

**ENVIROMENTAL PROTECTION FUND
WORK PROGRAMME AND
FINANCIAL PLAN
FOR 2020**

PROPOSAL

WORK PROGRAMME OF ENVIRONMENTAL PROTECTION FUND (STRUCTURE WITH INDICATIVE LIST OF ACTIVITIES AND ASSESSMENT OF FINANCIAL RESOURCES) FOR 2020

INTRODUCTION

The Government of Montenegro decision on the establishment of the Environmental Protection Fund (hereinafter: the Eco Fund) was adopted on November 22, 2018. The establishment of the Eco Fund is envisaged in **Article 76 of the Law on Environment, with the aim of providing funds to finance projects in the field of environmental protection**. Eco Fund funds are used for financing preparation, implementation and development of programmes, projects and similar activities at the state and local level, with the aim of preserving, using sustainably, protecting and improving the environment, energy efficiency and use of renewable sources and energy, implementation of goals and principles of environmental protection, in order to achieve integral and complete preservation of environmental quality, preservation of biological, geological and landscape diversity and rational use of natural resources and energy as basic conditions for sustainable development, as well as the realisation of citizens' rights to a healthy environment.

The decision on establishment defines the status of the Eco Fund as a limited liability company; it defines the company's bodies and their powers, share capital, financing and use of funds.

During 2019, the Eco Fund Board of Directors was formed, which adopted the company's Articles of Association, and the acting director was appointed at the Government held on 25.06.2020. The Eco Fund was officially established on March 3, 2020, by registering with the Central Register of Business Entities.

The Eco Fund conducts its activities in cooperation with the Ministry of Sustainable Development and Tourism, the Ministry of Finance, the Ministry of Economy, the Ministry of Transport and Maritime Affairs, other state administration bodies, local self-government units, professional, scientific and financial institutions, as well as international organisations and financial institutions.

MISSION AND VISION OF ECO FUND

Climate change and environmental degradation pose an existential threat at the global level that leads to changes in the way of development planning, implementation of development strategies, creating space for the establishment and operation of institutions leading the process of transforming society into modern, cost-effective and competitive economies without the emission of greenhouse gases, where economic growth doesn't mean constant use of resource and where no place or citizen is left behind or forgotten .

At the Sustainable Development Summit, held on September 25, 2015, the United Nations' member states (including Montenegro) adopted the 2030 Sustainable Development Agenda, which contains 17 goals of sustainable development with the aim of eradicating poverty, fighting against inequality and injustice and tackling climate change by 2030. The goals of sustainable development are an integrated and indivisible balance of three dimensions of sustainable development: economic, social and environmental.

Montenegro nationalised the 2030 Agenda for Sustainable Development by adopting the National Strategy for Sustainable Development 2030 (NSOR) in June 2016, together with the corresponding Action Plan. NSOR is an umbrella, horizontal and long-term development strategy that relates not only to the environment and the economy, but also to human

resources, valuable social capital, recommendations for establishing a financing and management framework for sustainable development.

On December 11, 2019, the European Commission presented the *European Green Deal*, the most ambitious package of measures that should enable European citizens and businesses to benefit from a sustainable green transition. Measures followed by initial roadmaps for major policies range from ambitious emission reductions, investment in scientific and technological research and innovation, to the preservation of Europe's natural environment.

The Chapter 27, Environment and Climate Change, was opened in December 2018 and the Eco Fund is a one of the sources for financing commitments in this area. Recognising the enormous financial resources that need to be invested in the coming period, the Eco Fund will serve as an aid in financing obligations, programmes and projects in the environment field.

In this context, the Eco Fund's activities, mission and vision will be aimed at preserving all components of the environment and rational use of natural resources as basic conditions for sustainable development, which is clearly defined by the founding acts of the Eco Fund which state:

The mission of the Eco Fund is to raise and invest funds in building a sustainable society in Montenegro, which will be based on the efficient use of all natural resources and low-carbon development.

In addition to the revenues established by law, the Eco Fund will work also on establishing cooperation with international institutions and organisations in order to provide additional sources of funding. Through its activities, the Eco Fund will contribute to the realisation of the strategic vision of Montenegro as an ecological state, which will enable its citizens to realise the basic right to a clean and healthy environment. In this way, the Eco Fund contributes to the fulfilment of global goals and makes a significant contribution to the implementation of processes that are a consequence of the commitments undertaken by the Government of Montenegro to the relevant international conventions, primarily the following ones:

- UNFCCC – United Nations Framework Convention on Climate Change,
- UNCBD – United Nations Convention on Biological Diversity,
- UNCCD – United Nations Convention to Combat Desertification,
- Stockholm Convention on Persistent Organic Pollutants,
- Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade,
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes,
- Minamata Convention on Mercury,
- Paris Agreement on Climate Change,
- Montreal Protocol on Substances that Deplete the Ozone Layer,
- International Convention for Prevention of Pollution from Ships (MARPOL Convention),
- Protocol on Strategic Environmental Assessment to Convention on Environmental Impact Assessment in Transboundary Context (Espoo Convention)
- Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus Convention),
- Convention on Long-Range Transboundary Air Pollution (CLRTAP),
- Barcelona Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean (Barcelona Convention) and others.

