

RBS	Republic Bureau of Statistics
REM	Regional Electricity Market
RHIO	Republic Health Insurance Office
SAA	Stabilisation and Association Agreement
SAC	Structural Adjustment Credit
SANU	Serbian Academy of Arts and Sciences
SAP	Stabilisation and Association Process
SC	Steering Committee
SEEA	Serbian Energy Efficiency Agency
SFP	Serbia Free of Poverty
SFRY	Socialist Federative Republic of Yugoslavia
SIEPA	Serbian Import and Export Promotion Agency
SIF	Social Innovation Fund
SKOGOJ	Standing Conference of Towns and Municipalities of Yugoslavia
SLSP	Survey on the Living Standard of the Population
SM	Serbia and Montenegro
SME	Small and Medium-sized Enterprises
SMEE	Small and Medium-sized Enterprises and Entrepreneurship
SWC	Social Welfare Centre
TB	Tuberculosis
TSS	Transitional Support Strategy
UCTE	Union for the Co-ordination of Transmission of Electricity
UDR	Underdeveloped regions
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	United National High Commissioner for Refugees
UNICEF	United Nations Children's Fund
USA	United States of America
USAID	US Agency for International Development
VAT	Value Added Tax
WB	World Bank
WB/CEU	Central European University (Budapest)
WFP	World Food Program
WHO	World Health Organization
WTO	World Trade Organization
YuM	Yu Dinar

POVERTY REDUCTION STRATEGY PAPER MONTENEGRO

November, 2003

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INTRODUCTION

In September 1999, following an initiative by the G7 leaders, the World Bank (WB) and the International Monetary Fund (IMF) initiated the **Poverty Reduction Strategy Paper** process, which represented a new approach to assisting developing countries, especially those burdened by debt. This Strategy articulates the national development plan of a country, by defining achievable goals for poverty reduction, integrating social, macro-economic and structural elements, and identifying measures for evaluating progress made to achieving agreed objectives. These strategies are to be country-owned and are based on a consultation process involving the poor and other key stakeholders in society.

The Strategy represents a national development vision of a country, and all potential donors, international organizations and international financial organizations are expected to coordinate their assistance and loans within the framework of this document. This approach is recognized as a favorable model for linking debt relief, poverty reduction efforts, and civil society participation in pro-poor policy development.

The expected outcome of the DPRS and its effective implementation, will be visible progress made in terms of the poor, that is, the population below and around the poverty line. Progress will be seen both in terms of the poor's participation in the advantages of growth, where their well-being can best be improved, as well as in the reduction of vulnerability to different types of risk.

* * *

Montenegro decided to define its poverty reduction strategy, following proposals made by international financial institutions. The preparatory work on strategy development started in May 2002. The Government of Montenegro adopted the Interim Poverty Reduction Strategy on 19th July. This document was approved by the WB and IMF boards following a joint assessment process, on 22 July 2002.

In August 2002, the Government of Montenegro established an Inter-ministerial Steering Committee, to be coordinated by the Ministry of Labor and Social Welfare. This Committee included the ministries of: Education and Science, Health, Finance, Environmental Protection and Urban Planning, Agriculture as well as the Minister for Economic Affairs and European Integration and the Secretary of the Development Secretariat. A few months were spent on defining the Strategy's Terms of Reference, training the Working Group members, responsible for compiling and developing the actual document, and donor negotiations. Support for developing The Poverty Reduction Strategy was obtained from the WB, DFID and UNDP.

The Poverty Reduction Strategy Management Unit was established in January 2003 within the Ministry of Labor and Social Affairs, while the Working Groups started working on the Strategy in March 2003.

In March 2002, the Government of Montenegro adopted a strategic development document entitled: The Agenda of Economic Reforms. The Poverty Reduction Strategy for Montenegro is complementary to this document, as well as to other Government strategy documents.

During April and May, consultative meetings were held with the project's Advisory Boards (parliament, local authorities, international development partners, private sector, business sector and civil society). The results obtained from research on poverty indicators in Montenegro, household income and expenditure surveys, as well as results obtained from additional participatory research involving vulnerable groups and communities facilitated by the NGO sector, were presented at the first Poverty Reduction Strategy Conference held on 16th May 2003. The Strategy obtained its full name just before the Second Conference (held 30th July), and it is now referred to as The Development and Poverty Reduction Strategy (DPRS). This name is believed to reflect the necessity of taking

a single approach to both stimulating growth and reducing poverty, which has become increasingly present in Montenegro following many years of transitional recession.

The DPRS draft has gone through a wide participatory process including the holding of a series of consultative meetings in all Montenegrin municipalities. Consultations, recommendations submitted, additional research on the poverty profile and intensive work of the expert working groups in close cooperation with the competent ministries, have all had a key impact on increasing the quality of the final version of the document.

The DPRS for Montenegro was approved by the Project Council on 31st October 2003. The Document was adopted by the Government of Montenegro on 6th November 2003 and thus has obtained legitimacy to be represented at the Serbia and Montenegro donor meeting.

I A POVERTY PROFILE FOR MONTENEGRO

1. Complex causes of poverty – The fall in living standards and the rise in poverty in Montenegro over the last decade is primarily a consequence of a significant drop in economic activity. This in turn, was caused by numerous political and economic crises, wars in the region and the international isolation of the country. The most evident indication of the recession was the drop in production levels; GDP in 2002 was merely 63% of the level attained in 1989. As a result, unemployment rose by 50%, employment fell by 30%, and deterioration of the overall relations between export and import. Between 1990 and 2002, imports have been nearly doubled, and exports reduced by 65%. Depressed economic conditions, the destructive impact of the inflation (and hyperinflation), and impact of economic sanctions, all helped contribute to the creation of a unique »survival strategy«, embodied in a large informal sector (over 30%), which further weakened institutions and the financial power of the state in the field of social policy. Economic recovery and revitalization of the system show important indicators of progress in 2003, even though the growth dynamic is still unsatisfactory (See chapter 3, Box on economic indicators for 2003) and many citizens of Montenegro, who are located under or around the poverty line, are affected.

2. Roma, refugees and IDPs – During the conflicts in the region, the impoverished Montenegrin economy and society were host to all refugees and IDPs who sought refuge in Montenegro. At one point the number of those seeking refuge from neighboring countries and republics, amounted to 20% of the total population of Montenegro. After the conflicts were over and with the assistance of international humanitarian as well as republican level organizations, many succeeded in returning to their homes. Nevertheless, a large number of IDPs and refugees are still in Montenegro, without much hope of return, and with a desire to become full citizens of Montenegro. At present, it is estimated and that in Montenegro there are around 20000 Roma, out of which 5000 are from Kosovo, around 13300 refugees from former Yugoslav Republics, and around 28000 IDPs from Kosovo, which, in total, represents an estimated 8% of the population.

3. A multi-dimensional poverty profile – The poverty profile of a country is most often tied to the insufficient income to obtain the minimal basket of goods and services to fulfill basic needs. It has, however become clear that poverty is manifested in different ways, including the following: insufficient income and resources needed to secure a sustainable existence; hunger and malnourishment; poor health, limited or no access to education and other basic services; lack of energy and a degraded environment; increased mortality, including mortality caused by illness; homelessness and inadequate living conditions; insecure environment, social discrimination and isolation. Lack of access to participation in decision-making, and in the civic, social and cultural life of the community; the negation of human rights are also crucial. The multi-dimensional nature of poverty enables us to think about poverty as a state characterized by chronic lack of sufficient resources, capabilities, access to choice, security and power that are needed to ensure adequate living standards and the achievement of other civil, economic, political, cultural and social rights.

FIGHTING AGAINST POVERTY THROUGH PARTNERSHIPS FOR DEVELOPMENT - The main message from the first PRSP conference, should be the uniform commitment of all representatives of Montenegrin society to jointly fight against poverty in all its manifestations. The joint work on the development of the Strategy for development and poverty reduction is proof that we can truly do so.

*From the first Conference dedicated to poverty indicators in Montenegro – the joint conclusions,
Podgorica, 16th May 2003*

4. Poverty indicators and population vulnerability: the source of the research – this chapter gives an overview of poverty assessments and assessment of living standards in Montenegro written on the basis of surveys on household expenditures conducted by ISSP¹, the joint report on living standards and poverty in Montenegro completed by ISSP and the World Bank², and research on household income and expenditure of Roma³, IDPs and refugees in Montenegro⁴, completed by ISSP and supported by UNDP.

1. Poverty defined through expenditure

5. How many poor people are there? The study has shown that **12.2% of the population of Montenegro is poor**⁵. The absolute poverty line is defined as the total expenditure below the expenses of the minimal consumer basket for a standard household (€ 116. 2 per consumer unit) and the line of defining the economically vulnerable population is set 50% above the poverty line (€ 173.4). Assessments of poverty are sensitive to the poverty line: **more than one third of the population is classified as economically vulnerable** or without access to sufficient resources, because they live below the level of 150% of the poverty line. Poverty assessments are particularly sensitive around the poverty line (the concentration of the population around the poverty line is big, in other words, a slight moving of the poverty line upwards, significantly increased the % of poor people). According to research from June 2003, raising the poverty line for 20% would double the poverty rate. Therefore, a significant part of the population living in the zone immediately above the poverty line is vulnerable in the sense that it is sensitive to any form of economic instability or drop of personal income. Positive changes in income (those cause by growth or good economic policy) would lead to more than the proportional reduction in poverty; on the other hand, negative trends (recessions) would lead to an increase in poverty far above proportion.

6. Variations in poverty by population groups - given that this study includes research by population group, there are clear variations in poverty. The poverty rate is largest among RAE⁶ (52.3%); it is equal among refugees and IDPs (slightly below 40%) and smallest among the standard population (9.6%). Nevertheless, the majority of poor in Montenegro are its own residents (72.5%), while the percent of RAE among the total poor is 11.7%, refugees 5.9% and IDPs is 9.9%.

7. The regional poverty distribution⁷ - the most vulnerable are the residents of northern Montenegro, which has an overall poverty rate of 19.3%, and where 45% of the total poor are located. This region also includes 9.7% of

¹) Institute for Strategic Studies and Prognosis, Podgorica.

²) ISSP& World Bank, Living Standards and Poverty in Montenegro, Jun 2003;

³) This refers to the Roma, Ashkaelia and Egyptian minority.

⁴) ISSP, Research on Household Income and Expenditure of Roma, Refugees and IDPs in Montenegro, October 2003.

⁵) The ETF for the needs of this analysis is based on the assessment of the total population being 718.790, which consists of 660.000 domestic residents, 20.000 Roma (out of which 5.000 are IDPs from Kosovo and are perceived as a homogenous category), 13.300 refugees from former Yugoslav republics and 28.000 IDPs from Kosovo (according to data from 2002 there were 29.132 in Montenegro, but according to preliminary results from the census in July 2003, only 18.000, with the assumption that the largest number of these persons shall register in Serbia, because of the announced activities related to easier access to the social welfare system of Serbia, whose nationals they are. The census of IDPs in Serbia is expected to take place at the end of 2003).

⁶) RAE – The Roma, Aškelja, Egyptian minority

⁷) The traditional division of Montenegro into three regions: the northern region (N), consisting of 11 municipalities (Andrijevića, Berane, Bijelo Polje, Kolašin, Mojkovac, Plav, Plužine, Pljevlja, Rožaje, Šavnik, Žavljak), the central region (C) (Cetinje, Danilovgrad, Nikšić and Podgorica) and the southern region (S), consisting of 6 coastal municipalities (Bar, Budva, Herceg Novi, Kotor, Tivat and Ulcinj).

the Roma, 10.4% of the refugee and 51.6% of the IDP populations. Around 35% of the poor live in the central region, which has a poverty rate of 10.8%. The central region also contains 52.3% of the Roma, 51.1% of refugee and 36.6% of the IDP populations. Around 19% of the poor population lives in the southern region, which has the lowest regional poverty rate of only 8.8% (see Table T1).

T1. Indicators of Poverty and Population Vulnerability in Montenegro (2003)

	Montenegro			Regular population			RAE*			Refugees			IDPs**		
The assessed size of the population	100% (718.790)			92,4% (663.843)			2,7% (19.534)			1,9% (13.308)			3,1% (22.105)		
Absolute poverty: <i>Expenditure/expenses under the absolute poverty line</i> (€ 116,2 per month per person)	12.2% (87.641)			9.6% (63.728)			52.3% (10.216)			38.8% (5.164)			38.6% (8.532)		
% poor by group	100%			72.5%			11.7%			5.9%			9.9%		
Number of total poor per regions(%)	N	C	S	N	C	S	N	C	S	N	C	S	N	C	S
	45	35	19	53	31	16	9,7	52,3	38	10,4	51,1	38,5	51,6	36,6	11,8
Regional poverty rates	N	C	S	N	C	S	N	C	S	N	C	S	N	C	S
	19.3	10.8	8,8	14.9	6.5	6.8	77.6	39.4	82.5	30	62.4	27.3	51.1	50.4	13.8
Economic vulnerability and absolute poverty: <i>Expenditure/expenses below the absolute poverty line +50%</i> (€173.4 per month per person)	34.4			31.1			75.6			68.9			73.2		
Poverty gap	3.6			2.7			23.2			12.1			10.2		
Severity of poverty	1.5			1.0			13.8			5.5			3.8		
Average deficit of the poor as a percentage of the poverty line	29.9			28.0			44.4			31.2			26.4		
Extreme poverty: expenses for food < the poverty line for food	4.7			3.5			24.6			17.0			15.3		
The share of food expenses > 0,6	26.7			23.9			79.3			44.5			52.4		
Poverty with respect to education: 16 to 24 years old that are not in school and did not attend secondary school	17.2			4.7			70.0			29.3			8.0		
Poverty and health: Any illness/injury in the last 30 days which prevented or disabled standard activity	6.1			6.2			9.3			3.3			3.2		
Poverty with respect to employment 16 to 65 years old that are not working, but ready to work if employment opportunities are identified	17.4			17.0			43.3			32.5			30.4		
Poverty with respect to living conditions The source of drinking water in the flat/house is not from the water network or the flat/house does not have a bathroom	18.6			16.0			74.7			28.5			39.9		
Less than 10m ² per person in the flat/house	11.3			8.2			85.8			54.5			50.1		

Source: The ISSP survey on household expenditure of Roma, refugees and IDPs, October 2003 and ISSP&WB Research on Poverty and Living Standards in Montenegro, June 2003; (Regions: N- Northern, C-Central, S-Southern)

*Total RAE population consists of both domestic RAE (14 856) and internally displaced RAE (about 4.680).

**Without RAE from Kosovo;

8. **The poverty gap** – With the integration of data obtained from the research completed so far, the poverty gap index, which is a measure of the depth of poverty, amounts to 3.6%⁸. The consumption of the average poor person is about 29.9% below the poverty line. With a poverty line of € 116.2 per month, this implies an income gap of €37.4 million, or 2.7% of GDP. This means that if the state would mobilize financial resources equivalent to 2.7% of GDP and direct this to the poor with perfect targeting every year, in theory, absolute poverty would be eliminated. The necessary financial resources, assuming perfect targeting, for eliminating absolute poverty among the domestic population amounts to € 24.7 million, for RAE to € 6.5 million, for refugees to € 2.2 million and for IDPs € 4 million, per annum (See chapter 8 for further details). **The severity of poverty** is a measure closely linked to the depth of poverty, but which gives those who are located furthest away from the poverty line – the poorest – greater “weight” when grouping the data, from those who are closer to the poverty line. The severity of poverty is 1.5%, and particularly characterizes the RAE population where it amounts to 13.8%. Extreme poverty⁹ is significantly eradicated, with respect to the domestic population (3.5%), but is present among the RAE minority, where it amounts to 24.6%, and among the refugees and IDPs it amounts to 17% and 15.3% respectively.

2. The multi-dimensional nature of poverty

9. **Living conditions** – poverty is a multi-dimensional concept, which incorporates diverse types of welfare. Poverty related to expenditure is only one type of poverty. There is no single indicator, which entails all the dimensions of poverty. There are other types of poverty apart from those expenditure-related, such as poverty linked to employment, living condition, and health. Research has demonstrated that more than a third of the population has low living standards and living conditions, which especially characterizes the Roma. Around 16% of the domestic population does not have access to piped water or a bathroom. In terms of the Roma, ¾ of their homes have no access to piped water and in terms of the refugees and IDPs, the figure is 30% and 40% respectively. Over 50% of both refugees and IDPs, as well as 86% of RAE live in cramped living conditions with less than 10m² per household member (this indicator for the domestic population is 8.2). Among the most vulnerable groups are the Roma, Ashkaelia and Egyptian minority (RAE) irrespective of whether they are domestic, refugees or IDPs. In the majority of cases, the RAE live in ethnically homogenous settlements that are illegally built and located on the outskirts of the towns and cities. The poor quality of the overall living conditions has not surpassed with refugees and IDPs who lost everything they had acquired. In the majority of cases, the refugees and IDPs (excluding the RAE) lived a 'normal' life in their countries of origin, which included a regular job, good living conditions, security and an active social life. The psychological pressure, which is experienced by members of these communities, represents an additional problem. The majority of refugees and IDPs came to Montenegro because of their family links, as well as because of the proximity of their former homes. The percentage of those who now live independently (in their own or in rented accommodation) has increased. Nevertheless, the majority have still not resolved their housing problems: there are no legal basis for sale of their real-estate in countries of origin, and the properties which have been sold in the previous period, are done so under 'irregular' conditions: property has been sold for next to nothing

10. **Education and poverty** – Around 4.7 % of adults in Montenegro can be considered “educationally poor”, meaning that they are not attending school or have not completed secondary school (16-24 year olds). However, the most prominent challenge in terms of education in Montenegro is not entry into secondary education, but the

⁸) In the previous research, the sample studied included only the domestic population, and poverty was not deep as it amounted to 1,3 (and for the northern region 2,2).

⁹) **Poverty in terms of food** is defined as including those households whose expenditure for food is below the food basket cost (which amounts to 41 Euros per person per month). Food expenses < the poverty line for food.

quality of education, as well as the level to which required skills in the educational system reflect the needs of the market. Among the refugees this indicator is around 30%, and among IDPs it is 8%. Educational poverty is most prominent among the Roma and amounts to 70%. Only 7.1% of the RAE population is currently attending an educational institution. Nearly 50% of RAE in Montenegro do not speak domicile language, and very few have elementary education. Their work usually reflects the use of self-taught skills, and not formally acquired knowledge. The RAE in Montenegro, share the destiny of RAE in the region; the transition from centrally planned to market economies has had a particularly detrimental effect on this group. The low level of education and the high presence of those in low paid jobs puts them in an undesirable position in the labor market. Expectations with respect to employment are negligible. According to the research, the poverty rate among the RAE households in Montenegro is 4.5 times higher than the national poverty rate. that is 5.5 times higher than the poverty rate among the domestic population.

11. Income and expenditure – In terms of the **income sources** of the regular population, the majority of households acquire income through employment (75.7%), in the second place are pensions (45.5%), and in third are private transfers received from relations and friends in-country and abroad (19.3%). Among the RAE, this income source is more significant (27.6%), followed by humanitarian aid (18.7%) and income acquired through unemployment (16%). Among the refugees and IDPs, income from employment is most significant for the majority of households (54% and 43.3% respectively). In terms of the **structure of expenditures**, food expenses dominate in all the population groups: 49.4% among the standard population, 66.7% among the REA, 51.9% among the refugees and 53.6% of total expenditure among IDPs. The second largest expenditure represent accommodation expenses. RAE households have expressed dissatisfaction with their living conditions. Furthermore, 80.7% of REA households believe that food security represents a major problem over the long-term.

12. Health and poverty – Access and quality of health services is an important element of a poverty profile of a given society. In the research analysis, the percentage of the population, which was unable to conduct its regular activities in the last 30 days, as a consequence of illness/injury, was used as a key indicator. Around 6.2% of the domestic population had experienced an illness or injury, which limited their capacity to carry out regular activities. Even though the RAE live in significantly poorer living conditions, they are not significantly more affected by health-poverty. Around 10% of RAE, in comparison with 3% of refugees and IDPs consider themselves poor in terms of their health. – which means that they have experienced an illness/injury, which has prevented them conducting their regular activities in the 30 days, which preceded the time, the survey was implemented. On the other hand, the research showed that the majority of RAE children (94.5%) are vaccinated, which confirms the success of the joint activities of NGOs and health institutions with respect to prevention and child immunization?

13. Labor market and employment opportunities – The issue of the volume of (registered) employment is closely linked to poverty levels. The volume of the informal sector in 2002 is estimated at 30%. The economic recession, is having detrimental impacts on both the domestic population and the refugees and IDPs: the labor market is inflexible, even workers with many years of experience are left without jobs, and education no longer guarantees employment. Among the domestic population, within the 16 to 65 age-group, 17% of those surveyed is not working, but is ready to work if employment opportunities emerge. At the same time, the unemployment rate is 43.3% among RAE, 32.5% among refugees and 39.4% among IDPs. RAE in many cases conduct work that no one else wants to do and work that is least paid. The largest number of RAE engage in gathering and selling recyclable materials, trade and craftsmanship. In a majority of cases, RAE children who do not have access to education because they do not have the financial resources necessary to buy books and necessary equipment, as well as because of the need to contribute to the household budget, beg on the street. The majority of refugees and IDPs are involved in trading, mostly within the grey economy.

14. Social transfers – Montenegro is engaged in improving its social welfare system primarily by improving targeting measures and addressing fiscal sustainability (reform of the social welfare system). Currently, five main programmes for social welfare represent nearly 2% of the GDP. (Family support, child benefit, home care, pregnant women, veteran compensation). With maintaining the total budget constant in the nominal sense from

2000, the reforms have led to major changes in budgetary expenditure through larger social welfare programmes. With the legislation adopted in 2001, the volume of family support has increased. Even though all families entitled to this form of support do not receive it, the number of families receiving this form of benefit is reflected in the increased ratio of family support in the overall social benefit system – from 18 to 37 percent of the total budget. Whilst family support has increased, the amendments to child-benefit regulations adopted in 2001, only families receiving family support are eligible to child-benefit. At the same time the assistance to families with children with special needs has increased irrespective of their income.

15. Social welfare and poverty – To what extent do social welfare programs impact on poverty? The extent to which poverty is alleviated shall depend not only on the size of the benefit, but also on the level of effectiveness in terms of targeting. Social projection can entail social welfare programs (such as family support) and programs of social insurance (including pensions and assistance to the unemployed). The links between poverty and social welfare is assessed by researching the changes in measures for combating poverty, if there are no available social benefits, assuming a marginal bias to expenditure of 50%. For example, in the research of June 2003, it is stated that poverty would increase by 34% among the domestic population, if there was no social welfare program.

16. Humanitarian aid - RAE, IDPs and refugees represent vulnerable categories of the population in Montenegro and they have been continuously monitored by international humanitarian organizations over the last few years. Many of them, however, continue to live in poor quality accommodation, with insufficient income to secure three meals a day and secure a basic diet. Despite the desire to work, they are very often denied the opportunity to secure an income. As time passes, assistance from international humanitarian organizations is being reduced, and the over-burdened budget does not have the means for providing more generous support. Furthermore, refugee households and IDPs do not have the right to apply for family support, child benefit or compensation from the Office for Employment, whereas the state covers healthcare costs. The education system is accessible to all. In addition, refugees and IDPs do not pay utility charges, and if they live in collective centres, they do not pay for electricity charges. The domestic RAE are users of the states social welfare system, however, they often lack information about application procedures, their benefits are irregular, and given that the number of households in this category is large, the income obtained in this way does not resolve the problem. The participatory process reinforced the importance of access to education, as a long-term solution to poverty alleviation.

17. Perspectives – Refugees and IDPs are under much more psychological pressure than RAE, because of a sudden decrease in living standards. The traditional saying “it is most difficult to have and have it taken away” best explains this problem. During their stay in Montenegro, many have managed to integrate into society, which is demonstrated by the number of households that live in their own or rented accommodation, in comparison to when they first registered. The highest number of IDPs is active in the trading sector within the gray economy, which is obviously a short-term solution. The Commissariat for IDPs has announced the development of a national strategy, which is to offer long-term solutions for caring for refugee and IDPs persons. It is certain that RAE and IDPs want to be part of the society in which they live and that they wish to contribute to its development through their work. Only development projects in the area of employment and well-defined social policy can secure the achievement of this goal. Until then, research is needed to adequately monitor the effects of measures taken on the poor and marginalized population in Montenegro. According to surveys implemented, the majority of RAE plans to seek citizenship in Montenegro (67.7%). In terms of the status of refugees, 40.7% of those who do not have citizenship of Serbia and Montenegro has applied for it; 2.5% has obtained citizenship, but still has not processed the papers; 47% plans to apply for citizenship of Serbia and Montenegro, while 9.8% of the refugee population does not plan to seek citizenship. When asked whether they would return to their countries of origin, 34.8% answered ‘yes’; 15.8% replied that they would return if it was secure for them; 23.4% does not think about return because their property has been destroyed, 3.2% have sold their property and cannot return, and just over one fifth of those questioned (22.8%) would not return, because after spending 10 years in Montenegro, they have managed to integrate economically and socially. More than half of the IDPs who are in Montenegro, sees its future here: according to the survey, one fifth (19.6%) of IDPs has submitted an application for obtaining Montenegrin citizenship, while 46.3% plans to do so.

3. Inequality

18. Inequality measures give implications of how benefits of growth are distributed over time. The Gini coefficient in Montenegro is 0.29, which is in the range of other transition countries in Eastern Europe. Including marginalized populations does not change the Gini coefficient figure; 90/10-decile ratio coefficient¹⁰ has increased and demonstrates a higher level of inequality in Montenegro in comparison with other transition economies (7.0). In terms of inequalities within the marginalized groups, inequality is greatest among the RAE, both in terms of the Gini coefficient, as well as when we take into account the decile ratio. As demonstrated in the analysis, the average monthly expenditure per person within the RAE population is 2.3 times lower than the average expenditure per person in the country as a whole. Given these figures, the poorest RAE spend over 15 times less than the RAE who have the highest expenditures. Inequality is least present among the IDPs, but even within this group it is very high.

Table 2: Inequality measures

Inequality	The total population	The standard population	RAE	Refugees	IDPs
<i>Gini coefficient</i>	0.29	0.28	0.38	0.31	0.27
<i>Decile ratio</i>	7.0	6.5	15.4	7.8	5.7

4. Poverty risks

19. Within the total population of Montenegro, those who are more likely to be poor, have the following characteristics: they live in families with four or more members (15.1%); the head of the household is a person who is older than 50 (1.5.3%); the head of the household is a woman (18.9%); they live in households whose household-heads have completed only primary education (30.8%); they live in households in which the household-heads are unemployed or non-pensioners (23.8%). Even though these categories battle with high poverty risks, they do not represent the majority of the poor in Montenegro, because they represent a small proportion of the total population.

20. With respect to analyzing the **RAE population's** poverty profile, the situation is somewhat different; as the poverty rate is high, all categories are more or less affected. An average RAE household has 5.7 members. It is clear that the majority of this population (92.3%) lives in households with more than four members, and their poverty risk is higher (55.1%) in comparison with those who live in small households (up to 3 members 0 18.5%). Household members whose household-heads are less than 50 have a higher poverty risk (54.1%); the case is the same with RAE households headed by males (53.9%). Household size plays an important role in the poverty levels for RAE, and this is probably because households headed by males usually have more members. Also, the poverty rate is larger with households headed by persons with elementary education (54.4% in comparison to

¹⁰ The decile ratio (90/10 coefficient) represents the coefficient of average expenditure in 10% of the richest population and the average expenditure in 10% of the poorest. Even though the 90/10 coefficient does not utilize information on the income distribution between the upper and lower deciles, it is sometimes much more appropriate than the Gini coefficient which can fully predict changes which impact on the poor.

36.9% of households whose househeads attended secondary school). It is interesting that the poverty risk is higher when the head of the household is employed (53.1%).

21. The poverty risk rises within the RAE group, when the following indicators are taken into consideration: the average size of the RAE household is 5.72. The average age of those participating in the RAE survey is 21.6 years. 88.6% of the members of this population live in urban or suburban areas, and only 11.4% live in rural areas. The majority of RAE (47.6%) live in shacks; 30.5% live in houses, while 7.8% live in one room flats. The majority of RAE live in accommodation made from hard material (50.2%); 42.8% live in homes made from wood, 4.5% in homes made from mixed materials, 1.2% in homes made from earth combined with other materials. Living conditions of RAE households are made additionally worse due to the environmental problems, which characterize their immediate surroundings. Namely, 47.5% of RAE households live in close proximity to a dump, 22.3% live in settlements where waste waters flood, 17% live in areas where the air is polluted, and 12.8% have problems with mud. Furthermore, the survey results show that the birth rate among Roma women is very high, with 85% of women having five or more children. 7.8% RAE households receive family support. 18.7% of RAE families receive support from humanitarian organizations.

T 3. Poverty profile: Poverty rates by group

	Montenegro			The standard population			RAE			Refugees			IDPs		
	% of pop.	% poor		% of pop.	% poor		% pop.	% poor		% of pop.	% poor		% of pop.	% poor	
Household size															
1-3 members	26.9	4.2	(2.3)	27.5	3.4	(2.4)	7.7	18.5	(5.9)	26.0	24.6	(5.9)	27.3	12.7	(3.7)
4+ members	73.1	15.1	(3.6)	72.5	11.9	(3.9)	92.3	55.1	(3.8)	74.0	43.8	(5.7)	72.7	48.3	(4.7)
By age of household head															
Less than 50 years	45.2	15.3	(4.4)	42.1	8.3	(1.3)	77.2	54.1	(4.0)	50.0	30.0	(6.4)	59.1	46.1	(4.9)
50-64 years	42.0	11.9	(4.4)	41.5	9.0	(1.5)	19.9	46.6	(8.5)	39.2	42.1	(7.3)	27.3	25.7	(6.8)
65+ years	12.8	2.3	(0.8)	16.4	13.5	(2.9)	2.9	41.8	(15.3)	10.8	67.8	(11.0)	13.6	31.8	(9.1)
By sex of household head															
Male	86.5	11.1	(2.8)	86.4	8.4	(3.0)	90.6	53.9	(3.8)	82.0	37.9	(5.1)	82.3	38.2	(4.2)
Female	13.5	18.9	(8.9)	13.6	16.9	(9.8)	9.4	35.9	(9.4)	18.0	43.1	(10.3)	17.7	40.3	(8.4)
By educational level of household head															
Elementary	19.0	30.8	(8.9)	16.9	25.1	(3.8)	88.0	54.4	(3.8)	24.7	72.1	(8.7)	15.2	59.2	(9.5)
Partially completed or completed secondary educat	81.0	7.8	(2.5)	83.1	2.6	(9.6)	12.0	36.9	(9.6)	75.3	27.9	(4.4)	84.8		(4.0)
														34.8	
By employment status of household head															
Not employed and not retired	11.9	23.8	(9.2)	10.4	17.0	(11.4)	42.6	50.0	(5.5)	17.9	74.6	(8.3)	22.4	47.6	(7.6)
Employed	64.5	6.6	(2.2)	65.0	4.1	(2.3)	55.2	53.1	(4.9)	68.8	31.4	(5.7)	55.7	33.6	(5.0)
Retired and not employed	23.6	22.3	(8.3)	24.6	21.6	(8.8)	2.2	37.4	(18.8)	13.3	30.6	(9.9)	19.9	41.3	(8.3)

Source: ISSP/UNDP Survey on income and expenditure of households. Note: Standard errors are in parentheses; the 95% confidence interval is approximately ± 2 standard errors.

22. Some of the general conclusions on poverty risks apply also to **refugees**, but there are other poverty risk indicators that are specific for this group. The poverty risk is higher for: households with four or more members (43.8%); households headed by an older person – age 65 or older (67.8%); households headed by females (43.1%); households headed with persons who have completed only elementary school (72.1%); and households headed by persons who are neither employed nor pensioners (74.6%).

23. The average size of a refugee household in Montenegro is 3.92. The average age of the survey respondents was 31.9 years. From this we can conclude that the large majority (more than 90%) sees their future within Montenegro. With respect to type of accommodation, the majority of refugees live in one-room apartments (32.5%), 27.7% live in houses, while 16.9% of refugees live in shacks. 13.3% of refugees live in two-room apartments. The majority of refugees included in the survey sample live in collective centers (39.2%), 19.3% live in their own accommodation, 20.5% live in rented accommodation and 4.8% in homes of relatives or friends. 65.8% of households live in homes made from hard material; 7.6% live in homes made of wood, while 25.9% of households live in homes made from mixed materials. The majority of refugee households (51.3%) did not have enough money for food during the month preceding the survey.

24. **IDPs** are at a greater risk of being poor if they live in households with four or more members (48.3%); with households headed by persons younger than 50 years of age (46.1%); in households headed by women (43.1%); in households headed by persons with only elementary education (59.2%); and by persons who are neither employed nor retired (47.6%).

25. The average size of a **refugee** household in Montenegro is 3.92. The average age of survey respondents was 33. Out of the total number of surveyed IDPs, the largest percent (26.2%), live with friends/relations who were the main reasons of their coming to Montenegro; 24.3% live in rented accommodation; while 15.6% live in homes they own. Nearly one fifth of the IDP households (17.5%) live in collective centers, 10.3% in specialized institutions. The majority is in accommodation made from hard materials (83.4%); 12.4% live in homes made of wood, while the remaining 4.3% live in homes made from mixed materials.

II. THE OBJECTIVES OF THE DEVELOPMENT AND POVERTY REDUCTION STRATEGY (DPRS)

The DPRS aims to make spending projections for the next three-year period (2004-2006). The DPRS is to be implemented as an integral part of the overall development and reform strategy in Montenegro, which is complementary with the Agenda of Economic Reforms and other development strategies, and which presents a framework for the development of other development documents. The periodical report on the progress on the Strategy's implementation will include progress on the SAP process, as well as achievements towards the Millennium Development Goals (MDGs).

	OBJECTIVES	STRATEGIC DIRECTIONS / ACTIVITIES	INDICATORS
1.	Create the conditions for self-sustainable and equitable economic growth, which will reduce the rate of the economically vulnerable population	<ul style="list-style-type: none"> ▪ Create a stable macro-economic environment for dynamic economic growth, while ensuring the private sector plays a crucial role. ▪ Harmonization of legislation and policy with the EU ▪ The promotion of Montenegrin potential, especially in areas where Montenegro holds a comparative advantage ▪ Pro-active policies in creating employment opportunities ▪ The protection of the environment and the sustainable management of resources. 	<ul style="list-style-type: none"> ▪ The GDP growth rate ▪ The employment growth rate ▪ The growth in exports ▪ A reduction in imports ▪ A growth in foreign direct investment ▪ Progress on SAP ▪ A reduction in the economically vulnerable population rate
2.	Ensure social stability and reduce the poverty rate	<ul style="list-style-type: none"> ▪ Improved targeting of social welfare measures especially those directed at children, older people and the disabled. ▪ Improved access to and quality of education ▪ Improved access to and quality of health services ▪ Improved quality of environmental protection ▪ Development of infrastructure in the function of poverty reduction ▪ Implementation of regional development policies for poverty reduction in least development and rural areas ▪ Implementation of activities for enabling the realization of the Strategy for repatriation of persons who wish to return to their former homes. ▪ Improved quality of social integration and poverty reduction of refugees, IDPs and RAE, for those persons who wish to remain in Montenegro. ▪ Achieving gender equality and human rights 	<ul style="list-style-type: none"> ▪ A reduction in the poverty rate ▪ Improved multi-dimensional poverty indicators ▪ A reduction in regional development gaps ▪ The level of social integration of marginal groups.
3.	Define key poverty indicators, in line with the Millennium Development Goals (MDGs) and assess them through an integral system of monitoring and evaluation, during the DPRSP implementation period.	<ul style="list-style-type: none"> ▪ Develop an integrated monitoring system ▪ The quality of change to be measured through key indicators, that is, through their gradual reduction, as the proposed measures are implemented. 	<ul style="list-style-type: none"> ▪ MDG indicators

Further elaboration of the above objectives, is given, by sector, in the Performance and Policy Matrix.

III THE MACRO-ECONOMIC FRAMEWORK FOR ACCELERATED ECONOMIC DEVELOPMENT AND POVERTY REDUCTION

1. The Program of Economic Reforms

1. The top priority for macroeconomic policy is the **achievement of economic stability and sustainable growth**, as the basic instrument and prerequisite for improving living conditions and achieving poverty reduction. (The Government of Montenegro defined its strategic development directions and set out a program of economic reform in the document – The Agenda of Economic Reforms, representing a baseline for the DPRS). Macroeconomic stability is one of the key factors impacting on poverty alleviation. A stable domestic environment, together with low inflation, stable fiscal policy and external liquidity are the crucial macro stability factors for establishing a favorable business climate, while at the same time providing the most favorable conditions for poverty reduction. Providing such conditions is a key goal of economic policy makers.

SELECTED ECONOMIC INDICATORS FOR MONTENEGRO FOR THE FIRST 9 MONTHS OF 2003

Selected comparative data of the first 9 months in 2002 and 2003 are as follows:

- The assessed GDP has nominally risen by 10.27% (the realistic growth is estimated at 2.52%, which is more than the planned 1.5% for the year).
- industrial growth has been achieved in value of 6%
- production of food goods and beverage has increased by 22.1%
- The trade balance deficit has been reduced by \$ 50 million (28.5%) and an increased coverage achieved of imports by exports from 57% to 70%.
- The total volume of trade exchange with other countries has increased by 5.9%.
- Retail prices have risen by 6.6%
- Montenegro has been visited by 571.000 tourists and had 3 852 878 over-night stays (a growth in the number of tourists by 13.2% and overnight stays by 9%)
- The registered unemployment rate has been reduced by 18% (66.277 persons)
- 24.766 new employment positions have been registered and an additional 19.230 employment positions registered among nonresidential persons.

2. According to a realistic-conservative scenario, real growth rates in the future **medium term period (2004-2006)** are envisaged to range from 2.5% in 2004 to 4% in 2006, although actual recovery and growth could be realized more rapidly. Planned economic growth is based on improvement of the overall legal-economic environment, escalation of export-oriented sectors, achievement of fiscal and monetary balance, and political and institutional stability. Steps taken and reforms implemented by the Government so far (2000--2002) have been successful in establishing a stable macro environment, and laying the basis for future medium term growth. These activities included actions to reduce and remove distortions within the economic system through price liberalization, changes in the foreign trade regime, reduction in public expenditures, tax system reform, stabilization of inflation, financial and fiscal system reforms, and privatization and restructuring in the productive sector.

3. The key to sustainable growth in Montenegro should be based on **export-oriented private sector development**, considering the small domestic market. Exports at present are characterized by an insufficient volume of goods exported, and a lack of a range of goods exported (export of raw aluminum is close to 70% of total merchandise exports). Export-oriented sectors in Montenegro at present include tourism, agriculture (wine, beer, medical herb, lamb meat, and other food products), transportation, and wood products. Intensifying these activities, in which Montenegro has a comparative advantage, will encourage economic growth, increase employment, and help alleviate poverty.

4. Export-oriented growth assumes greater **investments**. The investment share of GDP in the next medium term period is projected to be 19.5% in 2006, compared to 18.9% in 2002. Domestic savings, are expected to grow from 2.9 % of GDP in 2003 to 4.3% GDP in 2006, are to represent the basic resource for local investments. Despite the significant growth of domestic savings, future growth depends on a significant increase in foreign investments. Thus, it is important that, the Government of Montenegro continue efforts in creating a favorable business

environment, including property right protection, the rule of law and business development based on market principles. These measures will, hopefully, contribute the realization of the projected foreign investment increase (direct investments) from 6.8 of GDP in 2002 to 11.1% of GDP in 2006.

5. Monetary policy and Banking – The desire of Montenegrins to establish monetary stability led to the introduction of a stable European currency the DM at the end of 1999, and the Euro in 2002. However, despite the introduction of the Euro, inflation is still present in Montenegro above its level in Euro zone countries. Taking into account that the Central bank of Montenegro does not conduct an emission function, Montenegrin inflation has its roots primarily in non-monetary policy trends (expansive fiscal policy, level of local wages and pensions especially during 2001, introduction of VAT). A number of measures being applied by the Government such as fiscal policy and wage stabilization, further price liberalization and monopoly removal, will have positive effects for inflation stabilization. The anticipated inflation level in 2003 is around 8%, and further reduction is expected in forthcoming years.

6. Significant progress has been made within **banking sector** reform and recovery. The overall strategy for the financial sector had two aspects: restructuring and reform of the existing financial institutions (banks), as well as creating conditions to involve new banks, especially foreign ones, within the financial market. A new institutional framework was the starting point for banking sector restructuring, which has been performed successfully (by additional capitalization, acquisition and bankruptcy of those banks which did not meet basic conditions prescribed by the Law on banks). The private capital share in the banking sector, with successful completion of Montenegrobanka privatization, is now 75%, and will increase with the further privatization of state banks (Podgoricka banka). With the appliance of the Basel principles on bank supervision, successfully carrying out by the Central bank, banking business has been significantly improved. In order to return confidence in the banking system, the Government has prepared a Law according to which confiscated foreign currency savings should be returned to the citizens in the period from 2004 to 2017.

7. In spite of the institutional support and strengthening of the banking sector, there remains a high disparity of credit between deposit interest rates. When it comes to **credit structure**, most bank loans are given to private companies and citizens, but have mainly a short term character. Reduction and stabilization of inflation should reduce risk perceptions, and lead to a decline in credit interest rates. A new Law on deposit insurance will help promote the safety of deposits, and increase liquidity of the banking system.

8. Fiscal policy in the forthcoming medium term period, should support development and Government's programs for poverty reduction. In the future medium term framework, a slight growth of **public revenues** is projected, so that the overall projected consolidated revenues will grow from 36.0% of GDP in 2003 to a level of 38.5% of GDP in 2006. Public revenue projections in 2003 were based on planned effects of new tax laws: the Value Added Tax Law and Personal Income Tax Law, as well as on changes within tax collection system for foreign trade and transactions. Likewise, revenue projections are conservative, but take into account the effects of VAT and other taxes introduced during 2003.

9. Several factors impacted on the level of **public expenditures** during the period 2002. Public expenditure in 2002 was 41.6% of GDP. During 2003, despite considerable measures aimed at decreasing expenditures (reduction in the number of employees by 1000), planned expenditures have increased to 42.3% of GDP. This increased percentage in public expenditures is partly a result of inclusion of funding to support the Union Government, which is 2.8% of GDP, as well as additional expenditures of about € 11.6 million or 0.7% of GDP aiming at funding entrepreneurship and small business, and for reducing illegal employment. Stabilization of public expenditures of about 38.4% of GDP is expected in 2004, which will slightly increase, up to 40.7% of GDP in 2006. Beside the Union transfers, the structure of expenditures within 2004-2006 will also comprise payment of the old foreign currency savings to citizens amounting to €145 million in the next 13 years, including € 8.1 million in 2004. Slight growth in project funding from 1.4% to 1.7% of GDP is also projected in the same period, which will raise capital expenditures and directly impact on poverty reduction. Considering that the level of public

expenditures in Montenegro is mainly determined by the level of wages in the public sector, budget projections for 2004 also include further reduction in these expenditures by € 5.2 million, which means further reduction in number of employees.

10. Given these changes in public expenditures and revenues, the **projected public sector balance** during 2004-06 will reach -5% of GDP (before grants and assuming no additional foreign financing that is presently foreseen as available (see Table 1). This deficit includes an average of 2.6% from foreign loans and grants, and 1.7% for domestic financing. Privatization revenues are projected to gradually decrease over time. However, this budget projection does not include the projected public expenditures needed for the poverty reduction strategy (PRS) implementation. These additional funds average about 9% of GDP during the 2004-06 period, of which 40% would come from non-inflationary domestic sources, and 60% from foreign financing. If such foreign financing were obtained, it would raise the deficit by an additional 5.6% of GDP (assuming all foreign assistance goes through the public sector), for a total of 10.6%. However, the true deficit excluding grants, on the assumption that 50% of new foreign financing is on grant terms, would be 6.8%.

11. International economic relations are characterized by the presence of considerable deficit within the balance of payments. Predicted current account deficit in the next medium term period, will be around 15% of GDP, excluding additional financing needed for the DPRS. Despite the changes in the customs regime, the share of imported goods within total output (especially in tourism) is still high. In order to reduce deficits, the Government aims to define an institutional framework to stimulate exports and investment. Although it was expected that the share of foreign trade balance of goods and services would be decreased to 28.6% by 2005, in fact, this percentage has already been cut to below 25% in 2003 (30.1% of GDP was envisaged). Such a considerable drop of this indicator was positively influenced by changes in the dollar/euro exchange rate, as well as by the reduction of imports by Serbia through Montenegrin territory.

12. Creation of favorable business environment is one of the important prerequisites for economic recovery. Obstacles imposed by the rules, procedures for getting licenses, taxes, waiting time and inconsistency within procedures and processes, obstruct the establishment of new companies and the development of existing ones. It is necessary to analyze formal and informal barriers systematically, and develop a plan to reduce or remove them, as well as a system for monitoring progress. In the last two years progress has already been made through: liberalization and removal of certain regulations in foreign trade and investments, simplification of customs system, improved employment legislation, and improvements in company registration. A new Law on Bankruptcy will facilitate the closure of unviable firms, while the new Law on Private Sector Participation in Service Delivery will enable the larger participation of the private sector, using concessions and other approaches.

13. Privatization in Montenegro was carried out through the process of mass voucher privatization, direct tender sale and auctions. MVP has completed the phase of so-called «populist» privatization, involving around €1.4 billion or 29.19% of totally estimated capital in Montenegro. In spite of the effect of privatization, a great deal of capital is still owned by the state. Around 40% of the industry sector is owned by the state and the Government plans to **sell several large corporations** by the end of 2003 or early 2004. 54% of Jugopetrol Kotor shares were sold. The large aluminum factory, KAP, had been put up for sale in 2002, and the process of selecting financial advisors has started. Final negotiations on the purchase of the Niksic Iron Works (Željezara Nikšić) are in progress. Negotiations with respect to tenders for the Tobacco Combine (Duvanski kombinat) are currently taking place as is the case with a number of hotels (nine hotels have already been sold). The tender for Telecom is expected to be announced next year. In the majority of cases SMEs have many owners, which is a result of the MVP program and has disabled corporate level change and made finding strategic investment difficult. Many of the enterprises are still either directly or indirectly under the state control, through the privatization and other funds. The Government will undertake a program to continue the privatization process through intensifying sale and the sale of the remaining capital within republican funds through auctions and stock exchange sale.

