



Montenegro
Ministry of Transport, Maritime Affairs and Telecommunications



TRANSPORT DEVELOPMENT STRATEGY OF MONTENEGRO

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1. Introduction

Despite the existence of a large number of studies and analysis, so far Montenegro has not adopted a document that would define, in a comprehensive way, a framework for adoption of strategic decisions in the field of transport. The necessity for the existence of this document is enhanced by the need to accelerate economic development of Montenegro, after the economy stagnation in the last decade of the 20th century, as well as by determination of Montenegro to integrate itself in the fastest way into European political, economic, and consequently, transport framework.

Given its size and economic situation, Montenegro has not been able to provide funds from national sources (at least not in the short and medium term) for large infrastructure projects, such as the construction of motorways, airports, railroads, ports, etc. Regarding that, Montenegro needs support from financial institutions and private sector partnership, which require precise strategic documents indicating the importance and economic justification of such investments.

According to the new sustainable development concept, financing of the infrastructure development must be provided, in a way that eliminates bottlenecks in the traffic and achieves a balance between the use of maritime and rail traffic in relation to the road traffic. Regarding the operating level, it is necessary to ensure inter-modal development and implementation of security and quality of services at the center of activity. Active participation in decision-making processes in transport-logistic chain must be provided for users of transport.

Undeveloped road network, problems existing in the railway sector related to the condition of the infrastructure and outdated vehicles, requirements for more efficient airport operation, and low capacity utilization of Luka Bar, do not support sufficiently development of economic activities.

Furthermore, weak traffic connection of Montenegro with the region, insufficient availability of experienced and, according to market conditions, trained, highly-skilled staff and insufficient investments in research and development activities, represent important constraints for improvement of market position of companies providing transport services. What is particularly concerning, is the fact that it would take plenty of time to achieve positive effects of changes in this field, which from the aspect of motivation and readiness to change is the most limited resource.

Transport Development Strategy is based on the realistic image of the current situation, identified problems, analysis of solutions and in accordance with such defined activities that will lead to results. The fact that this is a document, which should determine a long-term development in Montenegro for the first time, it represents, *per se*, positive development in relation to the current situation and beginning of quality new observation of transport development and transport infrastructure in particular.

Since modern transport imposes the need for sustainability in terms of economic, social and ecological aspect, it implies extremely expensive infrastructure and technologies, therefore, all mistakes, which could occur in the processes of strategic decision-making, must be avoided. An important element in development plans is strengthening of

institutions and administrative capacities in order to ensure implementation of planned activities in the field of transport.

The strategy provides guidelines on how to use potentials of geo-strategic position of Montenegro for transit traffic and how to harmonize foreign direct investment with the public interest, considering the economic justification and environmental impact. In addition, the special account has been given to the plans that should be realistically feasible both in terms of financial and institutional aspect.

Basic goals of strategic development of Montenegro's transport system are as follows:

1. Improvement of safety and security, in order to save human lives, material values and to preserve state resources;
2. Integration in the European Union, through connection to TEN-T and improvement of competitiveness of national transport economy;
3. Improvement of transport services quality;
4. Stimulation of economic growth through more efficient and less expensive transport;
5. Minimization of negative impacts of transport development and traffic infrastructure on environment and society in general.

The Ministry of Transport, Maritime Affairs and Telecommunications will be obliged, by its decisions and enactments proposed to the Government of Montenegro, as well as in its overall work, to perform activities defined by this Strategy, implement defined goals and perform permanent monitoring and evaluation of consequences. In addition, it will be necessary to perform constant corrections and adjustments according to monitoring of internal and external factors of importance for the content and implementation of the Strategy.

2. Transport Policy

2.1 Vision

Montenegro will provide quality transport system for users, which will be safe, sustainable, integrated in the European systems and which will support and stimulate economic growth in the state.

2.2 Mission

Transport system in Montenegro will be developed so as to:

- *Provide safe and secure traffic;*
- *Provide quality maintenance of transport infrastructure;*
- *Be effective;*
- *Contribute to economic development;*
- *Minimize harmful impacts to the environment;*
- *Be harmonized and support integration process of Montenegro in the European Union;*

2.3 Strategic plans

Strategic goal 1: Safe and secure transport

Transport system in Montenegro will be developed to ensure safe and secure transport for all stakeholders, goods and environment.

Goal 1.1: Safe and secure transport in all types of transport

This goal implies:

- qualitative transport infrastructure, without weak points, in terms of causing traffic incidents and accidents,

- organized and permanent technical-technological control of roads and vehicles,
- clear and precise procedures in terms of safety and security issues,
- organized, equipped and efficient intervention services at traffic incidents and accidents.

In an effort to improve the quality of transport infrastructure to the possible higher level, the Ministry of Transport, Maritime Affairs and Telecommunications will, in the upcoming period, independently or in coordination with other relevant bodies, accede to the implementation of a series of activities, which are exclusively aimed at the high-quality transport infrastructure without weak points, that is, achieving a higher level of safety and security for all stakeholders of the transport infrastructure.

In terms of road infrastructure, the Ministry of Transport, Maritime Affairs and Telecommunications, at the annual level, proposes the Plan of regular and investment maintenance, reconstruction and construction of the national roads to the Government of Montenegro for adoption, which refers to protection of existing and development of the the national roads, aimed at enabling seamless and safe progress of traffic thereat. Therefore, implementation of the mentioned Plan, within the regular maintenance and protection of roads, ensures undisturbed and continued works on repair of roads, repair of damaged abutments and abutment-retaining walls, repair of minor damages of road body, maintenance of drainage facilities, landslides removal, regulation of berm and road shoulders, regulation of slopes, cuts, replacement of damaged and addition of guardrails, maintenance of horizontal and vertical traffic signalization; whereas, the same Plan, through planned investment maintenance, implements works of larger scope, which may be performed according to technical documentation. Thus, in order to implement strategic goal to achieve safe and secure traffic, the Ministry and Directorate of Transport hereafter will, by this Plan, endeavor to repair weak points at road infrastructure as much as possible, through investment maintenance. A four-year Contract will be signed with the elected contractor in terms of works on regular maintenance and protection of main and regional roads in Montenegro, based on transparent procedure and announced tender.

In terms of „backlog“ program and program of elimination of „critical points“, the Ministry and Directorate have undertaken activities related to implementation of rehabilitation and construction of road infrastructure projects, financed through the loan of the European Investment Bank. Although the Ministry and Directorate have, up to now, implemented numerous projects of rehabilitation and reconstruction of the main and regional roads, as well as repairs of slopes, bridges, tunnels, asphalt roads and similar, these activities will be continued in the future period, since it is necessary to make large investments into existing infrastructure, in order to improve its condition and to achieve a higher level of safety and security on roads.

In addition, the Ministry of Transport, Maritime Affairs and Telecommunications, in cooperation with municipalities, has identified bottlenecks at the traffic network in Montenegro and has prepared the Program for elimination of bottlenecks at traffic network 2007-2009. The following bottlenecks, which slow down the traffic flow and prevent further development of economic activities, have been identified: Herceg-Novi riviera, Tivat, passing through Verige – third line Kamenari and Lepetane, Kotor, Budva, Bečići, Sutomore, Kufin, Bar, Ulcinj, Podgorica, Bijelo Polje, Nikšić, Rožaje, Kolašin, Berane and road Risan-Grahovo-Žabljak.

In terms of railway infrastructure, the first stage of railway Beograd-Bar rehabilitation was entirely preformed from 2003 to 2007, by the loan of the European Investment Bank, in the amount of 15 million EUR. The second stage of railway infrastructure rehabilitation, which is planned for a period from 2007 to 2012, has approximately defined projects in the amount of 52 million EUR in total. Financial construction is as follows: the European Investment Bank (EIB)- 34 million EUR; the European Bank for Reconstruction and Development (EBRD) -15 million EUR and the European Agency for Reconstruction (EAR)- grant of 3 million EUR. According to the plan for financing by the EBRD funds, for the „Urgent rehabilitation Project of the company *Željeznica Crne Gore* infrastructure«, 15 million EUR was allocated. The project was finally approved by the Bank's management on 14.06.2007. Its implementation started in 2007, and first installment, in the amount of 6 million EUR, was approved for that purpose.

For 2008 year, funds withdrawal in the amount of 5 million EUR was planned, intended for rehabilitation of tunnels and for drafting of social program for redundancy, while the amount of 4 million EUR is planned for 2009.

EIB loan in the amount of 34 million EUR will be approved in several installments. The first installment for 2007 (7 million EUR) is signed. Planned financing dynamic within mentioned loan is withdrawal of funds in the amount of 7 million EUR each year - 2008, 2009, 2010 and 2011 and 6 million € in 2012. The largest part should be spent on infrastructure, and after that, smaller part on vehicles and social program.

In terms of the second factor that affects the safety of railway transport - condition of vehicles, the new Law on safety in railway transport, passed at the end of 2007, particularly defines vehicles. The Law defines issues referring to rail vehicles, facilities and equipment installed in such vehicles, its design, production, reconstruction and maintenance with special attention paid to rail vehicles intended to international traffic, commitment of certification of facilities and equipment being installed on rail vehicles, and also, it defines that rail vehicles must correspond to conditions stipulated by this Law, standards and technical elements, which are regulated for prototype of rail vehicle. In addition, obligatory technical inspection is provided prior to entering into traffic, that is, issues defining breaking equipment for rail vehicles, number of passenger, i.e. cargo vehicles in train composition that must be equipped with breaking system, obligation of auto-stop devices on tractor vehicle in traffic on the railway equipped with such devices, issues regarding breaking of train with automatic breakings, composition of train and arrangement of vehicles in the train, which railway vehicle can be included in train, train traffic speed on railroad depending on technical characteristic of the railway, facilities and devices on railroad, and by which type of fire extinguisher the train must be equipped.

In terms of procedures related to safety and security issues, that is, organized, equipped and efficient intervention services for incidents and accidents, the new Law on Safety in Railway Transport in detail elaborates the above mentioned and identifies bodies in charge of procedures in incident and accident situations, i.e. obliges such institutions for full cooperation. Therefore, provisions of this Law define investigation of accident aimed at possible improvement of railway transport safety, establishment and authorization of investigation body, obligations of the competent bodies to provide information and evidences related to investigation of extraordinary incident to the investigation body, preparation of a report by the investigation body, containing data on type and severity of the extraordinary incident, as well as time of announcement of annual reports on performed investigations, safety recommendations and measures passed according to

announced reports. Hence, investigation body has been introduced, which is, according to Memorandum, provided as permanent and independent body in charge of investigation of railroad accidents and incidents in accordance with the provisions of the Directive on Safety on the Railways 2004/49/EC of the European Parliament and Council. The obligation of introducing the investigation body arose from the Memorandum on understanding signed on 11th of June 2004. In addition, obligations of the railway employee and other person found on the spot of the extraordinary incident, obligations of the infrastructure owner, that is, carrier in the light of informing competent body and undertaking rescuing measures and provision of assistance to injured people, as well obligation of particular railway employees that must be trained to provide first aid to persons injured in extraordinary incidents.

