with at present only a few institutional awareness campaigns in the coastal zone against waste dumping. NGOs are not being active enough on this issue.

A number of new laws have strengthened the role of the public in environmental decision-making. A significant example of influence on decision-making has been the dam construction project on the Tara River, located in a protected area, a proposal that was withdrawn under public pressure in 2005. In spite of this, further progress is needed on setting out procedures for public involvement based on clear and transparent criteria. For instance, such procedures that should have been established under the EIA, SEA and IPPC processes are not yet approved nor implemented. The practice of public debates and hearings has increased, but their outcomes are rarely taken into account and access to justice is discouragingly complicated. Montenegro is not a party to the *Aarhus Convention on Access to Information, Public Participation in Decision-making, and Access to Justice*.

International agreements and commitments

Since its independence, Montenegro has maintained a strategic objective to integrate with the European Union... This long-term objective must be reached through the harmonization of its legislation, with 145 documents in the area of environmental protection. The country is benefiting from assistance from the EU; although in many cases, because the country is not clearly defining its priorities, the projects are donor-driven.

...and is striving to become a party to those international treaties and agreements to which the Federation was formerly a party, including multilateral environmental agreements (MEAs). Montenegro is actively preparing the legislative basis needed for implementing the MEAs and for integrating with the EU. But the implementation step will be more problematic because the structure and capacity of the Ministry is not well suited for the effective implementation of the MEAs and technical assistance projects. At the time of the mission the country did not have focal points for most of the MEAs.

The country is attracting significant donor assistance for environmental projects at national and local levels. A number of countries are expressing interest in assisting on a wide array of projects. A stumbling block is the lack of information on development assistance and an absence of clear priorities for international cooperation in environmental protection. Donor countries and international institutions struggle to find out for themselves on

what projects they can best focus their support to be of real value for the country. This is counter-productive to a smooth and efficient use of foreign assistance. The capacity of the environmental authorities to deal effectively with development assistance is not enough to turn the numerous proposals from donors into concrete projects.

MOBILIZING FINANCIAL RESOURCES FOR THE ENVIRONMENT

Economic instruments

The use of economic instruments for environmental objectives is still underdeveloped... There are no comprehensive statistics on the revenues from environmental taxes and charges. Although legally prescribed, very few pollution charges are collected. When they are, they do not adequately reflect the polluter- or user-pays principles. They generate moderate revenues but do not provide adequate incentives to improve behaviours towards an increased care of the environment. In short, sanctions are neither credible nor effective.

...and a more stringent and intensive use of combined economic and regulatory instruments is urgently needed in many sectors. Transport-related air pollution is of concern as no measures have been taken to reduce dependence on the obsolete vehicle fleet and low-quality petrol. Charges on waste, water and wastewater are too low to curb waste generation and reduce water consumption. There are no effective incentives targeting resource-consuming and polluting industries. The extent to which the industrial sector is equipped with pollution abatement equipment is not known, nor whether it is containing its impact on the environment or if it is investing in environmental protection. Cleaner technology in industry and energy sectors is not promoted, nor are there any economic incentives to boost the introduction of best available techniques (BAT).

Environmental expenditures and their financing

There has been no significant increase in public sector environmental expenditure in recent years. Total expenditure corresponds to only 0.2 per cent of GDP. An environmental fund, which is expected to become operational during 2007, will bring an additional estimated 0.05 to 0.1 per cent of GDP. In spite of this extra revenue, funds will still be limited. For a long time public environmental funds have not been spent on clear priorities and their cost-effectiveness has not been proven. In consequence, the criteria for allocation of funds to different projects and regions are not transparent. Montenegro should improve its practices and work on the basis of prioritized and results-oriented operational programmes. A cost-benefit analysis of proposed major projects should be carried out. These practices should also be applied to the spending of the newly-established environmental fund.

There is no reporting system for environmental protection expenditure and revenue. Expenditure on environmental measures by the private sector is simply unknown. There is a need for a coherent and comprehensive information and reporting system for this, and for revenues relating to the environment covering the public sector, business sector and private households.

INTEGRATION OF ENVIRONMENTAL CONCERNS IN ECONOMIC SECTORS, AND PROMOTION OF SUSTAINABLE DEVELOPMENT

Tourism and environment

Montenegro has a strong potential for a future in tourism, with many high quality and interesting features and locations. Recent investment is giving the tourism economy a strong boost, in particular along the coast. The coastal zone has begun to improve its infrastructure in water supply and wastewater collection. In sustainable tourism, there is steady growth to be seen in the central and north regions especially, thanks in part to the actions of the strengthened NGO sector. The improved offering in trend market like health and wellness, nature and adventure tourism is expected to extend the tourist season, to integrate more the entire hinterland and to balance the tourist turnover.

Unfortunately, the increasing dynamism of this economic sector is leading to uncontrolled development. In the coastal zone pressures on nature and the landscape continue to increase, mostly due to the lack of land use

planning. A spatial planning system has been developed with specific zonal plans and management strategies, but municipalities are not implementing it. Uncontrolled and illegal building is taking place along the beaches and even in protected areas, but the inspection administration is too weak to exercise control through building permits. In the mountain region nature is also under threat. Tourist infrastructure needs to be developed there, but current projects for several large ski areas are not complying with sustainable tourism principles. The *National Strategy for Sustainable Development* contains priorities regarding sustainable tourism, and the *Strategic Environmental Assessment* and *Environmental Impact Assessment* laws are both powerful tools to contain tourism pressures, but none of them will be enforceable before 2008.

Protected areas are also under threat from tourism pressure. In principle, national parks are suitable places for sustainable tourism. In Montenegro, management plans for the four national parks and other protected assets have been mooted, but never realized. This requires expert advice, professional management and sufficient staff resources for all types of protected areas, but none of these are sufficiently available in Montenegro today. As a result, there are no eco-standards for tourist premises and nature protection rules are frequently violated.

A series of recommendations for the development of sustainable tourism were addressed to Montenegro in the first Environmental Performance Review (EPR) in 2002, but have not been implemented. Although they are still relevant, the context has changed since then and pressures have increased greatly. The Government should reform its approach as a matter of urgency and put into practice these recommendations.

Energy and environment

Seventy-five per cent of electricity produced in Montenegro is renewable, and is generated from large hydropower plants... Most remaining power is produced by burning lignite in a single power plant that has no pollution abatement technology. The balance is imported. An energy policy was produced in 2005. It contains the modest objective to expand by only 2 per cent the share of renewable energy, but in Montenegro wind, biomass and small hydropower plants have the capability to replace all imported electricity. There is a need for a strategy on renewable energy with proposals for a mix of various technologies adapted to local circumstances.

...but energy efficiency is particularly low. Just two big industrial plants consume half of the total available electricity, the rest being consumed by domestic heating and appliances. First, losses along the transmission and distribution network are higher than average. Second, electricity prices for households are significantly below market levels and the collection rate is low. And last, households' electricity consumption is mostly used for heating and cooling, and large savings could be expected from improved insulation of residential buildings and a shift to renewable energy use. An *Energy Efficiency Strategy* was adopted in 2005, but no action on it has been taken so far. There is a great untapped potential to save energy in the residential and business sectors. Economic instruments are not pushing toward sustainable production and use of energy in Montenegro.

II. Conclusions and recommendations

Chapter 1: The decision-making framework and its implementation

Since the first EPR in 2002, many important strategic documents have been developed and adopted with the aim of providing a long-term framework for decision-making. A sound basis has been established for the implementation of sustainable development principles at the national level and for the improvement of horizontal inter-ministerial cooperation and communication. Also, the approach applied to sustainable development issues has contributed to the higher transparency of the decision-making processes and better access for the general public and all other stakeholders to information and to decision-making.

The *National Strategy for Sustainable Development* is also expected to serve as a reference document for each sectoral document and for other strategic documents – before being submitted for approval, each new strategy should be reviewed as to whether it is in compliance with the general framework defined by the *National Strategy of Sustainable Development*. Draft documents, once adopted by the Government, will bring significant positive changes in the entire system of environmental management, in particular the establishment of an Environmental Protection Agency and relevant revisions to the 1996 *Law on Environment*.

Montenegro has made significant and visible progress in the environmental policymaking framework. The harmonization of the national environmental legislation with the *acquis communautaire* is well managed, going from a substantial horizontal framework to more detailed provisions for the individual sectors of environmental protection. However, it is necessary to make all laws compatible to have a synergistic impact when implementing them. A lack of coordination would lead to problems in their practical implementation, resulting in a lack of compliance and inefficient or even impossible enforcement. The consistency of interaction between the newly adopted laws needs to be further explored and worked on to achieve a high level of compatibility between laws. The ongoing testing of the SEA procedure is a good initiative. Initiating twinning programmes with EU member countries that have been confronted with similar experiences may be even more beneficial.

Other improvements are needed, for instance on implementing the new legislation and policies. For this, a step-by-step approach has to be taken at each level of decision-making. A priority-setting process based on clear and transparent criteria needs to be undertaken so that the limited resources can be used to solve the most important problems. The system of enforcement has to be strengthened significantly to influence the behaviour of the regulated entities, and it has to be combined with other “positive motivation” incentives to promote compliance with legal requirements.

Laws and institutions alone are not enough. The top-down approach should be combined with bottom-up activities. Projects that are demand-driven and supported by local communities, possibly with the support of foreign assistance, are one of the best ways to make the legal framework effective. The experience gained from environmental management methodology at the local level for a specific area or project could further influence the drafting of laws and practices at country level. With this type of approach, cooperation with experienced international partners should be fruitful. In Montenegro, this bottom-up approach could well be used for the development and protection of the Skadar Lake area, if local capacities and competences can be developed.

Institutional capacity

Before 2006, the Sector of Environmental Protection within the Ministry of Environmental Protection and Physical Planning had limited human resources for tackling environmental protection matters, a situation that has not changed since the establishment of the Ministry of Tourism and Environment in November 2006. The situation is not better at local level where implementing capacity is low, a situation aggravated by the poor coordination with environmental authorities at the national level. Establishing the Environmental Protection Agency according to the model submitted to the Government in autumn 2006 would solve to a great extent this problem of insufficient institutional capacity.

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.

Recommendation 1.2:

The Government, and in particular local 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.

Policies, strategies and plans

Montenegro has achieved significant progress in strategic planning. On the one hand, many important strategies, policies and plans have been developed recently, by both the environmental authority and other sectors. On the other hand, the limited resources and weaknesses in cooperation and coordination among various ministries undermine the effort made towards the implementation of these strategic documents. A step-by-step approach is needed to concentrate efforts on solving top priority issues and to develop action plans with realistic and enforceable goals to ensure that the limited resources are used efficiently. If a high political and legal profile is given to the *National Strategy for Sustainable Development* it could play an important role in strategic planning and ensuring that limited resources will be used efficiently. Then, as a strong framework benchmark, the Strategy would ensure that the principle of long-term sustainability would not be overridden by short-term economic interests, a concern expressed by the Montenegrin NGOs.

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.

Legislation

The ongoing harmonization of the Montenegrin environmental legislation with the *acquis communautaire* has been a key challenge since the first environmental performance review. Efforts should continue, but, in order to move further towards a coherent, easy-to-use, easy-to-enforce, less complicated and more transparent legal system, more attention needs to be given to how laws are interconnected and enforced. The enforcement tools have to be considered carefully to develop a mix of deterrent measures (such as fines and penalties) and positive incentives to increase the attractiveness of environmentally-responsible behaviour to regulated entities. Also, it might be useful to analyse the experience gained (including environmental aspects of the privatization process) in former transition countries, now new EU members, and consider the best way in which their experience from the EU accession process might be used in Montenegro: for example, through twinning cooperation. The strengthening of the environmental inspectorate capacity would be particularly relevant.

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.

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.*

Some inadequacies that existed previously in the allocation of environmental tasks across different ministries still exist, such as the sharing or the unclear division of responsibilities over water, forests and nature resources. Another serious drawback is the lack of cooperation between the national and local levels. An EU good practice is to implement the proximity principle and entrust the local level with those responsibilities that are better done at the field level (for instance domestic waste management, water supply and wastewater treatment, and protection of sites of local importance). However, this decentralization is always accompanied with the obligation of reporting to the national level to ensure consistency between actions. In Montenegro, for instance, because municipalities are not fulfilling their environmental reporting obligations, it has not been possible to establish and maintain the national polluter register. To facilitate these issues on decentralization, Montenegro could follow the EU good practice of decentralization of environmental protection competences.

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.*

Enforcement and compliance

As stated earlier, environmental law enforcement remains a weakness, mostly because of a lack of staff capacities, financial resources and technical means. Also, the enforcement suffers from the low effectiveness of the current system of environmental monitoring and reporting. This has resulted in, among other things, the absence of a properly managed database of polluters (a polluter register). More effort needs to be made to install sound and effective mechanisms of environmental law enforcement, including an appropriate increase in staff and technical capacities, and in delivery of training at both national and local levels.