14. Reform of the Judiciary system – The Montenegrin judiciary system is not fully compliant with EU standards. There is a growing number of cases, in terms of their volume and complexity, but there is a lack of staff and financial capacity, and a huge number of cases that have not been solved, in particular when it comes to civil suits. There is an obvious lack of modern judicial administration and management. For these reasons, the Government adopted the Strategy for Judicial Reform in 1999. The overall reform on judiciary system requires: i) changes in constitutional and legal framework, which will lead to greater independence of the judiciary system ii) changes within the structure and functioning of judiciary system in accordance with the regulations of recently adopted Law on Courts iii) strengthening the expertise of judges, prosecutors, employees in Courts and other key personnel; iv) improvement of administration and management in Courts; v) encouraging civil sector participation in the reform; vi) reliable, effective application of new economic and legal framework, which as a consequence raises confidence among investors. The main objective of the reform is independent, impartial, transparent, efficient, flexible judiciary system that guarantees protection of the rights of both physical and legal entities, consistent with the constitutional and legal framework, and EU standards.

15. Strategy on administration reform in Montenegro – public administration reform is one of the priority tasks of the Government in the forthcoming period. Administration reforms assume creation of the holistic democratic atmosphere in Montenegro. In that sense, state administration reform and building the institutions of the system must rely on the principles of parliamentary democracy, the rule of law and the participation of civil society. Reform activities comprise the following areas: state administration, local self-government and public service, as well as other functional elements of the administration system.

16. Reform on state administration – good management implies state administration capable of delivering good and reliable services to clients. To achieve this goal, it is necessary to adopt policies characterized by: full transparency in operations, performance-based management, merit-based selection of the staff, training and development, and salaries and remunerations linked to performance. Bad management practices do not clearly specify actors and their responsibilities, limit innovations and increase administration costs. Some donors are already providing technical support for institutional and process reforms, while the EAR is providing assistance in drafting the legal framework for state administration and trainings. To make the reform successful, it is necessary to improve the structure of state administration. The Law on State Administration and the Law on inspection have been adopted. The rationalization of public administration is ongoing. Training of public sector employees and programs for "change management" is required to create a culture that will permit the implementation of the reforms. The overall objective is good management of state administration services, which are politically impartial, qualified, ethical, professional, with staff selected on its merits and responsible for the performance of the activities of state authorities. Goals, targets, directions and activities of the reforms will be defined by a Strategy on Administration Reform in Montenegro.

17. Local self-government reform – The Parliament of Montenegro adopted the Law on Local Self-governance and the Law on Financing Local Authorities in 2003. (This includes the appointment of municipal mayors through direct election). The main objective is to provide a democratic, decentralized, professional, local self-government system, which will welcome citizen participation in decision making and contribute to local socio-economic and cultural development as well as help create a healthy business environment. The Government of Montenegro is pledged to adopt a set of system laws designed to regulate financial and political institutions at the local level, regulate fully the decentralization process and immediately start with local self-government reform. To be completely realized, this activity calls for willingness and determination of key state authorities, in particular, Ministry of Finance and Ministry of Justice. Their active support and coordination in the process of local self-government reform is of crucial importance for efficient implementation.

18. The strategic priority of Montenegro and Serbia is a gradual harmonization with EU standards and systems, i.e. initiatives linked to the **EU Stabilization and Association Process**. The harmonization action plan for two economic systems of the members of the State Union was adopted by the Parliament of Serbia and Montenegro in August 25, 2003, half a year after the constitution of the State Union and the adoption of the Constitutional Charter (February 4,

2003), enabling the free flow of people, goods, services and capital. The process of drafting the Feasibility Study is ongoing and represents the basic prerequisite for intensifying the SAP process, meeting the Copenhagen criteria and leading to the final signing of this important Agreement with the EU. With respect to international economic relations, the priorities in the medium-term are **WTO** membership, the establishment of the Balkan free trade zone as well as increasing regional trade.

Table 1. Basic macroeconomic indicators 2002-2006

	2002	2003p	2004p	2005	2006
Real economy					
GDP nominal (mil Euros)	1.250	1.375	1.475	1.587	1.717
GDP in millions of EUR (prices in 2002)	1.250	1.279	1.317	1363.3	1417.8
GDP per capita	1.823	1.909	2.191	2.345	2.525
	(percentage change)				
Real GDP growth	3.6	2.3	3.0	3.5	4.0
Nominal GDP growth	19.1	10.0	7.3	7.6	8.2
Implicit GDP deflator	15.0	7.6	4.9	4.0	4.0
Poverty		12.2	12.0	11.8	11.5
Agriculture	3.0	3.0	4.0	4.5	5.0
Industrial production	0.6	1	-	-	-
Retail Price index	19.7	7.8	5.0	4.0	4.0
Unemployment rate	23.25	22.00%	21.00%	20.0	19.0
	u% GDP				
Invetmnet	18.9	19.2	19.3	19.4	19.5
Domestic savings	1.4	2.9	3.4	3.8	4.3
Foreign direct investment	6.8	8.7	10.2	11.03	11.7
Consolidated Government Finances					
Consolidated revenue	36.5	36.0	36.5	37.5	38.5
Tax revenue	34.2	34.1	34.6	35.6	36.5
Consolidate expenditure	40.6	42.3	38.4	39.2	40.7
Current spendings	38.3	36.4	34.4	34.2	37.2
Capital spendings	1.6	2.1	2.6	3.0	3.0
Union transfers	0	2.8	2.8	2.8	2.8
Corrective fiscal measurements		1.9			
Overall balance before grants	-4.0	-5.3	-4.7	-5.0	-5.0
Foreign grants	2.2	1.5	1.0	1.0	1.0
Domestic financing	-3.5	1.0	1.7	1.7	1.7
Net Foreign Financing	0.6	1.8	1.4	1.7	1.8
Project financing	0.6	0.4	0.9	1.3	1.3
Privatization receipts	5.1	1.0	0.7	0.6	0.5
Balance of payments	millions of USD ¹¹				
Current account before foreign grants	-305	-169	-172	-165	-167
(% of GDP)	-22.1	-10.9	-10.3	-9.2	-8.6
Foreign debt ¹²	570	548	509	474	440
Foreign debt (% of GDP)	41.3	35.3	30.6	26.4	22.7

¹¹ The exchange rate used was 1,13 USD for 1 EUR

¹² Approximation refers to the old debt and the new debt for years 2003 and 2004, but does not include the liabilities to the London Club, and does not include the projected future loans for years 2005 and 2006.

T 2. Consolidated Government Finances including DPRS projects 2002-2006

(in % GDP)

	2004	2005	2006
DPRS projects	9.1	10.4	8.2
Domestic resources ¹⁾	3.6	4.2	3.3
International financing	5.4	6.3	4.9
: grants	2.7	3.1	2.5
Overall balance before grants (including DPRS)	-10.1	-11.3	9.9
Foreign grants	3.7	4.1	3.5
Overall balance after grants (including DPRS))	-6.4	-7.2	-6.4
Financing			
Domestic Financing	1.7	1.7	1.7
Net Foreign Financing	4.1	4.8	4.3
Privatization revenues	0.7	0.6	0.5

1) Planned activities, reallocation of budget, growth of budget revenues;
Prepared by DPRS ETF, 2003

2. Creating new employment

1. **Employment** is, as a rule, the indicator of economic, cultural, and social prosperity of a certain community, the source of livelihood for the majority of the population and a stabilizing force for the socio-economic status of individuals and the community. **Unemployment** is often associated with social exclusion, marginalization and the non-utilization of human resources, particularly in terms of knowledge, labor, and time. Employment status is highly correlated with the risk of poverty. During the consultation process, the issue of employment arose as the single most important issue on the minds of the poor. This included the lack of jobs, the lack of adequate remuneration for jobs, and the uncertainty of the duration of employment.

2. The overall number of employees in Montenegro in 2002 according to the official records amounted to 113827 persons, while, according to the Labor Survey for the same period, it amounted to 177617 persons. The official data shows that there were 80584 persons registered as seeking work with the Labor Market Bureau of Montenegro in 2002 while, according to the Survey, that figure was 57688 persons. The employment rate, in the period of 1990-2002, dropped annually by about 2.9% on average according to the data of the official statistics¹³.

3. Women's share in the overall number of employees (Survey 2002) was 39.95%. Given that women account for 51% of the labor force, this data demonstrates a degree of gender inequality in the labor market.

4. According to the data from the **Labor Survey**, in the course of 2002, the share of labor employed in privately owned enterprises, amounted to 26%, of those in mixed ownership to 14.7%, and those in state ownership to 59.3%. In the period between 1995 and 2002, the number of private enterprises grew by 44.6%, and the number of enterprises in mixed ownership by 84.3%, which is a logical consequence of privatization. The share of the number of employees in small and medium-sized enterprises in the overall number of employees is around 20% (according to the assessments of the Labor Market Bureau), which is still far below the average required for stable growth and development. With reference to type of employment activity, in the course of 2002, according to the Labor Survey, the largest is the share of employees in the sector of wholesale and retail trade (16.3%), then in civil engineering

¹³ On October 6, 2003, 67407 unemployed persons were registered with the Employment Bureau, i.e. 13423 less than a year before, which demonstrates the successful application of the Government program for legalizing informal employment and opening new employment positions (a reduction in unemployment by 18% in comparison to the December 2002).

(11.7%) and in hotels and restaurants 10.3%, while the smallest shares of employees are in the sectors of the fishing industry (1.0%), processing industry (1.6%) and real-estate business (1.4%).

5. The unemployment rate in Montenegro, in 2002, viewed through the ratio between the number of the unemployed and the number of those constituting the active population, was 30.4 % (according to the official records) while, according to the data from the Labor Survey, this rate was 20.7 %. The difference is accounted for by “unemployed” workers registered with the labor market bureau who also hold jobs in the “gray” economy. This strategy enables these employees to qualify for health insurance, which is extended to those who register as “unemployed”, meaning that they do not hold jobs in the formal sector. The average unemployment rate, according to the Survey, calculated as an average of the unemployment rate with and without technological and economic redundancies, amounts to around 24%.

6. The basic characteristics of unemployment in Montenegro are:

- **Unfavorable ratio between the number of employees and the unemployed.** The ratio between the number of the unemployed and employees (based on official records) was **1:1.4**, while, according to the Survey, it was **1:3.3**;
- **Durability** is one of the main characteristics of unemployment in Montenegro. According to the official data from 2002, 82.3 % of the unemployed have been waiting for employment for over a year (58.8 % in 1990). According to the data from the Survey, long-term unemployment participates with 85.9% in the overall unemployment. **Presently, the average waiting for employment in Montenegro is 4 years** (2.8 years in 1990);
- **Gender inequality.** According to the official data, in the course of 2002, the unemployment rate among men amounted to 20.6%, and among women to 40.4%, while in terms of the Survey statistics, unemployment amounted to 14.2% and 26.3 % for men and women respectively;
- **High share of unemployment among young persons. According to the official records, 24% of persons under 25 years of age wait to be employed** (49.6 % in 1990), and according to the Survey, that percentage is 29.3%. Average age of presently unemployed persons is 33 years (29 years in 1990);
- **There is a clear disproportion between labor supply and demand.** In the previous year, the labor supply was 6 times higher than the demand, while in case of certain occupations with secondary school qualifications that ratio exceeds even 10 to 1.
- **Regional disproportions.** In the course of 2002, the share of the number of unemployed in the northern region was 45% in relation to the overall number of the unemployed in the Republic. In the central part of the Republic that share amounted to 35.3%, and in the South it was 19.7 %;
- **High level of hidden unemployment** is estimated to have reached 39000 people.
- **High share of persons with disabilities are unemployed.** According to the available data from 2002, there are about 67700 **persons with disabilities** living in Montenegro, out of which 2563 are unemployed receiving benefits, which represents 3.16% of the overall number of registered unemployment. Registered with the Bureau there are 569 categorized young persons (categorized young persons are entitled to financial compensation for the entire period of waiting for employment).

7. The informal economy in Montenegro, as in the majority of transitional countries, increased in correlation with the rise in poverty. This parallel economic activity represented one of the main survival strategies for a major part of the population in a socio-economic environment characterized by a “lagging transition”, UN sanctions, war in the region, and inability to ensure more stable income in the formal sector. According to the analytical assessments of the Republican Secretariat for Development, the gray economy has accounted for 30 to 35% of the GDP in the past few years. In Montenegro, the informal economy appeared in almost all forms that feature economic systems in transition. The most frequent and the most widespread forms of the gray economy in Montenegro were: illicit employment of labor, illegal imports, transfer of goods in-transit for sale on the internal market, channeling goods intended for export – for sale on the internal market, interim crediting of citizens outside the legal framework, illegal logging and illegal building construction, etc.

8. Unprotected labor in Montenegro did not have any major share or presence in the Montenegrin economy before the end of the nineties. Up to then, informal employment was common only in seasonal work and work through student's labor employment agencies. After the continuously deteriorating socio-economic situation, illicit employment started expanding throughout the Republic, and has characterized the labor market over the last ten years. After the UN sanctions had been imposed, illicit work became increasingly more common and more tolerated by the state, just as the gray economy in general.

9. The most common forms of unprotected labor in Montenegro are: inaccurate registration and recording of the employed workers by the employers, non-payment of lawful liabilities for taxes and social insurance from wages of the employees, registering of employees and payment of fiscal liabilities on the grounds of employment for the basic rate of the guaranteed wages, long-term employment of labor through student's employment agencies, employment of interns and their "illicit employment" upon expiry of internship, payment of the guaranteed wages and taxes and contributions by the state for employees who are made redundant, and the like.

10. Differing surveys completed over the last couple of years and other research, give different estimates of the presence of the gray economy and these estimates range from 40 000 to 85 000 persons. Coverage of just some of the categories (laid off workers, officially unemployed persons, pensioners, refugees and displaced persons, etc.) points to the presence of a **minimum of 50 000 - 70 000 illicitly employed persons or those in the zone of, "informal economy" in the formal (official – legal) and informal (unofficial - illegal) sector.** It is estimated that out of the overall specified number of those illicitly employed about 60% relates to the formal sector. The informal sector is to the greatest extent related to the areas of trade, catering, civil engineering, agriculture and handicrafts. Illicit employment within the formal as well as informal sector, (i.e. without adequate paying taxes and contributions for the wages) is seen as more "acceptable" by the younger population (from 20 to 30 years of age).¹⁴ Additionally, rates of net earnings of illicit employees are (by around 30 %) higher than the net earnings of the legally employed, for which the employer pays the necessary taxes and contributions.

11. The level of earnings, types of sources of earnings, and coverage of the consumer basket by average net earnings are among the main indicators of the poverty level of an economy. Assessments of average net earnings in Montenegro vary. According to the assessment of MONSTAT, the level of average net earnings in Montenegro, in June 2002, amounted to €118.57, while the level of average net earnings, according to the assessment of ISSP from Podgorica, in the course of 2002, amounted to €199. The coverage of the consumer basket by average earnings, according to the official statistics, in June 2002, amounted to 46.72% and, according to ISSP data, the coverage by the earnings of the average monthly consumption of the population for food and beverages, in the course of 2002, amounted to 46.2%. The presented indicators show that the regular income earnings are on a very low level and that they barely satisfy about 40% of the needs of the population. This indicates that a significant part of the population is faced with a high poverty risk, dealt with through obtaining additional incomes through the informal sector. The data on the poverty profile¹⁵ in Montenegro specify that around 33% of the household expenses in Montenegro are covered from income earned through the gray economy. These indicators additionally confirm the duality of the Montenegrin labor market in which, according to the ISSP data, 27% of employees are engaged the gray economy sector. According to the poverty profile research, 42% of average net earnings are obtained through the gray economy.

¹⁴ In view of the fact that „unemployed” persons have health insurance, which they currently need and utilize, while payments on the grounds of pension and disability insurance are, by the employed population generally treated as a future resource, rather than something currently utilized.

¹⁵ ISSP, Survey on household expenditures in Montenegro, 2003;

12. The level of average net earnings in Montenegro in the informal sector, in the course of 2002, amounted to €200 – 250 per month. This level of earnings corresponds to the average level of earnings in the regular sector increased by the amount of around 30% representing, in-effect the fiscal liabilities, that are not paid to the state, but are paid up 'in cash' to the employee¹⁶

13. The level of earnings of the workers with university qualifications in the formal and in the informal sectors are by 50-70% higher than the level of earnings of the workers with secondary school qualifications. Therefore, families with employed household members with lower qualifications are likely to have lower income earnings, and thus battle with higher poverty risks compared to families with higher qualifications.

14. Reduction in the level of unemployment and unprotected labor is a long-term and complex socio-economic process and, as a rule, includes a whole range of systemic measures. Taking into account the above facts, the Government of Montenegro, in April 2003, adopted the program of »**Legalization of Existing Jobs and Job Creation**«, as well as the “**Program of Restructuring of Enterprises and Support to Development of Institutions**” (hereinafter referred to as the Government’s employment projects), which are the programs specified in the Agenda of Economic Reforms adopted by the Government on March 20, 2003. The programs should enable accomplishing the goals and tasks defined in the Agenda of Economic Reforms, which include supporting economic growth with the private sector playing a decisive role, addressing the problem of informal employment and reducing the level of illicit work, as well as job creation. **These projects particularly focus on the following:** a) creating a favorable environment for successful privatization, b) enabling the growth of self-sustainable companies which shall in turn stimulate greater employment and which shall be able to produce concrete goods for the domestic and foreign market, c) stimulating the expansion of existing enterprises, able to attract (primarily) foreign investment and able to increase competitive standards of products and services d) increasing employment opportunities, solving the problem of technological and economic redundancies, legalization of illicit work, and the like.

15. **Expected effects from the Legalization of Existing Jobs and Job Creation projects** are: legalization of around 20000 illegally employed persons (deadline is April 2004), increased fiscal revenues on the grounds of labor to the amount of around €10 mil, reduction of the unemployment rate from 23.5% in 2002 to 19% in 2006, achievement of economic growth that will enable creation of about 5000 jobs a year, establishing of a modern education system tailored to the realistic needs of the community and development of a system of informal education as complementary to formal education. The overall budget earmarked for the implementation of this project by April 2004 amounts to € 29.719 million, out of which 70% of the funds are allocated for strategic loans which will ensure continuity of the program in the long run. The sources of the funds are: revenues from privatization: €12.00 million, from the budget € 4.3 million, Labor Market Bureau and Development Fund € 9.1 million, and from international support € 4.319. **Expected effects from the Program of Restructuring of Enterprises and Support to Development of Institutions** are: to advance all business practices in companies, to become more competitive, to reach an optimum level of organization and number of employees, to attract foreign investment. The financial costs of implementing this program are: € 23.14 million (income made from privatization amounts to € 11 million, budget contributions to € 2 million, participation of companies to € 2.4 million and donations € 7.7 million).

¹⁶ For details, see: Informal Economy and unprotected labor in Montenegro, ILO, SSSCG, April 2003, Podgorica.

15.1. In accordance with the Program of »Legalization of Existing Jobs and Job Creation« dated April 2002, the Government has adopted the following Decrees: the Decree on Tax Deductions for Newly Employed Workers that came into force on April 7, 2003, and the Decree on Employment of Non-Residential Persons, which became effective on May 5, 2003. With the implementation of those two Decrees, up to October 6, 2003, 24 766 persons were registered as newly employed as well as 19 230 non-resident persons registered as employed. The effects of the implementation of the Decree on Tax Alleviation for Newly Employed Workers, is best demonstrated by the number of unemployed, namely, on October 6, 2002, there were 80 830 unemployed persons registered with the Labor Market Bureau. On October 6, 2003, 67 407 unemployed persons were registered with the Bureau, i.e. 13 423 less than a year before, which if, expressed in percentages, is 18% less. Implementation of this method of legalization of informal work puts in a more unfavorable position on the employers who, in the past period, used to regularly and for all their employees pay income tax and contributions. Therefore, there are grounds for, the reduction and redistribution of income tax and contribution rates. It is also necessary to adopt new statutory regulations that directly or indirectly, to a greater or a lesser extent, influence labor and employment.

16. Institutional reform of the labor market – Montenegro is faced with the need for further radical amendments to the labor and social welfare legislation (labor relations, pension system, health care system) if it is to continue implementing the envisaged reforms. The central issue in the forthcoming period is how to implement the necessary transitional changes, as quickly as possible and with as little consequences as possible, in the area of labor and social legislation, since it represents a major restricting factor for continuing the transitional processes. Therefore, it is necessary, as soon as possible, to amend a series of laws and bylaws in this area (a more detailed description of the laws that should be adopted in the forthcoming period is given in the Policy Matrix).

16.1. The new **Labor Law**, which came into force on July 29, 2003, has enabled more flexible practice in terms of employment contracting. Flexible forms of work have been introduced (work at home, work on weekends, part-time work, self-employment, and the like), the procedure of dismissal of employees has been simplified and the amount of compensation paid to workers who become redundant has been reduced. Certain problems in the cases of concrete implementation of these regulations in practice can be expected. (The area of flexibility of work is only generally specified, so that difficulties can be expected in the practical its practical application, especially in terms of insurance.

16.2. The new **Law on Employment**, adopted last year, has provided a better quality statutory and institutional framework for regulation of mediation in employment in the labor market. The Law governs the procedures of employment, unemployment insurance, rights of the unemployed, the methods of securing unemployment benefits, as well as a series of other issues of relevance for "organized and productive employment". In general, increase State's financial support responsibility in terms of its support to job creation. This Law specifies the setting up of the **Labor Fund** as a new legal entity, whose founders are the Government, the Association of employers and the authorized trade union organizations. The Labor Fund will be engaged in the problems of employees who become redundant as a consequence of technical, economic and organizational changes. However, such a fund, due to the lack of financial resources has not as yet, in operation. The new Law sets forth the **co-financing of public works** with the aim of stimulating job creation and developing capacities of the unemployed, **co-financing job creation** for the purpose of creating stimulating measures for the State with respect to employers, as well as **active employment policy measures**.

16.3. The General Collective Agreement in Montenegro is an all-purpose agreement adopted at the national level. The agreement is concluded on the level of the Republic, i.e. the State. It applies to all employees and employers. The existing General Collective Agreement came into force on November 15, 1995 ("Official Gazette of the Republic of Montenegro", No. 35/95). The entities between whom the General Collective Agreement is concluded in Montenegro are: the Confederation of Independent Trade Unions of Montenegro, the Government of the Republic of Montenegro and the Chamber of Economy of Montenegro. The subject of the General Collective Agreement are the labor relations of employees in the Republic and obligatory relations of the parties to the

Agreement, i.e. the Government, the Chamber, and the Trade Unions. The new Labor Law specifies the obligation to conclude a new General Collective Agreement within three months. The working version of this document has been elaborated by the Confederation of Independent Trade Unions of Montenegro, and has been forwarded to the Government of the Republic of Montenegro and to the Chamber of Economy of the Republic of Montenegro for comment and finalization. The Proposed new Collective Agreement elaborates on the area of labor relations, wages and compensations, responsibility for duties at work, safety at work as well as the work of trade unions. A new chapter on conciliation and arbitration has been introduced.

Further to the provisions of the General Collective Agreement, 26 **professional-separate collective agreements** have been concluded in Montenegro, since mid 1996 until the beginning of 1998. Although **professional** collective agreements are the most important kind of collective agreements in the world, their real significance is yet to be demonstrated with the development of market relations and business partnerships, as well as following application of the new Labor Law. According to the proposed collective agreement, professional trade unions will sign the agreement with relevant ministries, and not with the associations of employers within the Chamber of Economy, as has been the case so far.

The new Labor Law defines the **collective agreement with the employer** (concluded in an enterprise or institution) between the authorized trade union organization and the body of the employer. Individual collective agreements are not typical, because the interests of employers are not represented by the association of employers, but by the employer himself as a legal person. In the area of public services, no individual collective agreement has been signed, which is explained by the fact that there is only one employer for all the public institutions.¹⁷

The Law specifies the obligation of the employer to conclude the **Contract of Employment** with the person he employs before he/she starts working. After conclusion of the contract of employment, the employee is entitled to start working and to respect the rights, obligations and responsibilities emanating from the labor relations. Bearing in mind the obligatory character of the contract of employment and its significance for establishing of a higher level of security and protection of employees, it is necessary to make its significance and applicability statutory and institutionally better grounded. A general principle applied in labor relations is that a more concrete legally binding document cannot reduce workers rights that defined in a legal document higher up the hierarchy. The relationship between the General, Professional, Individual Collective Agreements and the Contract of Employment has been established on that principle in Montenegro.

16.4. The minimum wage in Montenegro, as of July 2002, amounted to € 50. There is no automatic way of establishing the minimum wage, but rather the level is established through negotiation by a body comprised of the authorized representatives of the General Collective Agreement on the basis of the Methodology for Establishing of the Minimum Wage ("Official Gazette of the Republic of Montenegro", No. 35/95). The labor rate for a particular job is set by taking the minimum wage and multiplying it by the coefficient of complexity of operations for that particular job, or taking the base labor rate, as well as taking into consideration working conditions if unfavorable, as well as level of responsibility. The lowest labor rate is established, inter alias, on the basis of the needs of an average four-member family, i.e. the value of indispensable foodstuffs for such a family, through the "monthly consumer basket", which is established by the official statistics office. The value of the above consumer basket is established based on the quantities and prices of 65 items of food and beverages. The proposed General

¹⁷ In the Confederation of Independent Trade Unions of Montenegro there are no precise data about how many individual collective agreements have been concluded and how many employers and employees they involve.

Collective Agreement specifies a new method of establishing the minimum wage in accordance with the increase of the costs of living.

16.5. In the past few years, workers strikes have been used as a method for improving the professional and economic position of employees, and there is a clear absence of the use of dialogue and negotiation. Often the demands are financially unrealizable, and long strikes merely aggravate an already financially difficult situation for companies. The new **Law on Strikes** has, to a great extent, been harmonized with international standards that are related to this issue, particularly in the part that is related to the organization of strikes. However, the law is not useful in terms of lack of a social dialogue, which is, actually, the key political cause of strikes. In conditions where strikes are predominantly caused by the delayed payment of wages, an inability for qualitative social dialogue is present, which includes the inability to practice the rights of employees to information about the actual situation in the given company.

16.6. Following the model for the majority of countries in South-East Europe, Montenegro has established the **Economic and Social Council**. This tripartite institution in Montenegro was founded with the adoption of a Government decree in 2001. The Council has formed seven sections. The Chairpersons of those sections make up the Chair Officers of the Council. The Council numbers a total of 38 members, of whom 35 were elected at the constitutional session (in 2001), while three have not as yet been elected. The method of setting up and the structure of the Economic and Social Council points to certain composition errors that prevent this body from influencing the processes of social and economic development. Hence it will be necessary to adopt a separate Law on the **Economic and Social Council** further to which this institution can function in compliance with international standards and the requirements of the new labor legislation in Montenegro. This Law should contain the **criteria of representation** of social partners in order to timely prevent future conflicts within the trade union movement and the growing numbers of organizations of employers in Montenegro. Additionally, the new Law should set forth the conditions, methods, and **models of civil society participation** (NGOs) in the debates on economic and social development of Montenegro.

17. The problem of unemployment as a complex and dynamic process demands a whole range of synchronized activities that will reduce the level of unemployment, legalize illicit work, and prevent further growth of shadow employment that emanates as a result of economic restructuring. The priority task of the transformation of the Montenegrin labor market is **strengthening active measures** and gradual abandoning of the passive measures in the labor market. The active measures are targeted towards two goals and those are the upgrading of the quality of labor and stimulation of labor demand.

17.1. One of the most efficient ways of reducing poverty is by creating new jobs. **Stimulation of new job creation is one of the priorities of the Government of Montenegro**, and it is carried out through the »**Legalization of Existing Jobs and Job Creation**«. The following programs have been identified as addressing the issue of job creation:

1. The Program for continual stimulation of employment and entrepreneurship in Montenegro.
2. Establishing legal protection of entrepreneurs and producers
3. Industrial parks
4. Agro-parks
5. Internet parks
6. The Work Fund
7. The program for employing redundant workers in the government sector
8. The program for employing redundant workers in private companies.
9. The program for employing redundant workers in the public sector.
10. Employment of people who are disabled through work
11. Employment of apprentices
12. Public work projects

- 13. Stimulating dynamic entrepreneurship
- 14. The Diaspora Fund
- 15. Large companies, creating small ones
- 16. Mediators in employment

Sectoral projects include: employment in agriculture, tourism, maritime and other economic sectors including building construction.

17.2. The development and strengthening of small and medium-sized enterprises. SMEs should become the leading force in economic development and thereby in the reduction of poverty. SMEs stimulate private ownership and entrepreneuring abilities. They are flexible and can be quickly adapted to market changes in demand and supply. They create employment, promote diversification of economic activity, support sustainable growth and can significantly contribute to raising exports and increasing trade.

17.2.1. The Government of the Republic of Montenegro has adopted the “**Strategy for Development of Small and Medium-sized Enterprises**”. The main strategic courses of development of SMEs are to:

- Increase the number of small and medium-sized enterprises registered in the private sector that officially operate.
- Achieve greater diversity and integration of economic activity by increasing the share of small and medium-sized enterprises that are based on production and non-trading services.
- Significantly increase the share of small and medium-sized enterprises with respect to micro-enterprises in the overall structure of enterprises.
- Increase the competitive activities of small and medium-sized enterprises in the economic sectors in which the Republic of Montenegro depends on imported goods
- Increase the share of small and medium-sized enterprises in the foreign strategic alliances and joint venture arrangements.
- Increase the share of small and medium-sized enterprises in the Gross Domestic Product.
- Increase the share of small and medium-sized enterprises in overall employment.

A successful implementation of this strategy demands joint, coordinated efforts by the Government, international crediting institutions, foreign donors, NGOs, businesses and representative organizations, business consulting and advisory services, as well as small and medium-sized enterprises.

17.2.2. Priority goals in the development of SMEs in Montenegro are:

1. **Promotion of entrepreneurship.** The level of entrepreneurship activities in Montenegro is, according to international standards, very low. In order to enable Montenegro to become competitive in the international market economy, it is necessary to undertake the steps aimed at supporting the development of entrepreneurship. Apart from undertaking measures that would make it easier for citizens to set up and manage their businesses, it is also necessary to establish close cooperation with the media and others influencing public opinion in order to stress the advantages of entrepreneurship and private initiative;
2. **Providing business education.** The competitive sector of small and medium-sized enterprises does not simply demand the creation of a “business culture”, but also the development of advanced business skills in management, finance, accounting, marketing and human resources development;
3. **Securing fair competition.** In order to enable full realization of business potential, it is of vital importance to have fair competition and equal conditions for doing business;

4. Reduction of the regulations for and administrative barriers to the development of businesses. Extensive, poorly conceived, and frequently subject to amendments, the statutory regulations thwart entrepreneurship and prevent economic development. This increases the administrative burden on the businesses and encourage their “escape” into the informal sector.

5. Simplification of the system of business taxation. A simple, transparent and predictable taxation system which takes into account the specific features of SMEs represents one of the main preconditions for market economy growth;

6. Stimulate the foundation of private business associations. In the developed market economies, business associations play an important role in expressing the requirements of SMEs and influencing the Government to adopt important policy measures. Professional business associations play a relevant role in disseminating information to their members, provide specialized education and establish and help maintain quality standards;

7. Improve access to business information. The trends of developed market economies are evidence that access to information (on new products and processes, competition, trends, new markets and clients/customers) has become increasingly important in increasing competitiveness. In order to assist the enterprises in this process a network of Regional and Local Business Centers has been established as well as the Euro Info Center, an institution of the European Union;

8. Improve business services. Compared developed market economies, rendering of business services in Montenegro is very much limited. Services, such as accounting, tax planning, legal advice, information technologies, and consultative management are an indispensable assistance when setting up and expanding a business while, at the same time, also being important sources of employment;

9. Facilitated access to available financial resources. Limited sources of financing represent one of the main obstacles for SMEs that wish to invest and expand or need to borrow money for periods exceeding one year. In order to facilitate access to financial resources the «**European SMEs Fund for Montenegro**» (EFM) has been established by foreign donors (the European Union, the German Government and the Swiss Government and the Government of the Republic of Montenegro) with a capital of **€15 million**. The project is implemented by KFW (Bank for Development of Germany) and the Montenegrin banks (Crnogorska komercijalna bank and Euro - market bank), as well as the Agency for Development of Small and Medium-Sized Enterprises. The implementation of this project will enable design of a more efficient model of financing, as well as transfer of knowledge to the institutions that issue loans and that provide the resources. It is particularly important for this project to fully correspond to the main principles of the role of the state in the market economy.¹⁸

17.2.3. Coordination of the application of the strategy for Development of SMEs as well as of the monitoring process are the primary responsibilities of the **Agency for Development of Small and Medium-Sized Enterprises**, which was founded in December 2000. In order to meet these obligations, the Agency for Development of Small and Medium-Sized Enterprises will increasingly cooperate with the emerging organizations that will represent the private sector in Montenegro.

One of the priority program activities of the Agency for Development of SMEs is also the organization of institutional support to the development of SMEs on the local and regional levels, i.e. **forming of local/regional business centers**. According to the plan of activities of the Agency, 7 regional centers shall be set up, and within them, networks of local business centers, covering all the municipalities.¹⁹ Setting up of the Regional/Local Business Centers will enable the citizens to have easy access to all the necessary information about setting up a business, the possibilities for taking out a loan, the training provided. These centers shall also provide advisory services and facilitate in communication with all government authorities. **Euro - Info Centers** are specialized institutions of the EU in the area of business that assist SMEs in joining EU programs and initiatives. The Euro - Info Center, which has been set up within the Agency for Development of SMEs, represents important institutional support to SMEs and provides support to enterprises wishing to adapt to EU standards.

17.2.4. Within the »Legalization of Existing Jobs and Job Creation« the Agency for Development of Small and Medium-Sized Enterprises, is targeted towards the implementation of the following **projects**:

- | | |
|--------------------------------------|---------------------------------------|
| 1) Industrial park | 6) Development of SMEs in Agriculture |
| 2) Agropark | 7) Development of SMEs in Tourism |
| 3) Internet Park | 8) Stimulation of the Successful Ones |
| 4) Increased Competitive Abilities | 9) Fund for the Diaspora |
| 5) Big Enterprises Create Small Ones | 10) Made in Montenegro |

A more detailed description of the above projects is given in the Matrix of the Labor Market Goals.

18. Traditional financial institutions²⁰ most often do not provide adequate financial services to part of the population facing problems of poverty²¹. The key to the success of the **program of micro crediting** lies in the setting up of specialized financial institutions for crediting of the poor sections of society²², which render quality services to their clients. It is widely known that prompt and safe access to credit is one of the important preconditions for business success. A successful micro credit program aims to support small businesses to the stage of their development at which they can become interesting to commercial banks.

18.1. Micro financing in Montenegro is relatively new. The Decree of the Government of the Republic of Montenegro adopted at the end of 1998²³ regulates the basic legal requirements for functioning of the micro financing program and as early as the second half of last year the three most important micro credit programs were initiated that still exist and render support to micro-entrepreneurs, and include: **"Opportunity Bank"**²⁴,

¹⁹ Regional Business Centers have been set up in Podgorica, Bijelo Polje, Bar and Pljevlja and local offices in Rožaje and Cetinje.

²⁰ Commercial banks.

²¹ The most frequently mentioned reasons are high expenses of processing of small loans, lack of standard forms of guarantees, geographic isolation or simply prejudices that the poor are not capable of regularly paying back loans.

²² Microcredit financial institutions can have various legal forms, such as, for example, credit unions, non-banking financial institutions, NGOs, and the like.

²³ "Decree on the Method of Granting of Credits of Non-Governmental Foreign Organizations to Natural and Legal Persons in Montenegro", Official Gazette No. 32/98.

²⁴ Supported by USAID, the international organization "Opportunity International", in cooperation with the then newly founded local NGO "Microcredit Montenegro" offered microcredits to the population of Montenegro throughout its territory and, in the course of 2002, it transformed into a bank and thereby extended the range of financial services to cover traditional banking services but, at the same time, it still provides a strong support to micro-entrepreneurs.

"Agroinvest"²⁵ and "Alter Modus"²⁶. Today, these institutions operate in accordance with the newly adopted "Decision"²⁷ of the Central Bank of Montenegro which has, owing to the principles of participation²⁸, provided a favorable environment for further development of micro credit activities as well as the possibility of efficient control by the Central Bank authorities. The above programs offer short-term credits²⁹ ranging from € 400 to 5.000 with a monthly rate of interest of 3% calculated on the remaining principal balance, or 1.5% per month calculated on the principal only. These institutions offer 50% higher loans to existing clients, thereby increasing access to larger loans. Their programs include other credit products, with the aim of adapting their services to demands in the market³⁰. The above three institutions have, in the past period³¹, cumulatively implemented in excess of **30000 loans** in value of over **€ 50 million**. It is particularly important to note that there is high demand for access to credit in these institutions and that the demand is continually growing.

²⁵ The international organization "World Vision", in cooperation with the newly formed local NGO "Agroinvest", with the support of the national Agencies for International Development of Canada and Sweden (CIDA and SIDA) offers microcredits to the population living in the rural areas of the central parts of the Republic, as well as to the population living in the north of the Republic. The microcredits of "Agroinvest" are also intended exclusively for "agro businesses" - agriculture, cattle breeding, fruit growing, processing and sale of agricultural and dairy products.

²⁶ The local NGO "Alter Modus", with the financial support of the High Commissioner for Refugees of the United Nations (UNHCR), the Netherland's Agency for International Cooperation and Development (NOVIB), the US Department of Agriculture (USDA), and others, offers microcredits to the entire population in the territory of the Republic, and in its work pays great attention particularly to the vulnerable categories – the refugees and displaced persons and women (whose share in the credit activities of the organization exceeds 60%).

²⁷ "Decision on Microcredit Financial Institutions", Official Gazette No. 01/03.

²⁸ The process of elaboration of the "Decision" has, apart from the representatives of the Central Bank, also involved the parties that implement the microcredit programs – "Agroinvest" and "Alter Modus", with the professional assistance of the consultants from "KPMG".

²⁹ Up to 18 months.

³⁰ For example, in the offer of Alter Modus there are credits amounting to € 5.000 – 7.500 Euros with the repayment period of 24 months and the interest rate of 1.25% per month, intended exclusively to the former clients.

³¹ Somewhat less than four years.

IV ECONOMIC DEVELOPMENT, INFRASTRUCTURE DEVELOPMENT AND THE ENVIRONMENT (PRIORITIES)

The Agenda of Economic Reforms, identified the following sectoral priority areas: tourism, agriculture, forestry and energy. The DPRS includes these areas, and additionally covers the environment, transport and water supply.

1. AGRICULTURE AND RURAL DEVELOPMENT

1. Overview. In Montenegro, there is approximately 0.80 ha of agricultural land per capita, of which 0.29 ha is suitable for cultivation, a figure significantly higher than in most European countries. However, these resources are inadequately used, and thus still remain a potential for increased agricultural development. Human resources present another area of unutilized potential, as there is a long tradition in engaging in agricultural activity and an interest of young entrepreneurs in the area of food production. At the same time, there are certain factors limiting agricultural development: stagnation in development for over a decade, negative effects of total economic situation, fragmented ownership, negligence of the private sector during the previous period, poor technical knowledge among producers, insufficiently built infrastructure in villages, inadequate application of modern technologies in the production process as well as a lack of processing capacities.

2. Goals. The agriculture priority goals are to:

- ensure food security for Montenegrin citizens;
- meet the food consumption needs of tourists in Montenegro;
- increase exports significantly;
- increase the competitiveness of domestic food producers;
- promote the balanced development of different Montenegrin regions;
- create better living standards in rural areas; and
- develop policies in line with regional, European and international integration processes.

3. Key parameters. The overarching goal is to promote agricultural development by focusing on private sector production and building the potential of family businesses..

4. Specific Initiatives

a) Use of incentives in agriculture. Policies defining incentives in agriculture, are implemented through numerous programs defined by the “Agro-budget” and represent the most important source of financial support to key stakeholders in agriculture and rural development. In accordance with the overall reforms and the introduction of market principles and liberalization in agriculture, the largest part of the “Agro-budget” is spent on financing programs of wider, general importance.

Long-term priorities of the policy of providing incentives are the following:

- Addressing the problem of market surpluses and improving the quality of marketing of Montenegrin products.
- Rural infrastructure development,
- Strengthening technical-expert capacities and inspection services,
- Provision of social security for farmers through old-age compensations and a young farmers program,
- Support to increasing exports

b) Redefining measures to protect domestic agriculture. The key challenge identified is how to adequately regulate the market position of local food products that need to be competitive with goods from other countries, which heavily subsidize their production; both through direct subsidies to farmers as well as export subsidies. Harmonisation of customs policies between Serbia and Montenegro will lead to increase of customs rates for

agricultural and food products, which will take place as the Action plan is implemented. Strengthening the «agro-budget» and the finalization of the Distribution Centre for Purchase and Food Processing of agricultural goods in Podgorica, are key stimulative measures for advancing domestic production, and boosting exports (through tourism-attractive products and return to the regional market).

c) Credit policy reforms. The reform assumes the transfer of credit activities from the Ministry to the banks and other adequate credit institutions. The Ministry shall play an active role in setting strategic goals and the adequate spending of resources from revolving donor funds. For that purpose, specific criteria will be prepared for agricultural credit, including continued cooperation with The Employment Agency and The Agency for the Development of Small and Medium Sized Businesses.

As agriculture is an area with huge unutilized potential, the task of the Government is to fund quality sources of financing to credit entrepreneur-ideas and business plans in this economic branch. Such initiatives are expected to lead to a significant increase in employment and value added would be created in other industries (services, tourism etc).

d) Strengthening agricultural institutions (Inspection and technical services). It is necessary for the state of Montenegro to have an efficient inspection service for food products, which is fully under the authority of the Ministry of Agriculture and completely financed from the budget. To achieve that goal, activities will be undertaken to continue the modernization of veterinary and agriculture inspection services (covering all food products from both animal and plant origin). Special emphasis will be put on improving the technical-knowledge capacities of inspectors and securing better equipment for laboratories. The second important segment includes the provision of professional/technical services in agriculture, without which there is no accelerated agricultural development. The reality is that a certain number of activities of those services have been financed from the budget, but only with precondition that they work efficiently and that their work is visible in practice.

As part of this process, the restructuring of the Public Veterinary Institutions will follow and the further strengthening of private veterinary practice will take place. An advisory service for herb-production will be created, which, together with the service for the cattle selection, represent the main services provided for farmers. The new concept of provision of technical services will lead to significant change in the role of The Bio-technical Institute, as the only scientific and research institution in the area of agriculture.

e) The development of an organic agricultural product trademark. Montenegrin agriculture is significantly compatible to the principles of organic agriculture due to the low consumption of synthetic chemicals in animal feeding, and in fruit and vegetable production. A system of certification of products needs to be developed, in order to have a commonly accepted criteria for the definition of “organic” foods.. Thus, it is necessary to engage an agency for issuance of certificates with international reputation to enforce the movement of organic agriculture. The development of organic agriculture is a great opportunity for Montenegro and represents part of Montenegro’s aspirations for becoming an ecological state. Concrete steps to developing certification for organic agriculture will be established through cooperation with international institutions (UNDP, IFOAM, etc) as well as bilateral cooperation with Italy and other interested countries.

f) The modernization of existing and construction of new processing facilities. Current capacities for food processing do not satisfy the needs of the domestic market and domestic production. Therefore, the main goal of the Ministry of Agriculture together with The Agency for the Development of Small and Medium-sized Enterprises will be to promote this sector for foreign donors and investors, which would lead to new employment opportunities and stimulate further development of food production. The areas of preparing, packing and processing of vegetables, fruits, forest fruits and medical herbs, has been identified as having particular potential. In addition, increased dairy production, also presents a development opportunity. One of the main conditions for exporting surplus lamb and baby-goat meat is the construction of meat processing plants, which would be compliant with EU standards. The completion of a distribution center in Podgorica, with a facility for processing fruits and vegetables, also represents part of the same strategy. Construction of modern processing facilities, including those in small and medium size enterprises throughout Montenegro can act as a catalyst for promoting agriculture, particularly in

those areas where large-unutilized land resources exist. At the same time, development of food processing, includes expanding employment opportunities, which would help reduce poverty both by raising incomes for the presently unemployed, and reducing the cost of food, which is the main expenditure item in the consumption basket of the poor..

2. TOURISM

1. Overview. Tourism is recognized as one of the Government's main development priority areas. When taking into consideration the vast potential provided by Montenegro's natural environment, the present position in tourism is weak. The tourism sector is faced with the following challenges: financial investment, lack of a market oriented approach, lack of diversified products, insufficient accommodation facilities, qualified staff and a well functioning infrastructure network. Since the 1980's the number of hotel nights has dropped from 11 million to current levels of less than 5 million. Demand from foreign markets exists, but Montenegro has difficulty fulfilling this demand, because of the limited capacity of quality tourist services. Holiday demands from Serbia are concentrated in a six week summer period per year. The tourism sector is characterized by low salaries, unutilised capacities and poor conditions and services that do not satisfy tourists' expectations. Only 3,000 out of 26,000 available hotel beds are suitable for foreign tourism consumption. Tourism income in 2002 was 111 million euros, of which 54 percent was earned from foreign tourists, representing an increase of 24.8 percent, in foreign tourism participation in income generation. At the end of the main tourism season in 2003, a positive trend was noted and an increase in income of 7% in comparison to the same period in 2002.