Naturally, neither the third-human-factor is neglected, therefore, the same Law raises also the level of qualification requests that must be fulfilled by railway employees, professional ability of the railway employee must be regulated, its professional qualification and specialization, as well regular and extraordinary control of professional knowledge of the railway employee. In addition, the issue of professional training was standardized, taking of professional exam as well as issuance of certification on passed professional exam. Apart from the mentioned, special attention has been paid to duration of working hours of railway employees, particularly with the intention to reduce to minimum the overstrain of railway employees, as well as the potential factor of jeopardizing safety and security in railway traffic.

Considering the above mentioned, it is realistic to expect that, in the upcoming period, positive effects of the implementation of the Law on Safety in Railway Transport will be noticed, as well as that, with presented and planned reconstruction of railroad, by cumulative increase of these three factors on a higher level, the higher level of safety and security in the railway traffic will be achieved, as well as the higher level of service quality.

In addition, in order to increase safety, the Railway company has started a project of introducing video control. This solution envisages permanent surveillance of particular locations, movement detection in zones dangerous for passengers' safety, detection of landslides at particular critical points on the railroad, detection of unlawful stopping at road crossings, etc., therefore, it is certain that finalization of this project will also mean improvement of the safety level.

In the field of maritime transport, from the point of policy of the Ministry of Transport, Maritime Affairs and Telecommunication, measures for improvement of safety and security will also be undertaken, primarily by adoption and implementation of the Law on Safety and Security of Navigation. Namely, the adoption of this Law will regulate measures and activities related to safety and security of maritime traffic, referring to vessels, ports, mariners and other stakeholders of the maritime economy, as well as search and rescue, pilotage and inspection supervision. The important aspect is implementation of the IMO Convention and EU Directives in this field of maritime transport. That specially refers to:

- national control in ports according to procedures of the Paris Memorandum of Understanding;
- EMSA in terms of preventing sea pollution from ships and
- constant improvement of ISPS code implementation in ports and on ships.

The Coastguard exists in Montenegro, namely according to principle of coordination and consolidation of resources and activities of the competent state entities, among which is also the Ministry of Transport, Maritime Affairs and Telecommunications. Coordinator of the Coastguard is the Ministry of Interior Affairs and Public Administration.

Civil aviation also pursues the trend of increasing the level of safety and security. The Government of Montenegro adopted the Proposal of the Law on Air Transport, which mostly defines safety of this type of transport, and which created modern legal and regulatory framework in the field of civil aviation, completely harmonized with the regulative in this field. The new Law on Air Transport in details defines search and rescue of aircraft, that is, full cooperation of the competent bodies, services and organizations in incidental and accidental situations is stipulated, with clearly differentiated obligations of each body, that is, severe penalties for inobservance of the provisions related to search and rescue are defined.

On 3rd of May 2007, Montenegro became legitimate, 38th member of the European Organization for the Safety of Air Navigation (**EUROCONTROL**). Eurocontrol is civil and military organization, with its headquarters in Brussels, whose primary goal is to develop a **system for pan-European Air Traffic Management (ATM)**. Achievement of this goal represents a key element in presenting future challenges within air transport community, which should be in accordance with planned development of air transport, by maintaining the level of safety, reducing prices and protecting environment. In addition, Eurocontrol develops and coordinate action plans for collective involvement of national competent bodies, organizations providing services, civil and military users of airspace, airports, industries, professional organizations and relevant European institutions.

Since Montenegro is member of the International Civil Aviation Organization (ICAO) and signatory of the General Convention on International Civil Aviation (Chicago Convention) and other international conventions and protocols, it has accepted special obligations and responsibilities, *inter alia*, in terms of issues of civil aviation safety.

By acceptance of the “ICAO model of the National Program on Civil Aviation Safety”, the Program on Civil Aviation Safety of Montenegro is defined, and it consists of the Program on Training in the field of Civil Aviation Safety, Program on Quality Control of the Civil Aviation Safety, Plan of Measures in Extraordinary Situations caused by acts of unlawful interference, as well as models of the Safety Airport Program and Program on Safety of the Airport Operator (*defined in order to facilitate* operative use of programs and to ensure safety). Airport, air operators and other entities referred to in provisions of the Program, shall be obliged to adjust their plans and programs with defined models and other provisions of the Program on Civil Aviation Safety in Montenegro.

Ministries, Administrations, Agencies and other bodies and organizations of Montenegro shall implement provisions which are defined and adopted by the Program on Civil Aviation Safety in Montenegro and by its addendums (within its competences defined by the Law), in order to provide safety conditions for seamless performance of international and domestic air traffic operations; to ensure protection of passengers, and staff employed at the airports as well as visitors; to ensure protection of the aircraft on the land and in the air, protection of airport facilities, radars and radio-navigation equipment and devices used for regular operation of the civil aviation traffic in Montenegro; to enable additional measure undertaking aimed at preventive action and response to increased level of threat in international and domestic air transport, as well as to reduce consequences of extraordinary-crisis situations caused by acts of unlawful interference.

Activities

1.1.1(a) To analyze and improve procedures referring to implementation of the infrastructural projects.

1.1.1(b) To establish joint department for analysis and statistics of the transport with the Ministry of Interior Affairs and Public Administration. Provide qualitative identification of traffic accident causes.

1.1.1(c) To prepare a National Program on Transport Safety with the Ministry of Interior Affairs and Public Administration, which is in charge of the activity. The above mentioned Program defines measures and activities related to reduction of traffic incidents and accidents.

1.1.2(a) To identify special financing sources of safety equipment at transport network. To strengthen services for emergency intervention and search and rescue services at sea and inaccessible areas.

1.1.2(b) To include insurance companies in the process of safety and security improvement in transport.

1.1.3(a) To inform bodies, in charge of for implementation of legal (legislative) regulative, with the EU standards related to safety and security for all types of transport, and to oblige them to perform safety and security control.

1.1.3(b) To define safety and security procedures in transport operation.

1.1.3(c) To stimulate supply of new safety and security equipment and devices in regulating transport.

1.1.4 To improve operation of organizations in charge of training for participants in transport (drivers, sailors, flying crew, engine drivers and others), which will be in accordance with international standards.

Goal 1.2: Transparent provision and use of funds for transport infrastructure

Apart from justice, predictability and safety in provision and use of funds, transparency is one of the preconditions for achieving professionalism and observance of selected criteria in transport management. Presence of both professional and unprofessional public in defining financing sources, regulating amount of funds, selection of priorities and manner of spending funds is only for the purpose of achieving more efficient and effective transport system, that is, eliminating of all negative occurrences in transport.

Establishing of database and qualitative process of data base management, as well as improvement of planning shall condition more secure use of program budget. By means of extensive public debate, it is necessary to define the most appropriate framework for planning and provision of funds where private sector will be included, and in order to achieve objectivity in terms of defining level of fees being paid by the users. This approach shall be in compliance with the EU directives, therefore, it will be able to create favorable conditions for attraction of foreign capital in financing transport infrastructure projects.

Activities

1.2.1 (a) to provide bigger participation of public in defining budget funds and taking loans from banks for the needs of transport infrastructure.

1.2.1(b) To connect definition of funds level with projects, through transparent program budget at all levels.

1.2.2 To adopt plans and programs related to transport in public and transparent manner, with participation of all interested parties and with necessary argumentation.

1.2.3 To analyze international practice and EU requirements related to free regime of carrying out of transit transport.

1.2.4 (a) To open public debate and according to it to define level of fees that are paid by users, the structure and manner of collecting the same.

1.2.4 (b) To create assumptions for incorporating of the international practice and practice of the EU states, by the regulatory bodies.

1.2.5 (a) To organize and coordinate support to the transport sector through establishing the Boards at high level, by the International financial institutions.

1.2.5 (b) To mobilize external support for construction (through stages) of „backlog“ (roads, railroad and communication systems, Port of Bar).

1.2.6 (a) To consider appropriate sources and activities in terms of maintenance of local roads and adequate operation of the same.

1.2.6 (b) To provide technical and organizational support to the local governance in implementation the previously mentioned.

In terms of transparency of plans and programs referring to transport, the Ministry of Transport, Maritime Affairs and Telecommunications fosters practice that all relevant plans and programs in this department should be transparent in total, primarily in manner that they are constantly available on the web site of this Ministry. In addition, there is an intention always to consult interested parties in the procedure, which precedes the adoption of some new relevant regulation by the Ministry. The focus will be on intensifying activities aimed at higher level of transparency, therefore, the non-governmental sector will be included by means of round tables and similar, apart from publication of the documents on the web presentation.

The cooperation of the Government of Montenegro, i.e. the Ministry of Transport, Maritime Affairs and Telecommunications with the local governance bodies in Montenegro is improving, and the aim will be focused on intensifying the same for the mutual benefit. Namely, one of the priorities related to investment maintenance is resolution of bottlenecks problems on transport network of Montenegro. Regarding that, the line Ministry, in cooperation with mayors of Montenegrin municipalities, identified bottlenecks on Montenegro's transport network (17 bottlenecks), that restrict further development of economic activities. It is necessary to emphasize that the Program of eliminating bottlenecks, apart from participation of the Government in paying off the contracting loan, will be financed with participation of municipalities as well. For example, particular number of concept designs and main designs, as well as expropriation will be financed by the municipality budget. Total costs for the implementation of this program shall amount to 178.160.000,00 EUR.

Goal 1.3: Achieve financial sustainability, and self-sustainability of transport infrastructure, where possible

Maintenance and improvement of transport infrastructure is financed by its users, either through paying VAT (indirectly) or through user charges (directly). Program budget provides funds for transport infrastructure. Periodical provision of funds and permanent needs are regulated by interaction of program budget, related to transport, and central budget.

The level of users' charges regulates the intensity of exploitation of the network and achieves balance between various modes of transport. Direct and indirect impact of transport on every economic sector is measured and subventions i.e. contributions are defined.

Insufficient funds for obtaining required state of transport infrastructure in the future period has to be compensated by favorable loans, as well as through partnership with private sector. Funds are spent in line with clearly defined priorities. The balance between maintenance and improvement of the infrastructure is achieved.

Activities

1.3.1 – To establish cadastre and data base of transport infrastructure in the aim of its protection and qualitative decision making related to regulation of transport.

1.3.1(a) To modify structure of charges paid by users, in accordance with the level of infrastructure degradation (to increase charges for cargo vehicles) and to support combined transport.

1.3.2 To provide funds that will entirely cover needs for transport infrastructure maintenance, through law on financing.

1.3.3 (a) To give priority to economic analysis, related to investments in road infrastructure, both for maintenance and rehabilitation, and for development of road network.

1.3.3 (b) To adopt best international standards defining guidelines for drafting feasibility studies and projects.

1.3.3 (c) To analyze and modify technical standards related to maintenance and repair of the road.

1.3.4 To simplify procedure of project approval through higher responsibility ("project manager") and better internal capacities, meaning bigger autonomy and external technical and financial revision.

1.3.5 (a) To ensure harmonization of procedures with the EU requirements for contract signing.

1.3.5 (b) As from 2010 to implement FIDIC rules (rules of International association for consulting engineering) for all tenders related to road infrastructure.

1.3.6 (a) To strengthen capacities for data processing and planning processes, by use of appropriate software tools for planning activities of road maintenance and definition of income level generated from roads.

1.3.6 (b) To create strong connection of financing sources of middle-term plans for maintenance and long-term strategy.

1.3.6 (c) to define "statement" that would refer to all who provide transport services (complied with mission, vision and goals of the Ministry of Transport, Maritime Affairs and Telecommunications).