The system of enforcement has to be strengthened significantly to influence the behaviour of the regulated entities, and it has to be combined with other “positive motivation” incentives to promote compliance with the legal requirements. In this respect, capacity building is an important tool. For each of the newly adopted laws appropriate training programmes for regulators (including those at a local level) and awareness-raising activities for regulated entities and the general public have to be designed and properly performed.

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*
Collecting and publishing data on concluded administrative, civil and criminal lawsuits concerning the environment

Chapter 2: Information, public participation and education

Since the first EPR in 2002, Montenegro has made some progress in the monitoring of its environment. It has enhanced its air and water quality observation network and has established new and has re-equipped some existing air and water monitoring stations. Funding of monitoring programmes from the State budget has increased since 2002. Staff members of monitoring institutions were trained, mostly within the framework of

the international cooperation programmes and projects. However, both current monitoring networks and information management procedures are insufficient to meet the requirements of the country's national legislation and international obligations.

Montenegro does not have a modern integrated environmental monitoring and information system. Besides modernizing the monitoring measuring network and methodology and retraining personnel, the current procedures and standards of information processing, exchange and dissemination do not ensure the easy and timely access of decision makers, clients and the broader public to reliable environmental information. Public access to environmental information is important, especially in cases when key national enterprises are privatized. In these particular cases, the imperfection of public access to environmental information has been evident.

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.*

The role of the NGO sector in social and political activities is increasing. Over the last few years, to support NGOs and their activities the Government and local authorities have provided budgetary funding on a competitive, although restricted, basis. Significant support was provided to NGOs by international assistance programmes. Owing to this, NGO organizational capacity has gradually improved. NGO representatives were invited and contributed to the development of policies, strategies, legislative acts and programmes of national importance. This practice is becoming common. Nevertheless, public participation procedures in environmental decision-making are not prescribed on a sufficiently broad enough basis to implement general legal provisions. Usually, the public does not participate in the EIA, permitting and planning procedures.

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.*

As a part of the EU integration strategy, Montenegro has initiated educational reform with the purpose of introducing EU educational quality standards and quality assurance. Within this reform, new educational curricula have been developed and introduced in selected primary and secondary schools. As part of the reform, environmental subjects are being integrated into mandatory curricula. The number of schools is increasing year by year, so that in a few years all of them will be working in new conditions. The country has a vision, a

strategy and plans in the field of education for sustainable development. The NSSD envisages that sustainable development issues will be integrated into the regular education system's curricula.

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.*

Chapter 3: Implementation of international agreements and commitments

Since the first EPR in 2002, Montenegro has been eager to participate in international environmental cooperation. New opportunities for this have been open to the country since it became independent in May 2006. However, the country is in many ways at a disadvantage for both objective and subjective reasons. Until recently, Montenegro had no focal points for the MEAs (only contact persons). The country had to go through the formal procedure of applying for succession to the MEAs to which the State Union of Serbia and Montenegro was a party. Institutional capacity of the environmental authorities – the Sector for Environmental Protection at the MTE – is weak. At the time of the mission, there was no unit in the Ministry with specific responsibility for international environmental cooperation.

Montenegro continues the process of harmonizing its environmental laws with the EU environmental *acquis*. It has been active in developing strategies and policies in the area of environmental protection with assistance from the international community. However, in many cases the projects are donor-driven. Their implementation and follow-up at the national level are often hampered by the insufficient capacity of national institutions and lack of coordination between various government agencies. The absence of a national environmental strategy is one of the reasons that there are no clear priorities for the country's international environmental cooperation. The soon to be adopted *National Strategy for Sustainable Development* could, to some extent, provide such priorities. There are also gaps in the collecting of information on international assistance projects, and there is no comprehensive database for the projects. Donor activities in the area of environmental protection are not coordinated well enough.

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).

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.*

Montenegro decided to become a party to all international treaties and conventions (including MEAs) to which the State Union of Serbia and Montenegro was a party. It has continued activities related to the ratification and implementation of global and regional environmental agreements. It has prepared a list of conventions that it intends to ratify, and for some of them has prepared draft laws for ratification. Several new laws that contain provisions in line with MEAs have been adopted, including the *Law on Environmental Impact Assessment*, the *Law on Strategic Environmental Assessment*, the *Law on Integrated Pollution Prevention and Control* (OG RM No. 80/2005), and the *Law on Waste Management*. At the time of the mission the country still did not have focal points for most of the MEAs. For the implementation of many conventions, Montenegro relies heavily on international assistance and will be relying on it in the foreseeable future. It participates in the AIMS Network, which supports acceptance and implementation of MEAs in South Eastern Europe.

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*

Chapter 4: Economic instruments

The use of economic instruments for the achievement of environmental objectives is still underdeveloped in Montenegro. Most of the legally prescribed pollution charges are not implemented. This holds notably for industrial pollution discharged into air and water. Those environmental taxes and charges that have been implemented are not adequately reflecting the polluter- or user-pays principles. They generate revenues (though often only at a moderate level) but do not provide adequate incentives for changing behaviour towards the environment. Moreover, there is a lack of credible and effective sanctions to ensure compliance with environmental norms and standards.

An effective combination of regulatory and economic instruments is required to modify the environmental behaviour of firms and households. Montenegro built the legal basis for the application of environmental policy instruments in the 1996 *Law on Environment*, but implementation has been only partial and the degree of stringency insufficient to entail improvements in environmental quality. The upshot is that an increased and more stringent use of economic and regulatory instruments for environmental protection is needed urgently.

The existing legal instruments for environmental protection need to be reviewed in order to gauge their effectiveness in achieving well-defined and realistic environmental objectives over a specific time period. To the greatest extent possible, the choice of a given (major) instrument should be based on a comparison of the expected environmental benefits with the costs of its implementation. Transparent and targeted subsidies and exemptions could, however, be provided for compelling social or economic reasons (for example, reasons of competitiveness) in well defined and limited cases.

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.

A major problem in Montenegro remains transport-related air pollution and the related high risks of adverse health effects. More generally, there is a lack of a comprehensive medium- and long-term transport policy strategy that also fully integrates environmental issues. Such a strategy would have to address topics like modal split (road versus rail transport), the relative role of public versus private transport, and effective policy instruments for reducing transport-related pollution. In the absence of such a strategy, the authorities can, nevertheless, introduce measures designed to reduce the pressure on the environment stemming from the obsolete vehicle fleet and the use of low-quality petrol. This can be done by using targeted instruments that shift the demand for cars and petrol to more environmentally-sustainable options.

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 improvement of the existing and the creation of new infrastructure for solid waste and wastewater management are major challenges for the Government. At the same time there is a need for a comprehensive review of the waste, water and wastewater charges policies in order to curb waste generation, reduce water consumption, and establish effective incentives for adequate industrial wastewater treatment and disposal. Higher charge rates based on the volume and quality of waste and wastewater, respectively, in combination with improved charge collection rates would also mobilize more resources for domestic financing of operational and maintenance expenditures. However, in view of the positive effects associated with sanitation services, for example: health effects, full cost recovery is not necessarily an appropriate target, and there is a case for supporting the operations of wastewater utilities by limited subsidy payments financed from general tax revenue. For instance, household waste charges could be based on the number of persons per household rather than the size of living space. For hotels, waste charges could be based on the average number of overnight stays during the billing period.

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.

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.

There is no quantitative information on the stock of existing environmental control and abatement equipment in the industrial sector or any on environmental protection expenditures by enterprises in recent years. Available anecdotal evidence suggests that the existing stock of this equipment is small and often outdated. Moreover, there neither seems to be any policy for promoting cleaner technology in industry, nor any economic incentives to encourage the introduction of best available techniques (BAT) in the industry and energy sectors. Against this background, the environmental benefits that can be expected from investing in pollution abatement and control equipment appear to be quite high.

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)

Chapter 5: Environmental expenditures and their financing

The available information suggests that there has been no significant increase in public sector environmental expenditures in recent years. In the face of the considerable environmental challenges to be addressed, total expenditures corresponding to only 0.2 per cent of GDP are clearly insufficient and illustrate the need for environmental protection to be moved up the Government's priority list.

Against the backdrop of more than a decade of weak and insufficient spending on environmental infrastructure and in the face of limited financial means, there is a need to establish clear priorities for public sector environmental spending programmes and to ensure their cost-effectiveness. In order to do this it is essential that the administrative capacity for evaluating the relative costs and benefits of competing projects is strengthened. It is also important to ensure transparency about the criteria for allocation of funds to different projects and regions. There is, moreover, a need to strengthen the link between national development strategies (including for the environment) and annual and multi-annual budget processes on the basis of prioritized results-oriented operational programmes.⁴

The implementation of the various official environmental or environmentally-related master plans hinges on the availability of foreign financial assistance. It is, however, important for the authorities to realize that foreign financial assistance (grants and soft loans) can only supplement domestic efforts and that the bulk of environmental infrastructure investment costs will have to be financed from domestic sources. In the broader context, this points to the need for the authorities to "own" the overall environmental reform and investment process, and to avoid excessive reliance on foreign donors in the design of environmental strategies. In any case, a continued flow of international assistance, especially IFI funding, will require a persistent and credible commitment from the Government to adopt and implement the necessary legislative and institutional reforms.

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.

As regards the Environmental Fund, its establishment is in line with a corresponding recommendation made in the 2003 Environmental Performance Review; and such a fund, if properly managed, has shown its value in other Central and Eastern European countries. Environmental funds can be a mechanism for governments to demonstrate their commitment to improving the environment. In the absence of information on possible human resource endowments and of more or less reliable estimates of expected revenues from the various potential

⁴ This is part of the partnership commitments in the Organisation for Economic Co-operation and Development (OECD) Paris Declaration on Aid Effectiveness, endorsed by over one hundred countries and organisations in March 2005 and signed by Serbia and Montenegro.

sources of financing, it is currently difficult to gauge the scope of activities that could be undertaken by the Fund. Rough estimates suggest that the Fund's regular annual domestic revenues could be within a range of €1 to 2 million. This would be equivalent to some 0.05 to 0.1 per cent of GDP in 2006, which, considering what the situation actually requires would not help much. With the establishment of the Fund, revenues earmarked for environmental financing would be diverted from the MTE budget to the Fund. It is not known what portion of privatization revenues will be allocated to the Fund. In any case, privatization is expected to come to an end in the near future. It will be crucial for the effective operation of the Fund to set clear priorities within the framework of a medium- and long-term strategy.

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 design of effective and efficient environmental policies, including their monitoring, is seriously hampered by the pervasive lack of adequately detailed statistics on the state of the environment, environmental spending by the private and public sector, and revenues from environmental taxes and charges, including environmentally-related taxes that are not earmarked for environmental spending.

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).

Chapter 6: Tourism and environment

Since the first Environmental Performance Review (EPR), a series of improvements can be noted. There are stronger economic dynamics in the tourism sector. Numerous policies and reports have been elaborated. The coastal zone has begun to improve its water supply and wastewater collection infrastructure. Thanks in part to the actions of the strengthened NGO sector, there is steady growth in sustainable tourism and especially in the central and northern regions. The information exchange and cooperation between donor organisations works, although it could be improved further.

On the negative side, because the spatial planning system has not been implemented, the pressures on nature and the landscape, mainly in the coastal zone, have increased further. This lack of implementation also makes it more difficult to check compliance to legislation through inspection and control. The *Coastal Area Spatial Plan* is in hand, however, and the *Integrated Coastal Management Strategy* is being worked on.

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.

A large problem is the remaining poor road and rail infrastructure in many areas of Montenegro, which is of particular concern for a tourist country. Without better traffic connections, it will not be possible to establish a tourist package that links mountains and the coast. However, the project that would bring real benefits in this

area, the fast road or highway from Belgrade to Bar via Podgorica, is being designed in the Montenegrin part without an EIA.

Montenegro has striven to develop a series of programmes and strategies to organize and rationalize all projects that could improve tourist activities. However, there is a need to implement the SEA and EIA procedures as soon as possible in order to ensure that roads, highways, ski resorts, buildings, water infrastructure and waste disposal sites are developed or rehabilitated in a sustainable way.

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)

An important objective of the Government is to increase tourism levels in the central and northern regions and to prolong the season by: establishing outdoor and winter sport infrastructure, building up the tourist accommodation infrastructure and supply infrastructure, and combining tourism activities between the mountain and coastal regions. To this aim, the elaboration of guidelines are being considered for tourism development at the local level, as well as the introduction of environmental standards for CO₂ emission reduction, energy conservation, solid waste reduction and wastewater treatment for tourist premises for new greenfield site developments or brownfield site redevelopments. Along these lines, it is worth mentioning the commitment of a significant investment in an environmental clean up and remediation by the developer before the reconstruction of the Tivat Arsenal into a modern hotel marina complex. Sustainability indicators for all different types of tourist locations are being developed according to globally-tested models by the MTE with the assistance of the United Nations World Tourism Organization.

Due to their weak economic development, rural areas are facing the problem of migration. All master plans take into account this concern but appropriate solutions have to be found to cope with it, for instance by developing specific development plans or promoting local products produced in rural areas.

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.