By co-financing projects in the fields of environment protection and climate and energy, the Eco Fund also acts as one of the drivers of economic and infrastructural development of Montenegro, all this while respecting the highest standards of environmental protection.

The establishment and operation of the Eco Fund ensures a long-term financial perspective for achieving national priorities, with transparency and efficiency in the procedures of procurement, management and purposeful use of funds.

The vision of the Eco Fund is to position itself as a leading professional and financial institution in the field of environmental protection and sustainable development in Montenegro.

Through its work, the Eco Fund will strive to become a recognisable entity in Montenegro and a desirable partner for citizens, businesspersons, local self-government units and other state authorities and organisations as well as international institutions, which will enable them, through professional and financial assistance, to implement projects in the field of environmental protection and climate, and energy efficiency improvements.

The Eco Fund will continuously work on building its own capacities and creating a favourable and stimulating work environment based on the following values:

- **team work** based on good interpersonal relationships and **objectivity and responsibility** in performing tasks,
- **professionalism** in performing activities by applying the principles of **transparency** and that of a diligent owner,
- **focusing on customer** by timely provision of complete information and support in the implementation of projects in the environmental protection, climate and energy efficiency fields.

ECO FUND'S STRATEGIC GOALS IN 2020

In order to fulfil its mission and vision, the Eco Fund defines the following priorities it would work on by defining the following programme areas, measures and activities:

1. Securing the income of the Eco Fund Co-financing of projects, programmes and other activities within the scope of work of the Eco Fund
2. Implementation of the Decree on operations or activities emitting greenhouse gases for which a greenhouse gas emission permit is issued (hereinafter: the Emissions Trading Decree)
3. Institutional strengthening and recognisability of the institution.

Having in mind the fact that the Eco Fund gained the status of a legal entity only in March 2020 by registering with the Central Register of Business Entities, the current epidemiological situation caused by the COVID-19 virus endangered the financial stability of registered pollutants and thus reduced the collection of eco-fees, while this epidemiological situation also slowed down the issuance of decisions on eco-fees by the Agency for Nature and Environmental Protection, and thus prevented the planned dynamics of the Financial Plan preparation. The proposed Eco Fund Work Programme for 2020 includes implemented activities from March as well as planned activities for the October-December 2020 period. The Work Programme is objective and rational, based primarily on the available financial resources and human resources of the Eco Fund. Strategic priorities and programme areas are briefly described below.

I STRATEGIC PRIORITY: ENSURING INCOME OF ECO FUND

Funds for financing projects, programmes and other activities in the environmental protection, climate and energy efficiency fields are determined by the Law on Environment and other laws, which regulate fees related to the environment. The legal framework defines the obligations related to the calculation and collection of eco-fees, as well as other fees and taxes related to the environment and climate. The legal framework provides a solid basis for the realisation of the Eco Fund's revenues, but in practice, problems have been identified in the collection of these fees, which represents a potential risk for the successful operation of the Eco Fund. Therefore, the first determined programme area is:

Cooperation with the competent state bodies involved in the calculation and collection of fees that make the Eco Fund revenue

It is especially important to ensure the collection of eco-fees in the entire calculated amount. To achieve the same, it is necessary to work closely with the Agency for Nature and Environmental Protection, which calculates fees and performs supervision together with the Administration for Inspection Affairs (environmental inspection). In addition, close cooperation is needed with the relevant ministries: the Ministry of Sustainable Development and Tourism, the Ministry of Economy, the Ministry of Agriculture and Rural Development, the Ministry of Transport and Maritime Affairs, the Ministry of Finance and other relevant ministries in order to work together on adjusting and expanding the legal framework for financing environmental and climate protection from national sources.