1.3.7 (a) To adjust legal regulations in terms of support to public-private partnership.

- 1.3.7 (b) To stimulate participation of private sector in future infrastructure projects.
- 1.3.7 (c) To identify potential projects appropriate for concession arrangements.
- 1.3.8 (a) To make balance of funds from Budget and users' charges, in order to provide maintenance funds.
- 1.3.8 (b) To provide missing funds for maintenance from users' charges by funds from the budget.
- 1.3.8 (c) To create preconditions for accumulation of funds from users' charges for legitimate interventions at the market and for investments.

In terms of fee increase for trucks, such measure would be fully justified if truck impact on infrastructure is considered. That is in accordance with the Protocol IV on inland transport from the Stabilization and Association Agreement between European Community and its member states and Montenegro, where it is stated that contractual parties propose extraordinary, temporary, nondiscriminatory measures, for limitation or mitigating of damage that threatens to road infrastructure due to increased transit transport of haulers from the Community. In addition, it is planned to adopt a bylaw defining extraordinary (out of dimension) transport for the purposes of road infrastructure protection.

In accordance with the obligations arising from the Stabilization and Association Agreement, that is, Protocol IV on inland transport, reciprocally harmonized measures for development and improvement of railway and combined transport through Montenegro under ecologically acceptable conditions will be adopted. Necessary steps for development of combined transport will be undertaken. The purpose of such measure will be as follows: encouraging users and senders to use combined transport; achieving competitiveness of combined transport to road transport; encouraging use of combined transport for long distances, particularly use of replaceable boxes, containers and transport without escort; improvement of speed and safety of combined transport, and particularly: increase of convoy frequency toward needs of users and senders, reduce of waiting hours on terminals and increase of its productivity, removal, in appropriate manner, of all obstacles from approaching directions in order to improve access to combined transport; harmonization, where necessary, of weight, dimension and technical characteristics of specialized equipment, and particularly in order to ensure necessary compatibility of platforms, as well as coordinated action aimed at ordering and installing equipment required by the level of transport.

Port of Bar, as practically the only commercial port in Montenegro, which carries out 95% of maritime transport, has capacities and development potentials (operative coast length, depth of aquatorium, connection with railroad and large area for expansion) giving it great regional status and part in development of motorways of sea. In addition, Port of Bar, as modern port, having international reputation of frequent port for trans-shipment of all types of cargo, provides great possibilities for further development of combined transport and connection of all region, since necessary road-railroad infrastructure is located in its hinterland. In order to implement such possibilities, construction of new and reconstruction of existing terminals for combined transport at railroad stations Bar, Podgorica and Bijelo Polje is planned. Terminals will stimulate further development of combined (truck-railroad) transport at most important lines.

Ownership change in parts of restructured railway system means privatization and/or private-public partnership, and the same is planed in the following parts and functions:

- 1) Dependant companies Passenger transport and Cargo transport, with strategic partner for joint venture or sale and purchase of control packet of shares will be provided significantly better quality and number of vehicles, as well as increase of operation scope through intensifying transit transport..
- 2) Maintenance of railway vehicles would represent special dependant company that would provide services not only to carriers who would emerge by restructuring of Željeznica Crne Gore Company, but to other carriers that will emerge upon obligatory market liberalization. Depot and workshops will be included in the company, and necessary investments for its modernization and development would be provided through strategic partnership on the basis of joint venture and/or privatization.
- 3) Strategic partnership with company having experience and reputation in this field will be provided for dependant company *Infrastructure Maintenance*. As a special attraction for this partnership, the state will offer multiannual contract on infrastructure maintenance, on the basis of which payments will be performed from the Budget. Significant investments, which are, in the upcoming years, expected in railway infrastructure, also should be attracting for serious strategic partners. This kind of partnership should result by increase of quality of maintenance and safety of transport.
- 4) A part of the infrastructure referring to railway stations and land would develop through concession arrangement. All facilities would, whether jointly or individually, be given to concessionaire to manage and use for a period that would be defined on the public tender, on the basis of offered business plan. Significant investments in these facilities would be an obligation of the concessionaire, but also the contentment of the public interest in railway transport. Multimodal terminals, planned for construction in Bar, Podgorica and Bijelo Polje appear as special possibilities of this part.

Apart from the mentioned, it is probable that implementation of the private-public partnership would be performed upon restructuring procedure of the company „Montenegro Airlines“. Namely, in terms of this company, the following privatization models are possible:

1. Privatization by investment of domestic and foreign capital (subscription of new shares by means of capital increase),
2. Sale of company's shares to strategic investor upon change of company's legal status,
3. Joint venture (strategic partnerships): on the corporative (by establishing joint company) or contractual basis (investments on the basis of Investment contract).

Government of Montenegro, as majority owner, has interest to, in the process of implementation of Restructuring Program, launch privatization with emphasis on attraction of foreign capital.

In terms of private-public partnership related to Port of Bar, it is proper to emphasize that by privatization of majority part of the state capital in the company and by means of long-term concessions, partners who will provide increase and appropriate structure of

turnover and investments would be required, both for port equipment, devices, facilities and objects, and in development projects of construction and improvement of infrastructure and space. Reforms mean optimization of the system through process of restructuring, implementation of Landlord organization model and privatization of all operative activities. Activities, which will be carried out by implementation of the Restructuring Program for Port of Bar, imply:

- exclusion from business system and sale of non-port-related activities;
- organization of trans-shipment and storage in three organizational units: container terminal, terminal for general cargo and terminal for bulk cargo and special cargo;
- exclusion from business system of Shareholder Company Port of Bar (AD Luka Bar): Maintenance, Maritime Affairs, Port-transport employees, Information management and communication and science, Security service and fire fighting protection, as well as contracting of mutual relations between parent company and dependant companies;
- definition of redundancy, contracting and implementation of social program for reduction of employees number;
- drafting and adoption of open procedure of public tender for privatization of all operative port activities;
- privatization of all abstracted companies through sale and purchase of shares and/or joint venture with strategic partner;
- sale and purchase of state package of shares and/or joint venture with strategic partner in the parent company AD Luka Bar, namely depending on market interest, whether according to model of all three terminal together, or each of them separately.

Reconstruction of infrastructure objects in Port of Bar (part of quay and operative coasts), will be performed through support of banks and other financial institutions to private partner who will be granted concession, and which will include BOT arrangement.

Strategic goal 2: Quality maintenance of transport infrastructure

Transport system in Montenegro will be developed in manner which will be followed by quality maintenance of transport infrastructure.

Goal 2.1: Quality and responsible maintenance of transport infrastructure

Qualitative and responsible maintenance of transport infrastructure implies:

- Existence of planned preventive maintenance system established on recorded condition of the traffic lines in detail,
- Efficiently organized system of corrective maintenance,
- Existence of quality companies dealing with activities in transport construction, as well as loyal relations between state and such companies.

It is already said how difficult it is to mobilize financial sources for maintenance of roads. Provision of financial sources for maintenance will be primarily possible, if factors of degradation of road infrastructure are put under control as soon as possible. From the macroeconomic point of view, combined transport, mostly railway and maritime, are good alternative to road transport, but are less flexible and they need support through

incentives by the state. Overburden of cargo vehicles falls under the issue of implementation of existing regulations.

Activities

2.1.1 – To support and encourage possibilities of concession arrangements and development of companies which organize and improve combined transport.

2.1.2 – To use advantages of the market in selection of constructors and providers of services to state institutions in relation to works on transport infrastructure.

2.1.3 – To control consistently contract compliance and apply penalty policy in inobservance of contractual obligations by all partners performing activities related to transport infrastructure.

As already mentioned, the state will attempt to stimulate combined transport. Therefore, necessary measures will be undertaken, in period 2008-2009, for stimulation of combined transport development, which will be reflected through restructuring of the company *Željeznica Crne Gore* and Port of Bar, then through implementation of transport policy which will direct road transport to the combined, provision of financial and economical incentives for combined transport, mostly through support to railway and line maritime transport.

Last year, the Ministry of Transport, Maritime Affairs and Telecommunications prepared the Analysis on condition of local roads in Montenegro, which represents the first step toward systematic action on road infrastructure. Particularly, this detailed analysis will certainly enable and facilitate undertaking of specific activities, since it is possible to make quality and realistic decision in the future period, according to precise indicators presented in the Analysis by both the individuals of local governance (when local road management falls under their competencies pursuant to the Law on roads), and the state. In addition, considering that the line Ministry recorded condition on site and analyzed the occurrence of public road usurpation, where overview of problems on public road usurpation is presented in detail, with photo-documentation, the effort will be made, in the upcoming period, to reduce the number of public road usurpation to the possible minimum, if it cannot be eliminated in whole. Data indicate that out of all recorded usurpation, the majority was performed in the zones included in spatial plans (70% in the zone included in DUP (Detailed Physical Plan), 28% in the zone included in GUP (General Physical Plan), and only 2% in zones out of physical plans). There is an obligatory need to resolve the problem of public road usurpation as soon as possible, and primarily by implementation of the following activities:

- Amendment of the existing Law on roads, for the purpose of classifying competences of the state and municipality's inspection, definition of appropriate legal framework, achievement of efficiency and prompt intervention in preventing further usurpation and devastation of road land;
- Obliging the ministry in charge of spatial planning, and particularly competent bodies in municipalities to, during issuance of building and occupancy permits, insist on strict implementation of the Law on Construction of Structures, the Law on Spatial Development and the Law on Roads, in terms of necessary provision, *inter alia*, and required transport approvals as one of the preconditions for issuance of permits in question, in order to prevent usurpation of traffic zone, in

- case when state road passes through inhabited place, that is, when it is about zones covered by DUP;
- Strengthening inspection capacities for state roads, considering length of road network, necessity to improve preventive actions, as well as increased construction intensity in road and prohibitive zone of state roads;
 - Coordinated activities on site of all interested inspections (inspection for state roads, utility and construction inspection), by means of joint inspection supervision;
 - Selected winner will be required to enhance engagement according to obligations referred to in Contract on regular maintenance and protection of roads, where it is necessary to update operation of section managers, services for examination and other services for protection of roads and road land, as well as in submitting application to inspection for state roads, the same must be more precise, with data necessary for undertaking of administrative activities and measures;
 - Updating road data base (report on road land expropriation, technical road documentation and road facilities and similar) and, as soon as conditions are created, starting the activities on keeping recording on immovable belonging to state roads and
 - Proper marking of road zone (road markers and similar), in order to prevent further usurpation and devastation of roads.

Implementation of mentioned activities would be aimed at and would result in better protection of road infrastructure.

Goal 2.2: Reduced travel hours at economically most important destinations for Montenegro

Through several activities, in order to reduce time necessary for transport from one point to another, time spent in traffic is reduced, as well as transport cost consequently. Routes and its importance are defined, as well as alternatives, transport regimes, construction of third lines and bypasses is completed, multimodal transport is introduced along with necessary infrastructural objects, better information of transport participants is achieved in terms of conditions and regimes of transport infrastructure exploitation, discipline in transport is achieved, efficient crossings of border are provided, sophisticated control of transport is introduced, etc.