In the national parks the most promising ambitions towards the development and implementation of sustainable tourism strategies can be found. Montenegro is developing economic activities to support this ambition. Entrance fees are being introduced in national parks to provide funding for nature conservation and national park management. The drawing up of management plans for the national parks and other protected assets is in progress. In spite of these efforts, several large ski areas are projected that, in their present form, are not reconcilable with a sustainable tourism strategy. This is especially true when lifts and slopes are planned to be built in a national park. Moreover, professional management and sufficient staff resources are needed not only for all protected areas, including the national parks, but also the natural parks, natural monuments, areas with special natural characteristics and others. There are no fiscal incentives for owners of tourist premises that would entice them to implement environmental measures. Moreover, the protection rules are frequently violated.

Recommendation 6.4:

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

The development of tourism is of great importance to the economic future of Montenegro. It is in the country's interest to preserve the beauty of its nature and environment as a main asset for a sustainable future in tourism, and to contain the development of the related infrastructure. There is a lack of a simple procedure for new constructions and an urgent need for inspection personnel and for the implementation of environmental impact

assessments (EIAs) for new projects. In regions where the pressure on the environment caused by tourism is high, municipalities should formulate their own physical or spatial plans. To tackle this problem, there is a need for greater horizontal and vertical exchange of information both from the Government to the municipal authorities, and vice versa.

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.

A series of recommendations for the development of sustainable tourism were addressed to Montenegro in the first EPR in 2002. Many of these recommendations are still important and relevant but have not been implemented. Although the context has changed since the first EPR the Government should adjust the recommendations to the current context and put them into practice.

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.

Chapter 7: Energy and environment

In the energy sector, Montenegro has the potential to live up to its ambition to be an Ecological State. The already remarkably high share of electricity generated from renewable resources (approximately 50 per cent from hydropower) could be raised even further given that the hydropower plants provide the means for managing the feed-in of other renewable energy sources.

The first priority in the Montenegrin energy policy should be to save electricity. There is a good information base in the *Energy Efficiency Strategy*. For implementation to start, a decision is needed on which areas to focus the existing staff capacities in the Ministry for Economic Development. Energy losses are from different origins and occur at different stages from production to consumption. First, high distribution network losses point to the need for investments in maintenance and repair. Second, final users have insufficient incentives for reducing their energy consumption, with levels of electricity prices and collection rates for bills being rather low, especially as regards households. Electricity prices and collection rates are also rather low. But measures to increase collection rates have been taken recently.

Electricity prices should reflect production costs and, through adequate taxation, should internalize the costs of environmental externalities. Special social support measures should be introduced for poor people who cannot afford payment of cost-reflective prices. The preparation of a subsidy programme for vulnerable groups of citizens that should enable them to satisfy their minimum needs for electricity and heating is underway.

Knowing that households' electricity consumption is mostly used for heating and cooling, large savings could be expected from improved insulation of residential buildings and an increased use of renewable energy. Adequate economic incentives (for instance tax rebates or investment subsidies) designed to encourage people to invest in insulating their homes could be considered.

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.*

Montenegro should work out an approach for developing renewable energy that takes into account the differing climatic conditions of the coastal and central areas and the mountain region. For example, in the coastal area, which has a relatively low heat demand due to mild winter temperatures, the focus could be on using solar energy for heating purposes. In cities of the central mountainous area where no grid is available, gas boilers supplied through refillable compressed gas tanks could be an alternative. In the mountain area, where good insulation is of importance, heat supply on the basis of wood biomass could be an option, particularly if the introduction of clean wood-burning technologies is encouraged.

An option for increasing the use of renewable energy would be to tap into the as yet unused potential for hydropower plants. In this context, the existing plans for (preferably) small hydropower plants should also be implemented. The use of other renewable energy forms, such as wind energy and thermal energy, should also be given serious consideration, where appropriate.

The development of such a strategy for renewable energy, which could proceed through a mix of various technologies adapted to local circumstances, cannot be implemented simply by top-down decisions by the Government. It needs to involve other relevant stakeholders. This would also increase transparency in the decision-making process. In particular, a plan to set up an additional large hydropower plant would require clear procedures, ensuring that stringent environmental standards are applied. Such a strategy typically needs to be submitted to an in-depth evaluation, as required by the *Law on Strategic Environmental Assessment* (OG RM No. 80/2005). This Law, however, will not be in force until 2008.

Montenegro has the sufficient know-how to start the implementation of renewable energy projects. Secondary regulations specifying the economic framework are now urgently needed; for example, a feed-in tariff for renewable energy. While aiming to set up a manufacturing base for renewable power plants might be too ambitious, a realistic goal could be to develop installation and maintenance expertise with regard to renewable energy technologies, in order to be able to provide these services later on to other countries in the region that also want to promote the use of renewable energy. Therefore, project developers and in particular foreign investors that can bring their technological and managerial expertise to the country need to be attracted. It is important to ensure that domestic companies gain experience in this field and benefit adequately from the presence of foreign investors. For example, Elektroprivreda Crne Gore (EPCG) could build on existing experience in providing sites and grid access and could establish a unit to promote and implement wind-power projects. This project unit could also ensure the link between foreign donors or developers and domestic projects.

Montenegro should make more use of cooperation opportunities with neighbouring countries. For example, it would be advantageous to implement legislation for energy efficiency standards and the promotion of renewable energy similar to that of neighbouring countries. This would make it easier for international investors to operate in the Montenegrin market and would provide more opportunities for Montenegrin companies to enter other markets in the region. Also, experiences as regards energy efficiency measures should be gained by close cooperation, including special support contracts, with energy efficiency agencies in other countries without necessarily creating a separate national energy efficiency agency.

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.*

The Pljevlja coal-fired power plant, with its high impact on the environment, low efficiency and reliability, and rigid electricity production, is currently a burden on the Montenegrin electricity system. Nevertheless, through the privatization agreement, the retrofitting of the existing block and the establishment of a second block as an ultimate objective is being considered. In view of the unfavourable production conditions and the problem of environmental impact that arise from the operation of this power plant, alternatives for electricity production and economic development of the region around Pljevlja should be considered. Important preconditions for the proper exploration of these alternatives are that the future operation of the Pljevlja coal-fired power plants would have to comply with European standards for best available techniques and that there should be no fixed minimum price in privatization contracts for the electricity produced, which would lead to price subsidization.

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.)*

III. Implementation of 1st EPR recommendations

Background information

Since the first Environmental Performance Review (performed in 2002 and issued in 2003), the status of Montenegro has changed twice: in 2002, when the Federal Republic of Yugoslavia was transformed into the State Union of Serbia and Montenegro, and in 2006, when the Union split and the independence of the Republic of Montenegro was declared. Therefore, all recommendations addressed to the Federal Level in 2002 are now addressed to the Government of Republic of Montenegro.

The Ministry of Environmental Protection and Physical Planning (MEPPP) was dissolved in the last term of 2006. The Department of Environment was merged with the former Ministry of Tourism to form the Ministry of Tourism and Environment (MTE). In addition, the Ministry of Health and Social Policy became the Ministry of Health, Labour and Social Welfare (MHLWS).

PART I: THE FRAMEWORK FOR ENVIRONMENTAL POLICY AND MANAGEMENT

CHAPTER 1: Decision-making framework for environmental protection

Recommendation 1.1:

The Federal Government of Yugoslavia, in cooperation with the Montenegrin Ministry of Environmental Protection and Physical Planning,

- (a) Should take advantage of their constitutional reviews and the framework agreement with the EU to harmonize all legal instruments concerning the protection of the environment and the management of natural resources; and*
 - (b) Should establish a mechanism to coordinate the process of approximation to EU legislation.*
- (a) In spite of the substantial changes that Montenegro faced between 2002 and June 2007, the country has made serious efforts to move towards harmonizing the national legislation with the European Union (EU) *acquis communautaire*. During 2005, five important legal Acts were adopted by the Montenegrin Assembly, all of them harmonized with the appropriate EU Directives: the *Law on Environmental Impact Assessment (EIA)*, the *Law on Strategic Environmental Assessment (SEA)*, the *Law on Integrated Pollution Prevention Control (IPPC)*, the *Law on Waste Management*, and the *Law on Environmental Noise*.
- (b) In Montenegro, a mechanism to coordinate the EU approximation has been established. The Ministry of Foreign Affairs bears the main overall responsibility for the EU integration issues. The MEPPP has been involved from the very beginning through the Ministry for International Economic Relations and European Integration, and by its participation in the Republic Commission for the Coordination of the Process of the EU Accession. The main emphasis has been given to implementing priorities specified in the European Partnership Agreement. The legal requirements have been included into the Action Plan for Implementation of the European Partnership Recommendations. To coordinate the fulfilment of tasks defined by this document, the MEPPP, now the MTE, takes part in the Permanent Enhanced Dialogue Meetings. The results achieved are reported by quarterly and annual Progress Reports.

Recommendation 1.2:

Montenegro's Ministry of Environmental Protection and Physical Planning should implement the Agreement² that they reached on 12 July 2002 on cooperation on environmental protection. Implementation should be consistent with the new constitutional charter and in cooperation with the relevant Yugoslav Ministry.

This recommendation was tailored to a specific situation in 2002. Nevertheless, Montenegro adapted previous inter-federal obligations into current international activities. Cooperation with the neighbouring countries has been declared as a long-term priority in the overall context of international cooperation.

² Agreement on Principles of Relations between Serbia and Montenegro.

Recommendation 1.6:

The Ministry of Environmental Protection and Physical Planning should develop a national environmental action plan following the document called ‘developmental directions for Montenegro, the ecological State’.

The MEPPP decided to focus on sustainable development and to enhance the position of environmental protection in the broader context of economic and social development. The National Council for Sustainable Development headed by Prime Minister was formed in 2002; in 2005, the Office of the Council was opened and the drafting of the *National Strategy on Sustainable Development* was launched.

Recommendation 1.7:

The environmental inspectorate should improve the coordination of joint inspections with the various inspectorates for water, forestry, sanitation and nature conservation, preferably starting with the biggest industrial polluters, and develop a joint pollution database as a first step towards an integrated approach to environmental problems.

As the environmental inspectorate is understaffed, the register of polluters envisaged by the 1996 *Law on Environment* has not been developed yet. Inspectors regularly visit the most important environmental “hot spots” such as the power plant and the mine in Pljevlja, the steel mill in Nikšić, and the Kombinat Aluminium Plant in Podgorica.

CHAPTER 2: Economic instruments and financing**Recommendation 2.5:**

The Ministry of Environmental Protection and Physical Planning, together with the Ministry of Agriculture, Forestry and Water Management and the Ministry of Finance, should analyse their existing economic instruments and put more emphasis on their application. Important factors in the analysis of existing economic instruments are environmental effectiveness (i.e. the extent to which instruments contribute to the achievement of environmental goals), economic efficiency, administration and compliance costs, use of revenues, and the incentive effects.

This recommendation was not implemented. The use of economic instruments for environmental policy has remained underdeveloped. A main reason for this appears to be the weak financial situation of the industrial sector (largely State- and socially-owned companies) for most of the review period. Air emission charges have not been collected; the same holds for charges related to chlorofluorocarbons and hazardous waste production. At the municipal level, communal waste charges are too low to influence behaviour towards the environment. The same holds for waste water charges. Charge increases have taken place but are insufficient to have an impact on behaviour of households and firms. Concerns of limited social affordability seem to have dominated as regards environmental charges for households. But survey data suggest that there is scope for raising charges, except for the lower-income groups. But the latter problem could be addressed with targeted subsidies.

Recommendation 2.6:

- (a) *The Government of Montenegro should take the necessary steps to establish a special sub-account within its State budget to channel financing for environmental purposes, in line with the Law on the Environment.*
- (b) *To make environmental investments more effective, priority projects need to be identified by the Ministry of Environmental Protection and Physical Planning and should be viewed in the context of the preparation of the national environmental action plan.*

An Environmental Fund will be established when the corresponding draft law will be adopted before the end of 2007. The Fund is expected to become operational during 2007. There appears to have been a stricter adherence to the earmarking of pollution charges (those which were collected) and the investment tax for the financing of environmental projects in recent years.

CHAPTER 3: Information, public participation and awareness-raising

Recommendation 3.1:

The Federal Secretariat for Labour, Health and Social Care and Montenegro's Ministry of Environmental Protection and Physical Planning should continue providing support for the establishment of environmental NGO networks and provide NGOs with access to accurate environmental information and the opportunity to participate in environmental decision-making.

It is rather difficult to provide precise evaluation. However, the general conclusion is that implementation of the recommendation is still ongoing. The Government is providing financial support for NGO activity and this support is increasing. The regulations on access of NGOs to governmental financial support, however, as well as access to environmental information and participation in environmental decision-making, are still in the process of development and improvement.

Recommendation 3.2:

The Government of Montenegro, through its Ministry of Environmental Protection and Physical Planning, should provide the resources to update monitoring facilities for carrying out a comprehensive and systematic monitoring of the state of the environment. (See recommendation 6.4)

This recommendation has been partially implemented. The Government is providing basic support for monitoring institutions (operational and monitoring program costs); however, further updating of monitoring programmes and facilities is needed.