These initial results are encouraging, but further increases in foreign tourism will not take place, unless key barriers to development are removed and the following initiatives develop: creation of a legal framework that promotes better quality and provides incentives for quality improvement; water supply and waste water treatment improved; solid waste disposal improved; better traffic connections; increase in the use of qualified labour; support for private entrepreneurship. The key challenges of the strategy are as follows: the financing of large infrastructure projects in the public sector to be supported by international financial institutions; speeding up the pace of privatization; creating the conditions for direct foreign investments within the shortest possible timeframe. Having in mind economic, ecological, social and cultural consequences brought about by tourism development, and taking into consideration all the challenges to be met, very close cooperation on the inter-ministerial level (tourism, urban development and culture), as well as regional and local level is necessary, as is social dialogue, attitudinal change, strategic planning and implementation.

2. Goals. A sustainable tourist product that attracts gradual growth in the number of guests, fast growth in income and creates new employment opportunities

3. Key parameters

Tourism development is to take place in accordance with the Tourism Development Master Plan

Development of tourism needs to be sustainable and contribute to environmental protection and promotion of cultural heritage

4. Specific Initiatives

4.1. Initiatives related to the tourism development framework and process coordination

a) Completion of Legal and institutional framework. It is necessary to work continuously to provide an adequate environment for the tourism development. The codification of the legal regulations is to take place. To achieve competitive advantage Montenegro must offer approximately same or higher quality conditions than competitive destinations.

The adequate promotion of cultural heritage needs to be undertaken and conditions made for this heritage to be included in tourism services provided. To initiate the process of creating an attractive environment for direct foreign investments a costing analysis will be completed, as well as reinforcing transparency principles and increasing security levels for investments and providing other stimulating investment measures.

b) Creation of conditions for the full implementation of the new Law on tourism adopted in July 2002. This includes over 30 regulations, rules and registers (on tourist agencies, nautical tourism, ski terrains, guides, animators, agro-tourism etc.) in the next 2 year period. Implementation of the new Rules on private accommodation classification, setting minimum standards and the categorization of restaurants and hotels are urgent matters.

c) Foundation of the Council for tourism of Montenegro by the Government of Montenegro, which would present the widest institutional framework for creation of the tourism policy.

d) Creation of the preconditions for introduction of the system of integral management of the coastal area. IUOP together with The Coastal Management Company (Plc Morsko dobro) will be implementing these activities. This includes changes in legislation.

e) Implementation of the Program for reorganizing the complete system of promoting Montenegro as a tourist destination. Drafting of the following new laws: The Law on promotion of Montenegrin tourism, Law on tourist tax (membership fees) and Law on the visitor's tax and the Rule book for the categorization of tourism destinations. Additionally, the role of the Ministry for tourism in managing tourist policy needs to be redefined;

f) Full membership in the World Tourism Organization including preparation of satellite evaluation of the tourist industry in Montenegro by the World tourism-trade Council

4.2. Initiatives related to Marketing: Development of Tourism Services

a) Further promotion of the new marketing concept, especially on foreign markets.

The focal point is the market of Western and Northern Europe. A special strategy will be defined for the area of Serbia, Vovodina and Kosovo. **Development of regional strategies for** Velika plaza, Skadarsko lake and Boka Kotorska. These projects will entail active participation of several Ministries, local administration, and educational tourism institutions. Within these projects the problems of water supply will also be treated, as well as electricity supply, treatment of solid waste and waste waters, spatial planning, environmental protection, traffic infrastructure, target markets, education and production of new services, representation in target markets and sale of products.

c) To analyze and develop special tourism projects. This includes analysis of Montenegro's competitive advantage. Projects include: development of village tourism; development of nautical tourism; building of golf terrains; health tourism (including finalization of announcement of Igalo and Vrmac as health resorts in accordance with the Law on tourism);eco-tourism (including preparation of project of development of eco-tourism jointly by the Ministry for ecology and UNDP and activities of the Council for sustainable development);. Religious tourism (by presenting heritage of Montenegro with focus on Cetinje and the icon of Filermona, Monastery Ostrog, St.Thripun Chatedral, Mosque in Pljevalje); agro-tourism (including continuation of initiated activities on preparation and implementation of two pilot projects (Tourist villages with the Ministry for agriculture); youth tourism (including defining priorities in cooperation with the Student Vacation Association of Montenegro to implement their Study of development of youth tourism, especially the project Euro-26, and the school of tourism for primary and secondary schools.)

d) Restructuring of existing services Implementation of new standards for hotel accommodation, camps and private accommodation (weekend houses, private apartments) in accordance with international standards. Evaluation and categorization of the existing hotel capacities, camps and private accommodation (weekend houses, private apartments), in accordance with the established deadlines.

Work on Upgrading: conduct program in accordance with the new standards and realistic possibilities for hotels and camps. **Preparation and printing of the guide** for accommodation capacities in Montenegro, in accordance with the new standards. In accordance with the previous, efficient registering of the turnover from tourism and realization of payment of residence tax.

e) Program of urgent measures to improve hotel accommodation and services To identify measures (furniture, decoration, technical equipment, new sources for entertainment, etc.) and costs, to provide for more attractive hotels for the next season, to identify adequate investments; to put the management of a number of hotels, out to tender provide intensive training for improved services **f) Support to small and medium-sized businesses in tourism. Provision of credit** for small business projects in the area of in cooperation with German KfW bank and banking sector, as well as other donors. Means for reducing interest rates and increasing access to favorable credit should be sought.

g) Campaigns to improve the quality of tourist municipalities An on-going campaign organized addressing public awareness of the need to keep tourist destinations clean, both in terms of removal of litter in urban areas and in terms of removal of illegal dump-sites. A campaign directed at improving services on beaches (including access to drinking water and toilets) Regionally targeted campaigns to improve quality of tourist municipalities are also to be implemented. A media campaign focusing on informing citizens of the tourism master plan priorities and updates on implementation is also to be implemented. **h) Program: Setting standards in private accommodation** (rooms, houses, apartments, villas) and identification of highest quality accommodation to satisfy the demands of the foreign market. Organization of promotions and marketing activities to enter foreign markets. This effort will entail classification of private accommodation, payment of taxes,

i) Adopt the symbols of World Tourist Organization (WTO) Begin by placing of international tourism signs on highways in Montenegro and certain tourist municipalities (Budva, Bar, Cetinje, Podgorica etc.). *The funds and technical assistance for this project are provided by the German Ministry for International Cooperation.*

j) Increase in air-traffic. Montenegro is clearly a charter destination. It is necessary to start activities immediately to modernize the airports and initiate meetings with air companies to contract flights for the future period. Ministry of tourism in cooperation with the Tourist organization will be engaged in establishing with tour-operators

k) Modernization of education curricula of the Faculty for Tourism Development and of tourism secondary schools Support the establishment of private educational institutions in cooperation with the Ministry for Education and Science and foreign organizations.

l) Develop strategies for attracting "frequent individual travelers" (FOT) through appropriate marketing channels; and for encouraging tourists to return.

3. TRANSPORT

1. Montenegro is a transit area, which emphasizes the need to develop an efficient and functional transport system. Efficient transport is a prerequisite for the development of important economic sectors (such as tourism, trade and agriculture), which are expected to considerably contribute to GDP growth. **Transport is, at the same time, very important for balanced regional development.** However, there are numerous factors that hinder desired development: from the specific configuration of the terrain to the accumulated organizational, management and financing problems, and poor conditions of transport infrastructure.

2. Investments in new roads were very low during the course of the previous decade. A similar case was with regular maintenance, where interventions have been reduced to bare minimum due to the lack of funds. Participatory processes initiated by the non-governmental sector in support preparing the DPRS showed that **insufficiently developed infrastructure was believed to be one of the important poverty causes.**

3. Characteristics of the **road network** of approximately 1,800 km of main and regional roads are underdevelopment, old road surfaces, the lack of by-passes around larger settlements and towns, numerous mountain ridges without side lanes for slow moving vehicles, insufficient road equipment, signs and markings, etc. These make movements of goods and people more difficult, and the road transport itself slow, expensive and unsafe. The underdeveloped transport services and local roads in rural areas (particularly in the northern region) have a negative impact on utilization of mountain agricultural potentials and opportunities of transport to urban

centres. The underdeveloped road network also acts a limiting factor for tourism development, both in areas that are traditional tourist destinations and in those areas that are being gradually included in the tourism offer.

4. Problems of the **railway transport** operations managed by the Public Company Railways of Montenegro (PCRM) are numerous. The railway transport recorded a drastic decline of passenger and particularly of freight transport during the previous decade: passenger transport dropped from 370 million in 1989 to 200 million passenger kilometres in 2000, while freight transport dropped from 570 million of ton kilometres to as little as 51 million. Due to the geography and terrain configuration, both maintenance and functioning of the railway network are very expensive, and problems with securing sufficient funds are on the rise.

5. The state of **marine transport** is also worrying. The Port of Bar operates with only 30% of its capacity, while the marine fleet, having had 41 ships with the total capacity of over a million tons in 1989, nowadays practically does not exist.

6. Significant investments are required for the reconstruction of Podgorica and Tivat **airports**, where the most important problems are safety and signalling equipment/devices, short runways, the lack of accompanying infrastructure, and so on.

7. In addition to the above mentioned problems, **the following groups of issues also require full attention**, as they significantly affect quality of life and individual economic prospects on one hand, and the overall development of the society on the other hand: (i) inadequate safety (particularly in road traffic) due to run down infrastructure, improper traffic signs and markings, depreciated transportation means and non-compliance with traffic regulations; (ii) inefficient public transport system; (iii) growing pollution from transport (primarily air pollution in urban centres and pollution of the coastal areas and sea) and ever more frequent incidence of traffic congestions in larger towns; and (iv) inability to meet the obligations pursuant to international maritime conventions.

8. The basic source of financing the construction and the maintenance of transport infrastructure (particularly in case of road and railway transport) are the state budget and financing based on the "cost recovery" principle. Budgetary restrictions in the previous decade considerably contributed to a standstill of the transport development and deterioration of the transport infrastructure. Investment requirements of the transport sector by far exceed funds available from the available sources, including the state budget, loans granted by international organizations and/or financial institutions and donations. Careful selection of priorities and the estimation of costs and benefits of chosen interventions is therefore of the utmost importance.

9. **Fundamental principles of the new transport policy** include efficiency, access to transport services and networks, and support to sustainable economic development. Moreover, the transport policy will be based on the principle of equal and equitable distribution of benefits from transport interventions among all segments of the society.

10. **Strategic objectives of the transport sector** include the integration in the European transport network (trans-European corridors V or X), upgrading of links with countries in the region, and creating of an efficient transport system. The Strategy objectives are: (i) to start harmonizing domestic legislation and regulations with the EU one, create conditions for transport sector development and enhance transport efficiency and safety; and (ii) to upgrade the road infrastructure and its maintenance, primarily in the northern region.

11. **Priority measures regarding accomplishment of the first objective include** adoption of new laws on railways, navigation, road transport and roads. In the area of institutional adjustments, transport administration is to be reformed in order to support sector transformation and introduction of economic management principles. The next priority measures refers to the improvements in the management and efficiency of public companies, along with incentives for involving private sector and for diversifying financing instruments for transport infrastructure.

Furthermore, it is necessary to establish the Marine Safety Agency and to provide equipment to its services in conformity with current international regulations.

12. **Preparation of the transport sector development strategy** is another priority. The strategy is to be based on principles of adequate pricing of transport services and the use of infrastructure, as well as on the principles of sustainability and participatory planning. Pricing based on the "cost recovery" principle is essential, but special attention must be paid to the ability of the poor to pay the prices set in such a manner. At the same time, it will be necessary to propose measures for reducing pollution from road (fuel quality control) and maritime transport (reduction of pollution in port, marinas and ship overhaul areas).

13. In respect to the improvement of road infrastructure and its maintenance, rehabilitation of main roads Kolašin - Ribarevina - Berane - Špiljane, and Podgorica - Bioče - Kolašin, is a priority. Another priority is modernization of rural roads in the northern region (Velika - Čakor - Bjeluha, Gornje Polje - Krstac, and Plužine - Trsa - Virak). Other measures that will contribute to the accomplishing of this objective are upgrading of the existing road side slopes and improvements of the regular road maintenance.

14. Investments in new roads, power-supply system facilities, and water supply and sewage networks were very low during the course of the previous decade. A similar case was with regular maintenance, where interventions have been reduced to bare minimum due to the lack of funds. Inadequate maintenance and insufficient investments in new facilities have led to a substantial degradation of infrastructure networks, which are nowadays in quite a bad state and do not represent an adequate basis for further growth and development. **The participatory process initiated by the non-governmental sector in support to preparing the DPRS showed that insufficiently developed infrastructure was believed to be one of the most important causes of poverty.**

15. Significant investments are needed in order to enhance the state of infrastructure and quality of services it provides to the population and the economy, thus creating conditions that will provide for GDP growth and contribute to poverty reduction. In the forthcoming mid-term period, the Government of the Republic of Montenegro will undertake a set of reform measures aimed at creating more favourable conditions for financing infrastructure activities. Infrastructure development will be supported to the greatest possible extent through adequate public expenditure policy. At the same time, additional sources of financing including favourable international loans and donations will be relied on to a significant extent.

4. ENERGY

1. In 2002, around 4.3 TWh of electricity, 1.6 million tons of coal and 290,000 tons of oil products were consumed in Montenegro. Annual domestic production of the single most important energy source – electricity – ranges between 2.5 and 3 TWh. During the past few years, electricity imports accounted for between 30 and 35% of total consumption. Montenegro is a modest exporter of coal, which is almost entirely produced at the open pit Pljevlja Coal Mine (around 95% of total production).

2. The **most significant electricity consumer** is the Aluminium Plant Podgorica (KAP), whose share in the overall consumption amounts to approx. 45%. The second-largest consumer are households, where consumption has almost doubled during the course of 1990s. Electricity is used as a source of heating by almost half of the population.

3. **Financing of the electric power system** as the most important segment of the energy sector in Montenegro is rather problematic. For a prolonged period of time, electricity tariffs were not sufficient to cover the real costs of supplying energy to the population and the economy. This has led to a permanent shortage of funds, which in turn poses a risk to normal operation and maintenance of the system. Moreover, low prices of electricity have also

affected macroeconomic circumstances due to significant budgetary and quasi-fiscal support to the sector. During the course of a few past years, international financial assistance has played an important role in providing necessary funds for electricity imports.

4. **The financing problems are interrelated** with other inefficiencies of the sector, such as high and unreasonable consumption, high technical and commercial losses and low collection rates. In 2002, power transmission and distribution losses amounted to 11.7%, while it has been estimated that total losses (including commercial ones) exceeded 20% of the total consumption. **The energy consumption and energy efficiency indicators** show a very high consumption compared to the countries of a similar GNI level, and a low level of GDP generated per unit of energy use.

5. A high share of **hydro-energy** in domestic electricity production (around 75% of installed capacity) coupled with a substantial electricity deficit has a negative impact on power supply reliability. In the mid-term period, some increases in production are feasible through enhanced efficiency in existing power plants and better utilization of renewable energy sources (small hydro-power plants, solar and wind energy).

6. **Production of coal** is also facing complex problems, including the lack of investments necessary for modernization of technology, efficiency improvements and extension of mines.

7. By adopting the new **Energy Law** in July 2003, an important step has been made towards reforming the sector. The establishment of an independent Regulatory Agency is currently in progress, and restructuring of energy sector enterprises (Electricity Company of Montenegro - ECM, Pljevlja Coal Mine) has commenced. Tariffs are approaching market levels, and problems of subsidies for the key consumer (KAP) are being addressed. These reforms are a precondition for the sustainable development and self-financing of the sector, and are therefore a basis for attracting necessary investments and ensuring fiscal sustainability.

8. **Basic principles of the reform** are security and reliability in power supply under fair and reasonable prices, protection of interests of the economically and socially least privileged categories of population, and environmental protection. This in fact calls for the introduction of economic or market principles on one hand, and integration of the principles of social and environmental policies into energy sector on the other.

9. Based on the Agenda of Economic Reform, the strategic **objectives for the energy sector include**: (i) improving general conditions for the functioning of energy sector, (ii) increasing the power supply reliability, and (iii) increasing energy efficiency and improving energy sector environmental performance.

10. **Measures for improving general conditions** for the functioning of energy sector primarily comprise the institutional capacity building (Regulatory Agency, Energy Efficiency Office), as well as opening the market for private sector/independent power producers and connecting with regional energy market. As a part of the efforts to build statistical capacity for monitoring Strategy implementation, it is necessary to strengthen Monstat and Ministry of Economy capacities in order to ensure precise and continuous monitoring of consumption data for all types of energy sources (overall consumption and by sector). Energy consumption data should be collected and kept in accordance with definitions and methodology of the International Energy Agency (IEA).

11. Regarding the sector's policy and management, priority measures refer to preparing the energy strategy and continuation of enterprise restructuring (ECM, Pljevlja Coal Mine). ECM restructuring will lead to increased efficiency, functional unbundling, and achievement of positive cash flows, and eventually to privatisation of company's segments. Continuation of tariff reform, namely introducing of tariffs that cover actual costs for all the consumer categories, is of the essential importance.

12. **The program of protecting the poor**, i.e. introduction of targeted subsidies in order to cover a portion of their consumption will be developed concurrently with the social policy reform. The subsidy program will be designed

and monitored based on household surveys, that is on the data about the share of electricity expenses in the budgets of households below and/or around the poverty line (heating method and quality of heating will be also monitored).

13. As for the **measures for increasing reliability of power supply**, undertaking the most feasible and necessary investments in production, transmission and distribution of power will have priority. Such investments include rehabilitation and replacement of equipment in some of the power plants, construction of priority transformer stations and the increase of transforming power, as well as necessary upgrading of the distribution network. Moreover, measures aimed at decreasing technical losses in production, transmission and distribution of power are very important, as well as continuation of activities aiming to reduce commercial losses.

14. Finally, **measures for increasing the energy efficiency** and reducing adverse environmental impact of the energy sector consist of: (i) preparing the national plan on energy saving and efficiency, (ii) educational campaigns for saving energy and increasing efficiency (as to both population and industry), (iii) increasing of energy efficiency in the public sector (incl. schools, hospitals, institutions, street lighting), (iv) promoting of renewable types of energy, and (v) implementing priority projects for environmental protection in Pljevlja TPP.

5. WATER SUPPLY AND SEWAGE

1. Around 72% of the Montenegrin population is supplied through public, and another 11% through their own water supply systems. On the other hand, as little as 39% of the population is connected to public sewage system. More than one fifth of the population experiences interruptions in water supply, while problems with inadequate quality of drinking water quality occur in some municipalities.

2. **The water supply and sewage system is characterised by:** (i) unreliable water supply, particularly in coastal and some of the municipalities in the central region during the summer season; (ii) substantial disproportion in the water supply and sewage systems coverage of urban and rural areas; (iii) high depreciation of water supply network, which results in large losses and contributes to deterioration of drinking water quality; (iv) the lack of reservoir capacities and of the equipment for automatic control and management of the water supply system; (v) inadequately protected extraction of water from almost all the water sources, and (vi) low rate of connection to sewage network.

3. One of the key problems of the sector is associated with prices of water supply and sewage services. For a prolonged period of time, these prices have been set at a lower level than what the actual economic cost of water supply and wastewater disposal. Such a **pricing policy** has led to a constant lack of funds for maintenance and investments on one hand, while on the other it has contributed to excessive consumption. Despite the significant investments in the rehabilitation of infrastructure facilities for water supply and sanitation in the previous few years, the situation in water supply is still unsatisfactory, especially in the coastal municipalities. At the same time, management and financial operations in the public utility companies as the only service providers in this field have deteriorated significantly. Negative trends were also observed with the collection rate, which has dropped by almost 20% in the period from 1998 to 2000.

4. Current circumstances in water supply and wastewater disposal can have a negative effect on both economic opportunities and human health. Reliability and quality of water supply and sewage disposal are, for instance, one of the basic preconditions of further tourism development in the coastal region. Thus far efforts towards sector's commercialisation and the creation of opportunities for new funding mechanisms (e.g. public-private Partnerships) have not led to a noticeable improvement.

5. **The underlying principles of changes in water supply and sewage sector** will be equitable access to drinking water (as per both quantity and quality) and principles of water resources preservation and environmental

protection. The introduction of market conditions will proceed along with changes in legislative and institutional frameworks, where the state will act as a regulator and protector of interest of the economically most deprived population categories (through well structured tariff and subsidy policy). Moreover, the application of “user” and “polluter pays” principle, and the EU accession process are crucially important for sector’s reform.

6. **Basic objectives of the DPRS regarding water supply and sewage are:** (i) to improve the legislation framework and to start the process of harmonizing it with the EU legislation, (ii) to improve the efficiency, management and financial operations of service providers, (iii) to enhance the accessibility and quality of water supply services, and (iv) to protect human health and the environment.

7. **Priority measures** include opening of the process of harmonizing domestic legislation with relevant EU Directives, and completion of legislation needed for restructuring and commercialisation of public utility companies and the involvement of private sector.

8. Furthermore, necessary measures comprise capacity building of public utility companies and strengthening of regional cooperation, as well as preparation of sector investment strategy based on existing and future strategic documents. Concurrently, it is necessary to gradually increase prices of utility services up to the cost recovery level, to create incentives for rational water consumption and to improve the collection rate.

9. Share of water supply costs in the overall expenditure of poor households will be monitored through household surveys (part of the monitoring and evaluation process), and an adequate subsidy program will be defined. **Subsidies** will be realized through direct transfers to public utility companies and will cover part of water consumption costs of the poor. In addition to **targeted subsidies, measures intended to improve the access and quality of drinking water include:** (i) measures for improving water supply systems in rural areas, (ii) measures for improving water supply to urban locations where some socially marginalized groups live, (iii) decreasing water supply interruptions, particularly in the southern and central regions, and tourist municipalities through construction of the regional water supply system, (iv) measures to reduce water losses in the network and to improve the drinking water quality, and (v) measures to protect currently used and potential drinking water springs.

10. As for the **measures aimed at protecting human health and the environment**, priorities include support to construction and reconstruction of sewage systems in the parts of settlements where marginalized social groups live, and in the coastal tourist centres.

6. ENVIRONMENT, DEVELOPMENT AND POVERTY

1. In the context of economic development and poverty reduction, key environmental challenges are: (i) control and prevention of environmental degradation in order to thwart negative impacts on human health and natural ecosystems, and (ii) preservation of a good-quality resource base for a country’s long-term development.

2. **The existing environmental management system has numerous weaknesses.** The most significant ones are:

- i. The legislative framework is inadequate and deficient, while the existing regulations are poorly enforced; the institutional capacity (including human resources) is insufficient to address environmental issues in an effective manner, while sector strategy and policy are underdeveloped;
- ii. The information and monitoring systems are underdeveloped, and they do not represent a reliable basis for monitoring the situation and for decision-making; particularly linkages between state of the environment and human health, sustainability in the use of natural resources and similar;
- iii. Existing mechanisms for public participation in environmental decision-making are inadequate;

- iv. Financing of the sector is insufficient, since spending for environmental protection programs accounts for less than 0.1% of GDP;
- v. Pressures on biodiversity and natural resources (such as space, land, water, forests) are evident, while adequate control mechanisms are lacking;
- vi. Environmental quality is being impaired through inadequate treatment and disposal of municipal waste and wastewater, pollution from industry, mining and transport, while pollution prevention and control measures are not developed to a satisfactory level;
- vii. The level of integration of environmental concerns into other sectors is unsatisfactory.

3. The **air pollution** levels exceed permitted standards in certain municipalities. **Major pollution sources** include thermal-power plant and Pljevlja Coal Mine, power plants of large industrial facilities (Aluminium Plant Podgorica, Iron and Steel Works in Nikšić), motor vehicles, and fuel combustion by households.

4. About 45% of **municipal waste** is collected in an organized manner, while there are no waste disposal sites that meet sanitary requirements. Separation of wastes and recycling are only done on a small scale; separation is often done improperly, and in a manner harmful to human health. Existing waste disposal sites pose risks for groundwater and soil contamination, and present a health hazard for the people who live in their vicinity. A particular source of risk is inadequate treatment of non-hazardous and hazardous wastes generated by industry and mining.

5. Prior to their discharge to natural recipients, municipal wastewaters are treated for as little as 11% of inhabitants. The lack of adequate treatment of industrial wastewaters is also common, regardless of whether they are discharged directly or into the public sewage systems. As a result of inadequate treatment of wastewater, some watercourses (rivers and coastal sea) fall below prescribed water quality standards.

6. **Incidence of excessive and uncontrolled exploitation of natural resources** was evidenced during in the past years. Examples primarily include: (i) illegal use of forests, mineral raw materials and fish stock, (ii) conversion of agricultural land, and (ii) illegal construction and negative impact on the environment. Evidence of the many-fold pressures on biodiversity and protected areas (incl. destruction of habitats, pollution, illegal hunting and fishing, uncontrolled collecting of plants) raises serious concerns related to sustainability .

7. The right to a healthy environment and sustainable development principles are rationale for the environmental and natural resources management activities. **The Strategy objectives include:** (i) improvements in the legislative and institutional frameworks for the environmental management, (ii) improvements of the environmental management system efficiency, (iii) implementation of priority projects aimed to reduce pollution and environmental degradation, and (iv) strengthening of policies and practices for sustainable use of natural resources.

8. **Priorities** for achieving the first objective include activities for harmonizing the legislation with EU directives on waste and air, revising the existing regulations on environmental impact assessment and economic instruments, as well as adopting new regulations on the environmental protection in privatisation process. Equally important are measures for capacity building of the Ministry of Environmental Protection and Urban Planning (MEPUP) and the local government administration, along with activities aimed at improving the inter-ministerial cooperation.

9. For the **purpose of enhancing the environmental management efficiency**, the following measure will be undertaken: (i) establishment of the Environmental Agency, (ii) establishment of the Environmental Fund, (iii) strengthening the environmental policy measures and instruments, (iv) raising public awareness on sustainability issues, (v) including environmental protection in educational curricula, (vi) strengthening the information and monitoring systems, (vii) reform of the urban planning system, (viii) preparation of strategic documents and action plans, (ix) preparation of the cadastre of polluters, and (x) preparation of categorization and inventory of hazardous and industrial wastes. Among the environmental policy measures and instruments, special attention will be paid to

the improved use of the existing, and the introducing of new, economic instruments (e.g. product charges related to waste, incentives for the environmentally friendly activities).

10. **Priority projects** aimed at pollution reduction and prevention of environmental degradation include: (i) preparation of feasibility study for rehabilitation of Mojkovac and Gradac mining tailings, (ii) improvement of degraded areas and regulation of Jagnjilo and Grevo dump sites in Pljevlja, (iii) rehabilitation and expansion of the wastewater treatment plant in Nikšić, and (ix) rehabilitation of the existing waste disposal sites and construction of new ones in coastal municipalities (Kotor, Budva, Bar, Ulcinj).

11. Finally, **priority measures to foster policies and practices of sustainable resource use include:** (i) revision of legislation on biodiversity protection and conservation, (ii) preparation of biodiversity strategy and action plan, (iii) improvement of management plans and practices for national parks and other protected areas, and (ix) promotion of projects based on sustainable use of natural resources (eco-tourism, organic agriculture).

7. FOREST AND WATER RESOURCES MANAGEMENT

1. Forest and water resources are among the most important natural resources in Montenegro, and are very important from the standpoint of future economic development. Furthermore, these resources are exposed to manifold pressures, which are likely to cause or have already caused their unsustainable use. The pressures primarily include unplanned and excessive exploitation of forests and watercourses, as well as plant and animal species whose habitats are either woods or waters.

2. Out of the overall Republic territory, forests cover 620,872 hectares, or approximately 45% of the territory. Out of this number, about 212,000 hectares is covered with high economic forests that can be used as raw materials for wood-processing industries. A substantial portion of the forest resources is placed in the underdeveloped northern region. Out of the overall forest area, 67% are state owned forests, and remaining 33% are privately owned.

3. **Problems in forest management are multiple and they include:** (i) small size of privately owned forests, (ii) unplanned cutting (wood is mainly used as timber or firewood) and a poor enforcement of regulations, and (iii) unfavourable forest exploitation methods and poor technical equipment. Wood-processing industry is in a very bad condition, and is closely associated with problems in forest management. Particularly important are incidence and damages from forest fires, along with forest illnesses caused by the air pollution, pathogenic micro flora and vermin. In 2000 only, more than 250 forest fires occurred, in which almost 2,000 hectares were burnt down, and around 150,000m³ of wood was destroyed or damaged. There are no accurate data on the scale of forest illnesses and affected areas.

4. **Situation with water resources varies significantly across Montenegro** – from areas without any springs or surface watercourses to those where water is in abundance. Generally, Montenegro falls into the group of countries rich with water resources, where average run-off is 614m³ of water per second. An average intensity of rainfall amounts to 2,000mm, while maximum rainfall reaches as high a figure as 5,000mm per square meter. Rivers belong to Adriatic (southern region or 47.5% of the territory) and Black Sea (northern region or 52.5% of the territory) catchments areas. Lakes are relatively numerous, and the largest and the most important is Skadarsko Lake.

5. **Problems of water resources management are numerous**, and they mainly relate to the irrational use of water and surface and groundwater pollution due to unsatisfactory disposal and treatment of wastes and wastewater. Moreover, problems of excessive and illegal exploitation water resources are present, including the fish stock and the extraction of gravel and sand from the riverbeds. At the same time, floods and torrents risk

management needs to be improved, along with improvements of surfaces that have already been degraded due to negative water impacts.

6. The improvement of forest and water resources management requires significant changes to both legislative and institutional frameworks. In the case of water resources management, for instance, harmonization with the EU standards and introduction of the river-basin integral management will bring about major modifications. The legislation and institutional reform process relevant to forest resources is more advanced, but some major changes still lie ahead. One of the key issues in financing area is the need to set concessions and other forms of compensations in a manner that will provide for the sustainable resource use.

7. Strategy objectives for forest and water resources management include: (i) improvement of the legislation and institutional frameworks; enhancement of measures and instruments used in forest and water resources management, (ii) strengthen sustainable management of forests and other forestry resources, and obtain certificate for sustainable forestry, (iii) provide support to the development of economic sectors and activities based on controlled and sustainable use of forest and water resources, and (ix) strengthen sustainable management of water and other water resources.

8. Measures aimed at improving the legislative and institutional frameworks include adoption of the new Law on Water (in conformity with requirements of the EU Water Framework Directive) and establishment of the Water Regulatory Agency. Moreover, establishing of administrative bodies at the level of river basins is foreseen, as well as their capacity building and improvements in the law enforcement, especially in the cases of illegal resource utilisation.

9. In order to obtain certificate on sustainable forest management, priority measures comprise preparation of the forestry development strategy and introduction of geographical information system. Furthermore, it is necessary to implement measures aimed at preventing forest withering and illnesses, to upgrade the fire protection system, rehabilitate some of the degraded forests and afforest cleared areas.

10. Incentive measures for economic sectors and activities include: (i) providing support for restructuring of wood cutting and wood processing enterprises, (ii) developing production of seeds and seedlings, (iii) utilization and protection of wild growing mushrooms, (iv) promotion of the use of non-timber forest products, and (v) promotion of fish farming and mari-culture.

11. Measures aimed at strengthening sustainable management of water and water resources refer to preparations for introduction of water information system and provision of incentives for efficient and multipurpose use of water. In order to improve eroded surfaces and regulate torrents in endangered areas, the priorities are to analyse existing conditions and prepare feasibility study, and to implement a pilot project for Tara and Lim river basins.

V SECTORAL PRIORITIES

1. SOCIAL PROTECTION SECTOR

1.1. Social protection and child protection

1. Social protection in Montenegro is primarily comprised of a **social welfare system, which includes elements of a social security system**. Its primary purpose is to provide a basic level of security to poor and vulnerable parts of the population, and this makes social protection the most important mechanism in alleviating the impacts of poverty. Namely, social protection is defined as the organized activity of the state and local government providing a basic level of security to citizens who are unable to work, have no access to financial resources or whose basic needs are not met. The right to social protection is achieved through meeting the social-protection criteria, i.e. on the basis of the defined basic needs characteristics (incapacitated or temporary lost ability to work and sustain an income, the lack of any legally answerable entity responsible for care, property census and other specific features of social vulnerability).

2. Social protection is implemented in the form of **basic social protection**, which is regulated, secured and financed by the Republic, pursuant to the Act on Social and Child Protection and associated by-laws. According to the Act on Social and Child Protection, the beneficiaries of social and child protection are as follows: children without parental care, children with no access to education, children whose development is affected by family circumstances, disabled people including those with developmental and physical disabilities, people lacking access to basic financial resources, people incapable of work, the elderly without family care, persons with socially unacceptable behaviour and persons and families whose basic needs are not met, and who call for an appropriate form of social protection. The most recent legislation amendments, carried out in 2001, were aimed at reducing the effects of an increase in unemployment and rise in the number of vulnerable families, so that social protection now covers some families with members capable of work if they have under-age children who are legally under their care.

3. The basic rights to social protection, have been outlined in the Law and include the following: access to family support, a right to building one's capacities for increasing employment opportunities, access to accommodation in a social protection institution or in a family environment, support for covering costs of in-home care, access to health care, coverage of funeral expenses, access to services of social welfare centres, and one-time financial support disbursements.

4. Municipal authorities, represent a part of the local governance structure, and provide access to **extended rights within social protection**, such as: provision of home care and home assistance to elderly and disabled people, resolving housing problems and other additional forms of social protection for persons with basic needs are not met. The data obtained from the field, point out that this segment of social protection is under-developed, and that it included only a few hundred beneficiaries, which is insignificant in comparison to real needs.

5. In the field of social protection, child allowance, which was formerly universal, is now available only for children in households receiving family support, and this resulted in a decrease in the number of beneficiaries from 152 000 to 13 000 children. This Law also regulates the rights to one-time support following childbirth.

6. The provision of social protection services to beneficiaries (major part of them are the poor) depend on the available budget sources of the state and municipalities. Shortages of budgetary resources in recent years has resulted , in a **delay of benefit payments**. The delay in payment of benefits varies – it is 3 months for institutional accommodation, 6 months for family support and housing, 9 months for care/assistant services and almost one year for maternity leave allowance. Since for the majority of those receiving benefits, this presents the only or main

source of financial resources, the key challenge becomes ensuring stability and sustainability of the social protection system, as the benefit payment delays bring into question the main function of the system with respect to poverty. As shown in Table 1, below, unsettled arrears in payments from the years 2001-2003 now total 18 million Euros.

II. TABLE 1. SUMMARY OF UNSETTLED PAYMENTS OF THE MINISTRY OF LABOR AND SOCIAL AFFAIRS

with reference to social welfare benefits in October 31, 2003.

Type of benefit	Debt from 2001	Debt from 2002	Debt from 2003	Total debt by October 31, 2003 given in Euros
Social Welfare				
Child Allowance	6.489.855,7		1.622.479,2	8.112.335
Family Support			3.126.511,4	3.126.511,4
Maternity leave benefit		1.073.066,6	4.097.635,2	5.170.701,8
Allowance for care/assistant services			1.522.629,7	1.522.629,7
Support for institutionalized persons			380.428,29	380.428,29
Support for institutionalized persons			76.000	76.000
Support for persons in Family accomodation			254.596,55	254.596,55
Support for persons who are beneficiaries of social welfare but are outside Montenegro			49.831,74	49.831,74
Food for the children in preschool institutions			139.959	139.959
Recreation expenditures for children from the poorest families			77.700	77.700
One-off financial support			218.892	218.892
TOTAL:	6.489.855,7	1.073.066,6	11.186.235	18.749.157

7. A key problem in social protection is the impossibility of the existing system to cover the whole vulnerable population.. Despite that there are different forms of benefit provided, the dominant ones being family support and child benefits, these benefits are below the level of fulfilling basic needs of poor families, to whom they are often the only source of income. This is contributed by the lack of functioning of the Allowance Adjustment Mechanism in social welfare (which uses the average wage in the Republic as a reference), as these data have not been officially updated for some time. The system of family support includes some categories of the population which are capable of work, and whose basic social security should be met through other benefits (unemployment benefit) and employment measures.

8. The dominant role of the state in social protection does not encourage the inclusion of other welfare actors, for example municipalities and other local level authorities, civil society, non-governmental and humanitarian organizations, families and citizens, in contributing to the achievement of the goals and rights within this area. Many forms of social protection are poorly developed at the municipality level, and so the provision is mainly limited to the measures and activities carried out by the Ministry of Labor and Social Affairs, and the institutions for social care under the auspices of the Ministry. Most municipalities do not use their financial, institutional and personnel capacities to perform these roles. Alternative projects within social protection are rare and mainly developed with the support of international institutions and organizations.

9. Most of the services in the area of social protection are carried out through the institutional system, i.e. through institutions providing social protection (centers for social work, home for retired and other elder people, The specialized centre for children and Youth, The Children's Home and the Children's Holiday Recreation Centre), so that out-of-institution forms of support are rather undeveloped. The situation is similar with respect to family care, which includes just a small number of beneficiaries, only children with no parental care. Types of out-of-institution foster care for the elderly without family care and so as for severely disabled adults are especially weak (particularly in rural areas). In both cases the situation is quite similar between the refugee and domestic population. The

institutional social protection system is insufficiently developed, in relation to the volume of social protection needs.. Even though the network of centres for social work covers all municipalities, the lack of their staffing and technical capacities and other available resources limit their work effectiveness, especially with respect to overcoming the consequences of poverty. The majority local authorities do not consider the Centers for Social Work as important municipal-level institutions, and this requires a revisiting of their status and functions within the social policy framework.

10. Despite limited capacities, the institutions for foster care of the elderly (mentally disordered and agile elderly people) and people with special needs accommodate various categories (children, the adults and the elderly) which makes it impossible to develop specialized forms of support and care and its application to the diversity of status and needs. The institutional system of social protection especially lacks the capacities, housing facilities and adequate social and health care services for mentally disordered elderly and elderly persons without family care (both refugees and domestic population).

11. An Under-developed system of monitoring of the needs and activities of social protection, excluding those related to achieving rights, as well as the **lack of an information system** represent a serious limiting factor for more effective poverty reduction through social protection initiatives. Things get even more complicated by the fact that information systems within other segments of social policy are not developed and neither are they interconnected.

12. In addition to the lack of developed social protection services, especially out-of-institution ones, there are no standards for certain kind of services, thereby raising the question of their quality control. The under-developed supervision and quality control system, needs developing if both sectoral areas and service delivery sectors (private sector, civil society) are to be expanded.

13. All social protection institutions lack professional personnel to perform their complex and responsible roles in beneficiary protection. The fact that there is no modern staff training program weakens even more the capacities of these institutions, in particular, the Centers for Social Work, pointing out the need for strengthening professional competence of the staff in social institutions. This also includes the need for specific trainings and training of volunteers and NGOs for service delivery and other activities in social and child protection.

Poverty reduction priorities, goals and activities within social protection

14. With the aim of increasing efficiency of social protection in poverty reduction and overcoming its most difficult consequences, as well as achieving goals and activities planned in this part of the PRSP document, it is necessary to secure some basic assumptions. These assumptions are related to those goals, activities and priorities in social protection combined with the activities of other poverty reduction players in the fields of economic and social policy as well as other areas, i.e. they require a multidisciplinary approach and “inter-sectoral” linking and cooperation.

15. Additionally, the competent state authorities and other responsible actors for socio-economic development, would need to undertake the following:

1. A National Employment Strategy including regional, municipality and local-level Employment Action Plans;
2. A National program on social protection of the elderly, which would be in compliance with regional, municipal and local action programs on protection of the old;
3. Policies and key principles towards the family and children;
4. Strategy on population development;
5. Strategy for refugees and IDPs;
6. Strategy on social protection of people with special needs, and

7. Program on social inclusion of the Roma and improvement of their position

16. Implementation of the part of the DPRSP covering social protection should be based on some basic ground principles, which can increase the impacts and successfulness of the achievement of objectives and harmonize these systems with some basic international standards. Here we have in mind the following principles:

1. Decentralization of the functions, responsibilities, funding and social and child protection practice;
2. Personal responsibility of the citizens for social and economic security and family needs, as well as responsibility of the family for security and protection of its members;
3. Ensuring a multiplicity of responsible stakeholders, forms of support, methods of service provision in social protection;
4. The competitiveness of different actors and service providers and the incorporation of market criteria in funding parts of the service or types of services in these areas, and
5. Promotion of partnership and networking between the different actors engaged in programs and initiatives, especially at municipal and local level.

1.2. Pensioners and the elderly

17. Until recently the system on pension and disability insurance in Montenegro has been regulated by the Law on principles of pension and disability insurance (Official Gazettes of the Republic of Montenegro no. 30/96), Republic Law on pension and disability insurance, as well as by-laws based on these two laws. In September 2003, the **new Law on pensions and disability insurance** was adopted, regulating this area differently, and is going to be applied from the beginning of 2004. Analysis of the functioning of the existing pension system in Montenegro in last five years identified the following problems:

1. Unfavourable ratio of pensioners to employees (1:1,3),
2. Large share of the expenditures of the PIO Fund in GDP (17% in 2002)
3. High fiscal burdens in the economy,
4. Avoidance in paying pension contributions,
5. Inadequate expenditures patterns of the PIO Fund (just one third of the expenditures is assigned to beneficiereis over 65) and
6. Lack of financial sustainability in short and long term

18. **The lack of financial sustainability of the pension system** in Montenegro is caused by the decrease in number of contribution payers compared to the number of pensioners. This ratio did not meet international standards since 1995, when the proportion was one pensioner to 1,7 employee. This ratio is even more unfavorable now, so that single pension contribution is paid by only 1,35 of the employed. According to the data received by the PIO Funds, there is only 40% of age-based pensioners, while the share of expenditures for age-based pensions is 48%. According to the existing law, the pension-base was determined on the basis of the highest average wage earned in successively in a ten year period. For the maximum employment period (35 years for women and 40 for men), the ensured received 85% of the pension-base or average wage. Selection of the best successive 10 years was benefiting those who, achieved career progress or a higher wage only within 10 a year period. That resulted in inflating wages for the best ten years in purpose of receiving the highest possible pension. This system meant that those who didn't get the chance to advance in their career, shift to better paid jobs or manage to increase their 10 years salaries in any way, received considerably lower pensions than those who had those opportunities. Those are the pensioners now receiving the lowest pensions.

19. **Number of pensioners in Montenegro** at the beginning of 2003 was **88.300**, with average pension amounting to 112,24 Euros per month. Out of this number, there were 35.809 old-age pensioners with average pension of

137,19 Euros, 27.118 disability-based pensioners with average pension of 99,39 Euros and 25 373 pensioners receiving survivor family pension whose average pension was 90,77 Euros.

20. Pension system reform. In order to solve the identified problems and bring the pension system to a level of financial sustainability, a radical and all-encompassing set of reforms is needed, a part of which has already been undertaken (first pillar). The overall plan includes:

1. Restructuring the existing obligatory insurance system on the basis of generational solidarity (current financing or first pillar) which represents the base of the existing system;
2. Introduction of obligatory insurance on the basis of capitalized savings for the the insured (second pillar) and
3. Introduction of voluntary insurance (third pillar).

The new law on pensions, passed in 2003, restructured the obligatory insurance on the basis of generation solidarity based on:

1. Implementing stricter criteria for access to age-based, disability and family pensions, including a gradual increase in the age for eligibility of pensions by five years;
2. Changes in calculations made to determinize pension size;
3. Change in the calculation of the average salary from the ten most favourable years, to including total working years (gradually);
4. Implementing stricter criteria for determining disability status; and
5. A reduction in the opportunities for entitlement.

21. Following a concept used worldwide, the new Law envisages a pension and disability insurance system in Montenegro consisting of three parts (three pillars). The first part relates to obligatory an pension and disability insurance based on generation solidarity carried out by the PIO Fund, which is regulated by proposed Law. This system provides minimal pensions to the insured people and represents the basic level of age-based and disability insurance. Second part is related to obligatory pension and disability insurance based on individual capitalized savings. This form of pensions will enable individuals to save their money for the retired days and provide larger differences among pensions depending on income level. The Government is in the preparatory phase of starting a public debate about this form of insurance. Third pillar is the voluntary insurance. The retirement age limit was raised for five years, and now it is 65 for men and 60 for women. The percentage that will be used for adapting pensions is a half of the sum of the inflation percentage (or deflation) and a half of percentage of the increase (or decrease) of the average gross income. The lowest age-based pension cannot be less than 45 Euros.

22. The average age in Montenegro is 37, average life expectancy is 71, while the number of citizens over 80 is around 13.000. The above mentioned, points out that this is a rapidly aging society, and places Montenegro among the first thirty countries, by this classification. In Montenegro more than a fifth of the population are over 60, which means that there is an obvious problematic trends that this population (over sixty) is nearly the same in number as the youngest population. The average natality rate hardly reaches the level of simple reproduction, and in a number of more-developed municipalities, this rate is negative. The number of elderly living alone on small pensions is a growing trend in Montenegro, as their number ranges between 7.000 and 7.500 ,most, of whom are poor.

23. The main objectives of the Development and Poverty Reduction Strategy (DPRS), **relevant to the elderly** include poverty reduction among retired and other old persons, and strenghtening out-of-institution service delivery. These will be developed through the following:

- The building of facilities for caring for mentally disordered elderly (both refugees and domestic population);
- Day care centers for the elderly;
- Day rehabilitation centers; and

- Establishment of teams providing home care.

1.3. Children and youth

24. Poverty impacts differently on different age groups. Naturally, children and youth represent the most sensitive groups. It should be taken into consideration that poverty has different impacts on different groups of children and youth. Especially vulnerable categories are: children without parents, children whose upbringing was disturbed by family circumstances, children – victims of violence, children with special needs, single-parent family children, RAE children, refugees and IDPs, children with unacceptable behavior. Combating poverty among children and youth is crucial for poverty reduction in the long-term, because this is the only way of avoiding the inter-generational reproduction of poverty.