Activities

- 2.2.1 – To adjust procedures of crossing of borders to actual needs.
- 2.2.2 (a) To identify and remove all administrative barriers for fast transport (particularly by adoption of electronic business system and control, and similar incentive procedures by customs services) through establishment of joint body with entities providing customs and veterinary services.
- 2.2.2 (b) To establish one-stop joint office at nodal points (ports and land border-crossings, railway and border-crossing).
- 2.2.2 (c) – To construct bypasses at locations where bottlenecks exist.
- 2.2.2 (d) – To reconstruct infrastructure in order to avoid non-standard curves, reduce percentage of roads with forbidden overtaking, eliminate weak points where transport interruptions occurs, etc.

Pursuant to the provisions of the Stabilization and Association Agreement and Interim Agreement on trade and trade-related matters between European Community and Montenegro, which came into force on 1st of January 2008, the contractual parties committed to enable unlimited access for transit transport of the Community through the Community, as of the date of coming into force of this Agreement, that is, in accordance with its internal rules, and considering that as a priority, parties will jointly seek activities appropriate for development of transport system suitable to the needs of contractual parties and which is in compliance with the rules of Community's internal market and implementation of common transport policy, on one side, as well as with economic and transport policy of Montenegro, on the other side. In accordance with the mentioned commitment, in all bilateral activities and in signing contracts on transport of passengers and cargo in road transport between Montenegro and other countries, the policy of congestion relief of road transport is promoted, then license regime settling and procedure simplification, which remove administrative obstacles for operation in road transport.

Strategic goal 3: Efficiency

Transport system in Montenegro will be developed in such manner as to be efficient.

Goal 3.1: Efficient and effective system of governmental institutions in charge of transport

System would consist of: administrations, agencies and directorates. Main characteristics of the system would be as follows: responsibility, autonomy, rationality and professionalism. Institutions are in charge of implementation of the legal framework, monitoring and control of transport efficiency, and proposal of improvement measures, each in its field. Strong institutional connection between all of them is necessary.

State institutions in charge of implementation of legal framework and infrastructure management, need to focus permanently on increase of its efficiency. Strengthening of organizational capacities should be emphasized through higher flexibility and definition of individual responsibility in working procedures. In terms of legal regulative, it is necessary to connect with mechanisms and approach of European Commission regulating fair competition.

In terms of institutions in charge of infrastructure management, precondition for significant improve of efficiency is autonomous status, and that is the only way to provide higher salaries for employees, higher flexibility and delegation of responsibility in the process of decision-making.

Activities

3.1.1 (a) To create conditions for signing and implementation of international agreements.

3.1.1 (b) To adopt and implement internally and externally connected legal and regulative framework, pursuant to the National Program for Integration 2008 – 2012.

3.1.1 (c) To establish connection between bodies in the field of transport with related bodies of other countries and to provide proper interchange of knowledge.

3.1.1 (d) To implement independent external technical and financial audit of the budget on the basis of one-year contracts, which implementation falls under competencies of the Ministry of Transport, Maritime Affairs and Telecommunications.

3.1.2 To provide budget line for independent external technical and financial audit of concession agreements, related to provision of port, airports and railroad services.

3.1.3 To support capacity development of bodies operating transport infrastructure, through technical assistance and by means of establishing and strengthening of strategic partnerships, as well as through training.

3.1.4 (a) To promote Directorate for transport, as administration body in charge of implementation of maintenance program, reconstruction and development of existing network of state roads and railway infrastructure.

3.1.4. (b) To promote and strengthen capacities of Maritime Safety Administration, Civil Aviation Administration and Port Authority, as institutions competent for administrative and operative activities in implementation of laws in the field of maritime and aviation.

3.1.4 (c) To strengthen administrative capacity through five-year training plan (focused on young personnel) and through higher level of motivation in terms of higher salaries.

3.1.5 To insist on law drafting, stipulated plans, related to maintenance and construction of transport infrastructure, as well as to insist on implementation of the laws, then responsibility in case of non-implementation of the same.

In terms of creating conditions for signing and implementation of international agreements, the Ministry of Transport, Maritime Affairs and Telecommunications has already undertaken a set of activities in order to strengthen bilateral and multilateral activity of the state in the field of transport. Particularly, the Government of Montenegro adopted, at the proposal of the Ministry, the draft of standardized Agreement on transport of passengers and cargo in international road transport between Montenegro and other states, the text of which is completely composed in accordance with recommendations of European Conference of Ministers of Transport (CEMT), and which is aimed at harmonization of texts of bilateral agreements in international road transport. Mentioned draft of the Agreement liberalizes temporary transport of passengers and transport of cargo. The draft of this Agreement is delivered to numerous interested countries, therefore in the upcoming period, it is possible to sign several of these Agreements on bilateral base, with states where mutual interest exist for regulation of transport in international road transport. In this way, it is planned that Montenegro, in accordance with the provisions of the Stabilization and Association Agreement, enables liberalization and mutual access to the markets of both contractual parties and facilitate movement of passengers and goods. In addition, in the field of road transport, Montenegro acceded multilateral Agreement on international occasional carriage of passengers by coach and bus - INTERBUS. By acceding the Interbus and by its ratification, the following is achieved:

- Improvement of international transport development in Europe and facilitation of its organization and performance;
- Simpler tourism and cultural exchange between contractual parties;
- transport liberalization;
- Higher level of technical conditions for buses in international occasional carriage between contractual parties and improvement of transport safety on roads as well as environmental protection;
- Implementation of unique measures in terms of buses' crew operating in international road transport;

- Harmonization of accession conditions in performing transport activity in road passengers transport;
- Implementation of non-discriminatory principles in providing services of international transport compared to domestic and foreign carriers;
- Implementation of standard forms of transport documents, such as control documents for liberalized occasional carriage, and licenses and forms of requests for issuance of licenses for non-liberalized carriages, for the purposes of facilitation and simplification of control procedures;
- Harmonization of measures and procedures for implementation of inspection supervision.

Government of Montenegro, at the proposal of the Ministry of Transport, Maritime Affairs and Telecommunications, defined the Platform for conducting negotiations in the field of air transport between delegation of Montenegro and delegations of other states, at expert meetings, which will be held in the upcoming period, as well as standardized draft of the Agreement on air transport between Montenegro and other contracting states, where mutual interest exist for its signing. In this way, the signing procedure is facilitated, and preconditions for definition of the air transport between Montenegro and other countries are created. Up to now, agreements with Swiss Confederation and Republic of Croatia have been initialed, then Memorandum with Russia, and it is expected to initial agreements with Albania, Bulgaria, Macedonia, Russia and others.

In terms of multilateral agreements, in mid-July 2006 in Brussels, Montenegro signed Multilateral Agreement on European Common Aviation Area ECAA, which is ratified in October 2008 in the Parliament of Montenegro. Thereby Montenegro became a part of the European common aviation area, based on free access to the market, freedom of establishing of commercial enterprises, equal competition conditions and observance of identical rules in the field of safety, security, air transport operation and compliance of issues related to environment. Therefore, obligation of the line Ministry is to, in accordance with Protocol VII and within first and second transitional period, harmonize national legislation with regulation in the field of air transport included in ECAA Agreement. This regulation is incorporated in the new Law on Air Transport, in accordance with assumed obligations referred to in ECAA, and the same will be elaborated in bylaws, which are expected to be adopted according to the National Program for Integration 2008-2012 as a short-term priority (in the next two years).

Upon renewal of statehood independency, Montenegro became a member of many relevant international organizations in the field of transport, therefore, according to that, in the upcoming period it will continue with active participation in operation of such organizations. Namely, on 16th of October 2006, Montenegro became a member of **International Maritime Organization – IMO**, by submitting accession documents to general IMO Convention dated 1948. By accepting conventions and protocols of IMO, as well as rights and obligations arising from them, Montenegro committed to pay special attention to strengthening of legal and administrative framework, with the aim to improve safety and security, protect the sea from pollution and ecological protection in ports, marinas and shipyard. Special attention will be paid to participation on international conferences on safety and security of navigation and signing agreements in the field of maritime transport, with the aim to implement the highest standards in territorial sea of Montenegro. In addition, activities will be directed to improvement of certificate system and sailors' education through implementation of the conventions on training standards, authorizations and watch-keeping. The General Secretary of IMO informed the Ministry

on Transport, Maritime Affairs and Telecommunications that Montenegro is effectively on the “**White list**” as of 3rd of June 2006. That means that all authorizations issued to our sailors by Montenegrin port authorities fulfill standards of IMO Convention on standards for training, issuance of certification and watch-keeping (STCW Convention) and the same will be recognized by maritime authorities of all IMO member countries.

On 22nd of November 2006, Montenegro became a member of **European Conference of Ministers of Transport (CEMT), current ITF- International transport forum**. ITF is a global institution at the highest level, which deals with transport, logistics and mobility. Recently transformed from CEMT, ITF represents inter-governmental organization within OECD family. It gathers OECD member states, but also many countries of Central and East Europe. Involvement of more than 50 ministers ensures direct communication and significant status in policy, both in national and in international level. Goal of the Forum is to stimulate further reasonable key roles of transport in economy and society. Obligations of the minister of transport within ITF mean, not only definition of policy in this field, but also implementation of such policy. For that reason, ITF is focused on practical steps that should be undertaken. Recent years, progress has been achieved in the field of reduction of transport activities negative impact on environmental protection. It is important to note that each year discussion is made within the Forum on the most actual issues in the field of transport, therefore, in 2007 topic of the Forum was *Congestion in Transport – Global Challenge*, in 2008, it was *Transport and Energy: Challenge of Climate Changes*, while for the next year *Globalization and Transport* is planned to be the topic of the Forum.

Pursuant to the guidelines of ITF, transport policy, which will be used as a ground for all infrastructure initiatives must strive, *inter alia*, toward the following:

- liberalization of transport at international level in order to provide higher degree of trade efficiency as a necessary precondition for economic growth and social development;
- promotion of harmonization, interoperability and inter-modality in terms of corridors, in order to reduce transport costs, and also this policy must not be directed only to technical aspects of transport, but to administrative and legal provisions which define this field;
- encouraging railway reform in order to become competitive and to achieve profitability of investments through more intense use of railway infrastructure;
- promotion of uniform development, relevant statistical data bases in order monitor and evaluate investment projects at the international level:

REBIS (Regional Balkans Infrastructure Study) is the project financed by the Commission of the European Union and includes countries of the Balkans – Albania, Bosnia and Herzegovina, Croatia, Macedonia, Serbia, Kosovo and Montenegro. The Project will be focused on development of the regional network and identification of projects suitable for international co-financing.

As stated in REBIS, some of the main trends in transport policy are as follows: separation of operators from infrastructure (railway and port), simplified access to the market by the operators in all types of transport on equal grounds, most of ports and airports are privatized and similar. In the Balkans region, transport sector changes and most of these trends were discussed in the region. Mostly, general course of reforms is

performed according to this, but there are still plenty of activities to be done. This is an area where technical assistance is needed.

Active participation of Montenegro within the Memorandum of Understanding for development of Core Regional Transport Network in South-East Europe (**MoU**), signed in Luxembourg on 11th of June 2004, and its further positioning through implementation of the Protocol IV on Inland Transport within the Stabilization and Association Agreement, enables promotion of the regional cooperation in the field of transport. This document represents a good base for strengthening regional planning capacities, as well as efficient use of funds of international financial institutions and private resources.