Recommendation 3.3:

Montenegro's Ministry of Environmental Protection and Physical Planning should:

- (a) Prepare periodic reports on the basis of the data collected and analysed*
 - (b) Provide training programmes for the staff currently employed in the monitoring institutes.*
- (a) The Ministry is preparing annual reports on the *State of Environment* in the country based on the data available from monitoring institutions. However, the framework of the report, procedures of collecting, and aggregation and usage of the information should be revised and improved. The quality of the reports is questionable due to the poor quality of the data.
 - (b) Implementation is ongoing and current staffs of monitoring institutions were involved in some training sessions. Further modernization of monitoring facilities, equipment and techniques, however, requires systematic retraining of personnel.

Recommendation 3.4:

Montenegro's Republic Hydrometeorological Institute, in cooperation with the Federal Hydrometeorological Institute, should update the water monitoring to include life parameters, such as vegetation and animal ecosystems in the rivers and along the riverbanks. A first step would be to start simple observation studies on the status of the ecosystems close to the riverbanks.

Implementation of this recommendation is not yet completed because only a restricted number of life parameters, mostly microbiological ones, have been included in water monitoring programmes to date. Monitoring programmes need to be updated in this regard.

Recommendation 3.5:

Montenegro's Ministry of Environmental Protection and Physical Planning should:

- (a) Introduce public participation in EIA procedures and should include more provision for public participation in the environmental decision-making procedures in accordance with the Aarhus Convention.*
- (b) Consult Montenegro's Ministry of Education and Science on appropriate ways to introduce environmental protection issues into the curricula of primary schools.*
- (c) Raise public awareness of environmental issues through information campaigns, the use of the media, environmental programmes, and cooperation with schools and universities.*

- (a) Implementation is not completed. Public participation in EIA procedures is provided in the 2005 *Law on EIA* as well as in some others (*Law on SEA*, *Law of IPPC* and *Law on Wastes*). However, the implementation of these legal acts has been postponed till 2008.
- (b) Implementation has started. In the framework of educational reform, environmental subjects are incorporated into the curricula of primary and secondary schools and a restricted number of pilot schools have been involved into the implementation of the new model of general education (see chapter 3). Availability of methodological and educational materials, as well as retraining of teaching personnel according to new requirements, is an issue.
- (c) Implementation of this recommendation has an open-ended character and has required systematic, ongoing efforts. Some activities were implemented on irregular basis. However, the Ministry is working on a plan or strategy for raising the awareness of environmental issues through public information and education.

Recommendation 3.8:

The Ministry of Environmental Protection and Physical Planning, the Ministry of Health and the Ministry of Agriculture, Forestry and Water Management should define clearly the responsibilities of the different institutes within Montenegro so as to rationalize environmental monitoring.

Implementation of this recommendation is not completed. The responsibilities of the different institutes involved in the environmental monitoring are not harmonized due to lack of coordination between Ministries and the absence of integrated monitoring program. Nevertheless, in order to rationalize environmental monitoring, precise domains and precise obligations between sectors and institutions were defined. For instance, the MHLSW and health institutions are in charge of:

- Water and food quality monitoring;
- Prevention, scientific and survey researches connected to environmental risks;
- Activities for repression of bad habits causing “outbreak” of chronic degenerative diseases;
- Support the safe disposal of medical waste;
- Noise protection; and
- Control and supervision of applying provisions of *Law on Limiting Use of Tobacco Products*.

CHAPTER 4: International cooperation

Recommendation 4.1:

The Federal Government of Yugoslavia should establish a standing consultative mechanism with Montenegro to:

- *Clarify the respective roles of the Federal Government and the two republics with regard to international cooperation in environmental (and other) areas;*
- *Coordinate the implementation of international conventions;*
- *Facilitate decision-making on related issues; and*
- *Discuss the modalities for entering into bilateral agreements specific to one republic (e.g. concerning the coastal area or the Danube River basin).*

This recommendation was no longer relevant after Serbia and Montenegro became independent States. The Montenegrin Government is now responsible for all issues related to international cooperation in environmental protection. The Parliament of Montenegro has decided to become a successor State to all international environmental agreements to which the State Union of Serbia and Montenegro was a party, and to undertake the necessary steps to accomplish this goal.

Recommendation 4.2:

The Federal Government of Yugoslavia should ratify:

- *The Sofia Convention on Cooperation for the Protection and Sustainable Use of the Danube River;*
- *The UNECE Helsinki Convention on the Protection and Use of Transboundary Watercourses and International Lakes;*
- *The UNECE Helsinki Convention on the Transboundary Effects of Industrial Accidents;*
- *The UNECE Espoo Convention on Environmental Impact Assessment in a Transboundary Context; and*

- *The 1995 Revised Barcelona Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean.*

Following ratification, the Government of Montenegro should implement these conventions.

Yugoslavia in cooperation with the Government of Montenegro should also make operational as soon as possible bilateral agreements dealing with transboundary water issues.

Montenegro has not yet ratified these conventions. Since 2006, Montenegro has prepared a draft law on ratification of the Revised Barcelona Convention, which has to be approved by the Parliament. Preparatory work is being done for the ratification of the Helsinki Convention on the Protection and Use of Transboundary Watercourses and International Lakes, the Helsinki Convention on the Transboundary Effects of Industrial Accidents, and the Espoo Convention.

Recommendation 4.3:

The Federal Government of Yugoslavia should ratify the Aarhus Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters as soon as possible.

Following ratification, the Government of Montenegro should implement the Aarhus Convention.

Montenegro has not yet ratified the Aarhus Convention. However, some legislative basis for ratification and implementation of the Aarhus Convention has been created. In particular, the following laws contain the necessary provisions in accordance with the requirements of the Aarhus Convention: Law on Environmental Impact Assessment (EIA), Law on Integrated Pollution Prevention and Control (IPPC), and Law on Strategic Environmental Impact Assessment (SEA). The project “Preparation of a National Profile to Assess Capacities to Implement the Aarhus Convention”, supported by UNECE and United Nations Institute for Training and Research (UNITAR), began in 2005 for Serbia and Montenegro.

Recommendation 4.4:

The Federal Government of Yugoslavia and the respective ministries of Montenegro should seek further international support for establishing cleaner production centres. Support for the implementation of conventions related to the management of chemicals should be provided or channelled through such centres, in cooperation with the Basel Convention’s Regional Centre for Training and Technology Transfer in Bratislava, United Nations Environment Programme (UNEP) and the United Nations Industrial Development Organization (UNIDO). (See also recommendations 7.2b and 10.3.)

Serbia and Montenegro began working on developing a project on establishment and operation of a National Cleaner Production Programme in 2004. In 2006, UNIDO began implementing the project “Preparatory assistance for the establishment and operation of a National Cleaner Production Programme for Montenegro”. The project is ongoing.

Recommendation 4.5:

The Federal Government of Yugoslavia should consider submitting the following projects (among others) to the Global Environment Facility (GEF) for funding:

- Enabling Activity for Biodiversity, to develop a national biodiversity strategy and action plan. After implementation of the Enabling Activities, a second project for the establishment of a clearing-house mechanism could be envisaged (see also recommendation 9.3.);*
- Development of a national biosafety framework. Yugoslavia would need to express its intention to ratify the Cartagena Protocol on Biosafety; and*
- Development of a national implementation plan for the Stockholm Convention, using the Global Environment Facility’s “Initial guidelines for enabling activities for the POPs Convention.”*

Montenegro is in the process of implementation of several projects financed by GEF. The following projects were approved for the State Union of Serbia and Montenegro, but their implementation has not yet started.

- *Biodiversity Strategy, Action Plan and National Report – UNDP/GEF.*

- *National Capacity Self-Assessment for Environmental Management in Serbia and Montenegro* (the Convention on Biological Diversity, the United Nations Convention to Combat Desertification and the United Nations Framework Convention on Climate Change (UNFCCC)) – UNDP/GEF.
- Development of the *National Biosafety Framework* for Serbia and Montenegro – UNEP/GEF.
- Development of *National Implementation Plan for Stockholm Convention on POPs* – UNEP/GEF.
- *The First National Communications to the UNFCCC* – (UNDP/GEF).

A separate strategy, action plan, national report or self-assessment will be developed for Montenegro.

Recommendation 4.6:

- The Federal Government of Yugoslavia should continue to give high priority to regional and transboundary cooperation, in particular within the framework of the Regional Environmental Reconstruction Programme. Further development of bilateral environmental framework agreements with neighbouring or other States is encouraged. Serbia and Montenegro should be enabled to establish transboundary cooperation arrangements where they have specific interests.*
- Montenegro's Ministry of Environmental Protection and Physical Planning should consider developing programmes for assistance in the implementation of multilateral environmental agreements in a regional context, in the framework of and fully harmonized with the AIMS project (Support to Acceptance and Implementation of Multilateral Environmental Agreements in South-Eastern Europe, REReP 1.12).*

Montenegro has participated and is planning to become more active in regional and transboundary cooperation after it became independent. Montenegro is a participant in several regional initiatives: the Regional Environmental Reconstruction Programme (REReP), the Adriatic-Ionian Initiative, and the Mediterranean Action Plan (MAP). Montenegro also participates in Environmental Compliance and Enforcement Network for Accession (ECENA) network of environmental inspectorates, and in AIMS Network. Environment-related bilateral Memoranda of Understanding (MoU) have been signed with Albania, Italy, Poland and The former Yugoslav Republic of Macedonia. MoUs with the Czech Republic and Slovenia are in the process of preparation. Montenegro also cooperates closely with Austria, Hungary, Japan, the Netherlands, Serbia, and United States, although there are no bilateral environmental framework agreements with them.

PART II: MANAGEMENT OF POLLUTION AND OF NATURAL RESOURCES

CHAPTER 5: Management of water resources

Recommendation 5.2:

Montenegro's Ministry of Agriculture, Forestry and Water Management, in collaboration with its Ministry of Environmental Protection and Physical Planning, should prepare a comprehensive national flood disaster management strategy, which includes preparedness, mitigation, recovery and reconstruction. The impact of floods can be further reduced by integrating hazard mitigation measures into land-use planning and investment projects.

There is no strategy on flood management. The Water Directorate within the Ministry of Agriculture, Forestry and Water Management (MAFWM), in collaboration with the MTE, elaborates four-year action plans on flood management split into annual action plans. These four-year action plans include flood preparedness, mitigation, recovery, and reconstruction of damaged assets. Areas prone to floods are mapped into the *Spatial Master Plan*.

Recommendation 5.3:

Montenegro's Ministry of Agriculture, Forestry and Water Management, in collaboration with its Ministry of Environmental Protection and Physical Planning and its Ministry of Health and Social Policy, should:

- Undertake a thorough study of rural water-supply systems, both formal and informal, as the basis for designing a programme for improving rural water supply. In Serbia, the Ministry of Agriculture and Water Management has a list of priority projects in small town and rural water-supply systems that could serve as the basis for an assessment of rural water needs. The assessment should include, inter alia, the state of the existing water-supply systems, an inventory of informal water-supply systems, an inventory of private wells and a survey of water quality in private wells;*

- (b) *Provide the legal and institutional framework for monitoring, regulating and supporting the rural water sector, as a priority;*
 - (c) *Focus on water-supply systems for medium-sized cities and rural areas. This includes urgent investment to get infrastructure working again, lower operating costs, provide operational and management information and deal with immediate water-quality problems;*
 - (d) *Include in a rural water-supply programme a component for health education and promotional activities that would incorporate, among other things, education and training on the appropriate design and use of wells, design and use of home-made chlorination systems, school sanitation and health, and water quality monitoring in remote rural communities; and*
 - (e) *Give top priority to the provision of water-supply and sanitation services to communities or persons who are underserved.*
- (a) No full study was made. In its four-year action plans, MAFWM renovates more than 30 rural water-supply systems, including private wells. The Public Health Institute within MHLSW is responsible for controlling the quality of drinking water in supply systems. The number and frequency of examinations are determined by the *Regulation on hygienic drinking-water quality* according to health-based groundwater enforcement standard.
 - (b) The responsibility of the rural water sector is under the local administration. The monitoring of the implementation of action plans at the local level is made by local technical teams of the MAFWM.
 - (c) Plans for water-supply systems for medium-sized cities and rural areas are in the preparatory phase. They have yet to be adopted. Their financing is still questionable in regard to the charges paid by communities. Some investments to get infrastructure working again are made, but it is more for maintenance purposes. Water supply in medium-sized cities has been regularly monitored and water quality is tested by the Public Health Institute, which publishes the results and makes them available on its website (www.ijz.cg.yu).
 - (d) Health education is an important component in the rural programme for water protection. It is included in campaigns for protecting water supplies. These campaigns target urban communities as well. Technical staff of the Water Directorate train rural communities in designing and using wells.
 - (e) One of the priorities of the Water Directorate is to supply water and sanitation services to communities or persons who are underserved. But results are uneven, as they depend on the availability of financial means.

Recommendation 5.4:

Montenegro's Ministry of Health and Social Policy, in cooperation with its Ministry of Environment and Physical Planning, should expand drinking water quality monitoring to rural areas.