In addition to national sources, the Eco Fund may raise funds from financial assistance instruments, programmes and funds of the European Union, the United Nations and international organisations and financial institutions, as well as from foreign investments intended to protect the environment and climate. Although national sources (fees) represent a stable revenue base of the Eco Fund, the amounts that will be collected in this way will be insufficient to meet the needs in the environmental protection, climate and energy efficiency fields. Estimated revenues for previous years from the collection of eco-fees and fees for the transfer of emission credits amount to €477,093.50, out of which revenues from eco-fees are €469,724, while the rest are fees for the transfer of emission credits. Taking this into account, the Eco Fund will make efforts to work on establishing partnerships with international financial institutions and organisations, with the aim of designing and implementing programmes within its scope of work. Therefore, it is necessary to establish cooperation with similar funds and competent institutions in the region and the EU in order to provide additional funds for investments in environmental and climate protection and energy efficiency improvement through bilateral cooperation projects. The signing of the Cooperation Agreement between the Eco Fund and the United Nations Development Programme (UNDP) in Montenegro in June 2020, which envisages further support to the institutional development of the Eco Fund, speaks in favour of this. through joint activities on institutional commitment for creating a sustainable financial mechanism for climate and environment, it will help in increasing the competitiveness of the Montenegrin economy, an economy that strives for a green, low-carbon future, in which economic growth is not achieved at the expense of the environment.

Therefore, the second programme area is defined as:

Cooperation with international financial institutions with the aim of achieving additional sources for financing projects in the environmental and climate protection and improving energy efficiency fields.

In addition to activities related to cooperation with international financial institutions and organisations, as well as bilateral cooperation, the Eco Fund will strive to be involved in the processes of planning and programming the use of EU pre-accession funds.

The projection of the Eco Fund's revenues in the next medium-term period shows that the Eco Fund will have very limited funds at its disposal based on the legal framework, and that it is extremely important to work intensively on attracting international funds.

II STRATEGIC PRIORITY: CO-FINANCING OF PROJECTS AND TECHNICAL SUPPORT TO PROGRAMMES AND OTHER ACTIVITIES IN FIELDS OF ENVIRONMENTAL AND CLIMATE PROTECTION AND ENERGY EFFICIENCY IMPROVEMENT

In accordance with its mission, the Eco Fund will start dedicated investment activities in projects, programmes and other activities to protect the environment and climate and improve energy efficiency in accordance with the generated revenues. At the same time, whenever possible, the Eco Fund will provide technical support to economic entities, local self-government, state authorities or individuals in the preparation of programmes or implementation of activities in the fields of environmental and climate protection and energy efficiency improvement. The following principles will be taken into account:

1. Assistance to projects of strategic national importance, which are determined in strategic and planning documents related to the protection of all components of the environment and climate and the improvement of energy efficiency;
2. Representation of projects in all areas of environmental protection, taking into account their revenues and their purpose;
3. Transparent evaluation of projects according to the criteria established by the internal acts of the Eco Fund, which will ensure the highest value of the effects achieved on the environment in relation to the invested public money;
4. Participation in programmes and projects organised and financed by international financial institutions and organisations;
5. Strong promotion of all projects, programmes and other activities co-financed by the Eco Fund.

III STRATEGIC PRIORITY - DECREE ON OPERATIONS OR ACTIVITIES EMITTING GREENHOUSE GASES FOR WHICH A PERMIT FOR THE EMISSION OF GREENHOUSE GASES IS ISSUED

Taking into account the provisions of the Decree on activities or operations emitting greenhouse gases for which a greenhouse gas emission permit is issued (hereinafter the Emissions Trading Decree), the focus of activities will be on the following:

- formation and maintenance of the register of emission credits in accordance with Article 9 of the Emissions Trading Decree,
- defining the manner of monitoring, verification and reporting of emission credits, their transfer and use,
- initiating amendments to the Decree along the lines of the relevant legislation of the European Union (EU ETS acquis).

III STRATEGIC PRIORITY INSTITUTIONAL STRENGTHENING AND RECOGNISABILITY OF THE INSTITUTION

The Eco Fund has been given a important role in achieving the goals of environmental and climate protection and improving energy efficiency in Montenegro, and this cannot be achieved without quality, professional, capable and informed staff. Human resources must not only have experience in the areas in which they will work, but they must also have a high work ethic, and the ability to apply new methods of work and modern technologies. In addition, the

Eco Fund must immediately start working on becoming a modern institution that uses the most modern information and communication technologies in its operations, both for conducting internal procedures and for implementing programmes aimed at Eco Fund funds' beneficiaries.

In the first year of operation of the Eco Fund, it is necessary to hire staff in accordance with the Rulebook on Internal Organisation and Systematisation of the Eco Fund, while in the following years as part of annual work programmes, assess the availability of human resources in terms of number and structure, all this being related to realised and expected increase of workload. In doing so, attention will be paid to the workload of existing staff and the possibility of their redistribution between organisational units, all with the aim of adequate management of human and financial resources, in the manner of a diligent owner. In order to achieve excellence among employees, the Eco Fund will establish an internal system for monitoring and evaluating the performance of all employees.