25. **Manifestations of poverty, among children and youth**, are numerous and diverse and can have a severe impact on their development and integration into regular socio-economic trends. They include:

- Infant and child mortality rate
- Underweight at birth
- Malnutrition
- Frequent disease
- Problems in physical development
- Problems in mental development
- Socio-cultural handicaps
- Problems in education
- Social deviations

The poverty indicators for children and youth occasionally appear independently, but mainly appear combined and thus have a cumulative effect, which has major poverty implications.

26. The **objectives** of the DPRS **with respect to children and youth** are:

- Support to particular children and youth as well as their families, that are poor
- Ensure access to social services (health, education, social and cultural services)
- Alleviate the impact of poverty, especially in areas where generational reproduction of poverty is common.

In order to achieve these goals, it is necessary to:

- Define a national level strategy on supporting children and youth at state level, but also design regional and local strategies which are developed within the national framework
- The strategy for the reduction of poverty among children and youth should be treated as a long-term, development process,
- The main strategic directions in combating poverty among children and youth should be based on respecting children's rights and human rights.
- Poverty reduction among children and youth should be impacted through access to quality services benefiting children and youth
- Poverty reduction among children and youth should be carried out by including them into decision-making systems both at national and local level

1.4. Disabled persons

27. Disabled persons, i.e. persons with physical, mental or sensory disabilities have special needs or they require a specific way of meeting their needs compared to the general population. These persons face numerous physical and social obstacles making them unable to meet basic biological, psychological and social needs. Many of them are surrounded by discrimination, prejudice, lack of access to knowledge and information, and are unable to meet

their basic needs. Disabled persons and their families, as a rule, have low incomes (these are mainly social allowances and support for disabled persons received on monthly basis). Causes of poverty among the disabled result from very low education levels, as well as a low employment rate. Lack of access to public services and cultural institutions is often combined with under-developed services designed to provide assistance to these groups.

28. It is estimated that there are 7 to 10 % of disabled persons in Montenegro. We have no precise and reliable data on disabled persons, especially on the character, types and level of their disabilities. Ten causes of poverty among disabled persons have been selected in the recommendations to Montenegrin DPRS received by the Association of the persons with special needs during the consultation process. These are: unemployment – both among disabled persons and their families, low and irregular incomes, inappropriate economic policy, inadequate social and housing policy, a lack of understanding within society of the problems of disabled, inadequate and incomplete health care, inappropriate legislation dealing with this area, collapse of economy, low level of consciousness, inadequate and unavailable education system.

29. Having defined five **basic principles** to guide policy development for creating equal opportunities for disabled persons (being: dignity, participation, non-discrimination, the right to compensation and closeness), the **main objectives of the DPRS applicable to the disabled are as follows:**

- Establishing an adequate social protection system for disabled persons including the application of compensatory rights and development of varying types of support services.
- Ensuring physical access to buildings
- Providing access to adequate education system
- Providing employment opportunities to disabled persons

The implementation of these objectives should ensure social inclusion and stimulate independent living of disabled persons.

30. When drafting legislation, which applies to persons with disability, we should keep in mind that families with a disabled individual have additional costs. These can be direct costs – caused by specific needs of the disabled person, indirect costs – expenses that other families do not have, and specific costs – the lack of employment activity by household members, as a result of day-care responsibilities around the disabled household member. In terms of policy development with respect to disabled persons, it is necessary to provide mechanisms for inclusion of disabled persons in decision-making processes.

1.5. Refugees and IDPs

31. The Government of the Republic of Montenegro is to **develop an all-encompassing strategy**, which is to **address the question of refugees and IDPs in Montenegro**, in line with the protection of their basic right – the right to return to their former homes. The policy matrix and costings tables cover activities and necessary financial resources for meeting the needs of refugees and IDPs until the total resolution of their status. More detailed information on these social groups is given in the Survey on household expenditure from September 2003, as well as in the DPRS additional materials.

1.6. Romi, Ashkealia and Egyptians

32. This category of the population represents the most vulnerable group, and this includes both domestic RAE and Roma IDPs. Their poverty profile is given in Chapter 1, and the anticipated projects addressing the issue of their integration are given in full in the costings section. In addition, a separate overview of the costs for refugees, IDPs and RAE is included. Additional information on this group is given in the Survey on household expenditure from September 2003, as well as in the additional materials, which accompany the DPRS.

2. EDUCATION

2.1. Education and Poverty

1. Montenegro has made significant progress in meeting its educational objectives. However, significant education deficiencies exist among minority groups, and there are serious questions about the quality and appropriateness of the education received.

2. According to the 1991 Census, only 8.9% of the population aged 15 or more are without education, those with incomplete primary education are 16.3 %, and those with only completed primary education are 29.5%. Persons with secondary education dominate - 35%, while those with two or more years of higher education represent 8.8% of the total population. According to the Household Survey (HHS, 2003) about 5% of adults aged 16-24 in the standard population may be considered “educationally poor”, considering that they are not in school and never attended secondary school. For the RAE population, the figure is 70%; for refugees 29%. These poverty groups are characterized by high dropout rates.

3. Poverty influences education, and vice versa. Gifted children often have to give up their education due to poverty problems in the family. On the other side, poverty itself is often the result of inadequate education, such as unemployment caused by inadequate formal education, i.e. insufficient level of knowledge and skills, to be competitive in the labour market. This points out the importance of the connection between education and competences for work with a need for continual education (i.e. lifelong learning). Lack of education of the head of family is connected with a greater risk of poverty. About 17% of households whose family heads did not attend secondary school have a three times higher rate of poverty in comparison with families whose heads have completed secondary education. While the education of the family head is connected to a greater risk of poverty, it is also true that many families with low educational levels are not poor.

4. However, graduates of the regular system of education are not trained enough for practical work. Many students complete high school, and then are employed in the public sector. Weaknesses in the educational process lead to production of an unskilled and uncompetitive workforce. The most relevant challenges for Montenegro, considering education, are: (i) increase of the quality of the educational system, and (ii) the need to develop standards, which relate to the knowledge and skills needed in the labour market. In addition, highly trained people often leave the country in search of better employment opportunities, or additional education.

LACK OF HARMONIZATION WITH THE LABOUR MARKET:

- In Montenegro there are 3952 identified professions. According to the data from the Employment Agency, there are 922 various professions registered, but there is an announced need for only 750 of them.
- There is an announced need for 262 professions, but they cannot be found in the register of the unemployed
- There is no need announced for 435 professions listed in the registers: religious professions, army officers (VII degree), operational tourist organizers, fine arts teachers for primary schools, biology teachers for primary schools (VI degree), teachers and assistant teachers, laboratory technicians for biology, clothing technicians, textile technicians, technicians for the construction of machine elements (IV degree).
- In case of 487 types of professions the needs are satisfied with the supply in the labour market.
- In terms of qualification levels: in case of the III degree (qualified) and IV degree (high school degree) there is a surplus of approximately 167 types of professions (465:298), while in case of high qualifications (university degree) there is a deficit of approximately 86 types of professions (238:152).

5. Apart from problems caused by out of date curricula, the existing educational system is not effective in delivering quality educational services that meet European standards. Problems are evident in the low participation

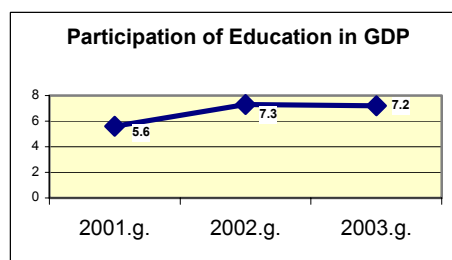
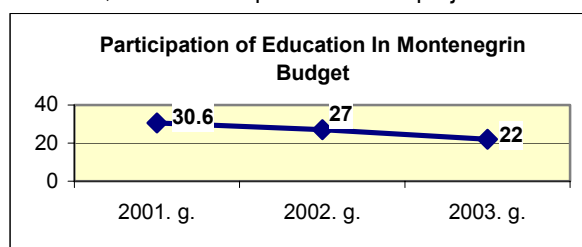
of children of appropriate age in pre-school education, »overloaded« school capacities in towns and unused capacities in rural schools, a reduced number of children in primary schools in the North of the Republic, inadequate conditions for training in vocational education, and a lack of organisation and provision for adult education.

6. The Constitution of the Republic of Montenegro regulates usage of language and writing. In Montenegro, the official language is Serbian, and both Cyrillic and Latin alphabets are used. In municipalities, where a significant part of the population are Albanians, their language is officially used as the language in which the curricula is taught in. Pre-school education is being performed in official language, but the legal framework exists for it to be performed in Albanian as well.

7. Although compulsory education is free, this does not include private expenses for required textbooks, supplies and other materials. These expenses represent an important cost for the poor, especially in the North of the Republic, in rural areas, and for certain groups such as RAE population and refugees. It is often a basis for their exclusion from the education system, or a reason for high drop-out rates. Parents on average spend €87 for one school year for textbooks and supplies for one child. Textbooks in secondary education alone cost on average €66 per child. Costs for additional workbooks, supplies, and other material etc, for various occupations within vocational schools further increase costs that parents have to provide. These costs are in spite of the fact that the Ministry of Education and Science subsidizes textbooks so that parents pay only 60% of the actual cost.

8. The needs for overall public education are financed from the Budget of the Republic of Montenegro. Ministry of Education and Science, within funds dedicated in the Budget, plans expenses according to: gross salaries of employees (76% of total), material expenses, funds for investments and reconstruction of facilities, funds for financing needs of education, and for financing programs and equipment of University of Montenegro. Legal regulations in previous period defined a centralized way of financing education and did not oblige local communities to participate in expenses for education. This led to often unaccountable spending.

9. Participation of expenses for education in the Budget of the Republic of Montenegro was reduced, from 30.6% in 2001, to 22% in the Budget for 2003. Participation of education in GDP increased from 5.3% in 2001, to 7.3% in 2002. In the Budget projection for 2003, education expenditures are projected at 7.2% of GDP.



10. Budget funds planned for education are allocated to institutions according to the number of employees, which corresponds to the number of pupils, teachers' scope of work, legal framework and other demands, level of education, network of educational institutions and other conditions. Within the Montenegrin Budget for 2003, 22.8% is allocated for education. Out of that 55.6% is allocated for compulsory and pre-school education. Average

annual cost of education per pupil in compulsory education for 2001/02 was €492, and for 2002/03 it was €601. Annual cost of education per pupil in secondary education for 2001 was €684, and for 2003 it is €630.

11. The number of pupils involved in the education system is: 11432 in kindergarten, 119360 pupils attend compulsory and secondary schools and around 11000 students attend higher education. Females account for 56% of total enrolments. The ratio teacher-pupil is 14 pupils per one teacher, and teachers represent 70% of the total number of employees in education. Since 1999, the number of employees in education has increased by more than 12%, despite the fact that the number of pupils in primary and secondary schools was reduced by more than 3% in the same period.

12. The network of pre-school institutions in the Republic includes 20 institutions that have 69 facilities. Employees in pre-school institutions account for 10% out of all employees in the educational system. Percentage of participation in pre-school education in Montenegro is low, first of all due to insufficient number of facilities and poor services. In the school year 2002/03 the number of participants in pre-school institutions was by only 22% of those eligible.

13. Percentage of enrolment in primary schools, in comparison with the total population of children in 7 to 14 age group, in 2002 was 96.9%. Starting from school year 1999, the number of pupils in primary schools fell by about 2% per annum. In communities in the North of the Republic there was a decline in the number of pupils in primary schools, while there was a constant increase of pupils in bigger towns, where there is a clear lack of school facilities. Percentage of girls in population of pupils in compulsory education is 49.6%. In Montenegro there are 168 primary schools with 309 satellite units in rural areas. Out of all primary schools, 22% of them have less than 60 pupils that is less than 2% of all pupils in primary schools. In these schools about 8% out of all employees are employed in primary education. Of the total number of 478 primary schools, 280 have less than 30 pupils, 145 have less than 10 pupils, and in 10 of them there is only one pupil.

14. In the total population of Montenegro 3.3% are members of the RAE ethnic community. RAE families have relatively high birth rates, a low percentage of children that attend school and a high illiterate amounting to 76%. During year 2002, regular primary school contained only 1% of pupils of RAE nationality, and part-time education about 0.5% pupils. Inclusion of RAE children in the educational system is problematic due to illiteracy and problems of poverty, lack of facilities and inadequately trained teaching staff. Due to the difficult economic situation a lot of RAE families have poor living conditions, children in some areas do not have access to running water or conditions for normal psychophysical development. Out of 21 municipalities in Montenegro RAE children attend primary school only in 12 of them. There is a high dropout of the RAE children following initial entry into primary education.

15. Ministry of Education and Science encompasses 612 school facilities with 567381 m² of space that is in functional use and 153 facilities of 18695 m² that is not in functional use. In the facilities where teaching process is being performed, conditions are generally not satisfactory. Problems all school facilities face include poor conditions of roofs, breakdowns of heating system, water supply and sewage system.

16. In municipalities in the North of the Republic there has been a continual reduction in the number of pupils, creating a problem of maintaining relatively large facilities for a very small number of children. There is continual increase of pupils in big cities, and in some of them the lack of school facilities is a concern. However, the number of pupils in primary schools in some towns is actually decreasing, so in period of two to three years existing facilities will be sufficient (for example in Plužine, Pljevlja). In terms of investments and maintenance, certain school warrant upgrading of facilities and building extensions over flat roofs. In cases when reconstruction of big facilities is not cost-effective due to small number of pupils, the building of uniform prefabricated facilities of 40 to 60 m² that would solve the problems for such satellite units is envisaged.

2.2. Education Reform Process

17. The education reform process that has started in mid-1999 encompasses all levels of education. The objective of the reform is to build a system of education that will enable quality education for all children and expand opportunities in adult education that will enable improved livelihoods. The reform of the educational system is being implemented on the following principles: decentralisation of the system, equal rights to education of all individuals (irrespective of gender, social and cultural origin, religion, physical and psychological characteristics), and the provision of greater choice. It also includes the introduction of standards and quality assurance system, development of human resources in introduction of the concept of lifetime education, flexibility, enabling vertical and horizontal transfer through the system, inter-culturalization and the gradual introduction of changes.

18. The new educational system will be designed to respond to individual needs of each child, and to the needs of different target groups, particularly those that are affected by social discrimination. Groups with high risk, whose members are in unfavourable position to achieve adequate educational levels, include refugees, children from rural areas, RAE population, children with special psychological and physical needs, and those under care. Until now, activities that have been undertaken include: establishing new institutions and capacities for functioning of reformed system of education, improvement of quality in education, preparation of new curricula, preparation of new textbooks, development of occupation performance standards to guide curricula changes, expansion of adult education. The reform includes the extension of compulsory (primary) education from eight to nine years.

19. The **reform objectives** include both social and educational objectives. The social objectives include enabling citizens to make a contribution to economic growth (increase of GDP, employment, improvement of living standards etc.), have responsible attitudes based on principles and norms of a civic and democratic society, and be ready for life long learning in order to adjust to changes on the labour market. The educational objectives are: (i) increased rate of passing exams of pupils and students, along with increased quality of knowledge; (ii) increased enrolment and completion of post-primary education; (iii) higher understanding use of achieved knowledge and civic values, and (iv) satisfied and motivated teachers.

20. **The goal of the reform** is an increased rate of enrolment of children in pre-school education, of about 2,5% annually, with greater involvement of poor groups in all parts of Republic, especially RAE children and children with special needs. This would be undertaken by: (i) intensive building of infrastructure facilities, (ii) giving facilities as concession (expanding capacities of existing kindergartens), and (iii) stimulating the opening of private kindergartens. Special attention will be directed on preparation of teachers and other personnel for work with RAE children in native language in pre-school education. Their early inclusion in the educational system would enable greater access to primary schools and integration into society as a whole. Activities on building infrastructure should adjust to demographic trends and take into consideration access of vulnerable groups. Efforts of state authorities and NGOs should be directed at enabling poor backgrounds to whole-day stay in educational institutions.

21. **Enabling successful completion of primary school and continuation of education will be realised through:** defining special stimulus conditions for children from poor families, additional support for RAE families that educate children, providing additional conditions for children of refugees. One type of support would be provision of free textbooks, purchase under favourable prices or in several instalments, as well as borrowing textbooks from school libraries. One free meal will be provided in schools that are situated in regions with high poverty. Transfer with school buses for children whose home is far from school should be provided for free. Building and rehabilitation of school facilities will enable improvement of quality of teaching and includes the equipping of schools with necessary didactical equipment, and intensifying of extracurricular activities.

22. Including the RAE children into pre-school programs has to be provided through building facilities in appropriate places, near to the RAE population, which will be an important precondition for their further inclusion in primary education. Activities have to be directed to raise the share of RAE children in programs of compulsory

education by 0.5% per year. These activities would eventually raise the participation of RAE children to 3% in the total number of pupils in compulsory education.

23. Ministry of Education and Science and local communities should support schools to provide conditions for the new 9-year compulsory education program, and to increase enrolments from 96.9% starting from 2002, to 100% by 2010. It is necessary to provide adequate training/preparation for teachers for the appropriate implementation of the new 9-years primary school program.

24. According to last census in Montenegro, 5.9% of population was illiterate of which 82.8% were women. Activities directed at providing functional literacy are aimed at reducing illiteracy to less than 1% by 2010, and within persons aged 15-24 years to below 0.2%.

25. There is a clear need for building a much better level of co-ordination between education policy, the labour market and employment policy. Emphasis will be given to adult education, particularly focusing on surplus workers and unemployed persons. Financial support of the State will be used to develop mechanisms of social partnership between private enterprises, the labour market and educational institutions.

26. The Government will support education and training in occupations related to agriculture, tourism and services, as well as provide qualitative professional education through building of new school facilities and reconstruction of existing ones.

27. **A strategic plan is needed for a system of continuous professional development** of all professionals in education, including both teachers and managers. The training process has to be connected with the policy of remuneration. Salaries have to be adjusted to reflect training received, and to reward those that adopt innovative technologies or work with RAE, in rural areas, or with children with special needs. Emphasis has been given to the improvement of management skills for managers in schools, their connection with local communities and their role in curricula development. For teachers that work directly with children with special needs, especially RAE children, there must be both planned initial training, and after that compulsory education and training.

28. Funds for financing the education part of the DPRS can be derived from savings in the Montenegrin Budget. It is envisaged that in next three years the share of education expenditures will be reduced by one percentage point, and can come from such areas as: (i) rationalisation of school network, (ii) increased efficiency of administration and financial effectiveness of education system, (iii) reduced employment in education, (iv) rational organisation of classes and groups of pupils within teaching process, (v) rational maintaining of facilities and equipment, and (vi) rational use of energy, supplies, etc.

29. Qualitative education and the adoption of relevant knowledge and skills have to be provided through preparation and adoption of new curricula for all subjects and all levels up to University. This includes the preparation and printing of new textbooks, training of teacher staff and introducing IT in schools.

30. The implementation of information technology in educational system will enable: (i) establishing better management in IT education, (ii) establishing computer network for the process of education.

31. Structural changes, building of capacities and development of human resources have to be directed to: reforming of Ministry of Education and Science, preparation of legal regulations and bylaws that make new laws in education more precise, establishing and functioning of institutions (Bureau for Education Services, Centre for Vocational Education and Examination Centre of Montenegro).

32. Having in mind the unfavourable pupil – teacher ratio, it is necessary to reduce number of employed teaching staff by 10% by 2004, as well as the number of other employed persons.

33. Much of the knowledge and skills that pupils achieve during vocational education and training do not correspond to the demands of the market place. **The implementation of a new concept of vocational education will take the following directions:** (i) vocational education programs will have to introduce types of work and teaching methods that build permanent and applicable knowledge; (ii) the education given has to offer knowledge and competences that will enable fast adjustment to changing relationships in the work process; (iii) curricula have to be prepared according to modular principles; (iv) adopt legislation that provides establishing of certificate system; (v) include social partners and the private sector in the management process, decision making process and financing of vocational education.

34. Having in mind that there are a great number of vocational schools with a variety of educational programs in all communities in Montenegro, it is not justified to invest in workshop-equipment for all the individual schools. Rather, regional training centres are to be founded, with priority of providing training of the highest technical level for identified areas of the market. The Centres will be organized to cover the more complex parts of the training process, for certain occupations, which demand equipment of high technical-technological level. The system of vocational education, through the training process has to function to satisfy demands of the labour market. A substantial program of evaluation of vocational education will be implemented by monitoring of the employment of recent graduates.

35. It is necessary to expand capacities of pupils` and students` accommodation, in order to provide accommodation for pupils from poor families and vulnerable groups, and enable them easier access to educational institutions, irrespective of the location of schools and faculties.

36. **Reform of university education encompasses:**(i) introduction of European Credit Transfer System (ECTS), (ii) development of scientific and professional criteria for gaining academic qualifications, as well as benchmarks and criteria for academic promotion, (iii) increasing quality of education services (iv) membership in COBES (Computer Based Environmental Studies), (v) teacher training education, (vi) equipping of workshops in schools, classrooms and computer rooms.

3. HEALTH SECTOR

1. Health conditions of the population – Since 1950, significant changes have been recorded in health indicators that are important for presenting progress in the health conditions of the Montenegrin population. There is a clear increase in life expectancy at birth, a reduction in the mortality rate with respect to infectious and parasite-based diseases, as well as a reduction in the child mortality rate. Positive trends continued until the last decades of the past century. Disintegration of former Yugoslavia, wars in the region, sanctions imposed by the international community, hyperinflation, the NATO bombing, has all contributed to the termination of the progress in improving health conditions. The challenges healthcare is faced with include provision of health services to a large number of refugees and IDPs, the increasing levels of unemployment and poverty, as well as a rise in risk-associated behavior, have all contributed to increasing difficulties in health service provision.

2. Vulnerable population groups – Vulnerable groups within the population are particularly sensitive to the socio-economic environment, and thus have special health needs. Vulnerable groups make up a significant part of the Montenegrin population (Table 1) and put considerable pressure on the Montenegrin Health Fund to provide health services to them. During the Kosovo crisis in 1999, Montenegro was faced with an influx of over 100000 displaced

Table 1. Vulnerable population groups in Montenegro

Population groups	No. of persons	% of population	Sources
Children (under 19)	191156	28.59%	Vitalna statistika SZS (SZS Vital Statistics)
Women (pregnancy, delivery, puerperium)	9713	1.45%	Zdravstvena statistika (Health Statistics)
Unemployed, with ability to work	80584	12.05%	ZZZCG
Welfare families	10351	1.55%	MRSS
65 years and older	75550	11.30%	Vitalna statistika SZS (SZS Vital Statistics)
Refugees	14688	2.39%	UNHCR
Internally displaced persons	29132	4.74%	UNHCR
Roma population	20377	3.05%	UNDP
Handicapped persons	60000	9%	NGO
HIV/AIDS patients	41	0.006%	Epidemiology Center, Montenegrin Health Institute
Tuberculosis	42	0.006%	Epidemiology Center, Montenegrin Health Institute
Chronic kidney insufficiency	422*	0.06%	Zdravstvena statistika (Health Statistics)
Diabetes	428*	1.11%	
Psychosis	11539*	1.73%	
Total population	668584		Vitalna statistika SZS (SZS Vital Statistics)

* Number of registered cases in outpatient and in-patient public health institutions

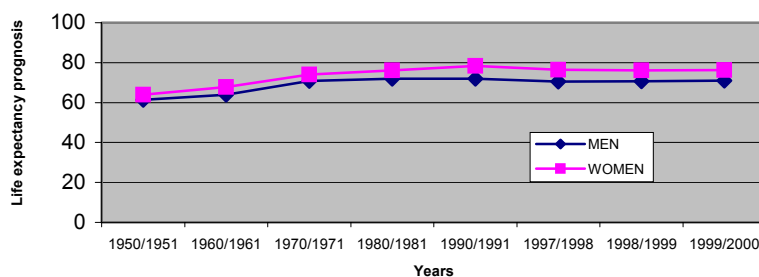
persons that had fled from Kosovo. The EU provided € 1.75 mil. as support for health service costs of IDPs and refugees. These population groups have access to full health services, financed by the Health Fund, and their rights in this respect are the same as those of the Montenegrin population. For these reasons, the Montenegrin budget must provide compensation for the costs of health service provision for this group. By including budget support, the conditions for reducing the general contributions to health insurance can be met.

3. On the basis of standard health statistics, correlations between registered morbidity and mortality and socio-economic status, have not, as yet, been identified. There are no official health data on specific vulnerable categories of the population. In addition, research has shown that there are no specific diseases caused by poverty itself. Surveys have shown that the percentage of monthly expenditure for health care reduces as income increases, and those with an income of up to € 100 spend the highest percentage of their income on healthcare (approximately 8%).

3.1. Basic health indicators

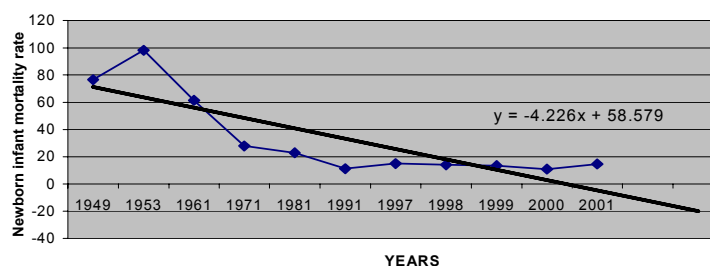
4. Basic health indicators are included in Poverty indicators and the MDGs table included in the annexes. **Life expectancy at birth** (number of years of life that a newborn child is expected to reach on the basis of the same mortality risks that have been present at birth and calculated according to actual age-specific mortality rates) is a comprehensive indicator of the health status of a population. In the period 1999-2000, life expectancy prognosis at birth in Montenegro was **76.3 years for women, and 71.1 years for men** (Graph 1). An analysis of the trends in life expectancy prognosis at birth since 1950/1951 show continual increases, excluding the period 1997-1998 when values dropped, and then in 1999/2000 the indicator values started to increase again. In the period between 1950 and 2000, this indicator was higher for women than for men.

Graph 1. Life expectancy at birth in Montenegro - by gender



5. Infant mortality The analysis of infant mortality in Montenegro shows a decreasing tendency since 1950, but there are certain oscillations in values of this indicator. The lowest value of infant mortality was noted in 2000: 10,9 infants died per 1000 newborns (Graph 2). Infants mostly die in the perinatal period (this rate represents the ratio between the sum of stillborn babies and death during the first week of life per 1000 births). The infant mortality rate in the perinatal period (for 2001) was 13.5‰, in the neonatal period – 11.2, whereas the infant mortality rate in the post neonatal period was 4.5‰. Main causes of death of infants were linked to the conditions at birth (72.9%).

Graph 2. Infant mortality rates in Montenegro 1949-2002



6. Maternal mortality (number of women per 1000 births who died following complications during pregnancy, at birth or in the puerperium period, i.e. six weeks after giving birth). The rate of maternal mortality reflects all the risks for the health of a mother during pregnancy, at birth and in the puerperium period (six weeks after birth). Maternal mortality is directly linked to socio-economic standards, the health state of the mother prior to pregnancy, complications that have occurred during the pregnancy and at birth, as well as the accessibility and the frequency of use of health services, especially with respect to pre-natal and obstetric healthcare. The rate of maternal mortality is not registered separately, but according to the Vital Statistics data, in 2001 there were two women who died due to the consequences of pregnancy, labor and childbirth.

7. Leading causes of death. The list of basic causes of death of the Montenegrin population has remained largely the same over the last ten-year period (Table 2).

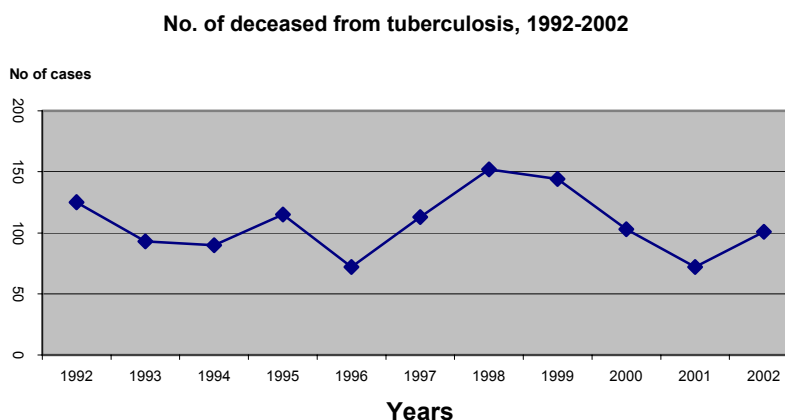
Table 2. An overview of the leading causes of death of the Montenegrin population in 2001

Groups of diseases	No of deceased	% of participation in the no. of deceased	Mortality rate
Circulatory system diseases	2872	52.88%	4.34
Tumors	896	16.49%	1.35
Symptoms, signs and abnormal clinical and laboratory findings	629	11.58%	0.95
Injuries, poisoning and consequences of external factors	297	5.47%	0.45
Respiratory system diseases	266	4.90%	0.40

The stated groups of diseases participate in the mortality structure with over 90%, while the diseases of the circulatory system, together with malignant diseases, represent more than two-thirds of the causes of death of persons above 65 years of age in Montenegro. The dominant participation of the cardio-vascular and malignant diseases in the mortality structure reflects the presence of unhealthy behavioral practices of the population (e.g. smoking, alcoholism, improper diet, insufficient physical activity), as well as the influence of external risk factors (polluted air, food and water). The insufficiently defined health conditions with respect to the third cause of death are a result of unclear reports on the causes of death. Injuries, poisoning and consequences of external factors demonstrate poor protection policies at work, at home and in the streets.

8. Morbidity rate. The analysis of morbidity in Montenegro shows that contagious and parasite diseases are present in Montenegro individually or as epidemics (flu epidemic), but these diseases do not represent a significant health problem. Some contagious diseases have important implications on the general health condition of the population, point to directions of healthcare development and have a significant impact on healthcare costs. Due to the specific characteristics of tuberculosis and AIDS, including their correlation with the socio-economic characteristics of the population, we have separately presented trends related to these diseases.

9. The analysis of the number of persons suffering from tuberculosis, in the period from 1992 to 2002, shows that there are two critical periods, with the increase of the number of persons with tuberculosis in 1998 and 1999 (Graph 3). Monitoring trends in tuberculosis, a disease linked to lower socio-economic conditions, is particularly important because, of danger that the disease spreads among vulnerable categories of the population. The tuberculosis morbidity rate was 15.25 per 100.000 inhabitants in 2002.



10. A priority in the group of contagious diseases represents combating **HIV infection/AIDS**, due to the increase in risk-associated behavior among youth. Although the registered number of HIV-positive/AIDS cases is small, the characteristics of the country, such as poverty, unemployment, prostitution, etc., can result in a rapid increase in

the number of infected persons with HIV. According to the latest data for 2002, there are a total of 13 HIV positive persons in Montenegro, and 12 persons with AIDS.

11. Coverage of the population with healthcare facilities. Healthcare, in the domain of basic health protection is provided through municipalities and includes 18 health centers and three health stations. In-patient healthcare is provided to the Montenegrin population in seven general hospitals, five dispensaries located within the health centers, three special hospitals, the Institute for Physical Medicine and Rehabilitation in Igalo and the General hospital of Montenegro. Full health protection is provided to 45 thousand displaced persons and refugees through these institutions.

An overview of the health institutions network in Montenegro (i.e., distribution of health institutions by regions and by level of protection) is presented in the Annex.

12. The coverage of the population with health workers in Montenegro in 2001 was 565 inhabitants per one physician, and in 2002 – 549 inhabitants per physician. At the same time, in 2001 there were 166 inhabitants per one health worker (160 inhabitants in 2002), 2453 inhabitants per one dentist (2463 inhabitants in 2002) and 6458 inhabitants per one pharmacist. Hence, there were 1,71 physicians per 1000 inhabitants, with a slight tendency to further increases. Demand for and pressure on physicians has been reduced in the past ten years, but the demand for dentists and pharmacists in the public sector is large, due to increasing transfers of these health workers from the public to the private sector.

13. Access to healthcare in Montenegro is quite satisfactory. However, although existing capacities are adequately maintained, due to changes socio-economic standards, a reduction in the quality of health services is evident, which has led to an increase in the utilization of private sector services as well as increasing levels of corruption and use of bribery in the public sector.

14. Basic health care. Within the units of basic health protection during 2002 the following goals have been achieved: In the department for health protection of pre-school children there were 8.4 visits per child under 6 years of age, or 6571 visits per physician. In the school department for health protection – 2.5 check-ups per schoolchild, or 6215 visits per physician, were made. In the department for health protection of women – there were 0.63 of visits per woman of childbearing age. In the department for workers' health protection – 3.5 check-ups per worker were made. In the department for general medicine and home health care – 2.8 check-ups per inhabitant, or 7176 check-ups per physician were made.

15. Hospital treatment. In 2001, bed occupancy in stationary facilities was 75.7%. There was particularly strong pressure on capacities of the Special Hospital for lung disease treatment in Brezovik. If we compare the utilization of available beds with their planned aim, there is a great disparity in the use of hospital beds by department. Occupancy ranges from 105.7% at the neurosurgery to 50.4% at the ophthalmology, which proves that the structure of hospital capacities is not harmonized with the needs of the population. Thus, this fact indicates a need for rearranging hospital capacities by purpose and by hospital.

3.2. Financing health care

16. Organization and financing of health care in Montenegro is based on the predominant role of the public sector, both in providing and financing healthcare services. The most important source of financing healthcare is the **Republican Fund for Health Insurance**. Contributions are paid (presently, at the level of 15% of the salary) on gross income of the employed persons, self-employed persons and the employers, according to the existing legal regulations. The Pension and Disability Insurance Fund (PIO) finances healthcare of retired persons, and the Employment Agency, via a budget allocation, pays fees for the unemployed.

17. In the last few years, the difficult socio-economic situation has resulted in the fall of the domestic product, increasing unemployment (30%) and problems related to healthcare financing by the PIO and from the budget.

These changes caused difficulties in providing necessary financial means for the health sector. Additionally, expenditures for medication and medical material in the Fund's total expenditure structure amounts to almost 30%, which exceeds the percentage of many other countries. The area of drug supplies, prescriptions and drug-use needs rationalization. Direct support for health from the Government provides funding for health promotion, and preventative health programs. More importantly, expenditures for **healthcare and health insurance of displaced persons and refugees**, that are not covered by contributions by the participants, led to a **deficit of € 7.1 million** in 2000-2003 in the Fund. which had to be covered by donor program.

18. The private health sector is underdeveloped and not included in the mainstream system of healthcare and health insurance. Personal participation of the insured persons in expenses related to the healthcare, represent less than 1% of overall expenditures for health services.

19. The basic problem in presenting the health condition of the population according to their social status derives from **inadequate and underdeveloped data** on health conditions and on the use of health services by different socio-economic categories of the population. The lack of an illness registry makes it impossible to obtain data on vulnerable groups (the diabetics, chronic kidney insufficiency patients, patients with psychosis). Due to this fact, it is difficult to monitor the use of health services and provide information to service users among vulnerable groups. The existing Law on Healthcare and Health Insurance (adopted in 1990, i.e. in the former socialist regime) did not follow changes in the social and economic system. Therefore, a **gap between the standards set by the health insurance system and the ability of the system to provide these services** arose.

20. Financial flows in the health sector service are clearly defined, but the information about direct payments made by users (to the private institutions, pharmacies), and especially about informal financial flows (bribery, corruption, direct payments in cash, etc.) are unknown. Research data collected in 2001 by the Ministry of Health supported by UNICEF shows an **increasing level of corruption over the past ten years**, which is correlated to the general fall in living standards and the destruction of a commonly accepted system of values. Survey results have shown that 90% of citizens believe that corruption and bribery are one of the biggest problems in the health sector.

21. Additionally, the redistribution of assets in the health sector is mainly directed at meeting hospital needs, rather than financing preventive-education measures, even though these measures are a more efficient and cheaper form of healthcare. The lack of clear goals and lack of a development strategy at the level of the Republic have led to hospital care dominating overall costs, and thus a problematic distribution of health spending.

22. The quality of health protection has not been researched as an indicator of healthcare efficiency. Due to the lack of professional standards, a poor information system, as well as the lack of overall health program evaluation practices, the system of quality control in the health sector is inadequate. Additionally, the private sector is not integrated into the health system, and therefore is not subject to quality control mechanisms.

3.3 Strategic trends, measurements and activities

23. The DPRS goals in the health sector in Montenegro are harmonized with the Millennium Development Goals and WHO goals, defined in the „World Health Declaration“ and in „Health for All in 21st Century“. The health policy strategy defined in these documents is primarily based on **access to health services and achieving this right**. The main DPRS goal in the health sector are primarily related to:

- Protection and improvement of health standards of the population,
- Reduction of inequality in healthcare, through the improvement of access to healthcare with respect to sensitive categories of society, and this includes a reduction of health care inequality, and
- Promotion of healthcare for vulnerable population groups

24. The DPRS foresees equal access to basic healthcare services, respecting the principle of equitable access for all. The basic health services for the insured persons will be financed by the Health Fund and for the remaining population from the budget, regardless of the socio-economic status of a person.

25. The essential concept of **health sector reform** will be based on the promotion of basic healthcare, which should be strengthened by offering quality healthcare at the local level, directed at the family unit. This will be the core of the Republic's health system. The main reform goals are:

a) Development of a sound public policy centered on the concept of citizens' own responsibility for their health – **which involves:**

- Change of attitude towards health and access to health services as a basic human right;
- Improvement of public health through health promotion;
- Establishment of professional and ethical standards for the medical profession;
- Building health awareness of citizens and access to health information;
- Encouraging a professional attitude and training medical staff.

b) **Improved equitable access to healthcare services** – Health improvement, prevention of disease and treatment of ill persons are the priority tasks of the health service. There are differences in health conditions and access to health services between the different social groups. It is especially important not to deepen, but to reduce the differences through targeted active measures aimed at improving access to health services with respect to vulnerable population categories.

c) **Increased effectiveness and efficiency of healthcare through rational use of resources available** – namely:

- Improved planning, management and better resource distribution, and allocation of resources on the basis of the priorities.
- Focus on basic health protection and the general practitioner/physician and his team, with support from a flexible hospital system, with a redistribution of hospital beds in line with demand;
- Gradual introduction of a well-structured and fully integrated information system;
- Support to privatization of health services, with strictly defined quality control mechanisms in the private sector.

d) **Improved quality of healthcare, especially for vulnerable groups**, which must include equitable access. This goal will be achieved through the introduction of a quality control system, the introduction of accreditation of private institutions, the strengthening of professional associations and expanding their role, the licensing of health workers, etc.

e) **Financial stability of the system**. For the realization of this goal it is necessary to re-organize the Republic's Health Fund, with the task of financing and administering the basic package of healthcare, as well as the introduction of economic mechanisms in the sphere of financing of healthcare, introduction of the possibility of additional financing of the health system, which would increase the funds available for coverage of expenses related to healthcare of non-insured persons.

26. **Reform of healthcare provision – Strengthening preventative and basic healthcare**. The Montenegrin health system must offer the optimum level of health protection for each individual through measures of health improvement, health protection, prevention of disease, medical treatment and patient rehabilitation. The implementation of the above, calls for the clear organization of three functional levels. Reform will define the lowest levels as places where health services are offered, ensuring adequate expertise and equipment is provided at the local level. In the aim of provision of adequate healthcare services, the following projects are to be defined:

a) **The project for improvement of structural organization of healthcare** should enable the improvement and equipping of the basic healthcare system, the re-allocation of resources and re-orientation of the system

towards increased use of services at the first level of healthcare provision. At this level, special attention needs to be paid to ensuring access for the most vulnerable groups.

b) The health promotion project will be focus on increasing the health standards of the population, a change of attitudes towards health, provision of a safe and healthy living environment, promotion of healthy lifestyles and increasing personal responsibility for one's own health. According to recommendations of the European Committee, healthcare and health improvement of vulnerable groups is to be achieved primarily through measures of health promotion. These measures include taking a multi-sector approach, preventative action, and community involvement, avoiding stigmatization and increasing access to information about health.

c) The „New Public Health“ strategy should enable access to public health and health promotion information, with adequate reorganization of the existing services, improvement of institutional management at all levels and development of the public health information system. In addition, it is necessary to develop human resources in accordance with public health principles, based on strengthening human capacities and skills and respecting the basic principles of a multidisciplinary and inter-sectoral approach. The fundamentals of the “New Public Health Strategy are based on health promotion, coordination of inter-sectoral programs in the community and creation of institutional networks which shall contribute to creating a healthy environment, where priority is given to the involvement of as many partners from the community as possible.

d) The hospital restructuring and rationalization of hospital capacities project relates to the adjustment of the structure of hospital capacities to actual needs, and to re-distribution of hospital institutions or hospital departments in accordance with their level of use. This project should enable improvement in the organization of public hospitals in Montenegro, secure the categorization and accreditation of hospitals, introduce modern management structures and increase work efficiency.

27. Health services quality control. The three functional parts that represent the health system must meet standards in terms of healthcare quality. A system of evaluating results will be established at all levels, which will assess the impact of measures undertaken. All the health institutions will introduce and implement a methodology of results-based evaluation, and the main indicator will be the impact of undertaken measures, related to the quality of life. Within the legal regulations that will be adopted in order to harmonize the system with EU standards, a system of monitoring and assessing progress will be introduced, as well as the adoption of work standards and approval of health institutions by a special approving agency. Financing health institutions will be tied to the outcomes of the introduced health measures.

Apart from certifying health institutions and health programs, it is necessary to provide **professional bodies for licensing health workers**. The measure is expected to increase the level of quality of health services and improve expenditure control. Compulsory and continuous medical education should be a precondition for renewal of licenses. Professional standards are instruments that will determine the division of labor, as well as the Knowledge and Performance Standards that need to be clearly defined for various profiles of health workers. Implementation of the standards will provide criteria for quality control, for staff assessment and appraisal, as well as for implementing measures of patient safety in the process of healthcare provision. In order to improve the quality of services, it is also necessary to strengthen the role of **professional organizations**, medical associations and medical professional societies, which are governed by special rules and legal mechanisms aimed at protecting the interests of the medical profession.

The Human Resources Management Master Plan envisages several projects, such as the Professional training project, Specialization plan, Training for licensing plan, Nurse training project and Management training. These projects entail changes in the content and methods of training of health workers, especially medical assistant level staff. This is to be achieved through the continuous training of health workers, in order to create a human potential that will improve the quality of service provision in the health sector. „Setting ethical standards“ is a special project that should provide the establishment of codes of conduct for health workers, codes of responsibility for work and quality of health services, on one side, and greater responsibility of citizens in protecting their own health, on the other. **“Setting technological standards”** is a project aimed at improving technical capacity and providing technical equipment with the aim of increasing the overall quality

of provided health services. In order to achieve better quality health protection, the **Project of technological health sector research** will also be developed.

28. Information system development. Information system development will enable the standardization of information, its use and better management at all levels of the health system. According to the recommendations of the Council of Europe, the IT system should be adjusted to follow the impact of transition on the poor and especially vulnerable groups. Information about the health standards of vulnerable individuals and their special needs is especially important. Marginal groups are not sufficiently informed about the health services provided, the possibilities for their use, possible health protection programs dedicated to them, and so on. Regularly collected data should include socio-economic background of users (to be able to show morbidity and mortality indicators according to group, illnesses common in vulnerable population groups), as well as indicators of access to health services, of different groups.

29. Activities related to improvement of healthcare provision for vulnerable persons. In order to protect and improve the healthcare standards and prevent disease of persons who are continuously in a vulnerable position, or persons who are temporarily in vulnerable positions, it is necessary to work on development of national programs for highly vulnerable groups. In future, these programs should be integrated into every-day activities of the health service, primarily within primary healthcare. In order to increase quality of health provision, and health prevention, with regard to the above-mentioned categories of the population, it is necessary to take a multidisciplinary approach at all levels of the community. Namely, basic healthcare institutions will be connected to social protection institutions and educational institutions, and connections will also be established between healthcare centers and local community authorities in joint programs designed to respond to needs of specific local communities.

30. A range of programs are currently being prepared which are directed at health protection and improvement, especially with regard to vulnerable categories of the population. Such programs include the following projects: "Reduce Tobacco Consumption among Youth", "Action Plan for Preventing Drug Addiction among Children and Youth", "Violence and Health", "HIV Prevention in Montenegro", "Mental Health Development and Protection in Republic of Montenegro".

31. AIDS. Due to an increased level of population vulnerability and the presence of factors, which could ease the spreading of an epidemic, there are concerns of a possible HIV/AIDS epidemic occurring. Expert calculations suggest that the actual incidence of HIV/AIDS may be six to eleven times higher than the current value. Because of a strong need for coordinated action in order to prevent spreading of this lethal disease, the Montenegrin Government has founded the **AIDS Commission**. The Commission has defined a joint framework for a general national policy towards HIV/AIDS, with cross-sector cooperation between governmental and non-governmental sectors. The main tasks of the Commission include preparing a preventative **Strategy in Combating AIDS** and devising a national-level action plan. The Strategy will define responsibilities for each particular segment in the community, aiming at reducing HIV-infection and improving living standards of the HIV-infected persons. The HIV/AIDS issue is therefore placed within a wider concept of social justice, equity and human rights. Anticipated financial means necessary to implement the Project amounts to € 3 mil, of which € 2,2 mil are expected from Global Fund financing.

32. Project "Violence and Health". The Montenegrin Government's representative is a member of the coordinating body for violence prevention at the regional level. In line with this work, the Ministry of Health has established a Commission for designing a project on "Violence and Health". The Commission produced a Draft national program for violence prevention and, after consulting the competent Ministry, forwarded the Draft to the Government for adoption. The Ministry of Health has also founded Coordination Council for the National Program for Violence Prevention. The National program demonstrates the longer-term commitment of the Republic to implement the WHO Recommendations on Violence and Health. The National Program has established the

fundamental principles of the state policy for combating violence and, following a situation analysis, outlines priority actions for the next 3,5 years, with activities focused primarily on local level initiatives and establishment of multi-sector cooperation. The project budget amounts to € 700.000, and it is anticipated that it shall mainly be funded through donations.