The MHLSW, through its Public Health Institutes in cooperation with all relevant institutions, is extending drinking-water quality monitoring to rural areas.

Recommendation 5.5:

Montenegro's Ministry of Agriculture, Forestry and Water Management should:

- (a) *In the medium term, improve the financial situation of water and waste-water utilities through appropriate pricing policies, management strengthening and better operating procedures;*
- (b) *Allocate funds to achieve a cost-effective mix of institutional strengthening, improved efficiency and service expansion;*
- (c) *Give priority to maximizing the efficiency of existing water utility systems with a first step directed towards reducing the huge losses in the systems; and*
- (d) *Continue developing private sector involvement.*

The MAFWM is drafting a *Law on Water Management*. The *Law* will include all requirements described in the EU Water Framework Directive 2000/60/EC. Once the *Law* is adopted, it will lead to development of a *Strategy for Water Management*, which would include all requirements mentioned in the Recommendations 5.5 and 6.6.

Recommendation 5.6:

Montenegro's Ministry of Agriculture, Forestry and Water Management should:

- (a) *Reduce consumption through water-demand management and demand-reduction programmes that would include a cost-effective metering strategy, consumption-based billing, tariff levels that are sufficiently high to induce consumers to use less water, and public awareness on water conservation;*

- (b) *Adopt adequate commercial management systems;*
- (c) *Replace the current “basic cost-plus” tariff formula with one that provides incentives for cost reductions and allows for an acceptable level of profits and reduces large differences in tariffs among household, industrial, and other users. Targeted support for vulnerable users should be included as part of the tariff reform; and*
- (d) *Improve the efficiency and reduce the operating costs of the utilities with policies aimed at: improving their financial management and control, streamlining personnel, making plant and network operations more efficient through rehabilitation and adequate maintenance, reducing water and energy consumption, using good materials, and insisting on quality civil works. These efforts should involve the customers as part of a more general effort to improve client orientation.*

The situation is unchanged compared to 2002.

Recommendation 5.7:

Montenegro’s Ministry of Environmental Protection and Physical Planning, in collaboration with its Ministry of Agriculture, Forestry and Water Management, should set priorities for the selection of the most urgent needs in waste-water treatment infrastructure, such as waste-water treatment plants that discharge into or upstream of vulnerable zones, e.g. drinking water resources, recreation areas, and protected areas.

A few waste-water treatment plants are maintained. Some plans for the development of waste-water infrastructure have been elaborated, with their corresponding financial means. The adoption of the *Law on Water Management* and the *Strategy on Water Management* will provide a strong legal framework to support these plans.

Recommendation 5.10:

The Ministry of Environmental Protection and Spatial Planning, in cooperation with its Ministry of Tourism, should prepare a coastal zone management plan integrating all sectoral plans including documents for infrastructure, environmental and landscape protection, as well as municipal services development.

The MTE is actually working on an “*Integrated Coastal Management Strategy*” (an assessment and a first draft of which are done). The final draft is expected by September 2007. Furthermore, there seem to be big problems with the implementation of spatial planning principles.

Recommendation 5.11:

The Ministry of Environmental Protection and Spatial Planning, in cooperation with the Ministry of Tourism, should assess the waste-water treatment improvements for the coastal cities that are currently under way through private-public partnerships in Montenegro.

A *Strategy for Waste-water Treatment in the Coastal Zone* will actually be drafted by the MTE. In a first phase, the existing infrastructure will be reconstructed. The next steps are to further improve the performance of waste-water management. Implementation of phase I has been carried out, but the next phases depend on finding financial support from international donor organizations or possible investors.

CHAPTER 6: Air management

Recommendation 6.1:

The Federal Government of Yugoslavia should accede to three of the protocols to the UNECE Convention on Long-range Transboundary Air Pollution (CLRTAP): the Protocol to Abate Acidification, Eutrophication and Ground-level Ozone, the Protocol on Heavy Metals and the Protocol on Persistent Organic Pollutants. The Government of Montenegro should implement them.

After the independence in 2006, Montenegro applied for all protocols of the CLRTAP to accede to them by succession. See also Recommendation 4.1.

Recommendation 6.2:

Montenegro's Ministry of Environmental Protection and Physical Planning should each establish the legal framework for air management, based on a multi-pollutant and multi-effect approach and integrated prevention and pollution control, including limit values for emissions.

The *Law on Air Quality* is currently awaiting Parliament adoption by mid-2007. The *Law* is compatible with the *EU Air Quality Framework Directive 96/62/EC* and its requirements.

Recommendation 6.3:

Montenegro's Ministry of Environmental Protection and Physical Planning should:

- (a) Prescribe environmental audits to be carried out by large enterprises or other big polluting sources;
- (b) Establish a pollutant release and transfer register of big polluters (PRTR) on the basis of the audit results; and Develop national action plans to combat air pollution, taking into account the monitoring data and results from mobile sources.

Such plans should cover all existing stationary and mobile sources and include a mixture of effective control measures, including the more rational use of raw materials, energy management, lower-waste technologies, basic control techniques and better housekeeping.

- (a) Large enterprises and other major pollution sources are required by law to carry out environmental audits. But due to the lack of enforcement, this tool is not at all implemented.
- (b) PRTR is not established. The Environment Protection Agency, once created, would carry out this task. The same applies to the action plans to combat air pollution.

Recommendation 6.4:

Montenegro's Ministry of Environmental Protection and Physical Planning and its Ministry of Health and Social Policy should establish an environmental information system on air pollution starting with source emission data according to the Cooperative Programme for Monitoring and Evaluation of Long-range Transboundary Air Pollution (EMEP) sector split. It should cover SO_x, NO_x, VOCs, ammonia, CO, CO₂, particulate matter (PM₁₀ and PM_{2.5}), heavy metals and POPs.

Sufficient funds should be allocated from the budget to redefine a national monitoring strategy respecting international requirements (EMEP, PRTR) and to extend the air pollution monitoring programme to mapping critical loads and participating in international cooperative programmes. (see also recommendation 3.2)

The air-quality monitoring covers SO_x, NO_x, VOCs, ammonia, dust, heavy metals and a few POPs. The reliability of monitoring results seems questionable. The *Law on Air Quality*, approved by the Government but awaiting adoption by the parliament, will include all requirements for air monitoring, as well as provisions for the preparation of a national air protection strategy. The Environment Protection Agency, once created, would carry out all tasks related to the air monitoring.

CHAPTER 7: Waste managementRecommendation 7.1:

The Federal Secretariat for Labour, Health and Social Care should:

- (a) Urgently find funding for the Institute for Nuclear Sciences in order to define the composition of radioactive waste stored in the Institute's facilities;
- (b) Introduce treatment facilities and the environmentally sound disposal of radioactive waste; and
- (c) Regularly monitor and maintain the facilities so as to prevent radioactive contamination in the vicinity of Belgrade.

With the help of the International Atomic Energy Agency (IAEA), Montenegro is building storage for low and medium radioactive waste. The monitoring would be among the tasks of the Environment Protection Agency. Montenegro does not have nuclear energy sources.

Recommendation 7.2:

The Federal Secretariat for Labour, Health and Social Care should:

- (a) Prepare a proposal for the harmonization of all existing laws and regulations on hazardous waste, in cooperation with the competent authorities in Serbia and Montenegro; and
- (b) Establish a coordination structure and procedures for the control of transboundary movements of hazardous waste and its disposal. Coordination should include the relevant federal authorities, including the customs authorities, from the Governments of Serbia and Montenegro and local authorities responsible for waste movement on their respective territories. (see also recommendations 4.4 and 10.3)

The coordination mechanism should be complemented with training programmes for customs officials and inspectors on how to control hazardous waste shipments and management operations, including recycling, so as to meet Basel Convention obligations. In this regard a user-friendly technical handbook or guidelines on how to determine what constitutes hazardous waste for the use of customs officials and inspectors could be drafted.

The 2005 *Law on Waste Management*, which will enter into force in November 2008, is harmonized with the relevant EU Waste Directives. Nevertheless, the main tasks set by the new legislative and strategic framework for waste management in Montenegro include waste reduction, waste separation, adequate disposal and recycling to reduce waste pollution. In this context, the priority task of the *National Strategy for Sustainable Development* (NSSD) is further alignment with EU legislation and further development of the database. The measures that need to be implemented in the coming three years (covered by the NSSD Action Plan) to make progress in attainment of this objective include: (a) enactment of by-laws; (b) drafting national and local waste management plans; (c) development of sanitary landfills for municipal waste and development of a landfill for hazardous waste; (d) establishment of proper waste data; and (e) public awareness-raising campaign regarding proper waste disposal and to promote recycling.

With industrial and hazardous waste, the main challenges relate to the implementation of new regulations and to necessary improvements in management of these categories of waste.

It is important to point out that the *Master Plan* also envisages the restoration plans for current dumping sites and construction of recycling centres, but these activities have been envisaged for implementation after the year 2010.

Montenegro has recently started considering the problem of medical waste.

Recommendation 7.3:

Montenegro's Ministry of Environmental Protection and Physical Planning should each prepare inventories of industrial (including hazardous) waste generation. The inventories should include:

- The main sectors generating industrial (including hazardous) waste and the number of installations per sector;
- The kinds of waste being generated;
- The production processes producing the waste; and
- The location where waste is being stored and discharged.

Although the number of industrial facilities is small and their inventory easy to do, there is no inventory of industrial waste, including hazardous waste, in Montenegro. The three last bulleted items above are more difficult to identify due to the lack of enforcement and lack of capacity.

Recommendation 7.4:

Montenegro's Ministry of Environmental Protection and Physical Planning should:

- (a) Draw up a comprehensive waste management strategy for industrial waste, municipal waste and hazardous waste, paying special attention to hazardous industrial waste;
- (b) Develop an implementation plan, on the basis of the waste management strategy, that would include, inter alia, legal and economic priorities, measures and targets to ensure that goals are met.

As preparatory steps for the development of the implementation plans, the respective Ministries should each prepare a study of the waste recycling industry.

This recommendation has not yet been implemented.

Recommendation 7.5:

Montenegro's Ministry of Environmental Protection and Physical Planning should develop and implement a law on waste management. The law should as far as possible take into account relevant EU waste legislation. It should:

- Define and classify all waste, including hazardous waste;
- Lay down clearly the responsibilities for waste management;
- Provide for regulatory instruments for local authorities and procedural mechanisms to ensure proper implementation, including permitting requirements; and
- Specify institutional arrangements for its enforcement.

For details, see the status of implementation of Recommendation 7.2.

Recommendation 7.6:

Montenegro's Ministry of Environmental Protection and Physical Planning should launch a wide information campaign addressing businesses, institutions and members of the public to promote the minimization of waste at the source. It should be complemented by educational and training programmes to prepare the separate collection of municipal waste. Communication media, such as television, radio and newspapers, should be used to the fullest extent.

NGOs are more active on communication regarding environmental matters. Based on available funding, they run campaigns and even train pupils at schools. However, they face some obstacles in a few schools. For example, directors have refused them the right to teaching pupils about waste or other environmental matters because this had never been done before. For a complement of information, see also Recommendation 3.5(c).

Recommendation 7.7:

Montenegro's Ministry of Environmental Protection and Physical Planning should, in cooperation with selected municipalities, prepare a study for the rehabilitation of landfills. On the basis of the results of this study, they should initiate demonstration projects for the construction of new sanitary landfills.

Implementation of this recommendation is in the preparatory phase.

Recommendation 7.8:

The Ministry of Industry and Energy, together with the Municipality of Podgorica and in consultation with the Ministry of Environmental Protection and Physical Planning, should undertake a financial viability study of the aluminium plant. If the plant is found to be viable, it is important to begin immediately to modernize its technologies, introducing purification equipment and constructing a new landfill for red mud according to EU standards and norms.

The Kombinat Aluminium Plant was privatized and the investor has agreed to spend €20 million on a five-year programme for remediation and environmental investments and for the replacement of obsolete equipment (see chapter 7). The Government is responsible for the past pollution for all privatized enterprises. How the remediation of the past pollution will be financed or even undertaken remains a question.

CHAPTER 8: Mineral resources management

Recommendation 8.1:

Montenegro's Ministry of Economy and Industry, in cooperation with its Ministry of Environmental Protection and Physical Planning, should develop long-term strategies for their mining industries that take into consideration, among other issues, the rehabilitation of the industries to minimize their negative impact on the environment, the clean-up of existing waste and decontamination of waste water, the maintenance or reconstruction of weak or damaged tailing collectors and dams (e.g. in Bor and in Mojkovac) and the rehabilitation of degraded land. The strategies should also address the need for regular monitoring, data collection and analysis.

On the basis of these long-term strategies, they should develop short-, medium- and longer-term action plans that would serve as a basis for discussions with multilateral and bilateral partners as well as with investors. (see recommendations 10.2 and 10.8)

The Ministry of Economy and Industry is drafting a *Law on Mining*, taking into account EU requirements. Once adopted, strategic papers will be developed. The rehabilitation of sites in Mojkovac and in Suplja Stijena has started.