Within the Memorandum of Understanding, five-year action plans are drafted (which are updated on an annual basis), and which include priority list of projects that, which apart from national, also have regional significance. In addition, **Multi Annual Plan (MAP)** represents regional strategy and identifies significant number of important reforms and measures of management in the transport sector, and it is significant in terms of financial viability and economic stability of the region. In accordance with that, in 2007, the II Action Plan for the period 2007-2011, (Multi Annual Plan/MAP), which represents ground for easier attraction, both investors in the transport sector, and operators in this field, is drafted.

It is important to note that implementation of the program of eliminating bottlenecks on transport network in Montenegro represents further development of MAP, because it includes elimination of 16 bottlenecks at the *Core Network*. More qualitative connection of the transport system of Montenegro to the TEN-T corridors will be enabled through the development of regional transport network (*Core Network*).

Annex to the Memorandum of Understanding for Railway Transport in South East Europe was signed at III Annual Ministers' Meeting, which is held in Tirana, on 3rd and 4th of December 2007. Annex of the Memorandum was prepared by the European Commission and World Bank, and by signing it, all member signatories committed to accelerate reforms in this sector, to reform legal and institutional framework necessary to implement such reforms, as well as to liberalize market of the railway services.

Particular attempts of Montenegro will be focused toward activities and procedures for modification of the general regional transport network in South East Europe (*Core Network*), in order to include highway Bar-Boljare and Adriatic-Ionian highway into general regional transport network, with regard to the capital dimension of these projects for Montenegro.

Montenegro represents clear position in terms of operation of the development policy in transport, as well as incorporation of transport network, therefore, further participation within the Memorandum of Understanding is of a great importance for development of general transport network in South East Europe, particularly in the light of the *Stabilization and Association Agreement to the EU*. Provided that association to the EU represents the priority of the Government of Montenegro, along with recommendations of the European Partnership related to transport, implementation of the Memorandum of Understanding represents one of the priorities of the Ministry of Transport, Maritime Affairs and Telecommunications, particularly in terms of more qualitative connection of transport system of Montenegro to TEN-T.

In the field of maritime transport, the Ministry of Transport, Maritime Affairs and Telecommunications will intensify activities on ratification of IMO and UN Conventions, as well as standards of Paris Memorandum of Understanding and European Maritime Safety Agency (EMSA), that is, conventions and agreements from regional Mediterranean and Adriatic initiatives, with accent to safety and security of navigation and pollution prevention from vessels. These activities will, *inter alia*, represent also strengthening of administrative capacities of maritime authorities.

With regard to institutional, that is, administrative capacities, intensifying of activities directed to strengthening of mentioned capacities with respect to the transport is defined as a priority, both on national level (the Ministry of Transport, Maritime Affairs and Telecommunications, Directorate for Transport, Administrations, Agencies, and similar), and on municipal level (competent Secretariats and similar), which will contribute to the higher level of operability, more efficient implementation of the regulations in the field of transport, as well as more successful harmonization of the national legislation with the European Union regulations. In terms of institutional capacities, this priority represents establishment of the Civil Aviation Agency, pursuant to the Law on Air Transport, as well as forming of Port Administration according to the new Law on Ports. Port Administration will be conferred, *inter alia*, the following activities: management, construction, maintenance, protection and improvement of ports; supervision of port utilization, provision of port services and performance of other activities in port, as well as drafting of concession document, participation in the procedure for concession granting and signing of the contract on concession. In the context of administrative capacities, these measures imply employment of additional number of inspectors for particular field of transport, as well as advisors in all sectors. Apart from mentioned, the Law on Safety in Railway Transport introduces three more institutions in the system of Montenegro, namely: Investigation body in charge of railway accidents and incidents investigation, Railway Public Security Authority and Notified Authority. Establishment of these institutions is planned by the end of 2009.

Goal 3.2: Privatized state owned enterprises providing transport services

This goal means dominant private capital in the largest transport companies in Montenegro, including railway, ports, airports, air-carriers. It is necessary to note that prior to privatization, it is important to clearly separate the existing infrastructure (which must be state-owned) from commercial transport activities. After that, transport infrastructure will be given to privatized companies with the right to use, through concession arrangements or different types of partnerships, and public interests will be protected through concession or partnership agreements. This should result in more efficient and effective operation of transport companies, as well as in higher presence of market activities.

Activities

3.2.1 (a) To restructure the company Željeznica Crne Gore.

3.2.1 (b) To open market of railway transport for other operators, by means of license issuance.

3.2.2 (a) To restructure Port of Bar.

3.2.3 (b) To seek partners for establishment of temporary national shipping company, whose shares will be sold to private operators, in accordance with previously defined plan.

3.2.2 (a) To establish institution in charge of port infrastructure management, state control functions and granting concessions for all port services.

3.2.2 (b) To prepare detailed concession arrangement, referring to port terminals, in order to improve integrated transport chain.

3.2.2 (c) To apply the same procedure to other stakeholders using port infrastructure.

3.2.2 (d) To develop nautical tourism, through construction of marina network on principles of sustainable development and integral management of coastal zone.

3.2.3 To prepare action plan of private sector revitalization, which deals with activities related to maritime transport.

3.2.4 (a) To introduce and oblige institutions in charge of implementation of legal regulation, with EU standards related to safety, security and environmental protection.

3.2.4 (b) To connect Air Traffic Control into previously, economically, optimally selected functional block.

3.2.5 (a) To implement Restructuring Strategy of "Montenegro Airlines" according to defined terms and dynamics.

3.2.5 (b) To support signing and implementation of strategic agreements and partnerships with other operators in civil aviation.

3.2.6 (a) To restructure Public Enterprise "Airports of Montenegro" (JP "Aerodromi Crne Gore").

3.2.6(b) To initiate process of management (real costs, non-discrimination, transparency) and operative departments at the airport.

3.2.6 (c) to separate infrastructure at the airport from commercial operations.

3.2.6 (d) To grant a concession on airports' management and all airport services (primarily "ground services").

3.2.7 To create conditions for participation of private sector in construction of new infrastructure projects. To inform concessionaires, present in all locations, on possibilities of investing in infrastructure of Montenegro.

3.2.8 To commercialize contracts related to infrastructure works and prevention of monopoly or cartels.

3.2.9 (a) To introduce new procedures for tender announcement for maintenance (division of shares, multiannual contracts paid in accordance with the quality of performed work) and contract signing, in order to enable more qualitative implementation of maintenance works and infrastructure rehabilitation and by measures of regulated competition to increase its efficiency.

3.2.9 (b) in cases of contract inobservance by the service provider, or non-quality work performance, to undertake appropriate, defined by the contract, measures in order to protect money of tax payers and to force partners to observe signed contracts, both in terms of dynamics, and in terms of work quality. To submit reimbursement requests. To keep particular amounts of payment for damage reimbursement.

In accordance with the Law on Railway, the company AD "Željeznica Crne Gore", has started restructuring process by separation of the parent company, that is, by establishment of two dependant companies with limited liability: (ŽCG Infrastructure Ltd Podgorica) ŽCG-Infrastruktura d.o.o Podgorica and (ŽCG Transport Ltd Podgorica) ŽCG-Prevoz d.o.o. Podgorica. Principles, which will be used for restructuring of this company, pursuant to the Restructuring Strategy of the company Željeznica Crne Gore, are defined on transport policy of the European Union, as well as on the Stabilization and

Association Agreement. Such principles are: structural form of organization in accordance with the laws and European Directives; promotion of competition and creativity in increasing the quality of services; interoperability and technical harmonization with European systems, promotion of the international (transit) transport and coordination of activities at the Government's level.

Final results of the restructuring programs are as follows:

- To increase operation efficiency;
- Transparency in using budget funds;
- To increase competitiveness of railway transport;
- To adjust to the conditions of the liberalized European transport market and
- Transport of passengers and cargo, as operating activity, should be privatized.

Ownership structure over the property of railway stations and land would remain the same in total, if development is provided through concession arrangement, that is, it will be changed in manner that state owned property is reduced, if development would be provided through increase of capital or privatization.

Contrary to that, ownership participation of the state in the company “Željeznička infrastruktura” would be increased in manner that state, by its investment, would perform permanent increase of capital in the future period, and would approach to full ownership.

Restructuring program of the Company Željeznica will be performed in three stages: financial audit, segmentation and privatization.

In Trans-European Transport Network, the Port of Bar is included in the list of ports of regional importance, through which, the so called IX Corridor – Motorways of the sea will be developed. European financial institutions will provide support in determination of regular ship lines and development of ports having potential for intensifying inter-modal and combined transport. In the European policy of transport, that represents one of the ways how to promote development of maritime and railway transport, compared to road transport, which is less safe, creates congestions and pollutes more the environment. In development of the motorways of the sea, except of the favorable geographical position and appropriate infrastructure and space capacities, the key element providing competition of the port is its connection with the railway line. Strategic activities and priority projects are exactly directed toward reconstruction and modernization of the railroad from Bar to the border with Serbia. That railroad gives to the Port comparative advantage of the shortest and the most efficient connection for organization of mass transport between overseas destinations and market of Serbia, Hungary, Romania and others.

General goal, which is planned to be achieved by restructuring is to enable a more competitive position on transport market through organizational, management and functional optimization and to remove limitations for participation of private sector in operative activities of port service provision and investing in development projects.

Long-term sustainable development of the Port, on very competitive transport market, mainly depends on dynamics and level of connection of Montenegrin transport system in Trans-European Transport Network (TEN-T).

The following map shows Trans-European Transport Network.



Pursuant to the Protocol IV on Inland Transport referred to in Stabilization and Association Agreement with European Union, connection with TEN-T will be performed through Core Network in South East Europe. The Port will connect with the Corridors X and VII by route 4 from that network, and Routes 2 and 2b will provide crossing with Route 4 and transversally connection of Corridors Vc and VIII across the territory of Montenegro.

According to set goals and transport policy, the following results of implementation of restructuring program are expected:

1. Separation of infrastructure and space ownership and management from operative activities of port service provision and supra-infrastructure ownership;
2. Improvement in implementation of regulations and international standards in the field of safety, security end environmental protection;
3. Increase in quality of port services;
4. Increase of total turnover, particularly in part of trans-shipment, general cargo and Ro-Ro transport;

5. Development of transit transport and distributive centers, by using advantages offered by favorable geographical position and working regime in the free zone;
6. Establishment of regular lines with container and Ro-Ro ships, on the principle of so called short navigation, with ports in Mediterranean;
7. Support to transport-logistic uniqueness with railway systems in hinterland;
8. Reduce number of employees and social care of redundancy, according to special programs and
9. Total privatization of operative activities and supra-structure ownership and significant investment of private sector.

In terms of development of nautical tourism through construction of marina network, the basic marina network in Montenegro should be consisted of two big service marinas of the capacity 400-500 berths (marinas Bar and Tivat), three standard marinas of capacity 100-300 berths (Njivice, Bigovo and Ulcinj) and two special ("VIP" and "eco") marinas (Kotor and Buljarica) with less berths. Along with the mentioned bindings, there are particular numbers of commercial berths in existing ports, specially in locations that may attract more interest of sailors, such as Budva, Kumbor, Herceg Novi, Risan or Prčanj.