33. Mental health improvement project. Research conducted in a range of countries has shown that a population, in difficult socio-economic circumstances, faces increased mental health problems. Hence, the need for a mental health improvement strategy on the national level has been identified. The Strategy will define measures and activities oriented towards the improvement of mental health in order to ensure conditions for social cohesion, prevention of certain diseases, adequate treatment of patients, and respect of patients' rights. This document includes a special action plan for achieving priority a goal in the field, operational plans for resolving important problems within the wider scope of mental health services, as well as an evaluation process. Additionally, the Project foresees the foundation of a Mental Health Institute and the launching of series of action plans linked to the prevention of addiction diseases.

34. Project “Reduction of Tobacco Consumption among Youth”

Tobacco consumption is becoming increasingly more common, especially among young people. The recognition of the health effects of passive smoking, have led to the development of a project aimed at reducing smoking among young people in Montenegro. This project is modeled according to similar projects in other countries and has been developed in coordination with WHO, the Canadian Association for Public Health and the Association for Combating Cancer. Part of the project, concerning the level of tobacco consumption in elementary schools has been completed. It has been established that smoking is present in schools and that children start smoking at an early age. The next step is the establishment of a smoking prevention strategy, with the purpose of defining diseases and deaths caused by smoking, regulating inter-sector cooperation, defining registration methods, etc.

35. The Role of the NGOs. Experiences in our country and the region show that NGOs have an important role in planning and implementing programs for vulnerable groups thus compensating for the social inequalities present in the health system. NGOs often have programs that are adjusted to the needs of specific marginal groups and have greater access to vulnerable communities, and can therefore play an important role in attitudinal change in terms of healthcare.

36. Reform of the legal framework - Measures in the sphere of laws/regulations and responsible institutions. The adoption of laws that will be directed towards increased efficiency and quality, will create conditions for improvement of healthcare and health standards, especially for vulnerable groups, as well as enable the stable functioning of the health system in general. These are the following laws: Law on the health system, Law on health insurance and Law on obligatory record keeping in the health sector. By-laws will regulate the activities of institutions and entities in the health system in a standardized manner, in order to provide equal access to healthcare, equal working conditions and an adequate system of quality control. These regulations will include special attention to socio-economically vulnerable categories of the population. In addition, the development of a set of laws dedicated to health improvement and prevention is currently being processed.

37. Health sector financing and management – Necessary financial and other resources. Financing the project of improving structural organization of healthcare, primarily improvement of basic healthcare provision is identified as a priority. In order to prevent leading diseases, financial resources are needed for health education for the whole population, but with special focus to information access for vulnerable groups. Provision of healthcare for the poor (abolishment of healthcare participation, development of the basic package of health insurance, finding ways to make paid services more accessible to the poor).

- Funds reserved to finance restructuring of hospitals and rationalization of hospital capacities.

- Funds for the financing of the projects dedicated to healthcare for vulnerable categories of the Montenegrin population.
- Funds for introduction of IT systems, especially the adjustment of IT systems to monitoring the DPRS implementation.
- Funds for the renovation of facilities and provision of equipment.
- Financing the program of staff training on new healthcare structure and organization.
- Financing programs especially targeting vulnerable groups (from the budget).

38. Potential savings in healthcare. The planned measures and activities should lead to the optimum use of resources and system-savings, especially in terms of provision of facilities for public health institutions. Surplus of facilities at the secondary level will be offered for possible joint investment for the purposes of health-tourism development. In addition, IT development will ensure better health care expenditure control, especially in terms of medication costs. The management of sales of medication and prevention of proper implementation of planned legal regulations in the pharmaceutical field will ensure 30% savings (over € 7.5 million) of expenses for medications through a transparent supply system, new on-call medications list, and improved medication distribution management.

39. Main goals and activities with reference to health sector development and poverty reduction are given within the integrated **policy matrix**, while main projects are listed in **DPRS Costing chapter**.

VI HUMAN RIGHTS

1. HUMAN RIGHTS AND POVERTY

1. The poverty analysis and research completed as part of the DPRS process, emphasize the multi-dimensional nature of poverty and the need for inter-sectoral solutions. International frameworks on human rights, are important in this context, as they take into account the complex ways poverty manifests itself.

2. Poverty jeopardizes all the aspects of human existence, whether they are political, economic, social or cultural. The negative impact economic rights, has a domino effect on most the other human rights. Consequently, it strengthens the principle outlined in the Vienna Declaration on Human Rights that all human rights are universal, interdependent, and integral. The integrity of human rights is particularly revealed in the International Convention on Civil and Political Rights, the International Convention on Economic, Social and Cultural Rights, the Convention on Rights of the Child and the Convention on the Elimination of Discrimination against Women.

Poverty – the human rights based approach

3. While the analysis on absolute poverty and sectoral studies on poverty emphasize complex multi-sectoral issues, for which it is not easy to find simple solutions, the application of normative frameworks contained in the international conventions on human rights, assist in ensuring the basic elements of the poverty reduction strategy. The basic principles in this respect include:

- interdependence and integrity of human rights
- responsibility of all stakeholders
- pro-active involvement vs. passive waiting for assistance provided by someone else
- active participation in the institutions that affect one's life,
- right to non-discrimination and improvement of the position of vulnerable groups (children, the disabled, the elderly, refugees, displaced persons).

4. For the DPRS preparatory process and final document , especially important are the rights guaranteed by the International Convention on Civil and Political Rights, the International Convention on Economic, Social and Cultural Rights, the Convention on Rights of the Child and the Convention on the Elimination of Discrimination against Women, numerous Conventions of the International Labor Organization (ILO), as well as the strategies adopted by the World Health Organization (WHO).

The poverty level of a country significantly affects the achievement of basic human rights.

The poorer the country, the lower are the chances for it's citizens, especially the poor, to exercise their rights, which include:

- **The right to an adequate standard of living**
- **The right to education**
- **The right to work**
- **The right to health**
- **The right to protection of the family**
- **The right to privacy**
- **The right to the recognition of a personality in Court and the right to registration**
- **The right to life and physical integrity**
- **The Right to equal access to justice**
- **The right to participate in the political, social and cultural life**

- The right to freedom of thought, conscientious expression and religious expression
- The right to freedom of expression and access to information
- The right to social organization and association

4. For the DPRS preparatory process and final document, especially important are the rights guaranteed by the International Convention on Civil and Political Rights, the International Convention on Economic, Social and Cultural Rights, the Convention on Rights of the Child and the Convention on the Elimination of Discrimination against Women, numerous Conventions of the International Labor Organization (ILO), as well as the strategies adopted by the World Health Organization (WHO).

The Human rights system in Montenegro¹

5. There are several important characteristics of the **human rights system in Montenegro**, which are particularly important in the context of poverty analysis:

- Historically speaking, **Montenegro does not have a strong tradition of civil awareness concerning human rights**;
- The second important element is **a reduced awareness about the structure of government, and the obligations and rights of citizens to participate in decision-making**.
- Thirdly, the period of socialist self-management **did not recognize the concept of human rights**, and at the same time, it almost completely eliminated the creative ability of individuals to actively participate in the decision making process;
- Fourthly, the rebuilding of institutions during **the period of transition** generated **a negative perception the country's ability to bring prosperity**, particularly in terms of the use of the market, with the state as an active participant in the regulation of market principles.
- And finally, **the period of confrontation with the international community at the time of complete isolation only speeded up the destruction of living standards in all spheres**: from basic living needs, through to access to science and education, to the international credibility to participate in the wider integration processes.

6. In the ethical and psychological sense, the unfavorable economic and social circumstances in Montenegro during the past few years of the transitional recession, resulted in the abandonment and weakening of traditional Montenegrin values, especially the sense of solidarity between the members of the community, with the parallel affirmation of more problematic behaviors. Overcoming such a situation requires formulation and implementation of a completely new concept of economic development and macroeconomic policy that should enable the creation of the necessary preconditions for market economy, **protecting at the same time economic and social rights**. This includes the creation of the conditions for citizens to sustain their livelihoods through their own work, for themselves and their families. Instead of the so-called neo-liberal concept, Montenegro needs to adopt the **concept of a social trade economy**², which prevails in most of the prosperous countries in the world. This

¹ With the use of materials from the Center for human rights, University of Montenegro, 2003;

² Concept social trade economy vs. free trade economy. More details about the conflict between these two concepts, poverty and contradictions of globalization, in the book by Nobel-prize winner, Josef Stiglic "Contradictions of globalization", Filip Višnjić, Belgrade, 2002; Also, in the book by Nobel prize winner Amarti Sen: Development as freedom, Belgrade, 2003;

concept involves a primarily active, but limited and balanced role of the state in providing the equilibrium between the economic and social functions of property, regulations that will secure equal legal treatment and protection of all the participants in the market. This concept assumes the provision of equal opportunities for all and an active role in resource and capital allocation in order to provide the investments for the creation of new jobs. However, it should be noted that even the most liberal approach to market economy involves the rule of law, equality before the law and equal legal protection of all the entities in the market, including the regulation of anti-competitive behavior, such as price fixing and monopolistic power by private entities.

7. Apart from economic categories, poverty includes some other aspects that determine the position of an individual in the state. So, the lack of **political and civil human rights** is another ring in the chain that can hold people in poverty. It primarily involves active participation of the citizens in decisions that affect them directly, but also in the creation of the political environment that will enable free and undisturbed development of every individual.

8. Principles of equality – in terms of enjoying political and civil rights, the principle of equality before the law and the judicial authorities, especially the prosecution authorities, is not always respected. The negative consequences of this include the **distrust in the institutions** that have the task to protect human rights. Despite the very good provisions of the Constitution of the Republic of Montenegro about special/additional rights of the representatives of the minority **ethnic groups**, not much has been done in practice in relation to the real implementation of these provisions. This includes the lack of implementation of provisions concerning the proportionate participation of the representatives of these groups in the authorities, police and judiciary.

9. It can be concluded that there exist the **following groups of problems that aggravate adequate achievement and protection of human rights in Montenegro, thus directly or indirectly stimulating poverty:**

- **Insufficient level of practical constitutional protection, that is, the limitation and control of power at all levels**, and, as a logical consequence of that, a dissatisfactory level of implementation of the rule of law, especially in terms of equality before the law in all segments and spheres of society;

- **a high level of politicization** of the state and the society; the centralization of institutions and the public administration;

- Frequent lack of functioning or poor functioning of the **state apparatus and institutions of power** at all levels;

- **Presence of certain form of criminalization of the society**, as well as corruption, in almost all the spheres of the society (the feature of almost all transition economies), which directly stimulates inequality before the law and discrimination, that is, it aggregates or completely prevents the processes of transition reforms;

- **General lack of education, knowledge, collective and individual awareness** about the content, significance and values of the human rights concept, among the state authorities and political decision makers, as well as among the citizens.

10. In the domain of functional protection of human rights, it is also important, apart from the **Ombudsman**, to consistently implement the **right to constitutional appeal** and promote its significance, due to the fact that citizens rarely used this right in the past.

11. As Serbia and Montenegro have become full members of the Council of Europe, this will lead to the Government's ratification of the European Convention on Human Rights and the European Social Charter. The **recognition of the jurisdiction of the European Court for Human Rights and granting the right to the citizens to turn to that Court**, will speed up the implementation of the proposed measures, the adoption of necessary laws and their implementation, but also improve the general conditions for the protection of human rights in Montenegro.

12. In that sense, it is necessary to undertake serious educational activities at the state level, as well as within the NGO sector, in order to train all the segments of the state and the society to fulfill the obligations imposed by the international measures of human rights. This relates especially to the **system of reporting to international bodies about the state of human rights**, and training legal and other experts to represent our citizens before these bodies, especially the European Court for Human Rights in Strasbourg.

13. The very important reform activities for development and strengthening overall human rights are the following:

a) The realization of the **Strategy of public administration reform in Montenegro**³, b) **The program of Legalization of Existing Jobs and Job Creation**, c) **The Combating Corruption Initiative – a contribution to poverty eradication**. The relationship between corruption and poverty is such, that corruption can have a direct and indirect impact on poverty. The direct impact of corruption on poverty includes the informal introduction of payments in the public administration sector, a sector that is supposed to serve a common good. Given that the purchasing power of the poor is small, this group is particularly sensitive to such forms of corruption, because they cannot afford the state administration services, which are officially free of charge. In other words, corruption, by its very nature, is discriminatory towards the poor, and as such has negative effects on the poor. The indirect impact of corruption on poverty is much more significant. Theoretical analysis and empirical research have shown that corruption slows down economic growth, and dynamic economic growth represents a pre-condition for poverty alleviation. The main cause of such effects of corruption lay in the fact that a higher level of corruption negatively impacts on potential investments and this has a decisive influence over the total investments made and thus on the rate of economic growth, d) **Legislation for Combating Monopoles** – the verification of economic freedoms and the enabling of the uninterrupted flow of goods, services, people and capital in Montenegro, in Serbia and Montenegro and on the international market.

14. In addition to the above, the following legislation is planned to be adopted by the end of 2003: **The Law on Criminal Charges, The Law on the State Prosecutor**, as well as the **Law on the Amendments to the Law on Conducting Criminal Penalties**. The Law on the State Prosecutor anticipates the establishment of a new institution in Montenegro – the special prosecutor, which is introduced in an effort to combat organized crime. The **Law on the Protection of Witnesses** is also in preparation. The **Law on the Police** and the **Law on the National Security Agency** have entered parliamentary procedures. These laws create a new regulatory framework, which is expected to facilitate the more effective combating of organized crime. The Government of Montenegro is soon to adopt the **Program for combating corruption and organized crime**, as well as the **Strategy for combating illicit people trafficking**. The listed activities of the Government are fully compatible to the outcomes of the participation process.

2. GENDER POVERTY

1. The gender poverty problem can be treated as an issue of reducing poverty among women, irrespective of whether the poverty is a consequence of general factors or gender discrimination. The problem of gender equality in Montenegro cannot be adequately quantified in terms of statistics alone. Here are the conclusions that can be drawn based on certain statistical data, facts presented in the media, NGO experience, and some surveys:

- There is a high rate of gender discrimination against women, in traditional inheritance practices,

³ Strategy of public administration reform in Montenegro, March 2003, p. 5-11.

- There is gender discrimination in terms of career-opportunity. It is particularly present in the textile industry, medical institutions, schools, governmental institutions, and so on, where women in most cases hold lower paid jobs.
- There is an obvious gender discrimination in jobs that are at the decision-making level, i.e. in politics, managerial and governance positions,
- No direct gender discrimination is evident in the educational system; however, there is a stereotyped division of jobs into 'male' and 'female' jobs,
- Violence against women, whether physical or mental abuse, represents another easily recognized form of discrimination in Montenegro,
- Negative societal changes accompanying transition, poverty in particular, led to the destruction of personal dignity in the form of reducing women to a sexual object.
- Gender discrimination in family is reflected through both the choice of job and engagement intensity and also in inferior status regarding family planning.

2. Pursuant to various surveys, **indicators of unfavorable economic status of women** in Montenegro are as follows:

- In Montenegro around 53% of women are employed, 31% of women work in informal sector or are seeking employment, while 16% have never worked. The most popular jobs are those in administration or trade;
- Women have on average 18% lower income than men;
- Women's unemployment rate is higher than that of men and is about 38%;
- Women have a more difficult time finding job, and thus spend longer periods of unemployed;
- There is evident and hidden discrimination in making professional progress, with fewer women in higher positions. Only 7,2% of women cover managerial positions in enterprises;
- There is a higher probability that women will be exposed to poverty for the reason that after divorce, as single mothers, they support their children either partly or entirely by themselves, or are the heads of single-parent families;
- There is a higher probability of being exposed to poverty at old age as a result of the smaller number of retired women and lower pensions (due to higher unemployment rate and inequality in salaries);
- Lower qualifications and educational levels, characterize older women, while young women are more determined to continue their education;
- Women are more often employees than employers, compared to men (about double);
- Extremely high share of women belongs to "supporting household members" category
- Women undertake a much larger amount of unpaid domestic work compared to men
- The expanding "sex industry" is resulting in intensifying negative stereotypes about women in general and makes sexual exploitation of women more acceptable.

Since economic status is closely connected to political power, the unfavorable status of women engaged directly in politics is quite a good immediate indicator. Women are hardly present in political and public institutions: in Parliament (10%), in Government (10%), at local government levels, in political parties, trade unions etc.

3. **The greatest risk of poverty** exists within the following groups of women, where in some cases the categories overlap:

- Single mothers (especially mothers of the children with special needs)
- Housewives
- Old women
- Ill and disabled women (women with disability)

- Women living in villages (especially older women without property)
- Refugees
- Women who are supporting members of the family
- Roma women
- Uneducated women
- Unemployed women
- Women – victims of violence

4. The Development and Poverty Reduction Strategy should, not only impact on the volume of poverty, but also attempt to remove barriers, which cause poverty among women. **DPRS objectives within gender equality are:**

1. Employment growth;
2. Intensifying and strengthening female entrepreneurship;
3. Eliminating discrimination in getting employed, lay offs, and progress in career;
4. Reduction in sexual harassment;
5. Development of services that fulfill the needs of the contemporary working woman;
6. Improving knowledge in the area of gender studies; and
7. Creating legal prerequisites to achieve gender equality.

VII THE DPRS IMPLEMENTATION ACTION PLAN

MONTENEGRO: POLICY AND PERFORMANCE MATRIX 2004.-2006.

Objectives	Public priority measures (Required actions)	Responsible Ministry/ Agency	Deadline / Target dates	Sources of financing/ budget implications	Monitoring Indicators
FISCAL POLICY					
Fiscal sustainability	Management and control of expenditure (external and internal) and establishment of National audit Institution	Prime Minister's Cabinet, Ministry of Finance (MF), Public Revenue Office, Customs, Ministry of Labour and Social Affairs(MLSA), Funds	2004-2006	GMN, USAID, EAR, US Treasury, WB, EU	- Consistency established between fiscal & monetary policy and the objectives of IMF and WB
Planning	Establish GFS-consistent reporting system at all levels Improve budgetary administration				- Harmonization with EU directives
Transparency	Reform of taxing system: Annual review of taxing policy Medium Term Expenditure Framework (MTEF) Implementation of program budgeting Develop Treasury and Single Treasury Account Reorganize MoF along functional lines Include extra budgetary funds in budgetary process				
FINANCIAL SYSTEM					
Development of banking system	Institutional reform of the banking sector in line with the Basel Principles II and EU directives Privatization of state banks Instruments for lowering and standardizing interest rates Introduction of schemes for insuring deposits The closing down of the Office for Payment Operations and reform of the payment operations system	Central Bank of Montenegro (CB), MF, Privatization Council, Securities Commission, Agency for Combating Corruption, Agency for Foreign Investment	2004-2006	GMN, USAID, DFID, WB, EAR, UNDP, EU	- Application of international banking standards - Strengthening of licensing process and regime for prevention of money laundering in line with FATF recommendations - Implementation of prudential and subsequent control
Monetary control	Adoption and implementation of a regime for prevention of money laundering in line with the FATF recommendations Regulate the payments operations system for international transactions Regulating the money market Further development of cooperation with international financial organizations		2004		2004-2005
INTERNATIONAL ECONOMIC RELATIONS					
Finalization of institutional framework in the area of foreign trade and foreign investment	- The Act on Foreign Trade - The Act on international current and capital transactions - The Act on Free Zones - The Act on Concessions	Ministry for International Economic Relation and EU Integration (MIEREUI), , CB	2004 2004	GMN, IMF, USAID OECD/Investment Compact	- Increase in foreign trade - Decrease in current account deficit - Increase foreign direct investment in GDP
Joining the WTO	- Preparatory activities for negotiation with WTO including the work of working groups and working committees (information, new legislation) - The negotiation process	MIEREUI	2003-06	GMN WTO	- Level of harmonization with WTO standards
Creation of a	Signing of the Agreement on free trade between the signatory countries	MoIERaEUI	2003-2006	GMN	- Strengthening of regional economic cooperation

Balkan free-trade zone	of the Memorandum of understanding on liberalization and trade relief measures and its implementation.				<ul style="list-style-type: none"> - Level of openness - Volume of foreign direct investment - Lowering of transaction costs
Stimulate investments and export	<ul style="list-style-type: none"> - Strengthening of institutional support for investments and promotion of export through the establishment of an Agency for Export Promotion - Improve the efficiency of the customs administration - Strengthen the institutional capacity for adopting international rules in trade including the use of trade preferential measures. 	MoIERaEUI	December 2004	GMN WB-MIGA	<ul style="list-style-type: none"> - Growth of foreign trade - Decrease of current accounts deficit - A rise in the participation of direct foreign investment in GDP
EUROPEAN INTEGRATION					
The EU stabilization and association process SAP	<ul style="list-style-type: none"> - Establishment of Council for European integration - Establishment of Commission for European integration, including 31 working groups to cover all areas defined by SAP (Acquis community) - Development of an EU Communication Strategy - Further development of the cost-benefit analysis - Development of Action Plan on Priorities for Harmonizing Legislation with the EU in line with the obligations set in SAP - Activities for development of Strategy for Joining the EU - Activities on preparing position papers for negotiations on concluding the SAA - Development of annual programs for the implementation of Acquis community - Implementation of obligations defined in the interim agreement between Serbia and Montenegro and EU 	MoIERaEUI in coordination with line ministries and competent institutions Commission for European Integrations	2003-2006	GMN EU	<ul style="list-style-type: none"> - Harmonization of legislation with EU standards - Strengthen regional economic cooperation (especially in the area of free trade, combating organized crime, cooperation between customs offices etc) - Application of relevant EU recommendations from annual SAP reports, consultative task-force recommendations and enhance continual dialogue. - Indicators of increase in trade exchange with EU countries
PRIVATE SECTOR DEVELOPMENT					
Privatization	<ul style="list-style-type: none"> Accelerate the sale of state-owned shares in companies and banks Resolve requests for real-estate restitution A Programme for restructuring of companies and support to institutional development Well-regulated capital markets Protection of real-estate rights and economic freedoms Amendments to Act on Real-Estate Restitution Economic-related regulations 	GMN, Commission for Economic Policy, Privatization Council, The Commercial Court, Secretariat for Legislation, MF, The Securities Commission Min. of Justice, Min. of Economy	<ul style="list-style-type: none"> 2004-2005 2004 2004-2005 2004-2006 2004-2006 2004-2005 	GMN, EU, USAID EAR, WB, DFID	<ul style="list-style-type: none"> - Increase in private ownership - Decrease total government claims towards private sector - Increase the index of economic freedoms
PUBLIC ADMINISTRATION REFORM					
State administration reform	<ul style="list-style-type: none"> Adopt and implement The Act on The State Administration Development of structure and ethical code of conduct of state employees Introduction of staff appraisal system for state employees Training and development for state employees 	Prime Minister's Cabinet, Ministry of Justice, Ministry of Finance The Public Relations Bureau	<ul style="list-style-type: none"> 2004-2006 2004 2004-2006 	GMN, EAR, EU USAID DFID, WB, UNDP	<ul style="list-style-type: none"> - The Act on the State Administration - Harmonization with EU standards

	Internal communication campaign		2004-2006		
Local authority reform	Systemic laws Establishment of a professional state service with defined standards at the local authority level The introduction of a stable and sustainable system for financing local authorities Improve the quality of services Simplified procedures for carrying out business transactions	GMN,, Parliament, Ministry of Justice, Ministry of Finance Ministry of Internal Affairs, Treasury, municipal administrations	2004 2004-2005 2004-2005 2004-2005 2004-2005	GMN USAID, OEBS and OSI EU, WB, KFW	- Harmonization with Council of Europe Charter on local self-governance - Harmonization with international accounting standards - Harmonization with ISO standards on the quality of state-public services
JUDICIAL SYSTEM REFORM					
Efficient, transparent and flexible judicial system	Reform of constitutional and legal framework Application of the Act on Courts Specialized training Develop administration and management structures in courts	Ministry of Justice, Min. of Internal Affairs, The High Court and the Court Council, The Centre for Training of Judges, Commercial Court, The Secretariat for Development	2004 2004 2004-2006	GMN USAID, CoE, OSCE, EAR, FOSI	- Consistent with constitutional and legal framework - Consistent with EU standards
DEVELOPMENT OF CIVIL SOCIETY					
Develop regulatory framework	Amendment to legal framework with respect to NGOs	Ministry of Justice, MF, Network of NGOs	2004	GMN, USAID, COE, OSCO, OSI	Best international practice implemented: - Tax deductions for companies providing financial assistance to NGOs - Tax exemption for NGOs - Open competition between NGOs - Development of NGOs
E-GOVERNMENT					
Development of IT in state administration	Set up of IT network in administration Legislative work in the area of IT Internet trading	Commission for Economic Policy, The Secretariat for Development	2004 2004-2006	GMN, USAID,EAR,Stability Pact EU	- National strategy for the development of IS harmonized with Initiatives of Europe and SEE - Working with international IT standards
STATISTICAL REFORM, DEVELOPMENT OF M&E SYSTEM FOR DPRS					
Analysis and reporting in line with international standards	Introduction of methodology and standards for national accounting systems Improvement of monetary and external statistics MMF standards for fiscal statistics	MONSTAT, MF CB, Customs administration, Public Revenue Office,	2004	GMN, EAR, USAID	- Balance of production aggregates in line with SNA methodology - Consistency with IMF methodology in the area of fiscal

	Monthly reporting Participation in the IMF system of GDDS and SDDS	Privatiz. Council, The Agency for for. Investment, Nat. Coordinator			monetary and external statistics
Development of monitoring and evaluation system during the PRSP implementation period	Establishment of Monitoring Unit within the Ministry of Labour and Social Welfare Training of staff for the implementation of surveys on household expenditures Monitoring of key poverty indicators	Ministry of Labour and Social Affairs, MONSTAT	2004-2005	GMN, Donors	- Periodic reports on the PRSP implementation and the achievement of the Millennium development goals
LABOUR MARKET DEVELOPMENT AND CREATION OF NEW EMPLOYMENT					
The adoption of laws related to the regulation of labour in line with the needs of transition and the development needs of the labour market. Legislation, which has so far been adopted at the federal level, needs to be adapted and adopted at the Republican level.	Amendment of present and adoption of new laws: The Act on Labour Inspection The Act on records in the area of labour The Act on protection of the citizens of the Republic of Montenegro (RMN) working abroad The Act on the employment of foreigners The Act on public holidays of the RMN The Act on the celebration of religious holidays The Act on health-care and health insurance The Act on the sanitary inspection The Act on Inspection Controls The Act on civil servants The Act on salaries in non-profitable fields The Book of rules on employment identification cards Amendments and modifications of the Act on social security contributions The Building of a new system of collective decision-making and social partnership The general collective agreement The specific collective agreements	GMN CCE Ministry of Labour and Social Affairs (MLSA) Labour Employment Bureau of Montenegro (LEBMN) MF, Union of employers of MN, Chamber of Commerce of MN	2004	GMN, ILO	- Unemployment rate, -Spread of budgetary revenues based on labour, -Level of informal employment
Ratification of international conventions related to labour regulations	Ratification of European Social Charter Ratification of International Labour Organization Conventions	MLSA	2004	GMN EU, ILO	-Degree of conformity with international standards -Rate of EU integration
Secure higher level of cooperation of MLSW with ILO	Initiate a department for cooperation with ILO within the MLSW	MLSA	2004	GMN ILO	-Increase efficiency in resolving unemployment problems
Secure higher level of social partnership	Legislation on the Economics and Social Advisory Board of Montenegro Initiate the establishment of local economic and social advisory boards	EKOSOC, Trade Union	2003-2004	GMN ORT MAP ACILS	- The quality of social partnerships in solving the unemployment problem
Reform of LEBMN	The qualitative and efficient implementation of active	GMN, LEBMN, Trade	2004	GMN	- A decrease in the structural disproportions in the labour

	employment policies, staff capacity building for the realization of informal education programmes.	Union CCMN		Donors	market
Adoption of special regulations related to the status of disabled persons	Addressing institutional barriers to access to employment of people with special needs.	MLSA	2004	GMN Donors	-Unemployment rate of disabled persons, - Employment -rate of disabled persons,
Continuous stimulation of employment and entrepreneurship	Project has been designed for the persons listed in the records as unemployed, redundant labor, disabled persons, farmers, entrepreneurs and legal entities. Amount of asset allocation for each newly created work place is minimum 3.068 € (in cash or commodities), projects for 5 posts at the most are financed.	GMN CCE	An on-going project	GMN LEBMN Banks	-Employment growth rate, -Rate of credit recovery
The Programme of actively resolving the problems linked to 'covert' unemployment	<ul style="list-style-type: none"> - Preparatory programmes (training, additional training, retraining, specialization, and other) for the same or different employer, - Provision of credits for micro, small and medium, and both for present and newly established entrepreneurs, to individual and group holders of entrepreneur activities, -Financing and co-financing of a portion of the salaries in case of takeover of redundant labour by other employer, for a given time-period (from 1-3 years), -in case of the existence of business premises and equipment that are not in use, provide resources (in the form of grant or loan) for renovation. - Development of programme for resolving problems linked to special categories of redundant labour (disabled workers, elderly and harder to employ persons etc), -Various types of business training shall be organized needed for conducting particular types of business. -Preparatory programmes for the labour market, 	GMN CCE	An on-going project	GMN LEBMN Banks	<ul style="list-style-type: none"> - Decrease in the amount of 'covert' employment - Decrease in the number of employed that are not registered.

	- The foundation of Labour Fund.				
Employment of disabled persons	- The opening of enterprises for employing disabled persons ¹ , - The opening of workshops for the disabled within the existing enterprises, -Opening of enterprises for the disabled for vocational training, rehabilitation and employment, -The issuing of micro-credit for the employment of the disabled under favourable conditions ² , - Provision of refunds of disabled persons` salaries for a given time-period and provision of one-off assistance to employers who hire disabled persons.	GMN CCE LEBMN	2004-2006 and on-going	GMN LEBMN Banks Donors	- Unemployment rate among the disabled as compared with the aggregate unemployment rate - A reduction in the unemployment rate of disabled persons
Programme of public works	Employment of persons through programme of public works	GMN, CCE, LEBMN	An on-going project	GMN LEBMN Banks	-Rate of unemployment
The Programme for employing apprentices	-Creation of conditions for hiring persons who are to complete regular education.	GMN, CCE LEBMN	An on-going project	GMN LEBMN	-Unemployment rate of young people
Other active employment policy measures	-System of additional training, re-training and additional schooling, -Seasonal hiring, -Employment abroad.	GMN, CCE LEBMN	An on-going project		-Reduction of average waiting time for employment, -Rate of unemployment
Increase competitiveness of local production	-Provision of conditions for market extension (increase of exports, substitution of import). The project covers development of agriculture, the wood-processing industry and tourism.	GMN, CCE, Agency for Development of SMEs (ADSME)	2003-2006.	GMN Banks	- Decrease of external deficit, -Unemployment growth rate,
Made in Montenegro	The promotion of a "Made in Montenegro" brand name as a recognizable and quality product ensuring the successful marketing of Montenegrin products on the local and foreign market.	GMN, CCE, ADSME		GMN Banks	-Rate of export increase, -Growth of local production

¹ The first enterprise of this nature shall be launched in Podgorica, as a pilot project. A location for its construction has already been approved and the development of the project design is in progress. The company is anticipated to employ 180 staff, and the estimated cost is 1.5 mil €. The Bureau in the amount of 10% shall support financing, and the balance shall be secured out of donations made by international humanitarian organizations. In this respect, the non-governmental organization FALKON has been established and has already started to raise funds.

² The issuing of micro-credits in value of 350.000€ for employing 70 disabled individuals in 2003 is planned. Within the same time period 20 youth and 20 individuals who are disabled through work are to be employed. For the employment of the former group 81.600€ needs to be allocated, for refunding salaries for a period of two years. The same amount needed for refunding salaries for one year for those disabled at work.

Encouraging success	Support to the most successful entrepreneurs and SMEs, which have been most responsible in regularly fulfilling their commitments in compliance with the laws (with reference to tax payment and registration of labour).	GMN, CCE, ADSME	2003-2006	GMN Donors	-Decrease of scope of grey/shadow economy, -Growth of budgetary revenues
Industrial parks	Industrial Parks (IP) representing homogenous production systems characterized by a high concentration of industrial enterprises, mainly SMEs that are highly specialized.	GMN, CCE, ADSME	2003-2006	GMN Banks	-Growth of industrial production, -Increase in participation of the employed in the industrial production sector in relation to aggregate employment
Agricultural park	Creation of an agriculture development model in a particular region (organization of production, training, management, financing, and sales).	GMN, CCE, ADSME	2003-2006	GMN Banks	-Increase in number of agricultural enterprises
Internet park	Development of the applicable use of IT, development of new modalities within the very technology.	GMN, CCE, ADSME, Secretariat for Development	2004-2006	GMN Banks	-Growth of participation of employed in ICT in relation to aggregate number of employed
Fund for the Diaspora	Attracting investments from Montenegrin emigrants, in order to involve the Montenegrin Diaspora in new investment initiatives, new businesses and job creation.	GMN, CCE, ADSME	2003-2006	GMN Association of Diaspora	-Increase in number of newly established enterprises the owners being Montenegrin emigrants
Large enterprises create small enterprises	Develop a model to develop cooperative relationships between large systems and private sector.	GMN, CCE, ADSME	2003-2006	GMN Banks	-Increase in number of small entrepreneurs originated from large ones.
Employment in agriculture	Development of agricultural producers (e.g. development of greenhouse production, herbs production).	GMN, CCE, ADSME, MAFWS	2003-2006	GMN Banks	- A growth in the share of employed in agricultural production in relation to aggregate employment.
Employment in u tourism	Development of private sector tourist facilities, especially in the area of non-accommodation services, accommodation services, use of existing recourses for tourism development in rural areas.	GMN, CCE, ADSME, MT	2003-2006	GMN Banks	- A growth in the share of employed in tourism in relation to aggregate employment.
Employment in other sectors of production	Stimulate the development of production related business activities (promotion of existing natural and production resources).	GMN, CCE, ADSME, ME	2003.-2006.	GMN Banks	-Decrease in unemployment rate
Initiative for entrepreneurship support	Business consulting services for 10 private enterprises located in less developed regions in Montenegro to contribute to their competitive advantage and sustainability, in the area of marketing, financial management and other areas related to business performance.	GMN, CCE, ADSME	2003-2004	GMN EAR	-Increase in number of employed in SMEs - A growth in the private sector GDP (especially in SMEs)
Young people in business	Stimulate innovativeness and creativity of young people and engage their interest in working in SME sector. This project consisted of three sub-projects: a) <i>Selection of best business ideas</i> ; b) <i>Foundation of consulting companies for development of entrepreneurship (business knowledge) and</i> c) <i>Women in business</i>	ADSME	2003-2006	GMN	- A growth in the share of young people employed in relation to aggregate employment. -Rate of unemployment of young people
The Tam Bas project	TAM (Turn around management) – regeneration of	GMN, CCP	2003-2004	GMN	-Increase in number of small and medium-sized

	management– a project aimed at building management skills, i.e. improving management in Montenegrin companies. BAS (Business advisory services) – an advisory services programme for SMEs			EAR	enterprises, -Increase in number of employed in small and medium-sized enterprises.
AGRICULTURE					
Subsidiary policies in Agriculture	- Solving the problem of placement of market surpluses and improving marketing position of Montenegrin products. - Building of infrastructure in villages, - Strengthening of expert and inspection services, -Modernizing labs for quality control - Provision of social security of farmers through old age compensations and program for young farmers, - Support for export activities -Subsidies for production in less acceptable conditions (production of lamb, baby-goat and calf meat)	MAFW, MF	2004-2006	GMN, USAID; EAR, bilateral help (Holland, Germany Luxemburg and other)	-Surplus of goods can be placed without difficulties at domestic and foreign markets at competitive prices. -New roads and water supply systems built in villages and rural areas -Much more of the youth becomes involved in Agriculture and stays in the villages -Accomplished planned growth of Primary agriculture of 5% annually.
Redefining measures of protection for domestic Agriculture	- Removing non-customs barriers especially contingencies on the import of agricultural products -Harmonizing rates of customs with respect to domestic producers demands. -Transformation of levy's in to custom rates	MAFW,	Jun 2004	GMN, USAID WTO	-Montenegrin market well supplied with all goods, and Montenegrin farmers without many difficulties produce their goods. -All of the unnecessary trade barriers are removed -Montenegrin agricultural production has been properly protected against unfair foreign competition
Reforms in crediting policies	-Dislocation of credit activities from the Ministry of Agriculture -Founding joint commissions-boards with banks on allocation of financial means from current revolving donation funds. -Establishing a criteria for Agricultural credits -Cooperation with Montenegrin Employment Agency	MAFW, Emp. Off. MN Agency for SME	2003-2005	GMN, Donors	-Revolving funds are used in the most efficient manner for good business ideas in Agriculture. -Banks invest significant portion of their funds in Agricultural sector -Creation of new jobs and increased newly-formed values regarding Agriculture.
Establishing new institutions with in the Agriculture (Inspection and expert departments)	- Continued work on equipping Veterinary and Agricultural inspections -Transformation of Public Veterinary Service -Continued efforts on capacity building of Counselling Service for Herb Processing and Service for livestock selection. -Investment in new laboratories (Veterinary and phito-sanitary)	MAFW,	2004-2006	GMN, EAR	-Secured Consumers safety through successful internal and border control from Veterinary and Agricultural inspectors -Farmers receive expert advices at their farms. -Successful transformation of Public Veterinary Service in to institution, which would take care health of the animals. -Equipping current and forming new laboratories for quality control of the products.
Building of trademark of organic agricultural products in Montenegro	-Continuation of educational campaign on benefits and value of organic products and Montenegrin opportunities in that area. -Creation of laws and regulations – laws on organic	MAFW,, International Agency for Certification	2004-2006	GMN, UNDP- Program of sustainable	-Proper laws and regulates set in place in regards to Organic Agriculture -Creating agency for certification -New farmers are included in Organic Agriculture

	<p>agriculture and rule book which closely defines certain areas</p> <ul style="list-style-type: none"> -Creation of unique joint trademark or logo for Montenegrin products -Founding agency for inspection and certification of organic agriculture -Budgetary support for programs regarding production of organic products 			development Italy	<ul style="list-style-type: none"> -Many more products of Organic Agriculture found at Montenegrin Markets. -Organizing appropriate channels for exporting these products
Modernizing current and establishing new processing facilities	<ul style="list-style-type: none"> -Construction of small facilities for drying and packing fruits, forest fruits and medical herbs. -Completion of the Distributive Centre -Construction of a new processing lines for highly nutritious dairy products - Set up meet processing capacities for export. 	MAFW,, Agency for SME	2004-2006	GMN, USAID, Donors and foreign investors	<ul style="list-style-type: none"> -Opening a new facility for drying and packing fruits, forest fruits, and medical herbs. -New facilities for processing, function in different sectors and place new and competitive product on the foreign and domestic market -Established a role of Distributive Centre as a central point for purchase and placement of fruits and vegetables which are market surplus
TOURISM ³					
Framework for development of tourism and coordination of the process	<ul style="list-style-type: none"> - Completion of Legal and institutional framework: Creation of preconditions for the full implementation of the new Law on tourism; Foundation of the Council for tourism of Montenegro; Creation of the preconditions for introduction of the system of integral management of the coastal area; Realization of the Program of reorganization of the complete promotion system in 'Montenegro; Full membership in the World Tourism Organization 	Ministry of Tourism, Min. of Justice, Min. of Culture, Turist Agency of MN, PC for management of the state sea property	2004-2006	GMN, DEG, GTZ, USAID, UNDP	<ul style="list-style-type: none"> - Growth in the number of tourists - Growth in income - Job creation
Marketing: Formation and Development of Tourism Offerings	<ul style="list-style-type: none"> Further implementation of the new marketing concept; Completion of expert analyses and pending projects; To analyze and develop projects of specific types of tourism; Restructuring of the existing offerings); Program of urgent measures to improve hotel accommodation and ser; Support to SMEs in tourism; Campaigns to improve the quality of the tourist municipalities; establishing and unifying of quality offers of private accommodation; Adopt the symbols of World Tourist Organization (WTO); Increase in air traffic; Modernization of the education programs; 	MN Gov., Min.of Tourism, MES, municipalities, NGOs	2004-2005	GMN, DEG, GTZ, USAID, UNDP	<ul style="list-style-type: none"> - Growth in the number of tourists - Growth in income - Job creation
TRANSPORT					
To start harmonizing the	- Adoption of new legislation (Law on the Railroads, Law		2004	GMN,	

³) Creation of new jobs in tourism is included in employment sector: also, infrastructural investments important for tourism development are included (DPRSP costing chapter).

legislation and regulations with the EU legislation; to create conditions for transport sector development, and to increase the transport efficiency and safety	<ul style="list-style-type: none"> on the Road Transport, Navigation Act, Road Act) <ul style="list-style-type: none"> - Establishing of the Marine Safety Agency and equipping of required services - Improvements of the management and efficiency of public companies - Diversification of instruments regarding traffic infrastructure financing (e.g. tolls and concessions) and creation of incentives as to the private sector involvement - Preparation of the transport development strategy based, among others, on principles such as: <ul style="list-style-type: none"> a) Adequate pricing of transport services and of the use of infrastructure b) Sustainability (reduction of pollution, promotion of the efficient public transport and non-motorized modes of transport) c) Participatory planning (including needs of the poor and marginalized groups) - Proposal of measures to curtail pollution from road (fuel quality control) and maritime traffic (reducing the pollution in ports, marinas and at ship overhaul areas) 	<p>MMT, MIA, MEPUP</p> <p>Railroads of Montenegro,</p> <p>Coastal Management PC (Morsko dobro)</p>	<p>2004-2006 and on</p> <p>2004-2006</p> <p>2004-2006</p> <p>2004-2005</p> <p>2004-2005</p>	<p>Loans</p> <p>Donations</p>	<ul style="list-style-type: none"> - Percentage of the transport expenditures being used for interventions in underdeveloped areas - Lead concentrations in air (urban centers)
To upgrade the road infrastructure and its maintenance, particularly in the northern region	<ul style="list-style-type: none"> - Rehabilitation of the existing asphalt roads: <ul style="list-style-type: none"> a) Kolašin - Ribarevina –Berane – Špiljane b) Podgorica – Bioče – Kolašin - Modernization of crushed stone pavements: <ul style="list-style-type: none"> a) Velika – Čakor – Bjeluha b) Gornje Polje – Krstac c) Plužine - Trsa – Virak roads - Improvements of existing road side slopes Maintenance of the road infrastructure in winter and off-winter seasons 	<p>MMT, Road Directorate</p>	<p>2004-2006</p> <p>Continuously</p>	<p>GMN,</p> <p>Own Sources of Financing</p> <p>Loans</p> <p>Donations</p>	<ul style="list-style-type: none"> - Number of inhabitants who are deprived of an access to roads throughout a year (being fully cut-off in a winter period) - Kilometres of modernized roads in rural areas
ENERGY					
To improve general conditions for the functioning of energy sector	<ul style="list-style-type: none"> - Institutional capacity building (Regulatory Agency, En. Efficiency Office) - Opening the market for private sector/independent power producers - Connecting with regional energy market - Preparation of the energy strategy - Restructuring of enterprises in the energy sector, and increasing efficiency of their operations; functional unbundling of Electricity Company of Montenegro (EPCG) and its financial consolidation - Continue the tariff system reform by introducing rates, 	<p>ME, Regulatory Agency</p> <p>ME, Electricity Co. of Montenegro (EPCG), Coal Mine</p> <p>MLSW, ME</p>	<p>2004-2005</p> <p>2004-2006</p> <p>2004-2005</p> <p>2004-2005</p> <p>2004-2006</p>	<p>GMN,</p> <p>Own Sources of Financing</p> <p>Electricity Co. of Montenegro & Coal Mine</p> <p>Donations</p>	<ul style="list-style-type: none"> - Price of electricity - A share of electricity expenses in a household budget, particularly for the poorest 10% of the population