Recommendation 8.2:

Montenegro's Ministry of Economy and Industry, in cooperation with its Ministry of Environmental Protection and Physical Planning, in developing their actions plans, should work closely with the management of the mining and related energy companies to identify sources of financing for the implementation of the companies' environmental rehabilitation. An adequate and reliable timetable should be established for each project, and implementation deadlines respected.

The draft *Law on Mining* envisages the environmental rehabilitation of new mining sites. The rehabilitation of abandoned mining sites and sites under exploitation remains an issue.

Recommendation 8.5:

The Ministry of Economy and Industry should:

- (a) Review the 1994 Law on Mining in order to establish an up-to-date legal framework, harmonized with EU regulations, that takes full consideration of environmental impacts;*
- (b) Introduce a bank guarantee or similar system as a requirement for issuing exploitation permits, and define rules for self-monitoring; and*
- (c) In cooperation with the Ministry of Environmental Protection and Physical Planning, support the environmental management training of professionals working with environmental issues in mining.*

The *Law on Mining* is being drafted and will be adopted in 2007. It takes into account all requirements prescribed in the relevant EU legislation. Self-monitoring is a normal requirement in the law. See status of implementation of Recommendation 8.1.

Recommendation 8.6:

The Government of Montenegro should increase its financial support to the Geological Survey. Modern analytical devices and computers are necessary to ensure reliable and timely data and to increase opportunities for the sustainable management of the environment.

The situation has remained unchanged since 2002. However, the Geological Survey has moved to a new building and received new equipment.

Recommendation 8.7:

- (a) The Ministry of Environmental Protection and Physical Planning, the Ministry of Industry and Energy and the Municipality of Mojkovac should immediately start rehabilitation activities at the Mojkovac tailing deposit in order to protect the Tara River and the vicinity from contamination by toxic sludge.*
- (b) The Government of Montenegro should earmark adequate funds for the rapid implementation of the project, starting with an environmental impact study of the project.*

In mid-2005, a €7.5 million remediation project of the lead and zinc mine dumpsite in Mojkovac was initiated. It will be carried out in two stages. The first stage, with a value of €1.5 million, included the following activities in 2005: additional research activities; construction of a collector for protecting the dumpsite from rain; improvement of the structure of the existing retaining reservoir; and elaboration of a project for a waste-water treatment facility in Mojkovac. About €700,000 was spent for these works. Financing was provided by the State budget of the country and by a donation from the Czech Republic. In 2006, activities continued, primarily with the construction of the waste-water treatment facility and the reconstruction and upgrading of sewerage system in Mojkovac." The company Cijevna Komerc from Podgorica won the tender for the sewerage works and signed a contract with the Ministry with a value of about €150,000. Funds were provided by the Government. The 5,200 inhabitant-equivalent waste-water treatment plant will include mechanical and biological treatments,

a final disinfection step and a salt treatment. The project was designed by a Czech company, and financed by the Czech Republic. The Ministry will launch a public tender for selecting a contractor in September 2007, after the technical inspection commission has commented and approved the project. The €1.3 million investment will be paid by the country.

The activities regarding technical inspection of the main waste water treatment facility in Mojkovac are currently in their final stage. The main project defines funding in the amount of around €1.3 million that will be provided by the country: completion of these works will create preconditions for the realization of the second phase of waste disposal, i.e. for final waste disposal sanitation. The second stage of the project on remediation and recultivation has been estimated at €6 million.

In addition, a contract with a private company for the development of technical documentation for sanitation and recultivation of the dumpsite of the lead and zinc mine “Suplja stijena” in Gradac, Pljevlja, has been signed. The contract value amounts to €80,000 and should be completed within six months.

CHAPTER 9: Biodiversity conservation and nature protection

Recommendation 9.1:

Montenegro's Ministry of Environmental Protection and Physical Planning should facilitate the harmonization of their nature protection legislation with international biodiversity conservation and management criteria. Cooperation with scientific and public institutions, non-governmental organizations and other stakeholders would facilitate this process.

The Ministry of Tourism and Environment is drafting a new Law on Nature Protection taking into account the requirements of relevant EU Directives related to nature protection and biodiversity. Requirements of the main conventions linked to biodiversity are also included. The project will be finished at the end of 2006. The Ministry, in cooperation with other institutions, manages other projects such as the Geographical Information System (GIS) for forestry and biodiversity and the EMERALD network. See also Recommendation 4.5.

Recommendation 9.2:

Montenegro's Ministry of Environmental Protection and Physical Planning, its Ministry of Agriculture, Forestry and Water Management and its Ministry of Tourism should:

- (a) Within the next four years, harmonize all of their respective legislation that impacts on nature conservation and protection, agriculture, water and tourism; and*
 - (b) Reflect these harmonized laws in all relevant management plans.*
- (see also recommendation 12.6.)*

- (a) Other sectors of economic activities are developing and harmonizing their respective laws according the EU legislative framework and, when necessary, including environment in respective legislation.*
- (b) Environmental impact assessment, for example, is done on projects related to mining, tourism and agriculture sectors.*

Recommendation 9.3:

Montenegro's Ministry of Environmental Protection and Physical Planning, in order to implement the Convention on Biological Diversity and other international agreements, as well as their own nature protection policies, should develop and implement national biodiversity strategies and action plans, in cooperation with international organizations and national stakeholders. The institutional strengthening and capacity building of nature protection administration and management staff at all levels should be included. (see also recommendation 4.5)

The State Union of Serbia and Montenegro started the development of the *National Biodiversity Strategy and Action Plan* with the support of UNDP Country Office in Belgrade. After Montenegro's independence, the Ministry restarted the development of the Strategy with the support of UNDP Country Office in Podgorica. See also Recommendation 4.5.

Recommendation 9.4:

Montenegro's Ministry of Environmental Protection and Physical Planning, in cooperation with scientific institutions, national park management and other stakeholders, should develop and implement management plans for each national park, according to international standards and best practices, and taking into account the interests of local communities. (see also recommendations 14.2 and 14.3.)

The MTE, in cooperation with scientific institutions, national park management and other stakeholders, develops management plans for each national park, according to international standards and best practices, and taking into account the interests of local communities. The national park management implements them and reports to the Ministry on annual basis. The other categories of protected areas have no management plan or strategy. However, great problems still remain, such as illegal activities in Durmitor area.

Recommendation 9.5:

Montenegro's Ministry of Environmental Protection and Physical Planning, in cooperation with its Ministry of Agriculture, Forestry and Water Management, should each develop and implement a national forestry strategy based on sustainable forest management, taking into account international forest certification principles. This should be done in cooperation with all stakeholders, using transparent and internationally recognized procedures.

The preparation of the *National Forest Policy* has started recently with the support of SNV (a Dutch development organization). The aim of the policy is to prepare a *National Framework for Forest Management* that will include all aspects (environmental, social and economic) of forests and forestry. Furthermore, the aim is to involve all stakeholders into preparation of the *Policy*, which will highlight the significance of forests in the further development of Montenegro.

PART III: ECONOMIC AND SECTORAL INTEGRATION**CHAPTER 10: Industry and the environment****Recommendation 10.1:**

The Federal Secretariat for Labour, Health and Social Care, as soon as possible and in cooperation with the Federal Ministry of Economy and Internal Trade, and with the authorities responsible for environmental management and industrial development in Montenegro, should develop an overall strategic framework and action plan for the reconstruction and modernization of industry, with agreed priorities, as the basis for discussions with potential donors and external investors.

The implementation was never started and is no longer relevant after Montenegro's independence. Privatization, in the meantime, has started in Montenegro. It is worth to mentioning that in most cases the privatization was done without consideration of environmental clauses in the contracts. As well, the *Laws on EIA, SEA and IPPC* were adopted in 2005, but their entry into force has been postponed to 2008, as they would have been a possible barrier for privatization.

Recommendation 10.2:

The Federal Secretariat for Labour, Health and Social Care, in cooperation with the Federal Ministry of Interior Affairs and the environment ministry of Montenegro, should, as soon as possible:

- (a) Make a thorough review of current practice and problems in the handling, storing and depositing of hazardous substances from industry and of related chemical spills and risks of chemical accidents;*
- (b) Based on this review, develop an up-to-date strategy and an action plan for the remediation of chemical spills and for the prevention of chemical accidents and of other negative environmental impacts from the handling of hazardous substances;*
- (c) Review, update and enforce the requirements for industry to establish a risk management and safety system in collaboration with the relevant authorities; and*
- (d) Review and update, as necessary, current procedures for the authorities involved in emergency operations in the event of chemical accidents. These procedures should take account of those contained in the UNECE Convention on the Transboundary Effects of Industrial Accidents and the Seveso Directive.*

(see recommendation 10.8)

For (a), (b) and (c): No strategy has been developed, nor a concrete plan to deal with the industrial waste, including chemicals and hazardous waste. See also Recommendation 7.2.

Regarding (d): The *National Strategy for Emergency Situations in the Republic of Montenegro* was adopted in 2007.

Recommendation 10.3:

Montenegro's Ministry of Environmental Protection and Physical Planning, in cooperation with its Ministry for Economy, should:

- (a) *Establish a clean production centre and promote the introduction of cleaner technologies, environmental management and international environmental standards in industry (see also recommendation 8.4); and*
- (b) *Develop action plans for the clean production centre to promote demonstration projects for cleaner technologies and environmental management systems within selected priority areas. The economic advantages and the means of financing cleaner technologies should also be highlighted in the demonstration projects.*

This activity should be undertaken in cooperation with other institutions currently involved in cleaner production activities and with important stakeholders such as industrial associations, private banks and universities. (see also recommendations 4.4 and 7.2 b)

UNIDO methodology promotes a national centre or programmes for implementation of cleaner production goals. The pilot phase of the Project on cleaner production is now in its final stage, and as result, the country has to decide of what would be the most useful: a programme or a national centre. A centre would aid the development of small and medium-sized enterprises in agriculture production, while a Cleaner Production Programme would require competent institutions, which do not yet exist in Montenegro. Cleaner production and new technologies are recognized as a priority in the *National Strategy for Sustainable Development*.

Recommendation 10.4:

Montenegro's Agency for Reconstruction and Foreign Investment should include environmental clauses in the sales contracts for the privatization of enterprises and industries.

This recommendation has not been implemented.

Recommendation 10.5:

The Government of Montenegro should regulate and increase the role of its environment ministry in the privatization of enterprises and industries by introducing environmental audits or environmental impact assessments including cost estimation of the environmental damage from past pollution.

In privatization, an environmental audit is not mandatory. But for potential buyers willing to perform an environmental audit, the MTE is involved, e.g. the Ministry was involved in the privatization of Kombinat Aluminium Plant.

Recommendation 10.9:

The Ministry of Environmental Protection and Physical Planning, in connection with the upcoming environmental action plan, and in close cooperation with other relevant ministries, should undertake a thorough review of present environmental legislation and regulations in order to ensure, inter alia:

- *Harmonization with EU requirements and standards with respect to industry and environment. This should include the adoption of an integrated permit and auditing system respecting the EU IPPC Directive;*
- *Provision of the necessary resources for administration and enforcement, including control, inspection and supervision; and*
- *Industrial self-monitoring based on voluntary agreements.*

The 2005 *Law on IPPC* will come into force in 2008. In the meantime, the necessary secondary legislation is being drafted. The *Strategy for the Implementation of Quality Systems*, adopted by the Government in 1994 (and revised in 1999 and 2004), plays an important role in voluntary compliance. The *Strategy* includes the implementation of international standards ISO 9000 and ISO 14000 within enterprises. The Government has allocated financial support for those enterprises, which are willing to implement these standards. Up to now, 30 enterprises have the ISO 9001-4 certificates and three are in phase of preparation for ISO 14001 certificates.

Other compliance promotion approaches, such as providing education and technical assistance, building public support and publicizing success stories, are still in early development.

CHAPTER 11: Energy and the environment

Recommendation 11.1:

The Federal Ministry of Economy and Internal Trade and the relevant authorities of the two republics should:

- (a) *Update the existing Strategy for the Development of the Energy Supply Industry and develop action plans and programmes to improve energy efficiency and integrate environmental principles in the energy sector; and*
- (b) *Promote and implement a legislative framework and develop an institutional framework to facilitate implementation.*

- (a) This recommendation has not been implemented. The energy supply strategy for Montenegro is under development, but has not been finalized. The energy efficiency strategy has been developed and adopted, but rather represents an assessment while not giving strategic directions.
- (b) Implemented: The *Energy Law* (OG RM no. 39/2003) regulates energy sector activities, including the establishment of an Energy Regulatory Agency. This Agency has been operating since 2004. While not all responsibilities of the Agency have been fully implemented, the Agency can generally be regarded as operational.

Recommendation 11.2:

Montenegro's Ministry of Economy should end all subsidies of energy prices. The electricity companies should be allowed to set prices to reflect the real economic costs. Targeted support for vulnerable users should be included as part of the tariff reform.

This recommendation has not been implemented. See chapter 6, which reflects the current situation.

Recommendation 11.3:

Montenegro's Ministry of the Economy, together with the electricity company, should start broad-based public information campaigns to publicize energy-saving and energy-efficiency measures.