Concerning revitalization of maritime economy in Montenegro, it is inevitable to make a short background and review of planned activities related to AD "Crnogorska plovidba". Namely, at the beginning of 2004, Government established this company, in order to intensify activities on more significant development of Montenegrin mercantile marine, which is, after international sanctions, run into unsolvable problems and almost lost all its ships. However, without state guarantees or provision of funds for participation in credit arrangement, it was not possible to start with revitalization of Montenegrin shipping up to now. With intention of undertaking concrete steps in order to implement investment program of maritime economy revitalization, the Ministry of Transport, Maritime Affairs and Telecommunications has, in cooperation with the Ministry of Finance, prepared, and Government has adopted Elaborate on economic viability of investment in ship procurement for AD "Crnogorska plovidba". Results of economic-financial analysis show that investment program is feasible and financially sustainable. Through the implementation of investment project in question, direct impact on improvement of foreign-trade balance will be achieved. The project is considered as initiation of significant shipping development in Montenegro, with aim to provide, through one profitable activity having an old tradition in Montenegro, employment for sailors and connection with educational system. It implies that ships of this company will be completed with crew from Montenegro.

Strategic development plans of the company "Montenegro Airlines" are directed toward improvement and modernization of existing fleet and seizing new markets by opening new lines. Therefore, in the upcoming period, by introduction of two new aircraft type Embraer E195 (Lease Contract is signed with aircraft delivery deadlines by May 2008 and May 2009), proper conditions are created for conquering distant destinations at the market of Russia, Great Britain and Scandinavia. Direct purchase of two aircraft type E195 in 2010 and 2011 is planned, what would bring "Montenegro Airlines" in a position to impose itself as a strategic partner of tourism economy of Montenegro and a generator of its growth.

It is estimated that these development projects can be implemented in the form of capital increase, that is, privatization of the company, what will, in the same time, for a long-term, result in simultaneous financial consolidation of the company. The following activities are implemented in accordance with dynamics plan, within the Restructuring Strategy:

- company's asset evaluation;
- restructuring of the company from ltd (limited liability company) to joint stock company;
- technical-technological, organizational, financial, ownership and management restructuring;
- issue and sale of new shares for increase of capital in the amount of 30% of Company's value;
- sale at the stock exchange up to 5% of Montenegro Airlines shares, for stimulating and evaluation of demand at the capital market.

Goal 3.3: Commercialization of activities related to maintenance and construction of transport infrastructure

Institutions responsible for infrastructure management must be focused exclusively on efficient use of funds and gaining maximum benefit from such funds, in accordance with its mission. That is implemented by signing qualitative agreements and monitoring of its implementation, in order to receive quality service of work performance (construction, regular and periodical maintenance, maintenance during winter period, work supervision, project design, researches) from companies selected on tender.

Primarily, it is necessary to avoid creation of different forms of cartels and other obstacles to fair competition at the market, namely through lawful penalties, according to EU practice. Efficiency of companies and its technical and market discipline can be achieved only through efficient control and transparent procedure monitoring, consistent implementation of signed contracts and insisting on responsibility.

In this way, the best contribution will be achieved through creation of market conditions in this segment, protection of tax payers money and quality transport infrastructure will be achieved.

Activities

3.3.1 through selection of the most favorable service provider on the market and signing of contracts with such providers, to provide performance of all functions in terms of data collecting, drafting of feasibility studies, project designs, work performance and inspection of the same.

3.3.2 in case of limitation in, that is, non-quality maintenance, to revise partially or in total, contracts on road infrastructure maintenance.

Goal 3.4: Responsible use of transport infrastructure

High grade and responsible use of transport infrastructure implies:

- disciplined use of infrastructure in terms of observance of projected standards, which particularly refers to axle load of vehicles, technical correctness of vehicles and in relation to it infrastructure damages, cutting of the traffic lines with electric wiring, care of the zone around traffic lines and access roads, observance of particular limitations, etc.
- planning of routes of important traffic flows, particularly for freight transport and stimulation of those transport lines and clusters having less damage for infrastructure,
- Planned congestion relief of traffic lines, especially during high traffic frequencies in the season and in winter maintenance conditions.

When congestion relief of the roads is in question, it is necessary to stress that the aim is not to disable one participant in traffic in favor of the other (e.g. to disable road transport in favor of railroad) but to find, express, connect and use the best performances of each transport modes aimed at increasing the overall transport effectiveness by developing complex transport offer of very high quality (which is not possible to be offered by individual participant) in line with highest safety and security standards and least negative impacts on the environment.

Activities

3.4.1 to define and implement legal framework, which will affect de-motivation of carriers to "overload" vehicles (penalty charge on spot or prohibition of further movement).

3.4.2 to define and equip permanent places for control of axle load at border crossings and in front of significant traffic lines and to establish mobile points.

3.4.3 to increase control of participants in transport in terms of securing freight, whose fallout may damage infrastructure and pollute the environment.

3.4.4. to plan seasonal traffic regimes.

In terms of requirements for transport services in Montenegro, the problem of cyclicity is evident. Namely, the number of tourists in Montenegro per year is increased according to rate of more than 20%. For the purpose of illustration, in one critical summer day, frequency of road traffic is 23 times higher, than in some other day of the year when frequency of traffic is lowest. Therefore, it will be necessary to plan seasonal traffic regimes, as well as introduction of measures which will discourage mass use of roads by passengers vehicles during tourism season, that is, which will popularize air and railway transport, as well as increase use of public transport.

Strategic goal 4: Economic development

Transport system in Montenegro will develop in that way to contribute to economic growth.

Goal 4.1: Functional and modern transport economy capable to face with competition in the region

Characteristics of such transport economy would be as follows:

- efficient, technically modernized, currently managed companies in the field of transport,
- high grade transport service, subject to legal framework (insurance, technical standards, procedure observance, fair regulation) one side, and to market conditions (competition) on the other side.
- good understanding of market, good connection of companies with financial institutions, connection with partners from wider environment,
- presence at the South East Europe region and wider.

Activities

- 4.1.1 (a) to stimulate improvement of transport services (informational-technological tools, data bases, researches, consultancy services).
- 4.1.1 (b) to increase use of logistics services, in order to promote multi-modal transport and facilitated integrations on EU market.
- 4.1.2 to introduce state and private sector in the field of transport with the term establishment of transport-logistic cluster and with activities of inter-modal support.
- 4.1.3 to establish joint body with the Ministry of Interior Affairs and Public Administration, aimed at control of dangerous cargo.
- 4.1.4 to analyze possibilities of more efficient control of harmonization with new regulations (permits, contracts, safety and security standards).
- 4.1.5 (a) to repress negative occurrences in transport, disloyal competition, grey economy.
- 4.1.5 (b) to provide favorable approach of transport companies to the banks, leasing organizations and financial institutions.
- 4.1.5 (c) to request significant participation and more direct connection between users' associations and service providers in transport (chamber of economy, association of carriers, association of service users, transporters, importers, etc).
- 4.1.6 Upon restructuring process, by means of training by specialize institutions, to strengthen organizational and administrative capacities of companies, particularly in the field of logistics and multi-modal implementation.
- 4.1.7 to provide service quality by norms, procedures and control (obligatory insurance, observance of schedules, required conveniences).

Goal 4.2: Maximizing development potentials of the region of Montenegro through the improvement of transport services

Some areas in Montenegro do not maximize their development i.e. economic potentials, primarily tourism and agricultural due to underdeveloped and non-functional transport infrastructure. By careful quantification of selection criteria, it is necessary to improve the transport infrastructure and create conditions of faster development of underdeveloped areas of Montenegro.

One of the most important activities in the implementation of strategy relates to the implementation of strategic projects within transport infrastructure. In order to have consistent implementation of strategic principles and achievement of the goals in an effective manner, priorities of the implementation should be determined. Limited funds and almost always unlimited needs (arising from unjustified wishes) require transparent and argument selection. Certain projects, involved in the competition, may be of such nature to exclude each other, to be complementary or to be independent and to compete solely for the schedule in the implementation.

Selection criteria are always subject to agreement between the interested parties, i.e. stake holders who are gaining the benefits of the implementation of projects (regions, countries, areas, municipalities, etc.). Experiences of the EU in designing Trans European Transport Network and its redesigning and experiences in defining priorities on some of the Trans European Transportation Corridors within the Secretariats, as well as the regional conferences dealing with selection of priorities, do not provide universal criteria but they are always specifically defined for each process individually and often, there are some minor or major deviations. Furthermore, each country within its policy has defined criteria which are more or less consistently observed by relevant state bodies.

However, all those criteria could be classified in several groups.

1. Regional Importance of the Project

This criterion is present in all decision-making processes and reflects the overall importance for the greatest number of participants in decision-making process, i.e. expressed interest of the bigger region or the greater number of participants. It is included in several models and defined in different manners, such as:

- a) Coherency with projects planned in other countries or regions, i.e. importance given to the project by all participants of the decision-making process,
- b) Proportion of international transport, to which the project serves,
- c) Interoperability, i.e. improvement of standardization and harmonization of certain legal, economic, fiscal and other systems, as a contribution to a better and faster integration of the area.

2. Economic and Development Criteria

This criterion emerges as a measure of direct impact of the project on the economy and development of the area, i.e. its contribution to the overall social development of the area. It is present in the form of:

- a) Economic feasibility,
- b) Development impact,
- c) Access i.e. bringing closer the markets to one another, i.e. segments of markets.

3. Financial Criterion

This criterion presents the project from the financial aspect, i.e. from the sources of financing to the very investment criteria. It is expressed in various forms such as:

- a) Investment amount,
- b) Financial sustainability (Period of return of the invested funds, internal profitability rate, net current value etc.),
- c) Cost-benefit analysis,
- d) Level of provided resources,
- e) Possibility of the participation of private capital in the investment.

4. Environment Impact and Sociological Impact Criterion

Criterion requires elimination of all negative impacts on the environment and improvement of sociological integration and development. It is presented in different forms, such as:

- a) Environmental impact assessment,
- b) Promotion of sustainable mobility,
- c) Sociological impact,
- d) Inter-modality for the benefit of less expensive modes of transport and the ones which are less polluting and damaging the environment.

5. Technical Criteria

Technical criteria are dealing with standard of the project from the technical aspect, and applied technology and quality of transport service provided offered by the project. It is presented in the form of:

- a) Technical feasibility,
- b) Levels of established technical standards.

6. Specific Criteria

In certain cases, the criteria which, due to specific circumstances, have particular importance, are established, such as the infrastructure projects related to other projects urgent for implementation, preconditions of some large investments, or for example the issues of safety and security etc. They are present in different forms, such as:

- a) Mandatory investments related to improvement of security and safety standards,
- b) Investments aimed at reducing maintenance costs,
- c) Elimination of critical points aimed at reducing the number of traffic accidents,
- d) Reduction of the travel time or transportation costs etc.

In decision-making processes, each of the criteria is quantified and participates in the final evaluation of the project, which further on serves for setting the priorities.

For the purposes of preparing projects for selection, the team preparing the strategy has identified the strategic projects, i.e. projects with the widest socio-economic impact. These projects have been so far recognized as strategic in the prepared studies, analyses and programs. In that way, following the stated selection criteria, in accordance with the priority projects, the activities required to be performed, to these ends, were identified.