	<p>which will cover costs of all the categories of consumers (block tariff system for the population)</p> <ul style="list-style-type: none"> - Protection program covering poverty stricken population (targeted subsidies for part of their consumption) 		2004		
			2004-2006		
To increase reliability of the power supply	<ul style="list-style-type: none"> - Measures for technical losses reduction in all the segments - power production, transmission and distribution - Continuation of activities aimed at cutting down commercial losses - Implementation of the most affordable and necessary investments in the power production, transmission and distribution 	EPCG	2004-2006 2004-2006 2004-2006	Own Sources of Financing Electricity Co. of Montenegro Loans Donations	- Power-supply system losses
To increase the energy efficiency and to improve energy sector performances in relation to the environment	<ul style="list-style-type: none"> - National saving and energy efficiency plan - Launch educational campaigns to improve the energy saving and efficiency (as to both population and industry) - Enhancing of the energy efficiency in public sector (schools, hospitals, institutions, street lighting) - Promotion of the renewable energy, and implementation of projects for small hydro-power plants, solar and wind energy utilization - Environmental protection projects regarding Pljevlja thermal power plant 	ME, EE Office Local Government EPCG	2004-2005 2004-2006 2005-2006 2004-2006 and on 2005-2006	GMN, Own Sources of Financing Electricity Co. of Montenegro Private Sector Donations Loans	- Electricity consumption per capita - GDP per energy unit - A share of renewable energy sources in domestic production
WATER SUPPLY AND SANITATION					
To improve the legislation framework and to commence the process of harmonizing it with the EU legislation	<ul style="list-style-type: none"> - Identification of fields needed to be modified with a view to harmonizing such legislation with the EU Directives on drinking water (98/83 EC) and urban effluents (91/271 EEC) - Finalizing the legislation needed for public utility companies restructuring and commercialization and the private sector involvement 	MEPUP	2004-2005 2005-2006	GMN, Donations	
To increase financial operations, management and efficiency of services providers	<ul style="list-style-type: none"> - Capacity building of public utility companies (PUC); regional cooperation strengthening . Preparation of the Sector investment strategy based on the existing and future strategic documents - Gradual increase of utility service prices up to cost recovery level and elimination of cross-subsidizing, incl. incentives for rational water consumption (e.g. block tariff system) -Improve collection rates 	MEPUP, PUC, Local Government PUC, Association of Municipalities, Local Government MEPUP PUC	2004-2006 2005 2004-2006 2004-2006	GMN, Local Government Budgets PUC Donations	- Water price and wastewater treatment / disposal charge - Collection rates - Investments in water supply and sewerage
To improve accessibility and	- Introduction of subsidies for water consumption		2006	GMN, Local	- A share of water expenses in a household budget,

quality of water supply services	<ul style="list-style-type: none"> - among the poorest households - Water supply improvement measures in rural areas, incl. involvement of the local population - Water supply improvement measures regarding locations where some marginalized social groups live – such as Roma, IDPs, and illegal settlements - Decrease interruptions in water supply, particularly in the southern and central regions and in tourist municipalities through construction of regional water supply system - Measures regarding reduction of water supply network losses and improvement of water quality - Measures of protecting currently used water springs, as well as potential springs of drinking water 	Government, MLSW MEFWRM, Local Government Regional PUC	2004-2006 2004-2006 2005-2006 and on 2004-2006 and on 2004-2006	Government Budgets PUC Loans Donations	particularly for the poorest 10% of the population - Water losses - Drinking water quality - Water consumption per capita - Share of population connected to public water supplies
To protect human health and the environment	<ul style="list-style-type: none"> - Support the construction/reconstruction of priority sewage systems, particularly in: <ul style="list-style-type: none"> a) Parts of settlements where some marginalized social groups live – such as Roma, IDPs, and illegal settlements b) Coastal tourist centres 	Local Government, PUC, MEPUP	2005-2006 and on	Local Government Budgets PUC GMN, Loans Donations	- Share of population connected to public sewage system
ENVIRONMENTAL PROTECTION					
To improve the legislation and institutional frameworks of the environmental management	<ul style="list-style-type: none"> - Identification of legislation areas requiring changes for the purpose of harmonizing with the key EU Directives on waste and air - Revision of the Decrees on Environmental Impact Assessment and Pollution Charges - Adoption of regulations on responsibilities for the clean-up of past pollution and for environmental degradation when privatizing enterprises - Capacity building of the MEPUP and local government services (particularly PUC in charge of waste) - Strengthening inter-ministerial cooperation (National Council for the Sustainable Development, establishing of thematic bodies) 	MEPUP, ME Local Government NCS D	2004-2005 2004-2005 2004 2004-2006 2004-2006	GMN, Donations Local Government Budgets	- Number of newly established inter ministerial bodies
To improve the environmental management system efficiency	<ul style="list-style-type: none"> - Establishing of the Environmental Protection Agency and integration of relevant expert institutions - Establishing of the Environmental Protection Fund - Strengthening environmental policy measures and instruments (law enforcement and compliance with 	MEPUP, CETR, Nature Conservation Institute MF	2004-2006 2004-2005 2004-2006 2004-2006	GMN, Donations Assets from privatization Local Government Budgets	- A share of public expenditures for the environment in GDP - Concentrations of major air pollutants in the areas with excess air-pollution

	<p>regulations, environmental impact assessment, access to information and public participation, economic instruments, incentives for the introduction of cleaner technologies)</p> <ul style="list-style-type: none"> - Raising the public awareness of sustainability issues, environmental and natural resources management - Including environmental protection issues in educational curricula - Strengthening the information / monitoring systems - Reform of the physical planning system - Preparation of strategic documents and action plans (NEAP, LEAPs, the National Strategy for the Sustainable Development, NEHAP) - Preparation of the cadastre of polluters - Preparation of the categorization and inventory of hazardous and industrial waste 	<p>NGOs, expert institutions</p> <p>MES</p> <p>Expert institutions Local Government, LCC, Non-Governmental Sector</p>	<p>2004-2006</p> <p>2004-2006</p> <p>2004-2006 2004-2006</p> <p>2004 2005-2006</p>		<ul style="list-style-type: none"> - Biological oxygen demand in watercourses with the worst water quality - Quantity of hazardous and industrial waste generated annually
To implement priority projects of reducing pollution and prevention of environmental degradation	<ul style="list-style-type: none"> - Feasibility Study on improving the Mojkovac and Gradac mining tailings - Improvement of degraded areas and dump sites in Pljevlja; regulation of Jagnjilo and Grevo dump sites - Rehabilitation and expansion of the wastewater treatment plant in Nikšić - Rehabilitation of the existing waste disposal sites and construction of new ones in coastal municipalities (Kotor, Budva, Bar, Ulcinj), and upgrading waste collection 	<p>MEPUP, Coal Mine</p> <p>PUC, Local Government, Montenegrin Coast PC</p>	<p>2004-2005</p> <p>2004-2006</p> <p>2005-2006</p> <p>2004-2006 and on</p>	<p>GMN, Donations Loans Local Government Budgets</p>	<ul style="list-style-type: none"> - Share of population with access to wastewater treatment - Share of population with access to waste collection and proper disposal
To strengthen policies and practices for the sustainable use of natural resources	<ul style="list-style-type: none"> - Revision of regulatory framework for biodiversity protection - Preparation of biodiversity strategy and action plan - Improvement of plans and practices regarding the national parks and other protected areas management - Promotion of the projects based on the sustainable utilization of natural resources (eco-tourism, organic agriculture) 	<p>MEPUP</p> <p>Nature Protection Institute NP</p> <p>MAFWRM, NP, Non- Governmental Sector</p>	<p>2005</p> <p>2004-2005</p> <p>2004-2006</p> <p>2004-2006</p>	<p>GMN, Donations</p>	<ul style="list-style-type: none"> - Number of endangered, rare and protected plant and animal species - Percentage of protected territories
FORESTRY AND WATER RESOURCES					
To upgrade the legislation and institutional frameworks; to advance forestry and water resources management measures and instruments	<ul style="list-style-type: none"> - Preparation of the new Law on Water in compliance with the EU Water Framework Directive - Establishing of the Water Regulatory Agency and its capacity building - Establishing of administrative river basin bodies and capacity building of such bodies 	<p>MAFWRM, MEPUP</p> <p>Water Regulatory Agency</p>	<p>2004 – 2005</p> <p>2004-2006</p> <p>2005-2006</p>	<p>GMN, Future Regulatory Agency</p> <p>Donations</p>	

	<ul style="list-style-type: none"> - Improvements in the enforcement of regulations, particularly with a view to illegal utilization of resources (such as illegal wood cutting and the extraction of materials out of river beds, poaching, etc.) 		2004-2005		
To strengthen sustainable management of forests and other forestry resources, and to provide for obtaining sustainable forestry certificate	<ul style="list-style-type: none"> - Preparation of the forestry development strategy based on the participatory planning and sustainability principles - Introduction of the geographical information system - Undertake analyses of the forest withering and disease occurrence and relevant protection measures - Upgrading of the fire protection system - Program for improving degraded forest areas and reforestation of the cleared areas 	MAFWRM, Forestry Directorate Bio-technical Institute, Forestry Institute Forestry Directorate	2004 -2005 2004 - 2006 and on 2004 – 2005 2004-2006 2004-2006	GMN, Forestry Directorate Donations	<ul style="list-style-type: none"> - Territory covered by forests being affected by diseases - Territory covered by forests having been destroyed in fires - Afforested areas
To support the development of economic branches and activities based on the controlled and sustainable utilization of forestry and water resources	<ul style="list-style-type: none"> - Provision of support to restructuring wood-cutting and processing enterprises - Development of seeds and seedlings production - Utilization and protection of wild growing mushrooms - Promotion of the use of non-timber forest products - Promotion of fish farming and mariculture 	MAFWRM Forestry Directorate NPs, Nature Protection Institute Local Government, NGOs	2004-2005 2004-2006 and on 2004-2006 and on 2004-2006	GMN, Forestry Directorate Private Sector Donations	- A share of revenues generated from the publicly-owned natural resources (woods, pastures, fish stock) in the personal income of inhabitants
To strengthen sustainable management of water and other water-resources	<ul style="list-style-type: none"> - Preparations to introduce the water information system - Stimulating rational and multi-purpose utilization of water - Improvements of eroded areas and torrents regulation in endangered areas: <ul style="list-style-type: none"> a) Analysis of present conditions / Feasibility Study b) Pilot Project in the Lim and the Tara river basins, integral risk management 	MAFWRM, Regulatory Agency Control Agency MAFWRM	2005 – 2006 2004-2006 2004-2005 2005-2006 and on	GMN, The Regulatory Agency, Donations	- Assessed damages of adverse water impacts (erosion, torrents, floods)
SOCIAL AND CHILD PROTECTION					
1. Main objective in social protection sector (SP) is providing and ensuring minimum funds necessary for the living of social and children protection beneficiaries	- Passing the new law and by-laws on social protection	- Ministry of Labor and Social Affairs (MLSA) - NGO	2004	GMN, Donors	- Regular payment of all social protection allowances

2. Reduction of family material support (FMS) beneficiaries based on temporary impediment to work (unemployed)	<ul style="list-style-type: none"> - Active employment policy - Limiting the extent of right benefit 	<ul style="list-style-type: none"> - MLSA - Employment Bureau of the Republic of Montenegro 	2004-2006	GMN, Donors (details given in the employment chapter)	<ul style="list-style-type: none"> - Reduction of the number of FMS beneficiaries by 30% by the end of 2006
3. Increasing the responsibility of municipalities for financial position of social care beneficiaries	<ul style="list-style-type: none"> - Passing the new legal acts on social protection of residents in municipalities - Establishing committees for social and children protection in municipalities 	<ul style="list-style-type: none"> - Municipalities 	2004	Budget of municipalities	<ul style="list-style-type: none"> - Increasing the number of extended rights beneficiaries - Committee constitution - Financial coverage of rights in municipality budget
4. Monitoring of poverty and necessities of socially vulnerable population	<ul style="list-style-type: none"> - Development of indicators for monitoring material vulnerability - Development of integrated and unique information system of social and children protection in Montenegro - Vertical expansion of information system in municipalities - Establishment of the research, evaluation and supervision unit within MLSA 	<ul style="list-style-type: none"> - MRSS - MONSTAT - Municipalities 	2004-2006	GMN, Donors, Creditors	<ul style="list-style-type: none"> - Defined and adopted indicators - Information system established at MLSA level - Information system established at municipality level - Unit formation and quarter analysis preparing
5. Improving quality of social protection service by developing service standard	<ul style="list-style-type: none"> - Drafting the Social Centers service standard - Geriatric institutions service standard - Setting up service standards for children's homes - Setting up service standards for persons with disabilities - Setting up service standards for other service deliverers in the field of social and children protection 	<ul style="list-style-type: none"> - MLSA - CSW - Social and children protection institutions - NGO 	2004-2006	GMN	<ul style="list-style-type: none"> - Adopted standards
6. Development of family accommodation and foster care for children without parental care, children with disabilities and other children	<ul style="list-style-type: none"> - Selecting, motivating and training foster care families - Selecting persons with disabilities and families 	<ul style="list-style-type: none"> - MLSA - CSW - Municipalities - NGO 	2004-2006	GMN, Donors	<ul style="list-style-type: none"> - Increasing the number of children in family accommodation - Provided funds in the budget per each year
7. Improving professional competence of the staff in social protection	<ul style="list-style-type: none"> - Training CSW staff for development of the social protection services in a local community - Training old people's homes staff for delivering out of institution protection services - Training children's homes staff for delivering out of institution services - Training home for people with disabilities staff for delivering out of institution services - Training associates of the home for juvenile delinquency for work on delinquency prevention in a local community 	<ul style="list-style-type: none"> - MLSA - Social science faculties in Montenegro - CSW - Institutions - NGO 	2004-2006	GMN, Donors	<ul style="list-style-type: none"> - Development of new services in municipalities and local communities - Developed plan of out of institution services for the elderly, children, persons with disabilities, delinquency prevention in a local community
8. Building capacity for accommodating the elderly with mental disorders (both locals and refugees)	<ul style="list-style-type: none"> - Drafting project proposal of the institution - Preparing project documentation and permits - Getting the funds to implement the project - Start of institution construction works 	<ul style="list-style-type: none"> - MLSA 	2004 - 2007	GMN, Donors, Creditors	<ul style="list-style-type: none"> - Accepted project proposal - Accepted project documentation and permits - Signed agreements on funding - Initial construction works

9. Building capacity of the institution for accommodating the elderly (both locals and refugees) in Podgorica	<ul style="list-style-type: none"> - Drafting project proposal of the institution - Preparing project documentation and permits - Getting the funds to implement the project - Start of institution construction works 	<ul style="list-style-type: none"> - MLSA and Municipality of Podgorica 	2005.– 2007.	GMN, Donors, Creditors	<ul style="list-style-type: none"> - Accepted project proposal - Accepted project documentation and permits - Signed agreements on funding - Initial construction works
10. Development of family accommodation for the elderly without parental care	<ul style="list-style-type: none"> - Analyze the needs, acceptability and motivation of the beneficiaries and foster care families for this kind of protection - Selecting and preparing the elderly and families 	<ul style="list-style-type: none"> - MLSA - CSW - NGO 	2004-2006	GMN, Donors	<ul style="list-style-type: none"> - Report on proposal of measures - Number of the elderly in family accommodation
11. Development of mobile team network for urgent health and social protection of the elderly without parental care in remote villages	<ul style="list-style-type: none"> - Making the study on the needs for urgent protection - Selecting and training professionals and volunteers - Forming mobile teams in municipalities 	<ul style="list-style-type: none"> - MLSA, MoH, CSW, health centres (Dom zdravlja) and NGO 	2004-2006	GMN, Donors	<ul style="list-style-type: none"> - Completed study and proposals - Selection and trainings carried out in all municipalities including more than 15% of the elderly in villages - Mobile teams formed in all municipalities including more than 15% of the elderly in villages
12. Development of family accommodation for the elderly with disabilities who are in need of permanent shelter and who have no parental care	<ul style="list-style-type: none"> - Analyze the needs, acceptability and motivation of the beneficiaries and foster care families with the development of this protection - Selecting and preparing the elderly and families 	<ul style="list-style-type: none"> - MLSA - CSW - NGO 	2004-2006	GMN, Donors	<ul style="list-style-type: none"> - Report with proposals of measures - Number of persons with disabilities in family accommodation
13. Economic and social empowerment of adults with disabilities	<ul style="list-style-type: none"> - Drafting the educational program for persons with disabilities in compliance with market demands and possibilities of getting a job - Revising the effects of obtaining the right to assistance in acquiring skills - Drafting the program on acquisition of additional skills for a better position and learning a new trade designed for persons with disabilities in line with labor market demands - Establishing the fund for support to self-employment and forming production, serviceable, or any other kind of association or cooperative for persons with disabilities - Defining incentive measures of support to self-employment of persons with disabilities under protected conditions 	<ul style="list-style-type: none"> - Ministry of Education - Special education institutions - NGO and assns - MLSA - Employment Office - Special education institutions - NGO and assns - MLSA 	2004-2006.	GMN, Donors	<ul style="list-style-type: none"> - Program made and ready for implementation - Amended Law on social protection and its implementation - Programs made and ready for implementation - Normatively regulated purpose and status of the fund and provided funds for starting the work - Adopted the program of measures
14. Support to families in crises and to single parents	<ul style="list-style-type: none"> - Creating staff and technical conditions for formation of four advisory councils for families - Selection and training of associates 	<ul style="list-style-type: none"> - MLSA - CSW - Municipalities - NGO 	2004- 2006.	GMN, Local community, Donors	<ul style="list-style-type: none"> - Concepts made, staff selected, provided premises for the start of the work of advisory council
15. Forming safe houses for abused children and women in Podgorica	<ul style="list-style-type: none"> - Drafting project proposal and a concept - Selection and adaptation of the premises - Selecting and training professionals and volunteers in safe houses 	<ul style="list-style-type: none"> - MLSA and MoH - NGO - Municipality 	2004-2005.	GMN, Donors	<ul style="list-style-type: none"> - Concept accepted - Premises adapted - Start of safe house operating
16. Support to programs on	<ul style="list-style-type: none"> - Support to the projects on motivating the children and their 	<ul style="list-style-type: none"> - MLSA, ME, 	2004-2006	GMN,	<ul style="list-style-type: none"> - Increasing number of children starting school to 95% by

Roma children inclusion in community	parents to attend the school - Provide assistance to children with school related tools and equipment - Support in textbooks and school tools - Psychological and social support	CSW Red Cross NGO		Donors	2007
17. Forming the fund of innovations in social and children protection	- Support to the implementation of programs planned in social and children protection sector for all social and children protection service providers (CSW, Institutions of social and children protection, NGO) - Development of criteria for funds allocation	- MLSA - NGO	2004-2006	GMN, Donors	- Developed criteria for fund allocation - Number of grants
18. Improving urban and residential aspects of poverty	- Building adequate apartments for domicile population, the Roma, IDPs and refugees	- MLSA Commissariat for for displaced persons NGO	2004 – 2006	GMN, Donors	- Number of provided residential units
19. Supporting socially vulnerable Roma families	- Establishing of family material support to Roma population	- MLSA - NGO	2004 – 2006	Donors	- Number of FMS beneficiaries
20. Supporting socially vulnerable IDPs and refugees	- Establishing of family material support for IDPs and refugees	- MLSA - NGO - Red cross	2004 – 2006	Donors	- Number of FMS beneficiaries
PENSIONERS AND ELDERLY					
1. Providing stable pension system and improving living standard of the pensioners and elderly	- Implementation of the new pension law - Passing necessary by-laws for implementation of the new law on Pension Insurance Fund (PIO) - Implementation of the new law on PIO	- Ministry of Labor and Social Affairs (MLSA)	2004 -2006	GMN, Donors	- Regular payments
2. Providing adequate role of PIO	- Revising the role and organization of PIO	- MLSA - Ministry of Finance - Directorate of Public Revenues - Pension Insurance Fund	2004	GMN, Donors	- Successful management of the pension system
3. Comprehensive analysis and debate on second pillar introduction	- Analysis and creation of institutional conditions for second pillar introduction	- MLSA - Ministry of Finance - Privatization Council	2004 -2006	GMN, Donors	- Introduction of capitalized savings in PIO system
4. Introduction of pension funds on voluntary basis - third pillar	- Building legal framework for creation and regulation of the market of voluntary pension funds	- MLSA - Ministry of Finance - Securities Commission	2004 -2006 and on	GMN, Donors	- Created and regulated market of voluntary pension funds
5. Strengthening institutional and other services for the most vulnerable pensioners and the elderly	- Development of alternative forms of institutional protection including programs of daily centers, service delivery, home assistance and other initiatives of the local community.	-MLSA - Municipalities - NGO	2004 -2006	GMN, Donors	- Number of implemented programs

PROTECTION OF WAR VETERANS					
1. Improving the plight of the beneficiaries of war veterans protection	- Passing the new law on protection of war veterans - Providing stable resources for realization of rights	- Ministry of Labor and Social Affairs (MLSA)	2004 -2006	GMN,	- Regular payments
GENDER EQUALITY					
1. Establishing gender statistics	- Passing new laws referred to this area - Introducing gender equality dimensions into statistic standards	Government Office for gender equality (Office) and "MONSTAT" NGO	2004 - 2005	GMN, Donors	- Quality of the data base
2. Improving knowledge on gender equality	- Encouraging education and research within gender studies -Integrating gender equality into development strategy	Office University of Montenegro and line ministries NGO	2004 -2006	GMN, Donors	- Number of analyses, researches and programs from the aspect of gender equality - Public opinion
3. Passing new laws as prerequisite for reaching gender equality	- Passing a Republic Law on gender equality -Developing National action plan on achieving gender equality - Introducing gender equality concept while developing all legislative solution	Office and line ministries NGO	2004	GMN, Donors	- Number of laws harmonized with the Law on gender equality - Effects of the monitoring laws implementation and national plans affecting in any way plight of women in Montenegro
4. Women health protection	-Eliminating avoidable maternal and child mortality -Eliminating gender inequality when accessing health protection - Providing all men and women of reproductive age with the access to safe and efficient contraceptive methods - Education on gender communicable diseases - Strengthening prevention and education	Office and line ministries NGO	2004 -2006	GMN, Donors	- Maternal mortality rate; mortality rate of the children under 5; infant mortality rate; percentage of the children under five vaccinated against contagious diseases; percentage of child births attended by full medical staff; percentage of mothers having access to medical institutions prior to and after delivery - Percentage of women receiving treatment in medical institutions, number of years lost for men and women due to disability - Rate of the usage of safe contraceptive methods among poor men and women of reproductive age
5. Overcoming discrimination in education	- Integrating gender equality principles in school curricula and textbooks - Eliminating gender disparity in education	- Ministry of Education - Office	2004 -2006	GMN, Donors	- Number of analyses, curricula and textbooks, as well as number of changes initiated by gender equality integration - Ratio of girls to boys in primary schools; ration of girls to boys in secondary school as well as in faculties; ratio of number of literate female to male aged 15-24 as well as those aged 24
6. Overcoming discrimination in employment	-Eliminating gender inequality in access to work -Eliminating gender inequality related to work reimbursements	Ministry of Labor and Social Affairs, Employment Bureau, Office,	2004 -2006	GMN, Donors	-Rate of female and male labor force -Average salaries of females and males in various sectors; percentage of poor people who are employed,

	<ul style="list-style-type: none"> -Eliminating compulsory work (work under some commitment) -Introduction of affirmative measures for less present sex in employment -Providing adequate protection at work and before the state bodies as well as setting up control -Finding the way for adequate appraisal of unpaid work at home 	NGO			<ul style="list-style-type: none"> disaggregated by gender -Percentage of compulsory workers in labor force disaggregated by gender -Number of implemented affirmative measures in employment
7. Economic empowerment of women and strengthening women entrepreneurship	<ul style="list-style-type: none"> -Training, acquiring additional skills for a better position or learning a new trade -Creating data base of entrepreneurs disaggregated by gender -Establishment of incentive funds for economic empowerment of women -Trainings for women entrepreneurship -Provide credit lines for women -Providing support to women entrepreneurship -Supporting women entrepreneurship within the Agency for small and medium-sized -Facilitating self-employment in particular to vulnerable groups 	Office, line ministries NGO, Agency for small and medium-sized enterprises development, University of Montenegro NGO	2004 -2006	GMN, Donors	<ul style="list-style-type: none"> -Number of women who have attended the training, acquired additional skills and learned a new trade -Number of extended credits for women entrepreneurship as well as number of credits for self-employment in particular to vulnerable groups, disaggregated by gender -Number of women entrepreneurs whose businesses are supported -Number of newly employed, disaggregated by gender, based upon initiation of women businesses.
8. Eliminating family violence and violence over women	<ul style="list-style-type: none"> -Amending legislation -Training multi-sector teams for support to the victims of violence -Establishing shelter network -Ensuring financial support to women victims of violence -Making action plan for violence prevention 	Line ministries Office NGOs	2004 -2006	GMN, Donors	<ul style="list-style-type: none"> -Number of teams who passed the training -Public opinion -Number of cases reported
9. Active women inclusion in the process of planning, decision-making and implementing of the programs on environmental protection	<ul style="list-style-type: none"> -Raising awareness among both male and female citizens regarding the issue of ecology through various professional and public debates and workshops -Drafting by-laws -Removing physical barriers and preventing building new ones for disabled persons, with special attention to the needs of women with disabilities 	Ministry of environment Office NGOs	2004 -2006	GMN, Donors	<ul style="list-style-type: none"> -Number of female participants in environmental protection activities -Number of activities promoting principles of preventive protection -Women obtaining the right to clear and healthy environment.
CHILDREN AND YOUTH					
Children and youth poverty reduction	<ul style="list-style-type: none"> - Providing support to poor families with children and youth - Providing access to social services - Development of quality services adapted to 	<ul style="list-style-type: none"> - Government of Montenegro - Ministry of Labor and Social Affairs (MLSA) - Municipalities 	2004 -2006	GMN, Donors	<ul style="list-style-type: none"> - Reducing the number of poor families with children and youth - Increasing the number of services and programs dedicated to children and youth

	children and youth - Providing the realization of children rights - Developing preventive and curative programs as well as repressing socially unacceptable behavior of children and youth - Drafting the National Strategy for Children - Drafting the National Strategy for Youth	- NGOs			- Monitoring children rights realization - Development of specific preventive programs
PEOPLE WITH DISABILITY					
1. Providing adequate social protection for people with disability	- Development of support program for disabled persons and their families	- MLSA - Municipalities - NGOs	2004-2006	GMN, Donors	- Number of implemented programs
2. Providing access to environment	- Performing the activities providing disabled persons with better access to environment - Development of urban standards for physical barriers removal	- MLSA - Ministry of Environment Protection and Spatial Planning (MSP) - Municipalities - NGOs	2004-2006	GMN, Donors	- Number of implemented programs - Developed standards
3. Providing education	- Development of specific education programs for disabled persons	- Ministry of education - NGOs	2004-2006	GMN, Donors	- Number of implemented programs - Number of people with disability included into system of education
4. Providing employment to disabled people	- Development of employment programs for disabled persons	- MLSA - Employment office - NGOs	2004-2006	GMN, Donors	- Number of employed people with disability

EDUCATION					
Providing legal framework as a condition for making education development promoter, together with the science and technology and also to provide conditions for inclusion of the children with special needs into the education system	Adoption of the Law on University (October 2003) and passing by-laws Drafting Law on Certification system Drafting Law on Children with Special Needs	Parliament, GMN, MES, VTC, MLSA	March 1, 2004.	GMN, Donors	- Raising the quality of studying - Provision of conditions for reform laws implementation - Introduction of nationally acknowledged certificates - Defining responsibility level for inclusion of the children with special needs
Increasing preschool education enrollment rate of the children	Inclusion of preschool children, poor children, Roma children and those with special needs Inclusion of the poor, coming from all parts of the Republic, Roma children, and children with	MES, NGO, MLSA, MoH MES, LC,	January 2004. – January 2007.	GMN, Donors	- Number of children in preschool institutions - Capacity of preschool institutions - Number of Roma children and other vulnerable groups

	<p>special needs Inclusion of local self-government, beside ME, into public preschool institutions funding system in Montenegro, in particular as far as material expanses and investment maintenance are concerned Network renewal and extention of the capacity of the exiting public kindergartens to include as many children as possible Encouraging private initiative</p>	MES, LC, Donors			<ul style="list-style-type: none"> - Number of vulnerable children who continue their education - Participation of Local Community in funding preschool education - Number of preschool children within private kindergartens
Building new preschool institutions premises	<p>Drafting a Project proposal for the institutions Drafting Project documentation and licenses (Loans, donors' funds) Starting building the institution</p>	MES GMN, ME,	January 2004. January 2007	GMN, Donors	<ul style="list-style-type: none"> - Increasing number of children in preschool institutions
Providing children from the poor families and vulnerable groups with the access to education institutions	<p>Working out payment scale based on material and social status of the family ranging from complete free of payment status to defined maximum payment</p>	GMN, MES, MLSA	January, 2004 – June, 2004	GMN, Donors	<ul style="list-style-type: none"> - Efficiency of support to keeping vulnerable children within education system - Contribution - Number of beneficiaries
Inclusive education	<p>Provision of schooling of the children with special needs in the less limiting places to be able to appropriately make a progres and overcome their problems Establishing the data base on the children with special needs so as to ensure monitoriong of those children during the schooling and after it.</p>	GMN, MES, NGO, Institutions MoH, MLSA	During the whole implementation period	GMN, Donors	<ul style="list-style-type: none"> - Establishing the data base - Number of children receiving specific kind of support in education purpose
Making possible successful completion of the primary school and continuation of schooling	<p>Integration and special care for the students with special needs Raising the percentage of Roma children attending primary school Providing all the children with the access to primary education Providing all the children with the education related to respect for national values, history and culture</p>	MES, Institutions, NGO, LC	During the whole implementation period	GMN, Donors	<ul style="list-style-type: none"> - Number of students who enroll in primary schools - Number of students according to sex, vulnerable groups, and so on. - Number of students by grades and those who are about to complete education - Average education duration

Giving priority to quality of education instead of quantity of knowledge	Provision of conditions for further education of the teachers and training of principals Ensuring the usage of management informative system in compliance with the standards of highly developed countries within management and evaluation of quality in education system Evaluation of all education segments Education of new generation of managers and investments in human resources	MES, SB, VTC IC	During the whole implementation period	GMN, Donors	<ul style="list-style-type: none"> - Segments included in evaluation - Evaluation procedures - External knowledge testing
Building new primary schools premises	Developing project proposals for schools Developing project documentation and getting licenses (Loans, donor funds) Starting building the institution	GMN, MES	01.2004 – 01.2007	GMN, Donors	<ul style="list-style-type: none"> - Building capacity of primary schools in Podgorica and southern municipalities
Providing conditions for adjusting and modernizing vocational training to social changes, requirements of modern, democratic and economically developed society, market economy, technical and technological progress and information technology.	General knowledge should be integrated into vocational subjects to a greater extent Problem approach should have advantage over vocational classification when carrying out training Educational programs should be disaggregated to modules so as to ensure that by acquiring certain module one gains vocational qualifications Increasing the incidence of the population attending vocational education after primary school Introduction of selective subjects in four years lasting vocational schools Increasing the extent of practice courses in three years lasting vocational (50-60%) Building the evaluation system of informally acquired knowledge and skills Inclusion of social partners into the process of management, decision-making and funding vocational education	GMN, MES, VTC, EB, MCC, AITUM, MLSA, IC,	Continuous work	GMN,	
Building new secondary school premises	Drafting a Project proposal for the institutions Drafting Project documentation and licenses (Loans, donors' funds) Starting building the institution	GMN, MES	January, 2004 – January, 2007	GMN,	<ul style="list-style-type: none"> - Number of students in vocational training institutions - Vocational material drops-out
Establishing Training Center	Agreement with social partners Providing spatial conditions Purchase of modern technical and technological equipment	GMN, MES, MCC, AITUM, EB, MLSA,	January 2004. - January 2006.	GMN, Donors	<ul style="list-style-type: none"> - Training centers established - Number of trained candidates - Capacities for training of the adults

	Training of teachers				
School network rationalization	Adjustment of number of schools to demographic movement and standards of educational process Reduction in the number of employees Participation of local community in funding the part of education system	MES, Institutions LC	2003. – December 2004.	GMN, Donors	- Reduction of the share in budget by 0,75 % on annual basis up to 2006.
Providing ICT overmastering to all of the students and ensuring education system management based on IT	ICT inclusion into curricula Make possible for all of the students to acquire basic ICT skills by 2005. Provide ICT training program Ensure inclusion of the poorest groups, students with special needs as well as those with special needs in less developed areas Supply all the schools with multimedia PC with internet access by 2010. Train teachers and trainers for using modern techniques in teaching ICT appliance Provide training and equipment for children in special schools to use ICT	GMN, MES, VTC, SC	January 2004. – January 2007.	GMN,	- Number of institutions involved in Montenegro Education Network - Number of students per PC - Percentage of Curricula realized through IT appliance - Number of teachers involved into training process - Efficiency of education system management based on IT
Providing economic efficiency together with sustainability of education system	Rationalization of the Ministry Establishing new institutions of the system School network rationalization Establishing Examination Center	GMN, MES, SB, VTC, IC	During the whole implementation period	GMN,	- Education share in the budget
Education of the adults	Development of the Strategy for education of the adults Strengthening educational institutions for the adults Inclusion of the employers into permanent education organizational process	GMN, MLSA, EB, VTC	During the whole implementation period	GMN, Donors	- Number of institutions and their capacity - Number of the enrollees completing training program - Certificates issued - Employment rate of the unemployed enrollees who completed training course
Providing conditions for acquiring basic literacy education	Strengthening educational institutions for the adults Training of teachers and trainers to work with the adults Definition of motivating measures for involvement into this process Acquiring basic literacy education Raising the level of formal education	MES, MLSA, EB, Institutions	During the whole implementation period	GMN,	- Number of institutions and their capacity - Number of the enrollees who complete training programs - Realization of training resources
Institutional support to education system	Providing support for establishing Schooling Bureau and Vocational Training Centers in purpose of improving education process and monitoring of labor forces movements, poverty,	GMN, MES, Donors	January 2004. – January, 2006.	GMN,	- Creation of standard vocations - Production of curricula - External knowledge testing - Training of teachers and school principals

	jobs and the like				
Increasing accommodation capacity in dormitories	Increasing accommodation capacities by 20% until 2006. Drafting a Project proposal for the institutions Drafting Project documentation and licenses, starting building the institutions Improving the conditions of the accommodation within the existing dormitories	GMN, MES, credits, donors funds	June 2004 – February 2006.	GMN, Donors	- Numbers of students in dormitories - Accommodation capacity
Providing the access to education institutions regardless the place of living	Adjustment of public education instituon network to population needs Motivation of private initiatives within education, respecting and monitoring the standards of skills and vocations Increasing dormitory capacities Providing the high quality accommodation in dormitories	GMN, MES, UoM	During the whole implementation period	GMN,	
Reducing average time of studying	Make possible for students to complete their studies within envisaged period of time Motivate the students who meet the deadlines	MES, UoM, Institutions	During the whole implementation period	GMN,	- Number of students - Average study duration at the University and respectively by faculties
HEALTH					
- Provide institutional basis for the health system reform	- Health Care Law	Ministry of Health	2003	Minimal expenses. Completion in field of work of the following three institutions: Ministry of Health, Health Fund and the Montenegrin Health Institute.	Laws adopted
- The health system reform with regard to financial relations and creating stable conditions for financing the health care as well as optimal allocation of funds	- Health Insurance Law				
- Provide necessary records on functioning of the health system, on monitoring the state of health and on establishing a basis for information system development	Act on obligatory records in health care field		2004		Scope of data for selected indicators within defined timeframe

Provide for functioning of all subjects of the health system, with equal rights for all the Montenegrin citizens and access to health care benefits, as well as equal opportunities in achieving their rights; provide quality functioning of health institutions and control system in health services. Provide quality and accessible health care to all vulnerable categories of population.	<ul style="list-style-type: none"> - Medicine production, sale and control regulations - Lists of medicines and guidelines for their supply and use - Basic health care measures - Rule book on health care servicing conditions - Rulebook on exercising rights in the field of health care. - Rule book on right to health care abroad - Rule book on participation of insured persons in health care costs - Rule book on professional control in health care institutions - Categorization and accreditation of hospitals and other health institutions - Health institutions network 	Ministry of Health	1 st quarter of 2004	GMN, EAR, USAID, World Bank (WB)	<ul style="list-style-type: none"> -Medicine market supply. -Rationalization of consumption - Health care accessibility to the population, especially to vulnerable categories. - Indicators of quality health service. Clinical guidelines and good practice guides <ul style="list-style-type: none"> - Technological standards - Development level of health service. Health care accessibility.
Increase efficiency and effectiveness in using resources in health care field	Establishing a Health Council	Ministry of Health (MH)	1 st quarter 2004	GMN,	Mortality rates and birth rates among main causes of death and preventable diseases. Mortality rates among children under five. Disease and mortality rates among children under five with regard to contagious diseases. Maternal mortality rates.
Promote public health in order to advance health and develop preventive medicine programs	Establishing Public Health Institute, which is to promote and coordinate public health activities at the national level	Ministry of Health	2004, 2005	GMN, Greek Government	Proportion of vaccinated children. Disease and mortality rates with regard to tuberculosis and HIV. Rate of HIV positive women. Proportional figure of disease rate and mortality rate provoked by risky style of life.
Medicine registration	Medicines Board	Ministry of Health	First half of 2004	GMN,	Monitoring reports on unwanted effects of certain medicines.
Promote quality health care	Quality Health Service Control and Accreditation Board at the territory of the Republic	Ministry of Health	4 th quarter of 2004	GMN,	Consumers' satisfaction. Standardization of services
Reform in health services system – promote and prepare primary health care system	Promotion program of primary health care structural organization	MH, the Montenegrin Health Institute, Health centres, Mental Care Institute	2004	GMN, WB	Basic health care expenses. Indicators of basic health care use and health improvement of all citizens, especially vulnerable categories of population, as well as using other health care levels.
Reform in health services providing system	Projects of rationalization in health care field at secondary and tertiary level	MH, Health Fund, public health institutions	2005	GMN, Donors, Creditors	Public health expenses at secondary and tertiary level. Hospitalisation rate. Average period of hospital treatment. Overload of hospital resources.

Introduction of new methods in financing health care, which is to ensure adequate stimulation of health care workers as well as to promote quality health care	Project of establishing criteria for financing health care	MH, Health Fund, Health Care Institute	First half of 2004	GMN, WB credit	Health care expenses per capita, by levels, by regions and by kinds of services
Ensure a principle of solidarity and eliminate inequality in providing access to health care (for categories of population that receive public welfare)	Defining and adopting obligatory services and rights package in the field of health care	MH, Health Fund, Health Care Institute	First half of 2004	GMN, WB credit	Accessibility of health care to the Montenegrin population without financial obstacles.
Health care programs planning at the national and local communities level. Planning special programs and activities in decreasing risks in health care and health promotion of vulnerable categories of population.	Producing a methodology of planning	MH, the Montenegrin Health Care Institute	2004	GMN, WB credit	Indicators of the population's state of health. Incidence and prevalence rate of main groups of diseases directly tied to social and economic status.
Establish division of labour, catalogue of knowledge and skills that health workers are due to achieve, ensure criteria for quality service control, professional evaluation of individuals, adequate evaluation and recompensation for a service, as well as carry out a patient security measures.	Project of establishing professional standards and clinical guidelines	MH, the Montenegrin Health Care Institute, Quality Service Control and Accreditation Board	2004, 2005	GMN, WB credit	Standards and norms, guidelines
Quality health service improvement, especially for vulnerable categories of population	Quality health service improvement program	MH, Quality Service Control Agencies, professional chambers, Ombudsman, Health Care Institute, health care centres, Health Fund	2004, 2005	GMN, WB credit	Level of satisfaction of users of health care and health service workers. Indicators of the state of health.
Optimal increasing of number of employees in public health institutions	Analyse of employees in health services and possibilities of retraining non-medical personnel	Ministry of Health, MRSS, Health Care Institute	2004	GMN, WB credit	Relations between medical and non-medical staff. Medical staff coverage of population and overloading of medical workers

<p>Planned development of overall health capacities necessary to achieve public health development goals.</p> <p>Establish human resources management strategy and define needs for planned period of time.</p> <p>Establish training and education aimed at improving skills and knowledge of health service professionals.</p>	<p>Master Plan of Human resources management</p>	<p>Ministry of Health, professional chambers, MiN, Health Care Institute,</p>	<p>2004</p>	<p>GMN, WB credit</p>	<p>Accessibility to health care with regard to necessary number of physicians, qualified health personnel and regional accessibility. Proportion of cadres with regard to certain kind of education within general cadre structure in Republic of Montenegro.</p>
<p>Improve health quality of the population, with emphasis on vulnerable categories, change attitude towards health, ensure healthy and safe environment, promote healthy way of life and strengthen responsibility for one's own health</p>	<p>Production of "New Public Health" strategy. Health promotion development project in order to prevent major group of diseases.</p> <p>Legal regulation project in the field of health food.</p>	<p>Ministry of Health, Health Care Institute, other responsible spheres of activity, local community</p>	<p>2004, 2005</p>	<p>GMN, Donors, Stability Pact</p>	<p>Maternal mortality rate among children. Proportion of delivery of children with low physical weight. Proportion of children who take nourishment exclusively at the breast. Malnutrition of children under five. Scope of vaccination. Disease and mortality rate among children with regard to contagious diseases. Lifetime prognosis after birth. Rate of HIV positive women. State of oral health. Number of orphans whose parents died of AIDS. Proportion of children and adults who take PAS. Disease and mortality rates and proportion with regard to addiction diseases.</p>
<p>Improve health and quality of life of the aged, as well as the vulnerable categories of population. Rationalisation of expenses for health and social care of the aged.</p>	<p>Project of integration of social and health services for the aged people.</p> <ul style="list-style-type: none"> • Homes for the aged • Daily centers • Geriatrics centers 	<p>Ministry of Health, MRSS, the Montenegrin Health Care Institute</p>	<p>2004-06</p>	<p>GMN, WB, Donors</p>	<p>Expected lifetime. Mortality rate with regard to death causes that can be prevented. Potentially lost years of life. Measuring ability to function.</p>
<p>Decrease level of inequality in public health and improve health care for vulnerable population groups.</p> <p>Prevent diseases and improve health of vulnerable population groups.</p>	<p>Project of health protection and health improvement of persons in marginal conditions</p> <ul style="list-style-type: none"> • Project "Violence and Health" • Project "HIV/SIDA Prevention" • Project "Tuberculosis prevention" • Handicapped persons' health improvement proj. • Project "Smoking Control of Youth" 	<p>Ministry of Health, Montenegrin Government, Montenegrin Health Care Institute</p>	<p>2004-06</p>	<p>GMN, WB, UNICEF, Imperial College, Donors</p>	<p>HIV/AIDS and tuberculosis incidence and prevalence. Mortality level with regard to tuberculosis and AIDS. Rate of HIV positive mothers. Number of orphans whose parents died from AIDS. Measuring ability to function. Measuring social network and social support.</p>

Determine impact of environmental factors to health; primarily eliminate environmental factors that have a negative impact.	Research project of determining environmental impact to overall health of the Montenegrin population.	Ministry of Health, Ministry of Area Planning, Health Care Institute	2005- 06	GMN, Japan Government, Donors	Contagious diseases' incidence and prevalence, with regard to causes provoked by water-supply system and inadequate disposal of dangerous waste. Mortality rate caused by diseases that can be prevented and provoked by environmental factors.
Health preservation and health improvement of above mentioned population groups.	Mother and child health improvement project	Ministry of Health, Health Care Institute, Children's Disease Institute	2004, 2005	GMN,, UNICEF	Mortality rate within babies and children under five. Maternal mortality rate. Vaccination scope and contagious disease mortality rate and proportion of disease. Overall fertility rate. Proportion of delivery of children with low physical weight. Malnutrition of children under five.
Health preservation and health improvement of above mentioned population groups.	Mental health improvement strategy and Investment Project for the Mental Health Institute. Action plans in preventing addiction diseases.	Ministry of Health	2004, 2005	GMN, Greek Government, Donors	- Mental disease incidence and prevalence rates. - Rights protection, health care and mental care accessibility in the community. Indicators whether psychiatrist are overloaded.
Ensure standardization of information and better data processing at all public health levels.	Information system project	Ministry of Health, Health Fund, Health Institute	2004	GMN, WB	- Data accessibility for creating health indicators, financial indicators, management decisions and planning.
School children health protection and improvement, as they are particularly vulnerable population group. Incorporate educational health programs into educational system.	Establishing coordination and cooperation between health sector and educational sector	Ministry of Health, MPiN, Montenegrin Health Care Institute	2004, 2005	Funds not necessary	- School children vaccination scope. Disease and mortality rates among school children, caused by contagious diseases, injuries and external influences. School children's malnutrition. Incidence and prevalence addiction rate.
Improve public health work	- Technological standards project – Technical assistance - Project of scientific and technological development in public health	Ministry of Health, Health Fund, Health Oriented Scientific and Research Institution	2004-06	GMN, Donors	- Standards - Level of scientific and technological development

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VIII THE DEVELOPMENT AND POVERTY REDUCTION STRATEGY COSTINGS STRUCTURE

1. Current public sector resources

1. The DPRS in Montenegro is a multi-dimensional and multi-faceted strategy, characterized by numerous needs on the one hand, and limited financial resources to meet those needs, on the other. The financial sources include both domestic fiscal sources and international assistance, while domestic financing is a pre-condition for obtaining international financial support. Therefore the link between fiscal policies and poverty is recognized as one of the key elements of the DPRS strategy.

2. Consolidated government income in Montenegro in 2002, reached 36.5% of GDP, while the consolidated expenditure has varied between 40.6% of GDP in 2002 and 38.4% of GDP in 2003. These levels are characteristic of successful countries in transition.

Table 8.1 gives the figures for the participation of public income and expenditure in the GDP in the period from 2002 to 2004.

Table 8.1. Consolidated Public Income and Expenditures
(% of GDP)

	2002	2003	2004
	Achieved	Planned	Planned
Overall income	36.5	36.7	36.5
Income from taxes	34.2	34.1	34.6
Including: turnover tax, VAT	8.7	8.4	8.9
Overall expenditures	40.6	38.4	39.2
Current expenditures	38.3	37.4	34.4
Capital expenditures	1.6	36.4	34.4
Reserves	1.0	0.6	0.6
Net lending	0.7	1.3	0.8
Union transfers	0	2.8	2.8
<i>Overall balance before grants</i>	-4	5.7	-4.7
Grants	2.2	1.5	1.0
<i>Overall balance including grants</i>	-2.1	-3.8	-3.7
Financing	-2.1	-3.8	3.7
GDP (€ millions)	1,250	1,375	1,475

Source: IMF County Report No 03/151, June 2003.

3. In the structure of public income, revenue obtained through taxes dominates, and is around 36% for the period analyzed. The stable influx of revenue from tax, as well as the possibility of a gradual increase in the medium-term, is expected as a consequence of the introduction of new taxing laws. These include The Act on Value Added Tax, The Act on Income Tax, as well as the administration and monitoring of tax collection on international trade and transactions.

4. The level of public spending in the 2002-2004 period is characterized by oscillations and a trend in a reduction in spending. In the structure of consolidated costs, the current expenditure amounts to 90% of the total public expenditure, whilst the capital expenditure which can be used for different poverty reduction projects, participates with only 2% of GDP. The structure of current public expenditure points to the significant participation of spending on salaries of employed as well as different household transfers. The expenditures whose ratio in overall spending has been reduced includes expenses for purchase of goods and services, subsidies provided to companies and social welfare (household transfers).

5. An important element in the budget expenditure, apart from the spending on gross salaries and other personal income for the employed, are transfers and social benefits. According to the suggested medium-term budget expenditure plans, there is a clear increase in financial resources allocated for this purpose.