This recommendation has not been implemented. Public information campaigns of the electricity utility focus on "commercial losses" of electricity.

Recommendation 11.4:

Montenegro's Ministry of the Economy should begin the restructuring of the energy sectors as soon as their national assemblies adopt the new energy laws.

First steps have been taken towards a liberalization of the energy market by functional unbundling of the grid operation and the electricity production units in the national electricity company, Elektroprivreda Crne Gore (EPCG – Electric Power Company of Montenegro) and for the privatization of one of the power plants. There has been progress made in creating a legal basis for further reform of the energy sector. The new Energy Regulatory Agency became operational in 2004.

Recommendation 11.5:

Montenegro's Ministry of the Economy should introduce a standards and labelling system for household appliances to decrease electricity consumption.

This recommendation has not been implemented.

Recommendation 11.6:

Montenegro's Ministry of the Economy, in cooperation with the management of the thermal power plants, should:

- (a) *Rehabilitate the thermal power plants to a state where they can operate within emission limits, as a matter of priority;*

- (b) *Provide the necessary financial resources for this purpose, through increased tariffs and governmental funding; and*
- (c) *Introduce a fee system guaranteeing the limits and forcing the production plants to comply with them.*
- This recommendation has not been implemented.

- (a) There has been no significant investment in the thermal power plant. Environmental problems, particularly with particulate matter (PM) and SO₂ emissions as well as ash deposition, remain. In the case of the privatized Pljevlja power plant, the investor reported that there is a plan to carry out investments solving these issues by 2012.
- (b) While electricity tariffs increased significantly for small commercial customers in 2002, big industrial customers, as well as household customers, appear to pay low tariffs. Neither the electricity utility nor the Government has provided funds for rehabilitation of the coal-fired power plant. The Government appears to expect these investments from the new private owner, but no written evidence for this is available.
- (c) While legal limits for emissions seem to exist, no implementation of these limits –either by legal enforcement, or by financial incentives – is foreseen.

Recommendation 11.9:

- (a) *The Ministry of the Economy should develop and implement a strategy and an action plan for the use of renewable energy sources, and it should begin to develop demonstration projects for solar energy.*
- (b) *The Ministry of the Economy, in cooperation with the Ministry of Tourism, may wish to consider establishing the first demonstration projects in high-volume areas, such as in the tourist areas along the coast, where demand for air conditioning peaks.*
- (a) This recommendation has been partially implemented. The *Energy Law* foresees the creation of favorable legal conditions for generation from renewable energy sources and “small power plants” (Article 32). The *Law on Environment* foresees deductions and exemptions from taxes and charges that are payable on the account of, inter alia, the use of renewable sources of energy – sun, wind, sea waves, biogas, etc. (Article 24). This does not appear to be implemented though. While the Ministry of Economic Development made a rather detailed assessment (“Strategy”) for the development of small hydropower plants, there are only some rough estimates in the “energy efficiency strategy” for other renewable energies. The *Strategy for the Development of Small Hydropower Plants* was adopted beginning of 2006. There are no concrete projects either under way or planned, however.
- (b) This recommendation has not been implemented. Existing use of solar energy in renewable energy are said to stem from the 1990s. New projects are not known.

CHAPTER 12: Agriculture and the environment

Recommendation 12.1:

Montenegro’s Ministry of Agriculture, Forestry and Water Management should transpose European Union regulations on phytosanitary, veterinary and food safety and genetically modified organisms and implement them as a priority. An important part of the implementation will be to organize the responsible institutions and make enough funding available to them. Serbia and Montenegro should work together to find efficient collaborative solutions.

Montenegro transposed the EU phytosanitary and veterinary: regulations

- The *Phytosanitary Law* on adopted in 2006; and
- The *Veterinary Law* was adopted in 2004.

The *Law on Genetically Modified Organisms* was drafted and adopted in 2002 under the State Union of Serbia and Montenegro.

MAFWM and MHLSW are drafting the *Law on Food Safety*, which will be available for ministerial consultation in early 2007.

Recommendation 12.9:

The inter-ministerial working group, established between the Ministry of Agriculture, Forestry and Water Management and the Ministry of Environmental Protection and Physical Planning, should:

- (a) Integrate environmental concerns in the development of agricultural policies. For example, any proposed input and price support policies should be carefully analysed from an environmental point of view; and*
- (b) Manage the development of practical codes of good agricultural practices and recommendations for implementation. Measures should be taken to involve important stakeholders in this process.*

The inter-ministerial working group established between the MAFWM and the MEPPP was cancelled. The two ministries work on ad-hoc basis.

- (a) The MAFWM integrates environmental concerns into the development of agricultural policies, such as the protection of rare species and the reduction of pesticide use.*
- (b) Practical codes of good agricultural practices and recommendations for implementation have been developed. The MAFWM provides support in different ways to the farmers to help them apply the codes.*

Recommendation 12.10:

The Ministry of Agriculture, Forestry and Water Management should promote the development of organic farming.

The MAFWM promotes the development of organic farming. The Ministry supports farmers selling their products inside and outside the country and is ready to comply with EU requirements on organic farming. It creates the “Monte Organic” agency to certify agricultural products. By-laws have been developed and adopted to support organic farming. A national label has been developed.

Recommendation 12.11:

The Ministry of Agriculture, Forestry and Water Management and the Ministry of Environmental Protection and Physical Planning should promote international labelling of food products by establishing regulations, supporting the establishments of organizations and capacity-building projects. The possible use of “Montenegrin food” as a trademark for “clean food” should be investigated.

See implementation of Recommendation 12.10.

Recommendation 12.12:

The Ministry of Agriculture, Forestry and Water Management, in developing the extension services, should include advice on how to achieve environmentally sound agricultural production. This should be reflected in the mandate and objectives of the extension services, and advisers should be given specific training on environmental problems caused by the agricultural sector as well as environmental labelling opportunities for agricultural production.

The MAFWM participates actively in developing tools for sustainable agriculture development, which includes an environment component. Extension services are following this concept and incorporate environment protection in their approach. See also implementation of Recommendation 12.10. Assuring the safety and quality of food and proper nutrition represents an important issue regarding public health. The *Food Safety Strategy*, adopted in 2006, recommends solutions for all problems regarding the safety and quality of food.

CHAPTER 13: Transport and the environment**Recommendation 13.1:**

The responsible authorities of the Federal Government and Montenegro should allocate a greater percentage of funding for rail, water and urban public transport based on sustainable transport policies. Consideration should also be given to services for non-motorized transport.

Allocating a greater percentage of funding for rail, water and urban public transport is envisaged in the strategy on transport. Actually, the trend in the share of public transport is the same and road transport is growing. As well, the age of the car fleet of private cars as well as for the public transport is increasing. Almost all the public transport buses are 15 years old, with some being 30 years old.

Recommendation 13.2:

The responsible authorities of the Federal Government and Montenegro should develop a strategy to phase out highly polluting cars and to introduce high-quality fuels, taking into account environmental elements. This could be achieved through fiscal measures, such as eco-taxes and car registration taxes, or other measures.

As of November 2006, no plan was envisaged due to the economic constraints on the population. Checks are done only once per year.

Recommendation 13.3:

Montenegro's Ministry of Maritime Trade and Transport, in collaboration with its Ministry of Environmental Protection and Physical Planning, should develop a sustainable transport policy that fully incorporates environmental considerations through strategic environmental assessments.

A *Strategy for Transport* is to be adopted in 2007 by the Parliament. The *Strategy* was developed taking into account requirements under the *Master Spatial Plan*, but without strategic environment assessments (SEAs). SEAs would perhaps be introduced in the future. EIAs are mandatory for new works.

Recommendation 13.4:

Montenegro's Ministry of Environmental Protection and Physical Planning, in cooperation with its Ministry of Maritime Trade and Transport, should promote capacity building in the municipalities in transport issues and should assist the secretariats for environmental protection and the persons responsible for making transport-planning decisions to receive training in environmental management and sustainable transport principles.

The Ministry of Maritime Trade and Transport promotes and encourages sustainable public transport and other transport planning decisions at the municipal level.

Recommendation 13.5:

The relevant authorities in Montenegro should develop a plan to phase out the use of leaded petrol as quickly as possible taking into account an existing database (UNECE "Regional Car Fleet Study") to identify the fuelling requirements of all vehicle types in their republics and, if necessary, the changes needed to run the vehicles on unleaded petrol.

As with Recommendation 13.2, no plan is envisaged to avoid placing an economic burden on the poor population. The difference in price of leaded and unleaded fuel, in Euros, is about 1 cent.

Recommendation 13.6:

Montenegro's Ministry of Maritime Trade and Transport (Road Administration) should:

- (a) *Ensure that environmental impact assessment is carried out when building new or reconstructing existing transport infrastructure; and*
- (b) *Ensure that environmental parameters, for instance the results of the EIAs, are integrated into the new database.*

(a) The Ministry of Maritime Trade and Transport (Road Administration) ensures that EIAs are carried out when building new or reconstructing existing transport infrastructure. Public participation in decision-making will be increased when the new *Law on EIA* enters into force in 2008.

(b) No EIA database has been built.

Recommendation 13.9:

The Ministry of Maritime Trade and Transport should ensure that its project budgeting and planning reflect integrated planning between sub-sectors and with rail and road routes in Serbia.

The transport system in Montenegro is in a difficult state because of the lack of public financing. The most advanced project is the fast road or highway from Belgrade through Podgorica to Bar. The actual draft of the *National Spatial Plan* names a number of priorities such as the motorway from Belgrade to Bar and the Adriatic-Ionian Motorway and mentions the modernization of the existing railway system. But no concrete projects are currently taking place.

Recommendation 13.10:

If the Podgorica–Bar project becomes a real option, the Ministry of Maritime Trade and Transport and the Ministry of Environmental Protection and Physical Planning should collaborate on a thorough EIA of the project.

A tunnel was built between Podgorica and Bar, and an EIA was performed in a collaboration between the Ministry of Maritime Trade and Transport and the MEPPP. When the new *Law on EIA* enters into force in 2008, an EIA will be performed on all new transport projects.

CHAPTER 14: Tourism and the environment**Recommendation 14.1:**

Montenegro's Ministry of Tourism, in cooperation with its Ministry of Environmental Protection and Physical Planning, should:

- (a) Each prepare and submit for approval by the Government a policy for sustainable tourism. The policy should serve as a framework for all tourist-related activities. In Montenegro, it should be consistent with its declaration as an Ecological State (1991);*
 - (b) Develop a tourism master plan, also based on the overall policy for sustainable tourism, to allow for appropriate economic, spatial and resource planning and the development of the necessary infrastructure in tourist areas. In Serbia, the master plan should be harmonized with the draft action plan for sustainable tourism in protected areas. In Montenegro, where a tourism master plan has already been drafted, the Ministry should ensure that it reflects the (new) sustainable tourism policy;*
 - (c) On the basis of the policy, develop guidelines for tourism development at the local level and introduce eco-standards for tourist premises;*
 - (d) On the basis of the policy, identify the important sustainable tourism indicators and provide the means for monitoring, collecting and evaluating the data accordingly; and*
 - (e) In cooperation with the Ministry of Culture, make an inventory of all sites of tourist interest. As the sites are identified, individual plans for their sustainable development should also be prepared (e.g. for sustainable tourism in national parks).*
- (see also Recommendation 9.4)*
- (a) The elaboration of a policy for sustainable tourism has started only in the mountain region. There are several new assessments and reports concerning sustainable tourism in the mountain zone, but an overall strategy for sustainable tourism in Montenegro does not exist.*
 - (b) Based on the United Nations World Tourist Organization's sustainable tourism principles, the Ministry of Tourism submitted some general guidelines for sustainable tourism development to the National Council for Sustainable Development, which integrated these into the draft for the *National Strategy for Sustainable Development* (NSSD). In addition, the *Tourist Master Plan 2020*, which is currently in revision, includes some specific requirements, such as 100 m² of open green space for each bed and the requirement to carry out environmental impact assessments.*
 - (c) Guidelines for tourism development at the local level have been worked out for the mountain region, but not for the coastal region. Eco-standards for tourist premises have not been introduced (exceptions include blue flag for beaches/marinas, and eco-tourism in the mountain region).*
 - (d) Without any policy for sustainable tourism, it is quite impossible to identify the important sustainable tourism indicators. Means for monitoring, collecting and evaluating the data are only foreseen for general tourist indicators.*
 - (e) There is no inventory of all sites of tourist interest and no individual tourist management plans.*

Overall, a strategy for sustainable tourism development does not exist and the guidelines for sustainable tourism in Montenegro are too general. The *Tourist Master Plan* should put a closer focus on sustainable tourism principles, for example by integrating eco-standards or implementing sustainable tourism indicators.

Recommendation 14.2:

Montenegro's Ministry of Environmental Protection and Physical Planning should establish the following economic instruments to support sustainable tourism:

- Entrance fees at national parks;
- Fiscal incentives for tourist premises that implement eco-standards, such as "green hotels" that give special attention to the conservation and protection of resources such as water and energy.