Activities

4.2.1 To continue the activities on construction of Highway section Belgrade – Bar: Boljare-Andrijević-Matešev - Bratonožići – west bypass Podgorica - Tanki rt - Bar, as

- well as sections of Adriatic-Ionian Highway: border with B&H (the area of Trebinje) – Čevo – Podgorica - (northern bypass) - Božaj (border with Albania),
- 4.2.2 To reconstruct the railway Bar – Serbian border (Vrbnica)-Belgrade,
 - 4.2.3 To complete the repairs and electrification of railway Podgorica-Nikšić according to planned dynamics,
 - 4.2.4 To continue activities aimed at construction of railway Nikšić – Čapljina, in cooperation with Bosnia and Herzegovina,
 - 4.2.5 To rehabilitate and modernize the railway Podgorica-Skadar,
 - 4.2.6 To construct terminals for combined transport at railway stations at Bar, Podgorica and Bijelo Polje,
 - 4.2.7 To continue the activities aimed at construction and reconstruction of infrastructure facilities in Port of Bar,
 - 4.2.8 To finalize the works of marine infrastructure in Marina in Bar,
 - 4.2.9 To revitalize the Port of Virpazar with the purpose to valorize the economic potentials of Skadar Lake,
 - 4.2.10 To revitalize the maritime economy,
 - 4.2.11 To reconstruct the road Coast – Podgorica – border with Serbia,
 - 4.2.12 To reconstruct and rehabilitate the road Nikšić – border with Bosnia and Herzegovina (Šćepan Polje), which is recognized as part of the Core Balkans Networks within the Regional Balkans Infrastructure Study-REBIS,
 - 4.2.13 To construct the main road Cetinje-Nikšić,
 - 4.2.14 To begin the construction of speedway along the Coast and per sections that would resolve the traffic problems at the seaside,
 - 4.2.15 To reconstruct the road Podgorica-Nikšić-border with B&H-Trebinje,
 - 4.2.16 To improve the traffic connection of Šavnik and Žabljak with main roads,
 - 4.2.17 To construct the section of main road Pljevlja-Slijepač most,
 - 4.2.18 To construct the new main road Foča (border with B&H)-Pljevlja-Bijelo Polje-Berane-Rožaje-Bač (border with Serbia), in which the parts of existing main road directions will be used,
 - 4.2.19 To construct the new main road Priboj (border with Serbia)-Pljevlja-Žabljak-Nikšić-Boka Kotorska, in which the parts of existing main roads will be used,
 - 4.2.20 To construct the new regional road Berane-Kolašin,
 - 4.2.21 To construct new regional road Berane-Mojkovac,
 - 4.2.22 To construct new regional road Danilovgrad-Gostilje-Semolj-Njegovudja,
 - 4.2.23 To construct new regional road Maočići-Velimlje-Petrovići,
 - 4.2.24 To rehabilitate the road Mojkovac-Žabljak, through Đurđevića Tare and adding the road Boan-Bukovica,
 - 4.2.25 To prepare projects of traffic infrastructure for national parks, and other underdeveloped areas of Montenegro,
 - 4.2.26 To equip and modernize airports Podgorica and Tivat,
 - 4.2.27 To revitalize and activate the airport Berane.

Concerning the issue of incorporating the project of highway construction from Bar to Boljare into Core Network, under the auspices of MoU on development of Core Regional Transport Network in the South-East Europe, this highway will represent an alternative for the existing route IV through Montenegro. Namely, considering the criteria for modification of Core Regional Transport Network in the South-East Europe with the members of Steering Committee, as the sections of this road are being constructed, they will be classified under category 2 (Types of Modification of Core Network), except for the section located at the crossing border between Montenegro and Serbia. The construction of Adriatic-Ionian Corridors has to be performed in coordination with

neighboring countries on that direction, especially with Croatia, B&H and Albania. Positive signals are coming from Croatia that they are ready to build extension of motorway from Dubrovnik southwards in joint action with Montenegro in front of potential concessionaries. The main reasons for this investment are the integration of Montenegro into Trans-European Transport Network and connections with Corridors Vc and VIII, valorization of economic potentials in areas on which the highway passes through, balancing of transport burdens on the existing traffic network in Montenegro.

Railway Bar-Beograd is, in international terms, the most important infrastructure facility in Montenegro. Its traffic position in TEN-T mainly depends on conditions of the railway and its exploitation in international traffic. The improvement of its condition and serviceability would normally contribute to its greater international attractiveness and draw it nearer the importance of TEN-T corridors. Within the project of reconstruction of railway Bar-border with Serbia (Vrbnica)-Belgrade, it is also planned to perform the overhaul of permanent way, rehabilitation of tunnels, bridges, slopes, landslides, as well as the installation of modern safety-signaling equipment. The main reasons for this investment are the increase of safety and security of railway, reduction of travel time, i.e. the increase of average train speed, the increase of quality of service in railway traffic.

Rehabilitation and modernization of railway Podgorica-Skadar is aimed at the increase of safety and security of railway, reduction of travel hours, i.e. the increase of average train speed, increase of quality of service in railway traffic, but also the valorization of capacities of the Port of Bar, and development of tourism. Through the implementation of this project, the concerned railway will be equipped with safety-signaling devices, the track grates will be replaced in the length of 5 km, and also the certain works on rehabilitation of telecommunications networks will be performed.

The main reasons for construction of the terminal for combined transport at railway stations Bar, Podgorica and Bijelo Polje are to enable the combined truck/railway transport on the most important directions in Montenegro; to open new perspectives for Ro-Ro transport, and connection of ship ferry lines with the Kosovo region through railway transport, and to relieve the road transport compared to railway transport. The project envisages the construction of multi-modal ramps and freight stations as special terminals for load/unload of road traffic vehicles to/from wagons.

The Port of Bar is recognized as the port on corridor of motorways of the sea in Adriatic Sea and accordingly additional credit funds may be expected. However, the interest of strategic partners is obvious which imposes the realistic possibility of private capital investment in this project, i.e. the financing through BOT arrangement. The project of construction and reconstruction of infrastructure facilities in Port of Bar implies the finalization of construction of operational coast at Terminal Volujica, the construction of landing stage Wharf I – Terminal Volujica, finalization of construction of Wharf I, construction of landing stage Wharf I-Wharf II, construction of quay from Wharf V till the end of Secondary breakwater and rehabilitation of existing operational coast, the condition of which is damaged. The main reasons for the investment are the increase of capacities of the Port of Bar and better valorization of the Port's capacities.

Marina Bar should represent the core of development of nautical tourism in Montenegro. 65% of capacities planned in the projects have been completed. The finalization of works on marine infrastructure in Marina Bar implies the completion of construction of wharf and breakwaters, deepening of marina, completion of infrastructure of related

activities, etc. The main reasons for investments are valorization of already constructed capacities in nautical tourism, high quality offer in nautical tourism and attracting nautical tourists with the goal to form a more significant offer.

Skadar Lake represents an important economic potential, and valorization through the nautical tourism represents its fastest and most efficient valorization. One of the optimal possibilities for valorization of Skadar Lake is the centralization of all activities through the entity National Park. Revitalization of the Port of Virpazar shall encompass the reconstruction of harbor capacities and opening of border crossing for international lake-passenger traffic in Virpazar.

Revitalization of maritime economy is planned along with the foundation of shipping companies, introducing new lines with the purpose to connect the Port of Bar with other ports on the Mediterranean, purchase of vessels or providing loans for the purchase of vessels to the shipping companies. The main reasons for the investment are the employment of maritime personnel and improvement of foreign trade balance. The emphasize will be on ships for the transport of containers.

The road direction Coast – Podgorica – border with Serbia, is recognized as the priority within the basic REBIS network, and since it concerns the reconstruction and modernization it has been encouraged by financial organizations. EIB and EBRD are ready to finance this project at dynamics proposed by Montenegro. The main reasons for the implementation of this project are safety, security and efficiency of the exploitation of existing road infrastructure, and preservation of the road network value. Within this project, the special emphasis will be on the reconstruction on critical points, especially slopes that constantly cause landslides. Also, the construction of third lanes for low speed was planned, as well as rehabilitation of tunnels and bridges.

The reconstruction and rehabilitation of the road Nikšić – border with B&H (Šćepan Polje) shall encompass the construction of bypass Niksic, rehabilitation of bridges, tunnels and slopes, the construction of third lanes. The main reasons for the investment are the increase of safety and security at the existing road direction, providing of quality connection with the central Bosnia and connection to corridor Vc.

The construction of new main road Cetinje-Nikšić, 52 km length, would connect the south and central part of Montenegro with Niksic, and also valorize the economic potentials of the areas along the route. The project has been initiated in 1995 as part of the activities of the Directorate of Public Works, but its implementation was stopped due to the lack of financial resources.

The reconstruction of the road Podgorica-Nikšić-border with BiH-Trebinje is aimed at creating the optimal road direction for the movement of goods and passengers in direction north – south and connection to the future Adriatic-Ionian highway, and also the liberation of Adriatic main road from goods transport. There is no doubt that in case the Adriatic-Ionian highway is constructed, its route will follow the direction which in great part overlaps with the direction Trebinje – Podgorica – Tirana. Due to not being aware of the route and dynamic of construction of this highway and especially due to the readiness of Croatia to continue the highway construction towards Dubrovnik, it is certain that reconstruction of this road direction represents an opportunity for Montenegro to connect to corridors of central Balkan, until the construction of the Adriatic-Ionian motorway.

The improvement of traffic connections of Savnik and Zabljak with main traffic lines implies the reconstruction, completing and modernization of existing roads. The main reasons for the investment are the creation of conditions for development of Durmitor region, the increase of quality of traffic services, development of winter tourism and accomplishment of higher level of safety and security on this road direction.

Revitalization of the airport Berane implies that the rights to use and manage the airport should be conceded to the Municipality of Berane, in order to develop the airport for public air transport by means of public-private partnership, by selection of the best potential investor. The Municipality of Berane will create the conditions to preserve the area for the implementation of the airport project, as well as the preparation of spatial-planning project documentation. The Ministry of Transport, Maritime Affairs and Telecommunications and PE "Airports of Montenegro" will provide logistic and expert support to the Municipality of Berane in the process of development and activation this airport. The goal of this investment is to connect the north part of Montenegro and central Balkans with the neighboring areas by air transport, and valorization of tourism potentials of the north of Montenegro.

In addition to the mentioned projects, there are a large number of other projects which have particular importance for certain regions or municipalities, but are not estimated to have the general strategic importance. Some of them will be certainly implemented even before the ones listed in the Strategy, but that will be done through the initiatives of local communities and by funds for which the state will not take loans or participate as guarantor.

Strategic Goal 5: Environment

The transport system in Montenegro will be developed in order to minimize the negative impacts of transport on environment.

Goal 5.1: Preserved areas of Montenegro, protected environment against negative impact of traffic

Through the implementation of highest standards in the planning and projecting of transport infrastructure, as well as its use, the mechanisms of spatial and environment protection are provided. These issues are particularly emphasized regarding the protection of areas with high pollution sensitivity, and the ones that have particular importance for the development of Montenegro. Such areas are Montenegrin Seaside, national parks, canyons, mountain centers, etc. It is expected that the seaside tourism, in the following period, will be the key element of economic growth.

The lack of physical town-planning and services is already questioning this potential, while the other obstacle is the increase of the traffic intensity and "congestion" during the summer tourism season. In order to resolve this issue, a larger number of possibilities need to be considered, for example: activities regarding the construction of third lanes, construction of bypasses, establishing alternative directions with new traffic regimes, etc.