6. The total budget **spending intended for the protection of the poor** in Montenegro was 3.89% in 2003, and the percentage in the 2004 budget remains the same, which means that in the period between 2002 and 2004, an average of 3.50% of GDP is allocated for the protection of the poor. In 2003 as well as in 2001, the most significant resources were allocated for the Republican Employment Office, for redundant workers and for apprenticeship employment.

2. Cost of DPRS implementation

7. The total costs of the DPRS in Montenegro are € 439,8 million for the three year period from 2004 – 2006, which amounts to € 146 million per year. The given costing does not include all the proposed projects, which are directed at poverty reduction, but only those, which represent high priority incremental DPRS expenditures. Necessary infrastructure projects, which significantly impact on poverty levels, and call for significant financial investment, are not included in these calculations, because of the need to attract large financial resources, and they are separately calculated (Table 8.6).

8. The sectors included in the Strategy are: agriculture, education, health, energy, employment, social protection, transport, water supply, forestry and the environment. In the spending structure, the priority sectors are: education 22%, agriculture and rural development 15%, social protection 12,5%, employment 11% and health 11%. The high ratio of total spending allocated for agriculture and rural development, is due to the fact that different projects are covered under this budget line including, the social protection of agricultural producers (allowances for the elderly), projects stimulating employment in agriculture, as well as rural infrastructure development. The total costs of the DPRS, including a breakdown, are given in Table 8.2.

**Table 8.2. The Breakdown of DPRS Costs
in € millions and % of GDP**

	2004	2005	2006	2004-2006	
DPRS Costs	133.4	165.2	140.5	439.77	100.0
				in € millions	u%
Agriculture and rural development*	20.0	21.5	23.4	64.9	14.8
Education	32.3	31.8	32.6	96.7	22.0
Health	8.4	31.8	7.2	47.4	10.8
Energy	4.7	9.6	7.5	21.8	5.0
Employment	18.4	15.7	15.8	49.9	11.4
Social protection	17.1	17.3	20.4	54.7	12.5
Transport	10.0	10.9	10.8	31.7	7.2
Water Supply	4.5	4.8	4.4	13.7	3.1
Forestry	10.6	13.3	8.2	32.1	7.3
Environment	7.4	8.6	10.4	26.4	6.0

* Includes social protection, employment and rural infrastructure

9. The proposed sectoral projects included in the Strategy, mainly represent new initiatives of special importance in poverty reduction, but which call for the securing of additional financial resources. The necessary amount of resources for these needs, amount to around 9% of GDP per year. However, part of this increase will come from relocation and savings within the present budget. Therefore the volume of consolidated expenditure which include DPRS costs reaches around 45% of the GDP.

10. The financial resources for DPRS projects need to be secured from existing domestic and foreign sources. The part of the resources from domestic sources amounts to around 40% of the total costs, which on average amounts to approximately € 58 million per year. While these resources will be secured largely within existing fiscal sources, a small amount is envisaged to come from revenue growth.

11. Foreign financial assistance is projected to cover around 60% of financing DPRS projects, that is with around € 88 million per year. Half of these resources shall be made available through grants, while the rest shall be obtained through loans. The total breakdown of the planned DPRS financing structure is given in Table 8.3.

Table 8.3.
The Breakdown of the DPRS project financing structure
In € millions and % of GDP

	2004	2005	2006
Consol. Public Sector Expend	566	622	699
Participation % in GDP	38.4	39.2	40.7
DPRS Expenditures, Total	133.7	165.5	140.5
Less: budgetary savings/relocations	42.8	53.0	45.0
Total public expenditure including DPRS	656.9	734.5	794.5
participation % in GDP	44.5	46.3	46.3
Total DPRS Expenditures	133.7	165.5	140.5
Domestic sources ¹	53.5	66.2	56.2
Foreign financing	80.2	99.3	84.3
of which: grants	40.1	49.7	42.2
	participation % in GDP		
DPRS Expenditures	9.1	10.4	8.2
Additional resources necessary for DPRS/GDP	6.1	7.1	5.5
New domestic sources ²	0.7	0.8	0.6
Foreign financing	5.4	6.3	4.9
of which: grants	2.7	3.1	2.5
GDP	1.475	1.587	1.717

¹ Resources from budget savings, reallocation and revenue growth.

² Resources from new revenue measures.

3. An assessment of the financial resources needed for the elimination of poverty

12. While the DPRS costs may seem to be very large, they can be put in the context of the poverty gap analysis of Chapter 2. From the analysis of poverty and the poverty gap, the necessary financial resources needed to eliminate absolute poverty in Montenegro in 2003 are calculated to be € 37.5 million. This assumes with perfect targeting of social welfare benefits, an annual transfer to the poor of this amount would be sufficient to eliminate poverty. However, the assumption of «perfect» targeting of social welfare is unrealistic, and the real resources needed for eliminating poverty are likely to be a few times higher than the minimal amount.

13. The real resources needed to eliminate poverty are definitely significantly higher, especially when the multi-dimensional nature of poverty is taken into account such as education, infrastructure, accommodation and health, where perfect targeting is impossible. In market economies, these resources are at least two times higher than the minimum amount needed to eliminate absolute poverty in condition of perfect

targeting. In countries in transition, for \$1 of assistance to the poor, between \$1.5 and \$8 have been spent, excluding administrative costs of assistance distribution¹⁷⁹.

Table 8.4. Financial resources necessary for eliminating absolute poverty in Montenegro in 2003

	Total	Domestic population	RAE	Refugees	IDPs
Average expenditure of the poor ¹	81.45	83.7	64.6	79.9	85.5
% in poverty (poverty line = €116,2 per month)	12.2	9.6	52.3	38.8	38.6
The average income gap in €	34.7	32.5	51.6	36.3	30.7
The average deficit from the poverty line (%)	29.9	28.0	44.4	31.2	26.4
Necessary resources needed for eliminating absolute poverty ²	37.4	24.7	6.5	2.2	4.0

¹ per month

² Assuming perfect targeting in € millions, per annum

14. Starting from the amount needed to eradicate absolute poverty and including the associated manipulative costs, an amount of the necessary resources at the annual level has been determined. And so the necessary resources for priority projects in 2004 amount to € 134 million, and €165.6 million and €140 million for 2005 and 2006 respectively. The amounts are about four times higher than the income gap identified above, which implies a targeting efficiency of around 25% would be required.

15. These projected expenditures imply a significant increase, with a doubling of current levels of foreign financing. The program is ambitious, and may strain implementation capacities. However, the expenditure program defines a strategy and an envelope of priority needs. If financial and constitutional constraints are binding, the planned program could well be extended beyond the 2004-06 period, and be carried out over a period of five or more years. The importance of the program is not so much the financial amounts, but the establishment of priorities that provides a framework for the harmonization of foreign assistance.

16. The total value of the proposed projects is € 440 million, out of which € 172 million will be secured through domestic funding, and € 267 million is anticipated from international donors during the upcoming three year period (2003-2006). The average domestic financial resources per year are € 54 million, and the anticipated average foreign support is € 76 million. The total costings for DPRS implementation, by sector, including all individual projects, is given in Table 8.5.

17. The costings for infrastructure projects which are important for poverty reduction and eradication efforts, are given in a separate table (Table 8.6), because of their high costs (€ 166 million).

18. The most urgent costs of the DPRS, which particularly relate to RAE, refugees and IDPs are given in an additional table (Table 8.7). It is anticipated that these projects shall receive international financial support.

¹⁷⁹ Braithwaite, J. Grootaert, C and Milanovic, B. 1999, Poverty and Social Assistance in Transition Countries

Table 8.5 Proposed DPRS Project Costings

	Costs			
	2004-2006	2004	2005	2006
Total DPRS Expenditures	439.77	133.74	165.55	140.47
LOCAL FUNDING	172.51	49.08	55.59	56.89
INTERNATIONAL FUNDING	267.24	76.31	78.16	76.37
1. SECTOR OF SOCIAL CARE- TOTAL EXPENDITURES	54.75	17.13	17.26	20.36
LOCAL FUNDING	5.38	2.03	1.7	1.65
INTERNATIONAL FUNDING	49.37	15.1	15.56	18.71
SOCIAL AND CHILD PROTECTION				
The Budget for social welfare for the year 2004 was set at 24.54 million. Euros. Overdue financial obligations ranging from 200-03 are 18.7 mill Euros.				
Providing minimum funds necessary for the living of social and child protection beneficiaries	0	0	0	0
Passing the new law and by-laws on social protection	0.05	0.05	0	0
Passing the new legal acts on social protection of residents in municipalities	0.21	0.21	0	0
Establishing committees for social and child protection in municipalities	0	0	0	0
Development of indicators for monitoring financial vulnerability	0	0	0	0
Development of integrated and unique information system of social and child protection in Montenegro and vertical expansion of information system in municipalities	3.00	1.00	1.00	1.00
Establishment of the research, evaluation and supervision unit within MLSA	0.15	0.05	0.05	0.05
Development of service standards	0	0	0	0
Development of family accommodation and foster care	1.50	0.50	0.50	0.50
Improving professional competence of the staff within social protection	0.30	0.10	0.10	0.10
Building shelter capacities for the elderly with mental disorders (locals and refugees)	3.20	0.10	0.10	3.00
Development of family accommodation for the elderly without family care	0.60	0.20	0.20	0.20
Development of the mobile team network for urgent health and social protection of the elderly without family care in remote villages	0.60	0.20	0.20	0.20
Development Day-care centers for children with special needs	1.20	0.30	0.40	0.50
Development of family accommodation for disabled adults without family care, who are in need of permanent shelter	0.30	0.10	0.10	0.10
Economic and social empowerment of adults with disability	1.50	0.50	0.50	0.50
Establishing four family advisory councils	0.80	0.10	0.30	0.40
Establishing safe house for abused children and women in Podgorica	0.60	0.50	0.05	0.05
Programs on social inclusion of Roma children in community	3.00	1.00	1.00	1.00
Establishing the fund for innovations in social and child protection	1.50	0.50	0.50	0.50
Improvement of urban and housing aspects of poverty (Construction of affordable apartments for domicile population, RAE, IDP's and Refugees)	3	1	1	1
Family Material Support for RAE (2000 families)	6.72	2.24	2.24	2.24
Family Material Support for refugees and IDP's (4000 families)	12	4	4	4
1. Total	40.23	12.65	12.24	15.34
2. Local funding	1.46	0.46	0.50	0.50

2.1 Budget of the Republic	1.46	0.46	0.50	0.50
3. International funding	38.77	12.19	11.74	14.84
3.2. Donations	38.77	12.19	11.74	14.84
PROTECTION OF VETERANS AND DISABLED PEOPLE				
Budget for provision of support to veterans amounts to to 8.2 mill Euros				
Passing the new law on protection of veterans and disabled people	0.02	0.02	0	0
Providing stable resources for realization of rights	0	0	0	0
1. Total	0.02	0.02	0	0
2. Local funding	0.02	0.02	0	0
2.1 Budget of the Republic	0.02	0.02	0	0
PROTECTION OF RETIREES AND THE ELDERLY				
Annual budget of PIO fund comes to 180 mill Euros. Portion missing for 2004 is 52 mill Euro and it will be provided by the budget of MN.				
Providing necessary funds for regular pension payments	0	0	0	0
Passing the by-laws necessary for implementation of the new law	0.05	0.05	0	0
Staff education and technical training	0.1	0.1	0	0
Reform of the Pension Insurance Fund System	0.1	0.1	0	0
Analysis and formulating institutional assumptions for introduction of second pillar	1.05	0.05	0.5	0.5
Establishing legal framework for forming and regulating the market of private voluntary pension funds	1.05	0.05	0.5	0.5
Strengthening institutional and other services for most vulnerable retirees and elderly people	0	0	0	0
1. Total	2.35	0.35	1	1
2. Local funding	0.35	0.35	0	0
2.1 Budget of the Republic	0.35	0.35	0	0
3. International funding	2	0	1.00	1.00
3.1 Loans	2		1.00	1.00
GENDER EQUALITY				
Annual Budget for Gender equality office is 140 thousand Euros in 2004.				
Passing new laws providing the establishment of gender statistics	0.15	0.05	0.05	0.05
Stimulating education and research within gender studies domain	0.06	0.02	0.02	0.02
Passing the law on gender equality	0.02	0.02	0	0
Drafting the National Action Plan for achieving gender equality	0.02	0.02	0	0
Conducting educational campaigns on women health protection as well as gender equality	0.15	0.05	0.05	0.05
Performing activities related to elimination of gender disparity in education, as well as inclusion of gender equality principle into school curricula, programs and textbooks	0	0	0	0
Providing gender equality regarding achievement of the right to work	0	0	0	0
Performing activities related to economic empowerment of women and women entrepreneurship strengthening	0	0	0	0
Activities related to elimination of family violence and violence over women	0	0	0	0
Activities related to women inclusion into the process of planning, decision-making and implementing environmental protection programs	0	0	0	0
1. Total	0.40	0.16	0.12	0.12
2. Local funding	0.00	0.00	0.00	0.00

3. International funding	0.40	0.16	0.12	0.12
3.2. Donations	0.40	0.16	0.12	0.12
POVERTY REDUCTION AMONG CHILDREN AND YOUTH				
Providing support to poor families with children and youth	1.80	0.60	0.60	0.60
Providing access to social services	1.50	0.50	0.50	0.50
Development of quality services adapted to children and youth	0.90	0.30	0.30	0.30
Developing preventive and treatment programs as well as repressing socially unacceptable behavior of children and youth (substance abuse, delinquency...)	6.00	2.00	2.00	2.00
Drafting the National Strategy for Children	0.00	0.00	0.00	0.00
Drafting the National Strategy for Youth	0.00	0.00	0.00	0.00
1. Total	10.20	3.40	3.40	3.40
2. Local funding	3.00	1.00	1.00	1.00
2.1 Budget of the Republic	3.00	1.00	1.00	1.00
3. International funding	7.20	2.40	2.40	2.40
3.2. Donations	7.20	2.40	2.40	2.40
PEOPLE WITH DISABILITY				
Development of support program for disabled persons and their families	0.00	0.00	0.00	0.00
Performing the activities providing disabled persons with better access to public facilities	1.50	0.50	0.50	0.50
Development of urban standards for physical barriers removal	0.05	0.05	0.00	0.00
Development of specific education programs for disabled persons (education budget)	0.00	0.00	0.00	0.00
Development of employment programs for disabled persons (employment budget)	0	0	0	0
1. Total	1.55	0.55	0.50	0.50
2. Local funding	0.55	0.20	0.20	0.15
2.1 Budget of the Republic	0.55	0.20	0.20	0.15
3. International funding	1.00	0.35	0.30	0.35
3.2. Donations	1.00	0.35	0.30	0.35
2. LABOUR MARKET AND EMPLOYMENT (Without funds to be provided through banking sector)				
LOCAL FUNDING	27.86	9.56	8.99	9.31
INTERNATIONAL FUNDING	22.06	8.86	6.75	6.45
5.14 mil Euros is allocated for new employment positions (Republican Employment Office and ADSME). Additional resources shall be provided by Fund for development and obtained through privatization				
<i>Institutional reform (total):</i>	1.65	0.65	0.50	0.50
Passing Republican Laws within labor legislation	0.03	0.03	-	-
Ratification of International Conventions	0.05	0.05		
Development of business and other partnerships	0.04	0.04		
Reform of Employment Bureau	1.50	0.50	0.50	0.50
Strengthening cooperation between competent Ministry and ILO	0.03	0.03		
<i>Programs of stimulation of new employment (total)</i>	29.60	10.70	9.45	9.45
Programme of running stimulation of employment and entrepreneurship	4.50	1.50	1.50	1.50
Programmes of active solving of hidden employment issues	5.00	2.00	1.50	1.50
Programme of employment of disabled persons	3.00	1.50	0.75	0.75
Programme of public works	0.90	0.30	0.30	0.30
Program of apprentices employment	10.50	3.50	3.50	3.50
Other programmes as a stimulation of new employment (system of	4.50	1.50	1.50	1.50

additional training, re-training and additional education, seasonal employment, employment abroad and similar)				
Employment programmes for RAE- Manufacturing centers	1.20	0.40	0.40	0.40
<i>Programs of development of SMEs (total)</i>	18.68	7.07	5.79	5.81
Growth of competitive capacity of local production	3.70	1.23	1.24	1.23
Stimulating the successful project	2.59	0.86	0.86	0.87
Industrial parks	0.65	0.22	0.22	0.21
Agricultural parks	0.40	0.13	0.13	0.14
Internet park	0.20	0.07	0.07	0.06
Fund for Diaspora	1.35	0.45	0.45	0.45
Large enterprises generate small enterprises	0.25	0.08	0.08	0.09
Employment in agriculture	3.07	1.03	1.02	1.02
Employment in tourism	3.51	1.17	1.17	1.17
Employment in other production sectors	1.10	0.36	0.36	0.38
Initiative for support of entrepreneurship	0.07	0.07	-	-
Entrepreneurship clubs in elementary schools	0.20	0.07	0.07	0.06
Young people in business	0.40	0.13	0.13	0.13
Tam Bas project	1.20	1.20	-	-
1. Total	49.93	18.42	15.74	15.76
2. Local funding (Budget, Montenegrin Employment Office)	27.86	9.56	8.99	9.31
3. International funding	22.06	8.86	6.75	6.45
3.1. Donations	12.06	4.86	3.75	3.45
3.2. Loans	10.00	4.00	3.00	3.00
3. EDUCATION	96.74	32.32	31.87	32.55
LOCAL FUNDING	22.19	4.37	6.54	11.28
INTERNATIONAL FUNDING	74.55	27.95	25.33	21.27
Budget for education sector for 2004 is 89 mil Euros				
Increased enrolment rate of children in preschool education	10.80	3.60	3.60	3.60
Reconstruction and adjustment of facilities in areas with a high poverty rate, with inclusion of Roma children and children with special needs	1.70	0.60	0.60	0.50
Media campaign and promotion of projects for including children from poor families, children with special needs, and Roma children in kindergartens and primary schools	0.50	0.10	0.20	0.20
Training of teachers and other staff for work with Roma children in native language in institutions for preschool education.	1.87	0.62	0.62	0.63
Enlargement of capacities of primary schools in order to increase quality of education and increase in number of children due to implementation program of 9-year education	12.00	4.00	4.00	4.00
Construction adjustment of facilities according to needs of children with special needs	2.40	0.80	0.80	0.80
Providing additional conditions for children of refugees and dislocated persons, and support to Roma families that educate children	2.50	0.75	0.75	1.00
Preparation of programs for additional education of Roma children including additional lessons for learning language of local population	1.20	0.40	0.40	0.40
Equipping of classrooms and workshops of existing primary schools and purchase of didactic material in order to increase quality of teaching process	2.50	0.50	1.00	1.00
Providing free and subsidized textbooks for pupils from poor families	1.60	0.50	0.50	0.60
Planned initial training for teachers in compulsory education and training for realization of new curricula, and preparation of teachers for new procedures of evaluation and assessment	1.80	0.60	0.60	0.60
Preparation of new curricula in primary schools	1.50	0.50	0.50	0.50

Providing facilities, equipping of laboratories, classrooms and purchase of didactic material	3.22	2.30	0.45	0.47
Preparation and realization of external examination system	0.60	0.10	0.20	0.30
Reconstruction of existing school facilities and equipping of schools	0.90	0.30	0.30	0.30
Preparation of new curricula for general secondary schools and teacher training	0.65	0.38	0.19	0.08
Construction of new school facilities for education of young and adult participants	4.60	-	2.30	2.30
Establishing and equipping Training Centers	3.00	1.00	1.00	1.00
Adjusting vocational school curricula to labor market demands and improving harmonization between education and employment policies	1.50	0.40	0.50	0.60
Preparation and realization of programs for functional literacy of population	2.00	0.50	0.50	1.00
Equipping classrooms of music and art schools	0.98	0.35	0.35	0.28
Providing teaching aids and equipment for realization of programs in vocational education	1.70	0.55	0.55	0.60
Reconstruction of existing school facilities	1.10	0.30	0.40	0.40
Introduction of upper vocational education	1.00	0.20	0.40	0.40
Preparation of programs and providing stimulus measures for enrolment of pupils in education and training programs for occupations in agriculture, tourism and service area	0.90	0.30	0.30	0.30
Preparation of teachers of vocational subjects and training for realization of programs according to new methods and with new teaching aids	0.90	0.20	0.30	0.40
Preparation of new curricula in secondary schools	1.50	0.30	0.50	0.70
Preparation of programs and realization of training for unemployed persons and surplus workers	1.00	0.25	0.25	0.50
Preparation of law on national qualifications	0.02	0.02	-	-
Support of institutions in realization of training programs and training of working population without qualifications (poor, Roma population, etc.)	1.40	0.40	0.50	0.50
Preparation of adjusted literacy programs for Roma population, and children who did not start compulsory education on time	1.20	0.40	0.40	0.40
Establishing system of quality in education through development and equipping of Center for Vocational Education, Bureau for Education Service and Examination Center	5.00	2.70	2.00	0.30
Preparation of programs and realization of training for teachers and school managers through the project "Permanent Professional Development"	1.00	0.20	0.40	0.40
Introduction of external assessment system	0.90	0.20	0.20	0.50
Enlargement of capacities of students' and pupils' dormitories	4.20	2.10	-	2.10
Establishing adequate system of advancement that motivates teacher on continuative improvement	0.80	0.25	0.25	0.30
Equipping of selected schools and establishing informative network for education process – II phase	3.00	2.50	0.50	-
Establishing administrative network and management in education, and further equipping and connecting schools in educational network – III phase	2.00	-	1.00	1.00
Education of teachers for realization of educational programs, using IT	0.90	0.30	0.30	0.30
Preparation and publishing textbooks for compulsory and general secondary education	3.14	1.00	1.00	1.14
Publishing textbooks for vocational education, adult education	1.76	0.35	0.66	0.75
Preparation of textbooks in Roma language	0.50	0.10	0.20	0.20
Improvement of conditions for realization of education process, and equipping schools for children with special needs with equipment and other aids	1.00	0.40	0.40	0.20

Quality system on University	4.00	1.00	2.00	1.00
1. Total	96.74	32.32	31.87	32.55
2. Local funding	22.19	4.37	6.54	11.28
2.1 Budget	13.37	2.84	4.05	6.52
2.2. Local community	6.02	1.07	1.69	3.26
2.3. Another	2.8	0.5	0.8	1.5
3. International funding	74.55	27.95	25.33	21.27
3.1.Loans	31.5	10	10.5	11
3.2. Donations	33.37	10.00	11.01	12.36
4. AGRICULTURE AND RURAL DEVELOPMENT	64.87	20.00	21.51	23.36
LOCAL FUNDING	31.50	10.00	10.50	11.00
INTERNATIONAL FUNDING	33.37	10.00	11.01	12.36
Agricultural budget for 2004 is 9 mil Euros				
Building institutional capacities and support for cattle farming	8.83	2.80	2.94	3.09
Implementation of obligatory measures in veterinary service provision	3.94	1.25	1.31	1.38
Building institutional capacities and support for honey processing	0.63	0.20	0.21	0.22
Building institutional capacities and support to fish production (fresh water and sea fish)	1.58	0.50	0.53	0.55
Building institutional capacities and support for plant production (vegetable, fruit and wine production)	4.10	1.30	1.37	1.43
Organic food production	1.26	0.40	0.42	0.44
Provision of agricultural subsidies/credits	0.47	0.15	0.16	0.17
Implementation of the international support to agriculture program	0.95	0.30	0.32	0.33
Rural infrastructure development	4.73	1.50	1.58	1.65
Improving market access for Montenegrin agricultural products	6.34	2.01	2.11	2.22
The organization of agricultural fairs	0.95	0.30	0.32	0.33
Reform of cooperatives and stimulation of other forms of association	0.25	0.08	0.08	0.09
Project and feasibility study development with participation of consultants	1.58	0.50	0.53	0.55
Human resources development	0.47	0.15	0.16	0.17
Provision of equipment for inspection services	0.63	0.20	0.21	0.22
Introduction of old people's allowance	6.94	2.20	2.31	2.43
Young farmers support program	1.42	0.45	0.47	0.50
Provision of equipment for secondary schools and laboratory equipment for institutes	0.63	0.20	0.21	0.22
Enable functioning of mycology center	0.16	0.05	0.05	0.06
Establishment of Information system and registry in agriculture	1.58	0.50	0.53	0.55
Publishing, public relations, provision of literature	0.63	0.20	0.21	0.22
Resources for compensation of damage and other <i>ad hoc</i> measures	0.50	0.16	0.17	0.18
Program for increasing land cultivation	2.52	0.80	0.84	0.88
Provision of credits for new farms, greenhouse production, wine production and seedling production	13.80	3.80	4.50	5.50
1. Total	64.87	20.00	21.51	23.36
2. Local funding	31.50	10.00	10.50	11.00
2.1 Budget	28.50	9.00	9.50	10.00
2.2. Local community	1.50	0.50	0.50	0.50
2.3. Associations of agricultural producers	1.50	0.50	0.50	0.50
3. International funding	33.37	10.00	11.01	12.36
5. ENERGY	21.75	4.7	9.55	7.5
LOCAL FUNDING	7.75	1.675	3.41	2.665

INTERNATIONAL FUNDING	14	3.025	6.14	4.835
Institutional capacity building for the Energy Regulatory Agency	0.8	0.4	0.4	0
Establishing of the Energy Efficiency Office within the Ministry of Economy and its capacity building	0.7	0.35	0.35	0
Restructuring the Electricity Company of Montenegro: decentralizing of production, transmission and distribution, increasing efficiency, achieving positive financial flows and privatization	1.5	0.6	0.6	0.3
Program of measures aimed at reducing commercial losses (improving collection and enforcement of current regulations)	0.4	0.1	0.3	0
Program of targeted subsidies for the poorest categories of the population	2.1	0.6	0.7	0.8
Preparation of energy strategy	1.8	0.6	1.2	0
National plan on energy saving and efficiency	0.8	0.3	0.5	0
Educational campaigns on energy saving measures and increasing energy efficiency (for population and industry)	0.5	0.1	0.2	0.2
Pilot project: increase of energy efficiency in the public sector (schools, hospitals, institutions, street lighting) in selected municipalities	1	0	0.4	0.6
Urgent measures for decreasing technical losses at all stages of electricity production, transmission and distribution	3	1	1	1
Pilot project: energy from wind	0.65	0.65	0	0
Pilot project: enhancing solar energy use in central and southern regions	1	0	0.4	0.6
Reconstruction of electrostatic precipitators at TPP Pljevlja	3.5	0	1.5	2
Replace/reconstruct ash and slag discharge at Pljevlja TPP	2	0	2	0
Remediation/stabilization of the current dumpsite and finding a permanent solution for ash and slag disposal for TPP Pljevlja	2	0	0	2
1. Total	21.75	4.7	9.55	7.5
2. Local funding	7.75	1.675	3.41	2.665
2.1 Budget	3.56	1.045	1.505	1.01
2.2. Own resources	3.64	0.63	1.685	1.325
2.3. Local community	0.25	0	0.1	0.15
2.4. Private sector	0.3	0	0.12	0.18
3. International funding	14	3.025	6.14	4.835
3.1 Loans	6.125	0.75	2.625	2.75
3.2. Donations	7.875	2.275	3.515	2.085
6. TRANSPORTATION	31.65	10	10.85	10.8
LOCAL FUNDING	29.49	8.965	10.025	10.5
INTERNATIONAL FUNDING	2.16	1.035	0.825	0.3
Adopt new legislation:	0.1	0.1	0	0
a) Law on Railway				
b) Law on Road Transport				
c) Law on Marine Transport				
d) Road Act				
Improve management and efficiency of public companies that provide transport services	1.2	0.4	0.4	0.4
Prepare transport strategy based on sustainability and participatory planning principles	1.5	0.75	0.75	0
Regular maintenance of main and regional roads during off-winter season	15.8	4.7	5.3	5.8
Regular maintenance of main and regional roads during winter season	12.5	3.7	4.2	4.6
Fuel quality control analysis and measures (% content of sulphur, content of lead)	0.2	0	0.2	0
Control measures and pollution reduction in ports, marinas and ship-	0.35	0.35	0	0

overhaul areas				
1. Total	31.65	10	10.85	10.8
2. Local funding	29.49	8.965	10.025	10.5
2.1 Budget	29.49	8.965	10.025	10.5
2.2. Own resources	0	0	0	0
3. International funding	2.16		0.825	0.3
3.1 Loans	0	0	0	0
3.2. Donations	2.16	1.035	0.825	0.3
7. WATERSUPPLY AND SANITATION	13.75	4.525	4.825	4.4
LOCAL FUNDING	6.675	2.1375	2.2575	2.28
INTERNATIONAL FUNDING	7.075	2.3875	2.5675	2.12
Undertake analyses of the existing legislation and identify areas that need to be harmonized with the EU Directives on Drinking Water (98/83 EC) and Urban Wastewater (91/271 EEC)	0.15	0.075	0.075	0
Finalizing the legislation needed for public utility companies restructuring and commercialization and the private sector involvement	0	0	0	0
Capacity building of public utility companies (selected municipalities) through:	2	0.4	0.8	0.8
a) Assistance with functional separation of companies in charge of water supply and sewage				
b) Staff training programs covering public utility companies				
c) Technical assistance in project preparation				
d) Improve operational and financial management of PUCs				
Prepare strategy for raising the funds necessary to improve water supply and sewage (based on the existing studies and forthcoming wastewater strategic plans)	0.5	0	0.5	0
Introduce water consumption subsidies for the poorest households	0.4	0	0	0.4
Urgent measures to decrease water losses and improve services (priority to be given to municipalities with highest losses in water supply):	4.5	2	1.25	1.25
a) Reduction of losses in water supply systems				
b) Construction of water reservoirs in order to increase reservoir capacity to approx. 30-35% of the max. daily water intake from water springs				
c) Provide automatic control equipment and devices for water supply systems				
Introduce water supply system projects for urban areas where some socially marginalized groups live – such as Roma, IDPs, illegally built settlements	3.75	1.25	1.25	1.25
Improve water quality in municipalities where there is a high incidence of water samples that do not meet standards (Andrijevica, Plužine, Tivat, Ulcinj)	0.6	0.3	0.3	0
Improve water supply in rural areas and involve local population in such projects	1.2	0.4	0.4	0.4
Protection measures for water springs that are currently not used, as well as for potential springs of drinking water	0.3	0.1	0.1	0.1
Provision of sewage disposal facilities at urban locations where some socially marginalized groups live – such as Roma, IDP and illegal settlements	0.35	0	0.15	0.2
1. Total	13.75	4.525	4.825	4.4
2. Local funding	6.675	2.1375	2.2575	2.28
2.1 Budget	3.385	0.9775	1.0325	1.375

2.2. Own sources	1.64	0.605	0.6025	0.4325
2.3. Local authority	1.65	0.555	0.6225	0.4725
3. International financing	7.075	2.3875	2.5675	2.12
3.2. Donations	7.075	2.3875	2.5675	2.12
8. FORESTRY AND WATER MANAGEMENT	32.06	10.585	13.325	8.15
LOCAL FUNDING	19.976	7.356	8.515	4.105
INTERNATIONAL FUNDING	12.084	3.229	4.81	4.045
Preparation of the new Law on Water in compliance with EU Water Framework Directive and harmonization of other regulations	0.25	0.15	0.1	0
Establishing of the Water Regulatory Agency and its financing	3	0.7	1	1.3
Capacity building of Water Regulatory Agency	0.8	0	0.5	0.3
Establishing of river basin administrative bodies and their capacity building	1	0	0.6	0.4
Support for restructuring of wood cutting and processing enterprises	8.5	4.5	4	
Strengthening of information systems:	0			
a) Introduce geographic information system for the forestry sector	4.5	1.5	1.5	1.5
b) Prepare for the introduction of water information system	1.5	0	0.75	0.75
Campaigns for improving enforcement of regulations, particularly as to unacceptable utilization of natural resources (such as illegal wood cutting and extraction of river-bed materials, poaching, etc.)	0.05	0.025	0.025	0
Prepare forestry development strategy based on participatory planning and sustainable management principles	0.8	0.4	0.4	0
Analysis of forest withering and diseases and prevention measures (Part I of the IFI Program)	1	0.5	0.5	0
Upgrade fire protection systems (incl. equipment provision, training, public campaigns)	1.5	0.8	0.4	0.3
Develop seeds and seedlings production, including licensing of seedling facilities, revitalization of the existing nurseries and construction of new ones	3	0.9	0.9	1.2
Program for improving degraded forest areas and reforestation of the cleared areas	1.26	0.06	0.6	0.6
Utilization and protection of wild mushrooms as a forest resource	2.7	0.7	1	1
Sanitation of eroded areas and torrents regulation in endangered areas:	0			
a) Analyze the present conditions / feasibility study	0.7	0.35	0.35	
b) Pilot Project - Lim and Tara river basins, integral risk management	1.5		0.7	0.8
1. Total	32.06	10.585	13.325	8.15
2. Local funding	19.976	7.356	8.515	4.105
2.1 Budget	14.293	6.0405	6.2425	2.01
2.2. Own Resources	4.033	0.9655	1.6325	1.435
2.3. Local community	0.15	0	0.07	0.08
2.4. Private sector	1.5	0.35	0.57	0.58
3. International funding	12.084	3.229	4.81	4.045
3.1 Loans	0	0	0	0
3.2. Donations	12.084	3.229	4.81	4.045
9. ENVIRONMENTAL PROTECTION	26.37	7.4	8.6	10.37
LOCAL FUNDING	10.741	2.99	3.65	4.101
INTERNATIONAL FUNDING	15.63	4.41	4.95	6.27
Undertake analysis of the existing legislation and identify areas that need to be harmonized with relevant EU directives on waste and air	0.20	0.10	0.10	0.00
Revise Decrees on Environmental Impact Assessment and	0	0	0	0

Environmental Pollution Charges				
Revise legislation framework for biodiversity protection	0	0	0	0
Adoption of regulations on responsibilities for the clean-up of past pollution and for environmental degradation when privatizing enterprises	0.05	0.05	0	0
Capacity building of the MEPUP and local government services in charge of environmental protection (particularly of PUCs in charge of waste)	2.10	0.50	0.50	1.10
Establishing of the Environmental Protection Agency, integrating relevant expert institutions	0.70	0.10	0.10	0.50
Strengthening inter-ministerial cooperation (National Council for Sustainable Development, establishing of thematic bodies)	0.45	0.25	0.10	0.10
Establishing of the Environmental Protection Fund (privatizations funds)	2.20	0.20	1.00	1.00
Improving efficiency of the environmental management system through:	1.80	0.60	0.60	0.60
a) Improvement in practices and quality of environmental impact assessment studies				
b) Improvement in law enforcement and compliance with regulations				
c) Strengthening the role of economic instruments and gradual application of 'user' and 'polluter pays' principles				
d) Improvement of access to information and public participation in environmental decision-making				
e) Incentives for introduction of cleaner technologies and sustainable use of natural resources				
Strengthening of the monitoring / information system as a basis for decision making (special attention for the linkages between environment and human health)	2.0	0.4	0.7	0.9
Preparation of National Environmental Action Plan	0.5	0.5	0.0	0.0
Preparation of Local Environmental Action Plans for municipalities where pollution hotspots have been recognized	1.4	0.4	0.4	0.6
Prepare the National Strategy on Sustainable Development	0.3	0.1	0.2	0.0
Prepare the National Action Plan on Health and Environment	0.4	0.0	0.0	0.4
Include the environmental protection in educational curricula at all levels	0.2	0.1	0.1	0.1
Feasibility study for rehabilitation of Mojkovac and Gradac mining tailings	0.7	0.4	0.4	0.0
Improvement of degraded areas and dump sites in Pljevlja; regulation of Jagnjilo and Grevo dump sites	2.2	0.7	0.7	0.8
Rehabilitation and expansion of the wastewater treatment plant in Nikšić	1.1	0.0	0.5	0.6
Rehabilitation of the existing waste disposal sites and construction of new ones in coastal municipalities (Kotor, Budva, Bar, Ulcinj), and upgrading waste collection	7.0	2.0	2.2	2.8
Compilation of a Registry of polluters	0.2	0.2	0.0	0.0
Prepare the categorization and inventory of hazardous and industrial waste	0.4	0.0	0.2	0.2
Preparation of biodiversity strategy and action plan	0.4	0.2	0.2	0.0
Improve plans and practices as to national parks and other protected areas management	0.9	0.3	0.3	0.3
Reform of the physical planning system	1.2	0.4	0.4	0.4
1. Total	26.37	7.40	8.60	10.37
2. Local funding	10.74	2.99	3.65	4.10
2.1 Budget	5.40	1.69	1.80	1.91
2.2. Own Resources	3.07	0.85	1.00	1.22
2.3. Local community	0.51	0.14	0.14	0.23
2.4. Privatization revenues	1.76	0.31	0.71	0.74

3. International funding	15.63	4.41	4.95	6.27
3.1 Loans	6.03	1.50	2.00	2.53
3.2. Donations	9.60	2.91	2.95	3.74
10. HEALTH	47.35	8.35	31.8	7.20
LOCAL FUNDING	10.95	1.70	8.60	0.65
INTERNATIONAL FUNDING	36.40	6.65	23.3	6.55
Passing law and legal regulations in the field of health care	0.30	0.30	0.00	0.00
Basic health care measures	0.05	0.05		
Establishing Public Health Council	0.15	0.05	0.05	0.05
Establishing Public Health Institute	3.10	1.50	1.60	
Medicines Board	0.15	0.15		
Quality Health Service Control and Accreditation Board	0.15	0.05	0.05	0.05
The structural re-organization of primary health care development program	5.90	2.40	3.50	
Rationalization programs at secondary and tertiary levels	14.2	0.2	14	
Projects of criteria in funding health care services	0.15	0.1	0.05	
Defining and adopting obligatory public health services	0.05	0.05		
Creating methodology of planning	0.10	0.10		
Professional standards and clinical guidelines project	0.20	0.15	0.05	
Quality health services improvement project	0.15		0.15	
Public health employment structure analysis and possibilities of retraining non-medical staff	0.05	0.05		
Human Resources Management Master Plan	0.20	0.10	0.10	
Working out „New public health“ strategy	0.35	0.2	0.15	
Development of legislation in the area of safe food	0.10	0.10		
Project of health improvement of the aged	4.20		2.00	2.20
Project of health protection and health improvement of persons in marginal conditions	3.00		2.00	1.00
· Project “Violence and Health”	0.70	0.10	0.30	0.30
· Project “HIV/SIDA Prevention”	3.00	0.50	1.00	1.50
· Disabled persons’ health improvement project	0.15	0.05	0.05	0.05
“Reduction of Tobacco consumption among Youth” project	0.15	0.05	0.05	0.05
Mental health institute project + addiction disease prevention projects	2.65	0.15	2.50	0
Information system project	3.50	1.50	2.00	0
Mother and child health improvement project	0.25	0.15	0.10	0
Research project of determining environmental impact to health	4.00	0.10	1.90	2.00
Technological standards and scientific/technological development project	0.40	0.20	0.20	0
1. Total	47.35	8.35	31.80	7.20
2. Local funding	10.95	1.70	8.60	0.65
2.1 Budget	10.35	1.10	8.60	0.65
2.2. Health Fond	0.50	0.50	0.00	0.00
2.3. Local community	0.10	0.10	0.00	0.00
3. International funding	36.40	6.65	23.3	6.55
3.1 Loans	9.55	1.45	5.65	2.65
3.2. Donations	26.85	5.20	17.55	3.90
11. MONITORING AND EVALUATION IN DPRS IMPLEMENTATION PERIOD	0.55	0.32	0.22	0.02
LOCAL FUNDING	0.00	0.00	0.00	0.00
INTERNATIONAL FUNDING	0.55	0.32	0.22	0.02
Strengthening capacity of MONSTAT	0.50	0.30	0.20	0.00
Establishment and work of DPRS Monitoring Unit in Ministry of Labor	0.05	0.02	0.02	0.02

and Social Affairs				
Total	0.55	0.32	0.22	0.02

Table 8.6. ADDITIONAL INFRASTRUCTURAL PROJECTS
(In Million €)

INFRASTRUCTURE PROJECTS - ENERGY				
Programs & Subprograms	Costing			
	2004-2006	2004	2005	2006
Support for Pljevlja Coal Mine restructuring	1,2	0,4	0,4	0,4
<i>Production Projects</i>				
Improve grouting aprons of HPP Perućica	1,3	0,6	0,7	0
Replace turbine regulation systems for both aggregates of SHPP Glava Zete	0,16	0,08	0,08	0
Upgrade electrical- and mechanical-engineering equipment of SHPP Rijeka Mušovića	0,45	0	0,25	0,2
Construct SHPP Otilovići	2,5	0	1	1,5
<i>Transmission Projects</i>				
Provide Tivat-Kotor 110 kV transmission line to Kotor 110/35/10 kV TS	4,6	1,8	2,8	0
Introduce two 110 kV transmission lines to Podgorica 400/110 kV TS: Podgorica 1-TS Bar and Podgorica 1-TS Budva	0,3	0,3	0	0
Execute zero protection for 35 kV power-transmission network	0,9	0,3	0,3	0,3
Increase transformer power of Bar, Herceg-Novci and Budva 110/35 kV TSs (6 x 31.5 MVA)	1,5	1,5	0	0
<i>Distribution Projects</i>				
Introduce modern power consumption measurement and reading equipment in 1 – 1.5% of TS areas	3	1	1	1
Virpazar – Podgor 35 kV transmission line	0,4	0,4	0	0
Podgor – Cetinje 35 kV transmission line	0,5	0,5	0	0
110/35 kV TS of Bijela	2,5	1	1,5	0
Andrijevića-Kuti-Gusinje 35KV transmission line	1,2	0,6	0,6	0
Execute zero protection for 10 kV power-transmission network	2,4	0,8	0,8	0,8
1. Total	22,91	9,28	9,43	4,2
2. National Funding	7,693	2,344	3,144	2,205
2.1. Republic Budget	0,18	0,06	0,06	0,06
2.2. Own Sources of Funding	5,513	2,284	2,284	0,945
2.3. Local Self-Government	0	0	0	0
2.4. Other*	2	0	0,8	1,2
3. International Funding	15,217	6,936	6,286	1,995
3.1. Loans	11,85	5,65	5,05	1,15
3.2. Donations	3,367	1,286	1,236	0,845
4. Required International Funding (1-2-3)				

INFRASTRUCTURE PROJECTS - TRANSPORT				
Programs & Subprograms	Costing			
	2004-2006	2004	2005	2006
Establish Marine Security Agency:				
a) Establish and equip the marine search and rescue service	9	3	3	3
b) Establish the sea cleaning service	7	2	2,5	2,5
Rehabilitation of existing asphalt roads:	0			
a) Kolašin - Ribarevina –Berane - Špiljane	41	13,9	15,5	11,6
b) Podgorica – Bioče – Kolašin	36,87	11,005	11,665	14,2
Upgrading of the crushed stone pavements:	0			
a) Velika – Čakor - Bjeluha	4,5	0	2	2,5
b) Gornje Polje - Krstac	9,6	3,2	3,2	3,2
c) Plužine - Trsa - Virak roads	3	0	1,5	1,5
Improvements of existing road side slopes	6	2	2	2
1. Total	116,97	35,105	41,365	40,5
2. National Funding	23,394	7,021	8,273	8,1
2.1. Republic Budget	21,684	6,701	7,603	7,38
2.2. Own Sources of Funding	1,71	0,32	0,67	0,72
2.3. Local Self-Government	0	0	0	0
2.4. Other	0	0	0	0
3. International Funding	93,576	28,084	33,092	32,4
3.1. Loans	55,285	16,5525	19,5825	19,15
3.2. Donations	38,291	11,5315	13,5095	13,25
4. Required International Funding (1-2-3)				

INFRASTRUCTURE PROJECTS – WATERSUPPLY AND SEWAGE				
Programs & Subprograms	Costing			
	2004-2006	2004	2005	2006
Construction of Regional water supply system	20	0	10	10
Construction of Tivat sewage system	5,5	0	2,5	3
Reconstruction and expansion of Kotor sewage system	3	0	1,5	1,5
1. Total	28,5	0	14	14,5
2. National Funding	8,55	0	4,2	4,35
2.1. Republic Budget	1	0	0,5	0,5
2.2. Own Sources of Funding	3,7	0	1,8	1,9
2.3. Local Self-Government	1,85	0	0,9	0,95
2.4. Other*	2	0	1	1
3. International Funding**	19,95	0	9,8	10,15
3.1. Loans	19,95	0	9,8	10,15
3.2. Donations	0	0	0	0
4. Required International Funding (1-2-3)				

* Private / business sector

**Table 8.7. An overview of projects dealing with RAE, Refugees and IDPs (part of the Table 8.5.)
requiring international financial support**

Programs	Costs			
	2004-2006	2004	2005	2006
Improvement of urban and housing aspects of poverty (Construction of affordable apartments primarily for RAE, IDPs and Refugees)	3,00	1	1	1
Family Material Support for RAE (2000 families)	6,72	2,24	2,24	2,24
Family Material Support for refugees and IDPs (4000 families)	12,00	4	4	4
Employment programs for RAE- Manufacturing centres	1,20	0,4	0,4	0,4
Media campaign and promotion of projects for including children from poor families, children with special needs, and Roma children in kindergartens and primary schools	0,50	0,1	0,2	0,2
Training of teachers and other staff for work with Roma children in native language in institutions for preschool education.	1,87	0,62	0,62	0,63
Providing additional conditions for children of refugees and dislocated persons, and support to Roma families that educate children	2,50	0,75	0,75	1
Preparation of programs for additional education of Roma children including additional lessons for learning language of local population	1,20	0,4	0,4	0,4
Preparation of textbooks in Roma language	0,50	0,1	0,2	0,2
Introduce water supply system projects for urban areas where some socially marginalized groups live – such as Roma, IDPs, illegally built settlements	3,75	1,25	1,25	1,25
Provision of sewage disposal facilities at urban locations where some socially marginalized groups live – such as Roma, IDP and illegal settlements	0,35	0	0,15	0,2
Project of health protection and health improvement of persons in marginal conditions	3,00	0	2	1
	36,59	10,86	13,21	12,52

IX MONITORING AND EVALUATION

1. In order to be effective, a monitoring and evaluation system is required to monitor the DPRS implementation, in particular poverty reduction achievements through identified indicators. For this purpose it is necessary to establish an efficient M&E Team to conduct these activities.