(see also recommendation 9.4)

Implementation has started. Entrance fees exist for all national parks. Up to now, there have been no fiscal incentives for tourist premises that would help implement eco-standards.

Recommendation 14.3:

Montenegro's Ministry of Tourism, in cooperation with its Ministry of Environmental Protection and Physical Planning, should:

- (a) Carry out widespread campaigns to raise awareness of sustainable tourism particularly among hotel managers, tourist agencies, tourists and municipal authorities. The campaign should make use of workshops, community meetings, brochures and posters, among other media; and
- (b) In cooperation with Serbia's Ministry of Education and Sport and Montenegro's Ministry of Education and Science, introduce sustainable tourism development into the curricula of the higher schools for tourism and catering.

(a) Not implemented. Although some initiatives were undertaken by NGOs, there have not been widespread campaigns to raise awareness of sustainable tourism, either with tourist stakeholders or with municipalities.

(b) Not implemented. Sustainable tourism development is not a special issue in the curricula of higher schools for tourism or catering.

Recommendation 14.5:

The Ministry of Tourism, in cooperation with local authorities, should undertake a survey of local products that could be supported and included in a sustainable tourism development plan.

Implementation has started. A survey of local products does not yet exist, but for several products, thematic marketing has already started. Some of the new implemented projects integrate local and regional products.

Recommendation 14.6:

The coordination committee established for the master tourism plan should establish smaller, more agile thematic working groups, including one dedicated to sustainable tourism and development. The committee should include representations of both local communities and non-governmental organizations.

For several special issues, smaller thematic working groups on tourism, have been established, e.g. for national parks and the coastal zone. Local communities and NGOs are included in the mountain region.

CHAPTER 15: Human Health and The Environment

Recommendation 15.1:

The Federal Secretariat for Labour, Health and Social Care, and Montenegro's Ministry of Health and Social Policy, in cooperation with its Ministry of Environmental Protection and Physical Planning, should:

- (a) Together draw up a national environmental health action plan (NEHAP) to identify priorities and establish an implementation plan, paying particular attention to resource requirements. Among other issues, the NEHAPs should address activities for awareness-raising, and define a strategy to improve waste-water treatment, waste disposal, air quality, drinking water, food safety and traffic safety;
- (b) Consider the establishment of an intersectoral body for environmental health that would, inter alia, aggregate, analyse and interpret the relationship between existing environmental and health data; review existing laws, conventions and regulations for environment and health, with particular reference to World Health Organization (WHO) guidelines and European Union regulations; and coordinate environment and health activities with a view to building strong environmental health networks at all levels;

- (c) *Help municipalities to develop local environmental health action plans with strong public participation; and*
- (d) *Give consideration to the UNECE-WHO Transport, Health and Environment Pan-European Programme (THE PEP) as a policy tool around which specific actions and partnership (including at the international level) to tackle the environmental and health problems posed by transport could be developed.*

The development of the Montenegrin NEHAP has not yet started, but main priority goals related to health have been incorporated in other national documents. Specifically for the health sector, priority goals supported by the *Children's Environment and Health Action Plan (CEHAP)* include the :

- *Health Policy in Montenegro until 2020. (2001)*
- *Strategy for Health Development (2003)*
- *National Strategy for Tobacco Control (2005)*
- *Mental Health Improvement Strategy for the Republic of Montenegro (2004)*
- *Strategy for Preserving and Improvement of Reproductive Health (2005)*
- *National Programme for Violence and Health (2003)*
- *Action Plane for Prevention of Sex Trafficking (2005)*
- *Strategy for HIV/AIDS Prevention (2005)*
- *Master Plan for Health Development*
- *National Plan for Avian Flu and Avian Flu Pandemic Prevention*
- *Law on Protection from Noise (2006)*
- *National Action Plan for Children in Montenegro (2004)*
- *National Action Plan for Youngsters*
- *Drug Law*
- *Law on Medical Devices.*

Recommendation 15.2:

- (a) *The appropriate statistical office(s) should carry out a census as soon as feasible;*
- (b) *The statistical offices and public health institutes at all levels should cooperate to identify a common set of essential environmental health indicators that need to be monitored and reported on a regular basis and decide among themselves on which institutions should be responsible for collecting these data. These data should be collected systematically and made available to the public. Ongoing international developments could provide a most useful reference for this work, also in view of improving international comparability of data;*
- (c) *The public health institutes at all levels should address the need to undertake combined exposure assessments and analyses of health and environmental data in order to identify the negative health effects of environmental pollution. This should include reviewing the existing data collection and standardized protocols for data collection and evaluation, in close cooperation with statistical offices. Missing data should be identified and recommendations on reorganizing data collection should be given. The result of the analysis should be routinely reported; and*
- (d) *Montenegro's Ministry of Health and Social Policy, in cooperation with its Ministry of Environmental Protection and Physical Planning, should initiate scientific investigations into the impact of specific local environmental pollution on health and address public concerns in relation to these issues.*
- (a) *The Statistical Office of Montenegro (MONSTAT) undertakes annual surveys and publishes the results in the *Statistical Yearbook*. Data for 2005 will be available, and the 2006 *Statistical Yearbook* is in preparation.*
- (b) *MONSTAT and the Institute for Public Health, responsible for health indicators monitoring, cooperate closely on shared tasks, works, responsibilities, needs, data exchange and other issues. All data are public, published regularly and made available on their respective websites: www.monstat.cg.yu and www.ijz.cg.yu.*
- (c) *The Institute for Public Health, with the aim of estimating the state of health of population, analyses different factors from the health statistics system, which are verified, collected and prepared by the basic services of primary health care and different specialized public health institutions. Estimation of the population's state of health and the planning and programming of the health care is based on data collected*

from all public health institutions. *Health Statistical Yearbooks* cover basic data on the population from 1990 to the present.

(d) A few preliminary studies have been done.

Recommendation 15.3:

The Federal Secretariat for Labour, Health and Social Care, and Montenegro's Ministry of Health and Social Policy should:

- (a) *Carry out continuous and major public awareness campaigns to reduce smoking among the population. Particular efforts should be made to prevent young people from taking up the habit. Initiatives such as "The National Committee for Tobacco Prevention", "Quit and Win" or "Clear the air from cigarette smoke" have to be strengthened financially; and*
- (b) *Work together to develop and pass anti-smoking legislation to protect children and other non-smokers from passive smoking. Existing regulations have to be enforced. No-smoking policies in public and private buildings should be initiated.*

Health promotion and disease prevention as components of a tobacco control framework were topics contained in different documents produced by the MHLSW (*Tobacco Control Law, Health Care Law, Health Care Development Policy of Montenegro, Primary Health Care Reform, and Poverty Reduction and Development Strategy*). Among 21 specific targets enunciated in the *Strategy of Public Health Development*, one calls for a reduction in tobacco use in Montenegro by 30 per cent by the year 2015.

One of the principles of the *National Strategy for Sustainable Development* is the "Minimization of wastes, effective pollution prevention and control and minimization of environmental risks". The 2004 *National Action Plan for Children* also stresses out the importance of laws for environment protection, to prevent children from exposure to damaging contaminants from air, water, ground and food. Concerning indoor air pollution, the *Law on Limiting Use of Tobacco Products* prescribes limiting the use of tobacco products in public places, the selling of tobacco products to youngsters, tobacco advertising, etc. Also, the *National Action Plan for Children in Montenegro* and the *National Strategy for Tobacco Control* have indicators for monitoring and supervising children's exposure to indoor air pollution, with a view to applying related directives.

Tobacco use in Montenegro is an escalating health and economic problem. Anecdotal information suggests that Montenegro is among the leading countries in terms of tobacco consumption. Cardiovascular diseases are the first cause of death (49% of all deaths) and cancer the second, accounting for 18 per cent of all deaths (*Health Statistical Yearbook, Republic of Montenegro, 2001*). A UNICEF-sponsored health behaviour survey, conducted in 1999, showed a smoking prevalence rate of 3.9 per cent for children in primary school (aged 11–14 years), and 19.7 per cent for high school students aged 15–18 years.

The *Global Youth Tobacco Survey* (GYTS) is an international study monitor tobacco use among young people aged 13–18, and guides the implementation and evaluation of tobacco prevention and control programmes. The survey attempts to:

- Determine the level of tobacco use;
- Estimate the age of initiation of cigarette use;
- Estimate levels of susceptibility to become cigarette smokers;
- Exposure to tobacco advertising;
- Identify key intervening variables, such as attitudes and beliefs on behavioral norms, with regard to tobacco use among young people that can be used in prevention programs;
- Assess to the extent to which major programs are reaching school-based populations, and establish the subjective opinions of those populations regarding such interventions.

The Institute of Health of Montenegro carried out the GYTS in the republic's elementary schools in 2003 and in its secondary schools in 2004. The results were intended to be used to influence policymakers and decision-makers with respect to future tobacco control policy, regulations and programmes.

The Law on Limit in Use of Tobacco Products regulates measures for reducing and limiting use of tobacco products and preventing harmful consequences due to use of tobacco products. It is also prohibited to sell

tobacco products in educational establishments and health institutes, and in the vicinity of less than 300 metres of these establishments, pharmacies or specialized shops for medicinal products; sports and recreational facilities; vending machines; directly or indirectly as specials to buyers or any third party, such as gifts, awards, or reduced trade discount or the right to participate in prize games, lotteries or competitions,

The *Law* mentions that tobacco products must be marked with wording or phrases that refer to a particular brand being less harmful than others (e.g. “low tar”, “light”, “mild”, “ultra mild”, “ultra light”, etc.) in a manner that allows for self-service by consumers.

Other provisions of this *Law* (available at: www.mz.vlada.cg.yu) stipulate protection from indoor air pollution from tobacco products in public places, schools, health and other institutions, and not only protect youngsters’ health, but that of the population in general.

Recommendation 15.4:

The Federal Secretariat for Labour, Health and Social Care, and Montenegro’s Ministry of Health and Social Policy, in cooperation with its Ministry of Environmental Protection and Physical Planning, should:

- (a) *Adopt and implement the WHO Guidelines for drinking-water quality in order to improve the microbiological and physico-chemical safety of drinking water; and*
 - (b) *Strengthen the legal and institutional framework for monitoring and enforcing drinking-water quality standards in accordance with the UNECE Helsinki Convention on the Protection and Use of Transboundary Watercourses and International Lakes (see Recommendation 4.2).*
- (a) Strong efforts have been undertaken to develop and implement national legislation that complies with the international agreements that Montenegro as a new sovereign country must ratify. The World Health Organization *Guidelines for drinking-water quality* have already been applied in order to improve the microbiological and physical-chemical safety of drinking water, and water quality is monitored regularly by the Institute for Public Health.
 - (b) Provisions of UNECE Helsinki Convention on the Protection and Use of Transboundary Watercourses and International Lakes have been implemented through provisions of Montenegrin laws and by-laws.

Recommendation 15.5:

(a) *Montenegro’s Ministry of Environmental Protection and Physical Planning should regulate and implement the proper management of medical waste. This should include, inter alia:*

- *Developing separate collection strategies for wastes with different levels of hazardousness;*
- *Providing incinerations, disinfection and special treatment for infectious medical waste; and*
- *Exploring ways to reuse and recycle materials to reduce the amount of hazardous waste.*

These activities could begin as pilot projects, implemented in cooperation with local authorities, hospitals and other stakeholders.

(b) *Montenegro’s Ministry of Health and Social Policy should, through their public health institutes, train medical professionals and others who have contact with medical waste.*

As with industrial waste, medical waste management is an important issue. The MHLSW recognizes this and is paying more attention to this topic. The Ministry has started a project on medical waste, and is quite positive that it can achieve implement Recommendation 15.5. It plans to elaborate a *Code of conduct for medical waste management* as soon as possible.

Recommendation 15.6:

The Federal Secretariat for Labour, Health and Social Care, and Montenegro’s Ministry of Environmental Protection and Physical Planning, in cooperation with its Ministry of Health and Social Policy, should:

- (a) *Supervise the medical check-ups of the population at risk in the hot spots, e.g. nursing mothers, to assess the possible health effects on industrial pollutants and the extent of the body burden of the pollutants. The data of human bio-monitoring and health effects should be combined with environmental monitoring data. Such knowledge helps to decide which environmental clean-up actions are most urgent;*
- (b) *Initiate, during clean-up actions, human bio-monitoring and effect monitoring to measure the effectiveness of the actions; and*

(c) *Initiate epidemiological environmental research programmes in cooperation with international organizations, regional health authorities and research institutes.*

- (a) Some sporadic checks are done on populations living in contaminated areas. But there is no regular follow-up due to the lack of funding.
- (b) Monitoring is done only if funding is available.
- (c) Some programmes are done in collaboration with international organizations and research institutes.

Pursuant to the different conventions related to environment and health, the Institute of Public Health undertakes permanent training and public awareness-raising in the effort to properly respond to the issues of greenhouse gas emissions and global climate change.

Applying and monitoring the application of the provisions of related laws and by-laws could show discrepancies. Based on these likely discrepancies, competent institutions would urgently have to take adequate actions and address responsibilities to correct them.