The following goals are imposed, as particular ones:

- planning sections of new traffic lines outside the most sensitive areas,
- construction of bypass for transit movements around sensitive areas,
- construction of third lanes for the congestion relief of bottlenecks in tourism season,
- determining of special regime for freight traffic in certain periods,
- implementation of alternative variants of transport in certain periods, etc.

The protection of environment is the area in which the Government of Montenegro will be proactive with the purposes of preservation of natural beauties and environment. The main issue to be focused at is the strict implementation of legislation in the area of preservation of environment during the performance of infrastructure works and reduction of their negative direct and indirect impact on the environment.

The other side of government measures will be the control of pollution and possibilities of interventions in cases of larger incidents of pollutions on land and sea.

Concerning the transport activities, the conclusion is that there is no ecological perfection, just as there are not any *a priori* “better” or “worse” modes of transport. The railway is ecologically more acceptable than for example road transport, only in conditions of equal or higher efficiency level! Therefore, what is necessary to be done is to establish the supervision of road transport growth, and to provide opportunities to railway and other ecologically accepted modes of transport to become a more competitive solution. An eco-fee for road transport, which would be directed to railway, represents a good example of achieving the comprehensive observation of the impact of traffic to environment.

Activities

5.1.1 To rehabilitate and improve the road connections between Croatia and Montenegro via Vilusi and Niksic, with the purpose to protect Seaside from transit traffic,

5.1.2 By imposing adequate measures to regulate the veto on freight traffic on roads in the part of Seaside during the tourism season, precisely limit the “local deliveries” (00 – 06h).

5.1.3 To provide a more quality approach in Boka-Kotorska Bay by the improvement of road connection Vilusi- Risan.

5.1.4 To support the increase of capacities of ferry-boats in Boka-Kotorska Bay, as sustainable alternative road connection.

5.1.5 To analyze the possibilities of introducing seasonal ferry line on route Bar – Boka-Kotorska Bay, that would provide similar services of bus traffic.

5.1.6 To apply the highest standards of environment protection in all phases and activities concerning the traffic (technical standard of vehicles, project design of routes, equipment and devices, disciplines in transport, intervention measures for prevention and mitigation of traffic accidents consequences)

5.1.7 To promote more effective use of railways, inland waterways and maritime transport.

5.1.8 To promote and increase the level of quality of service in public road transport and railways, and popularize un-motorized movements, for example cycling, especially in overpopulated towns.

5.1.9 To take measures that will meet the requests of traffic, and reduce congestions.

5.1.10 to work on accomplishing the more efficient logistic approach.

Regarding the activities of the Ministry of Transport, Maritime Affairs and Telecommunications with the purpose to protect the environment, there are some basic, already recognized by the Ministry as very important, i.e. the implementation of which will be aimed at the protection of environment or minimization of negative impacts of traffic on environment.

In the area of road transport, for the purposes of a greater level of environment protection, it is planned to adopt the new Decision on conditions required to be fulfilled by the vehicles, which would imply that the conditions of protection of environment and public health are fulfilled, if the vehicle is equipped with engine of minimal standard EURO 4 (for now the Decision on conditions required to be fulfilled by used imported motor vehicles – EURO 3 is implemented). The adoption of the stated bylaw is planned at the latest in 2010.

Regarding the pollution of sea by vessels, it is planned to perform the following activities:

- Providing, i.e. completing the existing systems for wastewater system treatment from vessels in Montenegrin ports, implying all types of waste from vessels, including garbage, oiled waste, sewage, chemicals, ballast waters, etc.
- Enabling the acquisition of adequate equipment for fast sampling from the polluted place (equipment of oiled and chemical pollutions, air pollutions, ballast waters, etc.).
- Establishing the system of information-notification, in the next port where the ship, which entered our ports, would anchor, about the condition of bilge waters, oiled waste materials and garbage on related ship.
- Establishing the responsibilities of vessels entering into our ports to empty the maximum waste quantities into the waste reservoirs on land (in the ports), prior to shipping out of our ports.
- Establishing systems and procedures (the extension of existing ones) for observation and supervision, including the air observation, of our coastal and territorial waters, with the purpose to timely discover possible outflow of waste materials. To that purpose, it is necessary to initiate, i.e. to complete the sub-regional agreements, in order to most efficiently include them into systems and procedures for observation and supervision of coastal areas.
- Attempt to define adequate shelter – harbor/haven for ships in danger, for the purposes of minimizing risk against spreading of possible pollution.
- Strengthen and establish the adequate system of hauling in emergency and incident situations, i.e. hauling capacities in our coastal/territorial sea.
- Modernize and strengthen the existing capacities in our ports, in terms of a more comprehensive and better security management in case of possible pollutions, which might occur during commercial operations of ships in our ports. This primarily means the drafting and implementation of adequate Safety Plan for management in ports in case of accidental pollution.
- Provide stipulated and adequate equipment for actions in accidental pollution situations. The stated equipment could be allocated in ports or to a qualified company that would address such issues.
- Implement constant supervision (radar, photo) at the sea and adequate purification and rehabilitation of sea aquatorium.

- Control the waste management (of chemical, biological and physical origin), occurred in various manufacturing and service activities on the coast, i.e. increase the penalty policy in this area.

Strategic Goal 6: Integration in the European Union

The transport system in Montenegro will be developed so as to facilitate the integrations in the European Union.

Goal 6.1: Stimulating legal and institutional framework for the functioning and development of transport

The main characteristics of this framework are as follows:

- fair competition between all types of transport, which is accomplished on the basis of comprehensive analysis of the impact of each of them on economic development, GDP, foreign-trade balance, budget, environment protection, etc. The fair competition, planned this way, also implies a series of stimulating and discouraging measures for certain types of transport, that would be incorporated in this framework.
- fair competition between all operators and defining the regulatory function of the state in order to provide conditions for market competition,
- detailed definition of the role and responsibility of the state, infrastructure owner, infrastructure administrator, infrastructure maintenance body, infrastructure user, service provider and user of transport services,
- legal and institutional framework harmonized with the region, and particularly with the legal framework of the European Union.
- existence of strong institutional responsibility for the supervision of the implementation of this kind of legal and institutional framework.

Developed legal framework and adequate administrative capacities for its efficient implementation, that will enable non-discrimination between transport operators, types of transport and transport terminals, both on local and regional level, represent the most important priority of the Transport Development Strategy.

Activities

6.1.1 To conclude and implement all multilateral and bilateral treaties with the EU and neighboring countries in the transport industry, that will enable faster integration into wider market.

6.1.2 (a) To prepare and adopt the remaining legal acts and bylaws, relating to the liberalization in all types of transport.

6.1.2 (b) To check their harmonization with the EU directives, by means of independent international expertise.

6.1.3 (c) To enable the participation of interested parties in decision-making process.

6.1.4 (a) To define and implement the legal measures relating the regulation of competition between different types of transport.

6.1.4 (b) To provide financial and economic facilities for combined transport, mainly through the support to railway and line maritime transport. At the same time, to consider

and exclude the mandatory tariff regulations of the beginning and closing road section, which are part of operations in combined transport.

6.1.5 (a) To analyze the existing restrictions in the system of vehicle control.

6.1.5 (b) To apply the adopted reforms regarding the modernization and self-sustainability.

6.1.6 (a) To identify the adequate model of organizational form and human resources that would have capacities for the implementation of legal regulations and their control, with clear priority at the control of road freight traffic, as an important factor for the improvement of inter-modality.

6.1.6 (b) To focus on the strengthening of administrative capacities.

Goal 6.2: Transport Network of Montenegro integrated in Trans-European Transport Network

Transport integration of Montenegro into Trans-European Transport Network shall be achieved through two highways, Adriatic-Ionian Highway and Bar-Boljare Highway, the Port of Bar, reconstructed and modernized rail route Bar-Belgrade, airports in Podgorica and Tivat, as well as reconstructed and modernized road route Tirana-Podgorica-Sarajevo.

The main challenge for Montenegrin traffic infrastructure is the improved access towards and from neighboring countries, and thus the world market and economy. The fact is that the existing connections need to improve in order to facilitate the connection with TEN-T corridors.

The Core Regional Transport Network, identified within REBIS Study, which was financed by EU, provides a good framework for promoting the interests of countries signatory parties of MoU (Memorandum of Understanding). Montenegro recognized its interest through the possibility of a more quality connection with countries in the region and worldwide.

As presented in Montenegro Physical Plan until 2020, the corridors of future highways are as follows:

- section of highway Belgrade-South Adriatic through Montenegro: Boljare-Andrijevica-Mateševo-Bratonožići-west bypass Podgorica-Tanki rt-Bar;
- section of highway from the connection to highway Belgrade-Bar to border with Serbia (Kosovo and Metohija): Andrijevica-Murino-Čakor-Bjeluha;
- section of Adriatic-Ionian highway: border with Bosnia and Herzegovina (the region of Trebinje)-Čevo-Podgorica (north bypass – more detailed study of the route is needed) - Božaj (border with Albania).

The construction of highways will significantly improve the international transport situation of Montenegro and increase the availability of tourism offer.

However, there is a number of limiting factors that aggravate or limit the functional connections of Montenegro with neighboring region, which must be observed. Some of the most important such factors are: unfavorable topography of the territory, mountain ranges with complicated crossings, small accumulation of financial resources for larger investments, etc.

Activities

6.2.1. To continue and intensify activities on construction of Highway Bar-Belgrade and Adriatic-Ionian Highway.

6.2.2. (a) To intensify maintenance and rehabilitation of railroad between Bar and border with Serbia, through European regional accession and other funds.

6.2.2 (b) To within short-term and long-term period, work on rehabilitation of railroad to Albania.

6.2.3 (a) To by means of medium term plan give priority to the increase of safety on road route Bar – Podgorica - Bijelo Polje – border with Serbia, which is connected to Corridor X.

6.2.3 (b) To in stages, work on the improvement of road Nikšić-Sarajevo, which is connected to Corridor Vc.

6.2.3 (c) To harmonize scheduled times of works on this road route with the adequate development in neighboring countries.

6.2.4 To provide strong stimulation to the development of short coastal navigation (Ro-Ro and containers), based on development of Port of Bar and including the EU support program.

6.2.5 To follow the SEETO proposals and guidelines for the improvement of transport infrastructure and development of the Core Regional Transport Network.

3. Monitoring and Evaluation of Strategic Activities

The key indicators of the strategy implementation are:

- dynamic plan of implementation,
- support of transport to the development of other industries,
- volume of transport services,
- share of transport in GDP,
- share of transport in foreign-trade balance,
- transport costs reduction,
- shortening of travel hours on the most important routes,
- level of private capital share in traffic and infrastructure, in particular,
- the amount of foreign direct investments in transport, etc.

The Ministry of Transport, Maritime Affairs and Telecommunications shall perform the monitoring of Strategy implementation, changes of projections, sustainability and analysis of accomplishment of planned goals through independent consultants. The consultant will be supported by the government institutions, i.e. regulating authorities, which will provide “fresh”: information on performance and impact indicators.

At first, for the analysis of Strategy implementation, the international consultants will be engaged every year by means of contract, and in later stages, the local experts will be engaged as well. The basis for comparison will be the values of indicators in the stage of the adoption of Strategy.

MINISTER

PhD Andrija Lompar

Personal signature