2. The authorities responsible for the monitoring process are:

- MONSTAT
- Ministries
- CB of Montenegro
- Institute for Public Health
- Research institutions (University, NGOs)
- International organizations

3. With reference to **supervising the M&E process**, it would be beneficial to re-structure the Management Unit into a Monitoring Team within the Ministry of Labor and Social Affairs, consisting of at least two people who would be in charge of coordinating M&E activities, in particular the activities carried out in the Ministry of Labor and Social Affairs, the Ministry of Finance and the Ministry of International Economic Relations. (See organizational scheme on the following page).

4. **The starting point** in defining required indicators is the set of indicators given in the Declaration on the Millennium Development Goals, which have to be adjusted to the present circumstances in Montenegro making them more relevant and achievable (**LIST OF MDGs WITH 84 POVERTY INDICATORS IN ANEX**).

5. Apart from quality management, i.e. establishing the Monitoring Team, the **M&E system** is comprised of identified goals, indicators and objectives.

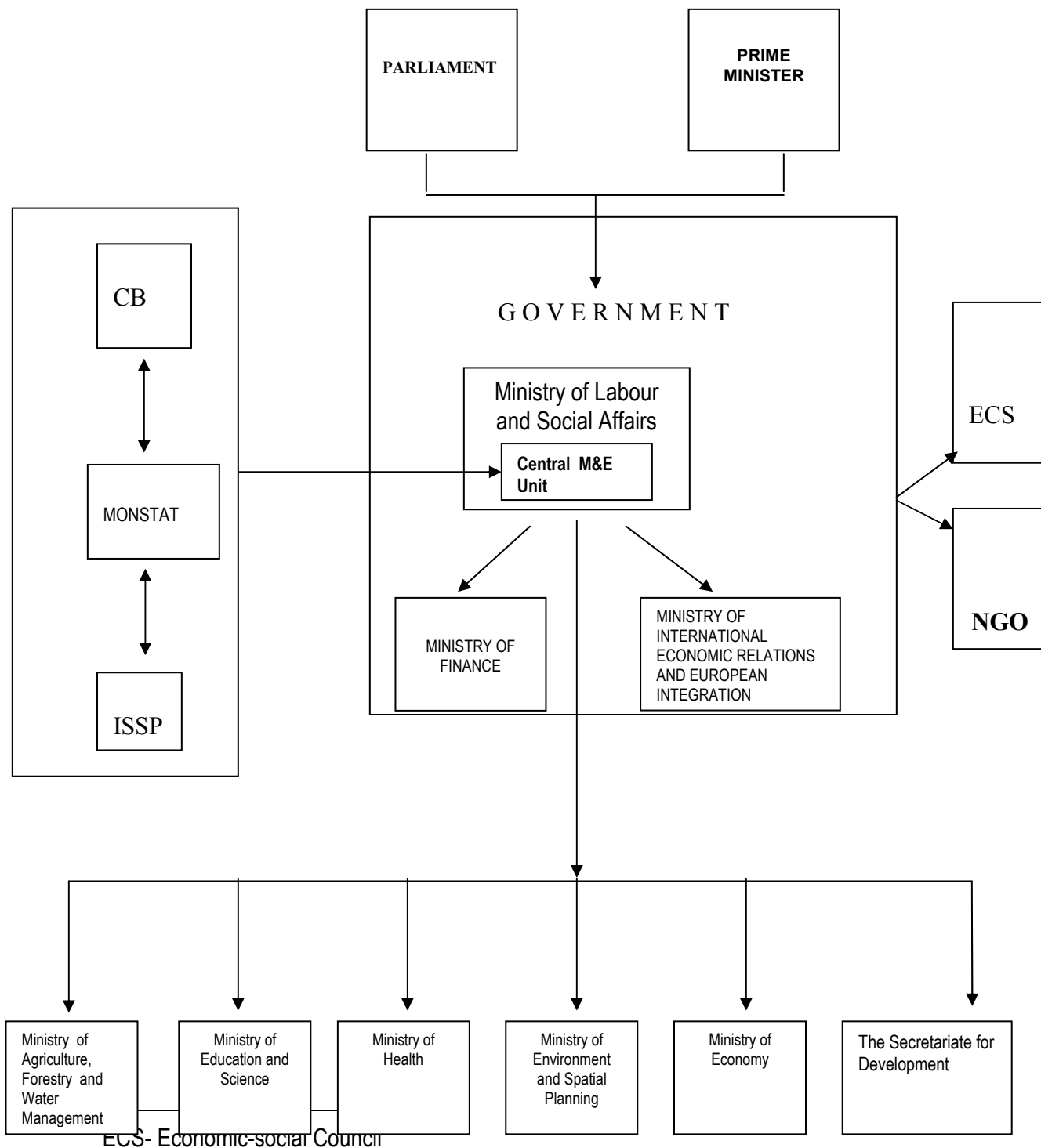
- Goals have to be defined in an objective manner in accordance with the top priorities of the state
- Indicators are variables used to measure progress in achievement of goals.
- Objectives are the planned steps to be taken by year 2015, which lead to the goal and are in line with MDGs.

What is a Good Indicator?

- *Direct and unambiguous progress measures*
- *The variables identified are relevant*
- *An indicator which is sensitive to changes in program policies and institutional programs taken by the Government*
- *An indicator which is sensitive to changes of in Government policies that are not relevant to the objectives*
- *An indicator which can be monitored with as little financial resources as possible (e.g. on the basis of easily accessible data)*

The Statistics Office is the main institution that is in the possession of the database needed for M&E process.

ORGANIZATIONAL SCHEME OF THE MONITORING AND EVALUATION PROCESS FOR THE PERIOD OF IMPLEMENTATION



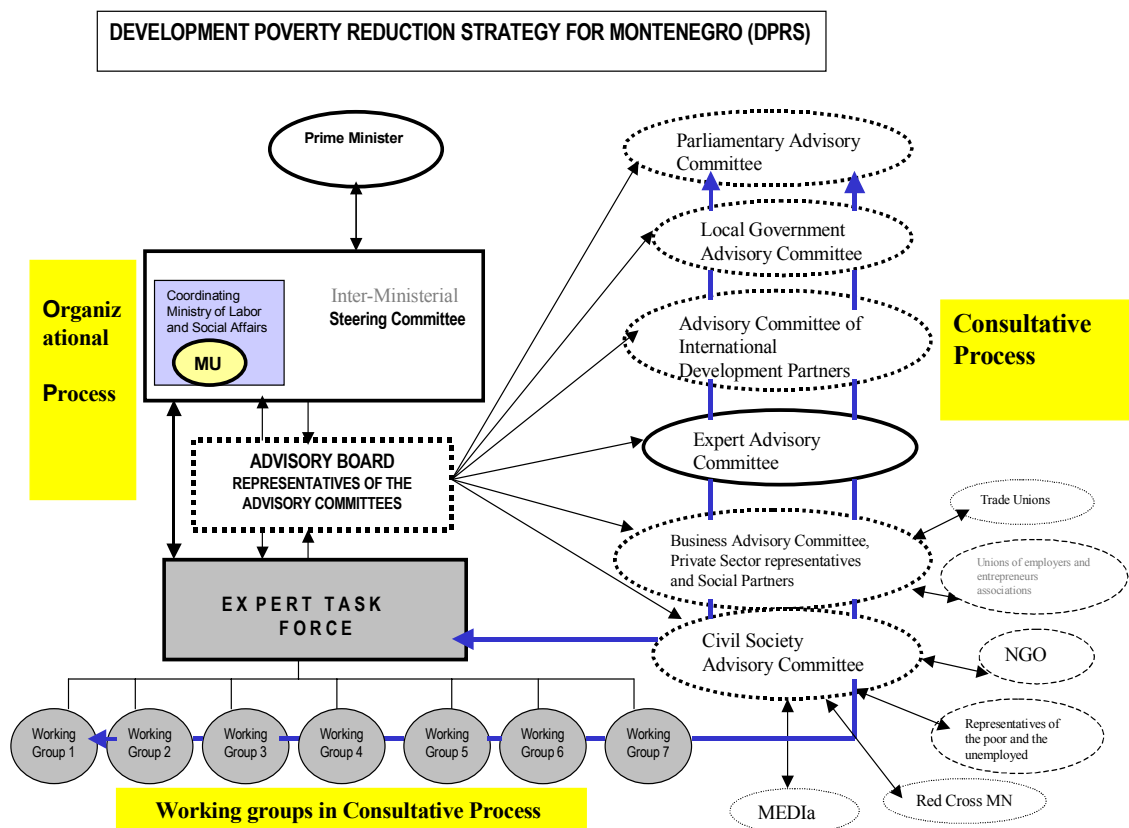
6. The following indicators were devised by taking into consideration regional experiences in developing indicators and completing thorough analysis of the Montenegrin context, i.e. by measuring implementation progress of the strategy within the medium term (defined priorities and MDGs that the DPRS is harmonized with).

	Indicator	Goal	2002	2006
1.	GDP/pc	Economic growth (GDP/pc growth)	1832	2379
2.	Share of public expenditure of GDP (Consolidated public expenditures)	Macro-management quality (Reduce the share of)	42.3%	40.7%
3.	Rate of debt return	Loan sustainability	4.8	4.5
4.	Unemployment rate	Reduce	30.4	19%
5.	Grey economy	Reduce	30%	11%
6.	Time needed to register a company	Reduce bureaucracy		
7.	Agriculture production growth rate	Strengthen domestic production and export growth, regional development (Increase rate)	6	8
8.	Population below the poverty line	Reduce percentage of population living below the poverty line	12.2	11.2
9.	Infant mortality rate	Reduce	14.7	under10
10.	Maternal mortality rate	Eradicate	2 women	0.00
11.	Percentage of the newborn under 2.5 kg	Introduce as an obligatory indicator, reduce		
12.	Net enrolment ratio in primary school	100%	96.93%	100%
13.	Coverage of organized preschool education	Increase	22%	30%
14.	GDP per energy consumption unit (USD per kg of oil equivalent)	Increase	1.29	1.42
15.	Part of population whose sewage is treated by processing plants before these are released in to natural receptors	Increase	11%	25%
16.	Share of the private sector in GDP	Increase	(37% in 2001)	55%

X THE PARTICIPATORY PROCESS

1. Institutional arrangements for the preparation of the full DPRS

One of the key prerequisites for devising a high quality DPRS and ensuring an effective consultation process entailed establishing a clear and well-structured organizational scheme.



As presented in the scheme above, this threefold process comprised of the following:

1. Organizational Process
2. Working Groups in Consultative Process
3. Consultative Process

The stakeholders involved in this process were: the Government of Montenegro including competent authorities, local government, international development partners, trade unions, private sector, local research institutions and civil society.

1. The INTER - MINISTERIAL STEERING COMMITTEE is a Government entity coordinated by the **Ministry of Labour and Social Affairs**. The whole process was chaired by the **Prime Minister**. The **Committee** was responsible for guiding policy and making the strategic decisions related to the full DPRS. The Inter-ministerial Steering Committee is comprised of various **Ministers**, (Minister of Labour and Social Affairs, Minister of Education and Science, Minister of Health, Minister of Finance, Minister of International Economic Relations and European Integrations and Secretary of the Republican

Secretariat for Development - 6). Other ministries e.g. the Ministry of Tourism, Environment and Spatial Planning, Economy, Agriculture etc. have also taken part in the process when required.

2. MANAGEMENT UNIT (MU) consists of Head of Unit¹, Coordinator of Management Unit, 3 Sector Coordinators, PR Manager, Project Translator, Project Secretary, and Web site Officer) and is established within the Ministry of Labour and Social Affairs. The Unit is responsible for organizational activities throughout the whole DPRS drafting process. The Management Unit provided technical support to the Inter-ministerial Committee and coordinated the consultative process with civil society and local communities.

The Inter-ministerial Steering Committee made strategic decisions on the full DPRS providing the guidelines for its implementation.

3. The ADVISORY BOARD was established to coordinate, consolidate and present recommendations and conclusions given by different Advisory Committees regarding preparation of the full DPRS. This Board held meetings regularly throughout the process and was in permanent contact with the **Inter-ministerial Steering Committee** and the **Expert Task Force**. The Board also played a crucial role in developing monitoring strategies and procedures. The Board organized regular multi-stakeholder meetings, providing transparency to the strategy development process. The Advisory Board consists of **the representatives of six Advisory Committees (6), the Expert Task Force Leader, the National Advisor and the Head of MU**. The National Advisor chaired the Advisory Board meetings. The Advisory Board coordinated the consultative/participatory process with six Advisory Committees:

- **A. The Parliamentary Advisory Committee** is comprised of the representatives of certain Parliamentary Committees (such as the Economic Committee, the Committee for financial, educational, environmental issues, the Committee for gender equity, etc.) and is responsible for sensitive issues raised through both the preparation and the implementation processes. The Parliamentary Advisory Committee also met the representatives of vulnerable groups, thus strengthening the participatory process and receiving the recommendations directly from the poor the poor.
- **B. The Local Government Advisory Committee** consists of local community representatives who regularly held the consultations at the local level and. This Committee was responsible for channelling the local level DPRS inputs into the full DPRS. The Association of Montenegrin Municipalities also took part in this Committee.
- **C. The Expert Advisory Committee** includes the representatives of specific research institutions in Montenegro dealing with economic and social development issues (and “think-tank” organizations), the Economic and Social Council representatives, as well as the representatives of the Ministries involved in the DPRS preparation and implementation processes. By being involved in the participation process through this Committee, the Government of Montenegro **raised its institutional capacity in order to implement the future Strategy**, particularly when it came to future policy design, increase of understanding of potential sources of growth and poverty trends as well as social impacts of key policy reforms;

¹) Head of Management Unit is the representative of the Ministry of Labor and Social Affairs (Deputy Minister);

This is expected to result in better budget management, as well as in improving the monitoring and reporting of poverty trends. This will be very important for DPRS implementation and its **integration into budget priorities**. Better linkage between the DPRS and the key decision-making processes, in particular with reference to national budgets, contributed to the design and prioritization, and helped make the proposed programs and goals more realistic.

- **D. The International Development Partners' Advisory Committee** consists of international community representatives operating in Montenegro and SAM: the World Bank representatives, UN Agencies, USAID, EAR and all **donors** that have expressed interest in contributing to the elaboration of the full DPRS. Representatives of foreign investors operating in Montenegro were also invited to join this Committee. In addition to financial support, expertise in the development and monitoring of the full DPRS process was very valuable. The international community representatives were at the same time members of particular Working Groups in charge of designing the DPRS draft.
- **E. The Private Sector, Trade Unions and other Social Partners Advisory Committee** has very significant role in the whole participatory process, especially considering the importance of the SME sector in Montenegro and the demands for creating a competitive labour market. This Committee is in charge of consulting with the Economic and Social Council, which consists of representatives from different business-related organizations and institutions.
- **F. The Civil Society Advisory Committee** is "the most heterogeneous" committee in the scheme of the participatory process for developing DPRS. It is comprised of representatives from the nongovernmental sector, media, humanitarian organizations (the Red Cross) and associations of particular marginal groups. Through developing the DPRS, the Civil Society Advisory Committee organized additional consultations on specific issues in relation to particular marginal groups (disabled persons, gender equity, the Roma population, refugees and displaced persons, children's rights, lodging and care for the elderly, etc.), in cooperation and with the DPRS Management Unit.

The Advisory Committees have significantly contributed to the work of expert working groups established within the **Expert Task Force**. They disseminated messages provided by different stakeholders.

4. The EXPERT TASK FORCE (ETF) mainly consists of local experts, representatives of line ministries and nongovernmental sector. The ETF Leader coordinated all the research activities and the DPRS process. ETF work is organized through seven working groups chaired by WG leaders in charge of completing sectoral strategies and integrating them into the final document. Some representatives of UN Agencies and other international organizations participated in particular WGs, providing expertise with regard to specific fields.

WORKING GROUPS:

1. **Poverty assessment and Social protection**
2. **Macroeconomic stabilization policies**
3. **Health sector development**
4. **Education sector development**
5. **Labour market and employment**
6. **Economic development and regional development**
7. **Environment and infrastructure development**

The ETF submitted **the first DPRS draft**, including individual sectoral strategies with their respective researches and analysis sections.

ETF and DPRS MU organized **thematic debates on issues raised through the participation process**, and after broad-based consultations with all of the representatives of specific categories of Montenegrin society were carried out, ETF submitted the final version of the Document to the Government and the World Bank.

2. Main characteristics of the DPRS

A. Four basic principles applied in the strategy drafting process were:

1. Participation: The Strategy drafting process was managed by the state relying on the participation of civil society.
2. This is a result oriented-strategy, aiming at achieving effective outcomes and concrete activities, including the process of monitoring within the implementation period.
3. Partnership with donors (joint work and consultations)
4. Long-term perspective of poverty reduction.

B. Three phases:

1. Definition of poverty profile in Montenegro and the analysis of poverty causes.
2. Action plan together with the implementation costs – combined strategies and best measures in reducing poverty (harmonization of macroeconomic and structural policies with social measures).
3. Development of benchmark indicators and mechanism to monitor progress.

C. Two basic deliverables:

1. Clear development vision and action plan for development and poverty reduction
2. Recommendations for devising a medium-term public expenditure framework and the strengthening of the safety net.

D. Message: We can impact on our own development

Key components raising the quality of the whole process:

- The strategy was managed by the Government together with permanent participation of all of the relevant stakeholders: Parliament, civil society, local community, private sector etc;
- Intersectoral approach in poverty reduction process;
- Comprehensiveness in terms of recognizing a multidimensional nature of poverty;
- Precisely defined priorities, fiscally and institutionally achievable;
- Result-oriented and pro poor strategy;
- Cooperation with local and international development partners

- Long-term poverty alleviation (The strategy should include a detailed Action plan and policy measures for the period of 3 years).

3. From the Interim PRSP, via the draft version to the final DPRS document

Following proposals made by international financial organizations, Montenegro decided to define its poverty reduction strategy. Work of preparing the strategy started in May 2002. The Government of Montenegro prepared and adopted the Interim Poverty Reduction Strategy, and the same document was approved by the boards of the WB and IMF in a joint assessment process on 22nd June 2002.

The Interim poverty reduction strategy identified the following priority activities:

- macroeconomic stability,
- combating the gray economy,
- economic development and the labour market,
- improved targeting of social welfare and regional development.

Work on the draft document started in March 2003 with the support of the WB, DFID and UNDP. Given that poverty reduction is primarily based on promoting growth, this strategy was given the following name: The Development and Poverty Reduction Strategy (DPRS).

In the DPRS draft (July 2003.), through the work of expert working groups, as well as through the participatory process, the priority areas have been developed further, expanded, harmonized with the Millennium Development Goals and existing strategic documents of the Government. The proposed draft had around 370 pages. Having invited all key stakeholders to look at the document, comments were received from international development partners as well as unions, NGO networks, specific local communities, the Economic and Social Council as well as other stakeholders. Many comments and recommendations found their place in the final DPRS version, which justified the participatory process and the information campaign accompanying it.

Most of the comments were integrated in the final DPRS, which confirmed the importance of organizing the participatory process and the public awareness campaign.

THE MAIN MESSAGES FROM THE PARTICIPATION PROCESS INCLUDED IN THE FINAL DPRS ARE:

- to add separate sections on agriculture and tourism
- to reduce the document and developed an integrated action plan
- to define main projects, i.e. priorities with regard to regional development
- to define projects dealing with all vulnerable groups
- to strengthen job creation as the main tool for achieving poverty reduction
- to define the share of international development support to future projects (global partnership)
- to define the poverty indicators as well as the development indicators used to monitor progress in the DPRS implementation

During the participatory process, after the publication of the draft and the work of the expert working groups, the document received its final structure as a **strategic document**, with clearly defined objectives, a policy matrix, priority activities, a presentation of all key projects and the associated costs, budgetary implications and macro-economic projections. Additional sections were added including sections on agriculture, rural development and tourism.

Additional information covering the participation process (NGOs reports, ETF reports) and sector priorities are given in a separate publication entitled "**Background Information to the DPRS**".

ANNEXES

ANNEX

I. THE PARTICIPATORY PROCESS AND REVIEW OF ACTIVITIES IMPLEMENTED IN DEVELOPING THE DPRS

1. Report on activities of the DPRS Expert Task-force and Management Unit

The strategy development process included a whole range of consultative activity led by the expert working groups, which included both research-based and participatory-based initiatives. The seven Working groups held on average 16 meetings each, in the period between 1 March and 1 November 2003, in addition to the 8 Task-force meetings. As part of the strategy development process, there were 5 meetings with the Inter-ministerial Steering Committee, as well as two meetings of the Advisory Board.

Three RPSP conferences were held:

- I DPRS Conference – Poverty Indicators in Montenegro, May 16, 2003,
- II DPRS Conference – Draft Development and Poverty Reduction Strategy for Montenegro, July 30, 2003
- III DPRS Conference – Finalizing the DPRS for Montenegro, November 12 2003

Meetings of major significance, working visits, presentations, conferences attended by the members of the DPRS Team

	Event	Date	Those present
1.	Meeting of the DPRS team with the representatives of NGOs (CRS, MANS, CRNGO) – Familiarization with initiated activities and agreement on future cooperation	January 30, 2003	14
2.	DPRS presentation for the representatives of the World Bank Portfolio Review)	February 6, 2003	60
3.	DPRS presentation for the representatives of the UN agencies in Montenegro	February 11, 2003	18
4.	Meeting with Mr. Ruslano Yemtsov, the representative of the World Bank	February 11, 2003	4
5.	DPRS presentation for the representatives of the USAID and implementing agencies in Montenegro	February 19, 2003	10
6.	Working visit – Mr. Lars Andre Skari, advisor on the DPRS in the Government of the Republic of Serbia.	February 20 /21, 2003	15
7.	Meeting with Ms Eileen Browne, the representative of the US Treasury Department	February 25, 2003	4
8.	DPRS presentation for the representatives of the World Bank – First work meeting of the Management Board of the DPRS Creditors' Fund, Belgrade	March 21, 2003	7
9.	Working visit of the RSP team of B&iH – Mr. Zlatko Hurtić and Ms Belma Ejupović – Elaboration of action plan	March 30 /April 1, 2003	18
10.	Signature of the Agreement on performance of the <i>Agreement on Cooperation in the Development and Poverty Reduction Strategy for Montenegro</i> between the Government of Montenegro and the United Nations Development Program	May 9, 2003	
11.	First DPRS conference – Poverty profile in Montenegro	May 16, 2003	140
12.	Participation of the Montenegro DPRS representatives in the Regional DPRS Conference in Sarajevo, Bosnia and Herzegovina	May 22/23, 2003	40

13.	Signature of contract on performance of DPRS between the World Bank and Serbia & Montenegro	June 3, 2003	
14.	Meeting with the representatives of the World Bank – Ms Loraina Hawkins, the Health Care Consultant	June 17, 2003	7
15.	Topical consultations on gender equality with the students of the Faculty of Economics	June 18, 2003	30
16.	Meeting with the representatives of the World Bank– Mr- Rory O’Sullivan, the National coordinator of the World Bank for Serbia and Montenegro and Ms Nancy Cooke, Acting Director for Serbia and Montenegro and Regional Coordinator for South-East Europe	June 24, 2003	9
17.	Signature of Contract on performance – financial management of the Project between the Government of Montenegro and the United Nations Development Programme	June 24, 2003	
18.	Meeting with the representatives of the World Bank – Mr. James Stevens, Education Consultant	July 14, 2003	5
19.	Adoption of the first provisional version of the <i>Development and Poverty Reduction Strategy for Montenegro</i> by the Project Board	July 23, 2003	39
20.	Second DPRS conference – <i>Presentation of the initial draft document “Development and Poverty Reduction Strategy in Montenegro”</i>	July 30, 2003	100
21.	Five-day training seminar of UNICEF and CRVNO: Participatory Research of Poverty among Children in Montenegro	August 7-12, 2003	20
22.	Working visit of the World Bank consultant– Mr. Norman Hicks, Consultant for DPRS cost estimate	September 8-12, 2003	
23.	Presentation of the report of the UN agencies <i>Joint estimate of state of affairs in Montenegro</i>	September 9, 2003	50
24.	Working visit of Prof. Milosav Milosavljević, Ph.D., the Consultant for Social Welfare – Creation of Welfare Policy	September 30-October 3, 2003	9
25.	Working visit of the consultants from Albania – Messrs. Adrian Civici, Ina Kraja and Ilda Bozo – Monitoring and Evaluation	October 2/3, 2003	15

▪ **Constitutive meetings of the DPRS Advisory Board and Advisory Committee**

	Meeting	Date	Those present
1.	Meeting of the Advisory Committee of the international development partners	May 5, 2003 October 27, 2003	22
2.	Meeting of the Advisory Committee of the civil society	May 8, 2003 October 29, 2003	24
3.	Meeting of the Advisory Committee of the local (self) government	May 9, 2003 October 28, 2003	25
4.	Meeting of the Advisory Board	May 12, 2003 October 28, 2003	17
5.	Meeting of the Parliamentary Advisory Committee	May 14, 2003 October 24, 2003	16
6.	Meeting of the Advisory Committee of social partners	June 11, 2003 October 29, 2003	18
7.	I Session of the Advisory Board for the Project – <i>Adopting the first DPRS draft for Montenegro</i>	July 23, 2003	39
8.	II Session – Final DPRS document	October 31, 2003	35

▪ **Report. analysis – Cooperation with the NGO sector**

	Report	Date
1.	<i>Report on poverty causes and recommendations of civil society for Development and Poverty Reduction Strategy for Montenegro</i> , compiled based on 30 meetings held in 21 municipalities, NGO Network in Montenegro; (CRS, MANS, CRNGO, Humanitarac, Public House and Modus Akvirendi)	April, 2003
2.	<i>Report on the receipts and expenses of households in Montenegro No. 7</i> (ISSP/WB)	June, 2003
3.	<i>Standard of living and poverty in Montenegro in 2002</i> (ISSP/WB)	July, 2003
4.	Results of public opinion research <i>Poverty in the perception of the citizens</i> (Public opinion research agency DAMAR, Podgorica)	June – July, 2003
5.	<i>Report on receipts and expenses of the Roma households, refugees and internally displaced persons in Montenegro</i> (ISSP/UNDP)	October, 2003
6.	<i>Position of persons with special needs</i> – recommendations for elaboration of the Document (MANS)	August, 2003
7.	<i>Messages of civil society on DPRS, MANS</i>	October, 2003

▪ **DPRS participatory process by municipality**

	Meeting	Date	Those present
1.	Rozaje	September 15, 2003	49
2.	Berane	September 15, 2003	35
3.	Pljevlja	September 15, 2003	30
4.	Zabljak	September 15, 2003	17
5.	Plav	September 16, 2003	25
6.	Andrijevisa	September 16, 2003	20
7.	Šavnik	September 16, 2003	20
8.	Plužine	September 16, 2003	17
9.	Bijelo Polje	September 17, 2003	28
10.	Mojkovac	September 17, 2003	31
11.	Herceg Novi	September 17, 2003	24
12.	Kotor	September 17, 2003	27
13.	Ulcinj	September 18, 2003	51
14.	Bar	September 18, 2003	34
15.	Cetinje	September 18, 2003	36
16.	Budva	September 19, 2003	22
17.	Tivat	September 19, 2003	24
18.	Danilovgrad	September 19, 2003	21
19.	Kolasin	September 19, 2003	15
20.	Niksic	September 23, 2003	47
21.	Podgorica	September 24, 2003	66

- Seminars, training workshops for Government officials from sectoral ministries in monitoring the implementation of the Strategy and developing a monitoring and evaluation system

	III. EVENT	Date	Those present
1.	IV. SEMINARS FOR JOURNALISTS – ROLE OF MEDIA IN THE DPRS PROCESS IN MONTENEGRO	March 12, 2003	19
2.	V. DPRS WORKSHOP FOR DETERMINATION OF PRIORITIES IN THE FIELD OF ENVIRONMENTAL PROTECTION AND INFRASTRUCTURE	June 16, 2003	28
3.	Seminar for journalists – <i>Media In The DPRS Process In Montenegro</i>	July, 1, 2003	30
4.	Workshop on evaluation of poverty and standard of living in Montenegro – Presentation of ISSP/WB report on <i>Standard Of Living And Poverty In Montenegro In 2002.</i>	July 16, 2003	70
5.	Workshop for government officials – Importance of regional policy: Impressions gained in the Participatory process and analysis the of received comments on the first draft of the <i>Development and Poverty Reduction Strategy for Montenegro</i> document	September 29, 2003	18
6.	Workshop for government officials – Working group for assessment of poverty and social welfare: <i>Action Plan In The Field Of Social Welfare</i>	September 30, 2003	15
7.	Workshop for government officials – Working group for labour market and employment: <i>Problem Of Unemployment With Special Reference to Young And Disabled Persons.</i>	October 2, 2003	15
8.	Workshop for government officials – Working group for macroeconomics stabilization policy: <i>Harmonization Of Economic Systems Of Serbia & Montenegro And EU</i>	October 2, 2003	15
9.	Workshop for government officials – Working group for development of economic and regional policies: <i>Significance And Measures Of Regional Policy</i>	October 2, 2003	15
10.	Workshop for government officials – Working group for assessment of poverty and social welfare: <i>Position Of Disabled Persons And DPRS</i>	October 3, 2003	15
11.	Workshop for government officials – Working group for development of economic and regional policy. <i>Prospects Of Development Of Rural Regions In Montenegro</i>	October 3, 2003	15
12.	Workshop for government officials – Working group for development of education sector: <i>Reform Of Elementary Education</i>	October 6, 2003	15
13.	Workshop for government officials – Working group for labour market and employment: <i>Development Of Small To Medium-Sized Enterprises In Montenegro</i>	October 6, 2003	15
14.	Workshop for government officials – Working group for development of health care sector: <i>Priority Projects In The Field Of Health Care</i>	October 8, 2003	15

15.	Workshop for government officials – Working group for development of health care sector: <i>Indicators For The Health Care Sector And Development Of Monitoring System</i>	October 8, 2003	15
16.	Workshop for government officials – Working group for development of environmental protection and infrastructure: <i>Financing Of Activities In The Field Of Infrastructure Development</i>	October 8, 2003	15
17.	Workshop for government officials – Working group for development of education sector: <i>Development Of Monitoring System In The Field Of Education; Millennial Development Goals</i>	October 9, 2003	15
18.	Workshop for government officials – Working group for macroeconomics stabilization policy: <i>Development Of Medium Term Budget Framework</i>	October 9, 2003	15
19.	Workshop for government officials – Working group for development of environmental protection and infrastructure: <i>Indicators In The Field Of Environmental Protection</i>	October 10, 2003	15

2. MDGs and monitoring poverty indicators for Montenegro

	Indicator	Source/note	Value
GOAL I: Eradicating Extreme Poverty and hunger			
1.	Population below poverty line ¹⁸² (Absolute poverty) 107 Euro MDG	ISSP research (2003)	12,2 %
2.	Food poverty line (Extreme poverty)	ISSP research	4,7 %
3.	Economically vulnerable population 173,4 Euro	ISSP research	33,7 %
4.	Depth of poverty	ISSP research	3,6%
5.	Severity of poverty	ISSP research	1,5%
6.	Gini coefficient	ISSP	0,29
7.	Decal ration (90/10) ¹⁸³	ISSP	7
8.	Participation of the poorest 20 % in National Expenditure MDG	ISSP	10,7%
9.	Malnutrition of children up to 5 years old	Research from 1998) (by sample of 8% of the population)	1,2% ¹⁸⁴
9.	Coverage of Consumer Basket by average income	MONSTAT June 2002.	46,72%
10.	Coverage of Consumer Basket by average pension	MONSTAT June 2002	43,34%

¹⁸² Research on household consumption of refugees, IDPs and Roma population is ongoing. Basic data on their poverty profile according based on the latest ISSP and NGO researches will be included afterwards.

¹⁸³ Average consumption quotient of 10% the poorest and 10% of the richest population, (

¹⁸⁴ 0,6% of children lapsed in body weight, as well as 2,3% of children lapsed in growth. There are more than 10% of obese children (the same percentage as in other developed European countries). Research from 1997/98 at the sample of 3 569 children i.e. 8% of this part of population (standard WHO is 5%)

11.	Coverage of Consumer Basket by average monthly FSO	MONSTAT Ministry of Labor and Social Affairs	32,80%
12.	Number of beneficiaries and a level of social transfers	Ministry of Labor and Social Affairs	10.351 families 657.100 Euro/Month
13.	Social welfare and social protection as planned in the public expenditure	Ministry of Labor and Social Affairs	9,31%
14.	Number of refugees and IDPs	International Red Cross Comity	IDP 18.030 Refugees. 13.318
Goal II: Achieved universal primary education			
15.	Net enrollment ratio in primary school	MONSTAT	96,93
16.	2.7. Proportion of pupils starting grade 1 who reach grade 5	Data on existing statistical review are not consistent with statistical categories, which means that calculations and estimations are needed	99,1 %
17.	Coverage of organized pedagogical preschool education	Data base from Ministry	22 %
18.	Proportion of children with special needs in preschool education		0,5 %
19.	Proportion of Roma population children in preschool education		0,6 % 3 %
20.	Ratio of pupils who complete primary school to the number of enrolled pupils	Monstat, statistical data, Data base from Ministry	98 %
21.	Proportion of 1-15 years old children with special needs	This data should be worked out in cooperation with health and social protection	
22.	Proportion of children with special needs in primary education	To be enquired	
23.	Proportion of Roma population children in primary education	To be enquired	1,2 %
24.	Enrolment ratio in secondary education ¹⁸⁵	Monstat, Data base from Ministry	72,90% ¹⁸⁶
25.	Proportion of pupils who enrol in gymnasium	Monstat, Data base from Ministry	32 %
26.	Proportion of pupils who enrol in vocational education	Monstat, Data base from Ministry	68 %
27.	Ratio of avocation needed in labor market to avocation the participants are trained for in vocational education	Monstat, Data base from Ministry	
28.	Enrolment rate in high school education ¹⁸⁷	Ministry	36%
29.	Proportion of attendants in adult education		
30.	Employment ratio in education to total number of employed people in Montenegro	Monstat, statistical data, Data base from Ministry	8,66 %
31.	Number of pupils per teacher in primary education	Data base from Ministry	14

¹⁸⁵ Ratio of number of pupils who complete primary education to those who continue their education at both common and vocational high school education

¹⁸⁶ This data does not include Military, Police and Religious school

¹⁸⁷ Ratio of pupils who complete high school education to number of enrolled pupils

32.	Participation of education sector in budget of state (2003)		22 % (16%)
33.	GDP proportion for education		Estimation 7,2
34.	Cost of Education in total budget	Ministration	22% ¹⁸⁸⁾
35.	Education as a part of GDP	Estimate	7,2%
36.	Costs per pupil on educational level	a) Primary school with more than 60 pupils b) 37 school with less than 60 pupils c) Secondary education	a) 680 € annually/pupils b) 3500 € annually/pupils c) 650 € annually/pupils
GOAL III: Promote gender equality and empower women			
37.	Ratio of girls to boys in primary, secondary and tertiary education	Monstat, Ministry of education and science	Prim. 1,07 High. 0,97 Univ. 0,77
38.	Ratio of illiterate females to males among 15 and 25 years	Monstat Census from 1991, 20 - 34 years,	38%: 62%
39.	Share of women i wage employment in the non agricultural sector	Monstat, 2000	41,6 %
40.	Proportion of seats held by women in Parliament	Monstat, 2002	10,3%
GOAL IV: Reduce Child Mortality			
41.	Under five mortality rate	Vital statistics (2001) (per 1000 live-births)	3,09
42.	Infant mortality rate	Vital statistics (2001) Available (per 1000 live-births) (2002)	14,7
43.	Proportion of vaccinated children	Immunization registration Available	72% - 100% depending on kind of vaccine
GOAL V: Improve Maternal Health			
44.	Maternal mortality rate	Vital statistics Available	Two women died in Montenegro (2001)
45.	Proportion of births attended by skilled health persons	Vital statistics Available	99,05 (2001)
46.	Life expectancy at birth	Vital statistic (1999/2000)	m. 71,05 ž. 76,27
47.	Rate of fertility	Vital statistic	54,96 (2001)
48.	Pregnant HIV women age from 15 to 25	Morbidity statistics	No women age 15-Which are HIV positive
GOAL VI: Combat HIV/AIDS, malaria, tuberculosis and other diseases			
49.	HIV prevalence among 15-24 years old pregnant women	Morbidity statistics available	No HIV affected pregnant women among 15 - 24 years old
50.	Contraceptive prevalence rate	Purposed research needed	-
51.	Number of children orphaned by HIV/AIDS	Morbidity statistics Available	Two children in Montenegro

¹⁸⁸ Real participation is approximately 16 %, due to lower range of planned realization

52.	Prevalence and death rates associated with tuberculosis	Morbidity statistics Available	2 (two) registered cases in 2001
53.	Proportion of TB cases detected and cured under DOTS	Morbidity statistics Not available ¹⁸⁹	
GOAL VII: Ensure Environmental Sustainability			
54.	Surface under forestry	Available: official statistics (Spatial plan)	543 353 ha or 39,3%
55.	Land area protected to maintain biological biodiversity*	Available: official statistics (Spatial plan)	98 570 ha or 7,14%
56.	BDP/unit of consumed energy (energetic efficacy indicator)	Not available: Montenegro is to carry out this indicator during the Strategy drafting	1.536
57.	CO ₂ emission (in tons <i>per capita</i>)	Not available; there are some estimations in international sources, but only for SAM	1,29
58.	Access to safe water (% of population)	Not available: according to WDI** definition, it is suggested substitutive indicator– ex. Access to water system (given by official statistics)	83% (access to public and own water supplies)
59.	Access to improved sanitation objects among urban population	Not available: according to WDI** definition, it is suggested substitutive indicator– ex. Access to sanitation system (given by official statistics)	39% (Access to public sanitation system)
60.	Deforestation per year (Changes in percentage)	Not available	–
61.	Freshwater resources <i>per capita</i> (in m ³)	Some data available, but there is a problem with definitions harmonization – Official Statistics	–
62.	Electricity consumption <i>per capita</i>	Available; Official Statistics	5 573 kWh (2002)
63.	Covered roads (% of total number)	Statistics follows % of roads with modern surface in relation to total number of roads	63% (2000)
64.	Airplane departures ¹⁹⁰	Available; Official Statistics	3 475 (national) 885 (international)***
64.	Part of population whose sewage is treated by processing plants before these are released in to natural receptors.	MEPUP	11%
65.	Usage of water per capita	MEPUP	

¹⁸⁹) In Special hospital for curing lungs diseases there is no accurate data on the number of patients being cured by this method, in introductory phase.

¹⁹⁰Data refer to number of departures of Montenegroairlines and JAT

66.	Total loses in Water Supply	MEPUP	
67.	Percentage of population who has organized collection of waste	MEPUP	45%
GOAL 8: Create Global Partnership for development			
73.	Net Official Development Aid as a percent of DAC	Needs to be calculated	
74.	Part which ODA has in basic social services (elementary education, basic health service, food, clean water and sanitary measures)	Needs to be calculated	
75.	Average customs tariffs and quotes on Agricultural products, textile and clothes.	Will be available after adopting a new Customs guide as planed by new Action Plan	
76.	Domestic and Exporting subsidies for agricultural products in countries of OECD	Needs to be calculated	
77.	Portion of debt which has been bilaterally written off HIPC (Debtor sustainability)	Needs to be calculated	
78.	Servicing a debt as a percentage of Exporting goods and services	Needs to be calculated	
79.	Portion of ODA secured as a debt write-off	Needs to be calculated	
80.	Rate of unemployment in ages 15 to 24 years	Survey on a labor force	
84.	BDP growth rate	MF	
85.	FDI in Montenegro	MF	

LIST OF ABBREVIATIONS

AMP	Annual Management Plan	IDA	International Development Agency
AWP	Annual Work Plan	IDG	International Development Goals
BP	Bank Procedure	IDPs	Internally Displaced Persons
CAS	Country Assistance Strategy	IDS	Institute of Development Studies
CBO's	Community Based Organization	IFI	International Financial Institutions
CCA	Common Country Assessment		
CCEP	Coordination Committee for Employment Program	ILO	International Labour Office
CCRP	Coordination Committee for Restructuring Program	IMF	International Monetary Fund
CDF	Country Development Framework	INGO	International Nongovernmental
CDF	Comprehensive Development Framework		
Organizations		IPRSP	Interim Poverty Reduction Strategy
CDNPS	Center for Development and Non-profit Sector		
Paper		IT	Information Technology
CEDAW	Convention on Elimination of All Forms of	ITO	International Trade Organization
	Discrimination Against Women	JSA	Joint Staff Assessment
CEE	Central and Eastern Europe	LDC	Least Developed Countries
CEFTA	Central European Free Trade Agreement	LM	Line Ministries
CESI	Community Empowerment and Social Inclusion	LSMS	Living Standards Measurement Survey
CGPRS	Comprehensive Growth and Poverty Reduction	MANS	Network for Affirmation of Non-
	Strategy		Governmental Sector
CI	Civic Initiative	MD	Millennium Declaration
CLP	Community Level Partnership	MDGs	Millennium Development Goals
COE	Council of Europe	M&E	Monitoring and Evaluation
COPRS	Country Office Annual Reports	MAFW	Ministry of agriculture, forestry and
watersupply			
CP	Country Programme	MIER	Ministry of International Economic
Relations			
CPD	Country Programme Document	ME	Ministry of Economy
CRC	Convention on the Rights of the Child	MES	Ministry of Education and Science
CRNVO	Center for Development of non-governmental	MF	Ministry of Finance
	Organizations	MH	Ministry of Health
CRS	Catholic Relief Services	MPO	Master Plan of Operation
CSCE	Commission on Security and Cooperation	MTEF	Medium Term Expenditure Framework
	in Europe	NBY	National Bank of Yugoslavia
CSEED	Central and Southern Eastern Europe Department	NGO	Non-governmental Organization
CSO	Civil Society Organization	NORAD	Norwegian Agency for Development
CSW	Center for Social Work		Cooperation
DEC	Development Economic Department	NRM	Natural Resource Management
DFID	Department for International Development		
DPRS	Development and Poverty Reduction Strategy	OCHA	Office for Coordination of
Humanitarian Affairs			
DSG	Deputy Secretary General	ODA	Official Development Assistance
EBRD	European Bank for Reconstruction and	OECD	Organization for Economic
Cooperation and			Development
	Development		
EAR	European Agency for Reconstruction	OEEC	Organization for European Economic
EB	Education Bureau		
Cooperation		OESC	Organization for European Security
EC	European Commission		Cooperation
and		OHCHR	Office for High Commissioner for
ECHR	European Court of Human Rights		
EEC	European Economic Community	OP	Operational Policy
Human Rights		PA	Privatization Agency
EFTA	European Free Trade Association	PA	Poverty Assessment
EIB	European Investment Bank	PEAP	Poverty Eradication Action Plan
EMS	European Monetary System		
EMU	European Monetary Union		

ERP	Economic Reform Program	PEM	Public Expenditure Management
ERTP	Economic Restructuring and Transition Program	PER	Public Expenditure Review
ETF	Expert Task Force	PFP	Policy Framework Paper
EU	European Union	PIT	Personal Income Tax
FBS	Federal Bureau of Statistics	PLS	Program Logistical Support
FDI	Foreign Director Investment	PRA	Public Revenue Agency
GATT	General Agreement on Tariffs and Trade		
GMN	Government of Montenegro	PRSP	Poverty Reduction Strategy Paper
GNP	Gross National Product	PSID	Private Sector and Infrastructure Development
		QoL	Quality of Life
GDP	Gross Domestic Product	QPR	Quarterly Project Report
GPRS	Growth and Poverty Reduction Strategy	Reg. Comm.	Regional Commission
HBS	Household Budget Survey	RDPs	Refugees and Displaced Persons
HDN	Human Development Network	ROAR	Result Oriented Annual Report
HH	Household Head	SAA	Stabilization and Association
HIF	Health Insurance Fund		
Agreement		SAC	Structural Adjustment Credit
HIPC	Heavily Indebted Poor Countries	SAF	Structural Adjustment Facility
HR	Human Rights	SAP	Structural Adjustment Program
IBRD	International Bank for Reconstruction and Development	SC	Steering Committee
SDG	Sustainable Development Governance	UNICEF	United Nations Children Fund
SFF	Supplementary Financing Facility for Women	UNIFEM	United Nations Development Fund
SG	Secretary General	UNPROFOR	United Nations Protection Force
S&H	Simplification and Harmonization Program	UN WFP	United Nations World Food
SIC	Severely Indebted Countries International	USAID	United States Agency for Development
SIDA	Sweedish International Development Agency		
SMEs	Small and Medium Enterprises	VAT	Value Added Tax
SP	Strategic Partnership	VET	Vocational Education and Training
SPDC	Social Policy Development Coordination	WBI	World Bank Institute
SSR	Social and Structural Review	WHO	World Health Organization
SWA	Sector Wide Approach Development	WSSD	World Summit on Sustainable
SWC	Social Welfare Center		
TA	Technical Assistance	WTO	World Trade Organization
ToR	Terms of Reference		
TSS	Transitional Support Strategy		
UNCT	United Nations Country Team		
UNDG	United Nations Development Group		
UDHR	Universal Declaration of Human Rights		
UNDAF	United Nations Development Assistance Framework		
UNDGO	United Nations Development Group Office		
UNDP	United Nations Development Program		
UNEP	United Nations Environmental Programme		
UNESCO	United Nations Educational, Social and Cultural Organization		
UNFIP	United Nations Fund for International Partnership		
UNHCR	United Nations High Commissioner for Refugees		

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