The Eco Fund will prepare an annual employees education plan, in accordance with the needs of the workplace and qualifications, under the conditions set out in the Rulebook on Internal Organisation and Systematisation and in accordance with the Labour Law. In the first year of operation of the Eco Fund, the emphasis should be on the transfer of knowledge and experience from similar Funds in the region and the EU and thus it should work on achieving strategic partnerships, as well as using available technical assistance systems and other capacity building programmes through bilateral cooperation. The Eco Fund will endeavour to use all possibilities available to it to use the available technical assistance mechanisms. Areas in which knowledge transfer will be required include: ways of defining and collecting various fees in the field of environmental protection, conducting public competitions (development of application forms, electronic application tools, organisation and development of a database of submitted projects, etc.), creation and use of various packages / instruments of financial support, project management (database), monitoring of projects and their effects (reporting, defining and monitoring performance indicators), application of best available technologies in the field of environmental and climate protection and energy efficiency improvement, design and implementation of promotional activities and ensuring the visibility of the results of the Eco Fund work. Apart from these professional areas, the education of Eco Fund employees will include the improvement of other skills, such as dealing with clients, resolving conflicts and developing presentation skills, which is extremely important for achieving the vision of the Eco Fund as a successful and accessible service to all citizens, businesspersons and institutions in Montenegro.

A well-organised and reliable information system is a necessary condition for performing the business functions of the Eco Fund in an efficient and economical way. All business processes of the Eco Fund must be covered by IT support, with special care taken to ensure information security using appropriate data protection systems. Application systems must include financial accounting, treasury operations, payroll, personnel records, fixed assets records, material accounting, travel orders, mail dispatches and archives, as well as all tasks related to Eco Fund funds's beneficiaries, such as applications for public competitions, contracts register, financial and technical monitoring of projects and their effects. The Eco Fund also plans to use the available technical assistance programmes in this area. In addition, in the first year of operation, it is necessary to establish a visually rich and modern website of the Eco Fund and update it regularly to display the most important information about the Eco Fund and from all areas covered by the Eco Fund. In this context, the Eco Fund will pay special attention to a clearer definition of its position and relations with other competent institutions, as well as activities in such a way that there is no overlap of competencies.

As for the representation of projects in all areas of environmental protection, special attention will be paid to revenues and their purpose.

ANNUAL WORK PROGRAMME TABLE

Strategic priority	Programme area	Measures	Activities	Principal bodies in charge of activity
1. Securing the income of the Eco Fund	1.1. Cooperation with competent state authorities	Determining the revenues of the Eco Fund and ensuring their collection	<ul style="list-style-type: none"> • Initiating amendments to existing regulations • Cooperation with the Agency for Nature and Environmental Protection and environmental inspection • Cooperation with other state administration bodies related to the calculation and collection of fees • Cooperation with fee payers 	Eco Fund Agency for Nature and Environmental Protection
	1.2. Cooperation with international and financial institutions	Making partnerships on joint financing of projects and programmes	<ul style="list-style-type: none"> • Cooperation with UNDP • Continuous communication with relevant international institutions with the aim of exchanging knowledge and experience and attracting funds • Establishment of bilateral cooperation with identified partner institutions 	
2. Co-financing of projects, programmes and other activities in the environmental protection field	2.1. Waste management	2.1.2. Programme of developing public awareness and education on waste management	<ul style="list-style-type: none"> • Work on the preparation of educational materials and initiating a campaign for sustainable waste management, in cooperation with relevant stakeholders, 	Eco Fund
	2.2. Reduction of all types of pollution from production plants by improving these	2.2.1 Encouraging the application of organisational measures for cleaner production	<ul style="list-style-type: none"> • In cooperation with the Chamber of Commerce, encourage the introduction of international standards and eco-labels, as well as informing entrepreneurs/businessmen about Eco Fund future programmes • Cooperation with international and domestic financial institutions in order to define mechanisms for financing cleaner production projects for businesspersons 	Eco Fund

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	processes and/or using the best available technologies			
	2.3. Nature protection	2.3.1. Encouraging biodiversity protection projects	<ul style="list-style-type: none"> In cooperation with the Ministry of Sustainable Development and Tourism and other relevant institutions and organisations, work on needs mapping in the field of protection of the most endangered species, endangered habitats and gene conservation (Needs mapping will serve as a basis for co-financing projects, programmes and other activities in this area in the coming years) 	Eco Fund
		2.3.2. Programme for developing public awareness and education on nature protection	<ul style="list-style-type: none"> In cooperation with all relevant institutions and organisations, work on the preparation of educational materials and implementation of the campaign for nature protection 	Eco Fund
	2.4. Water protection	2.4.1. Financial support for investments in the reconstruction of water supply and sewerage network	<ul style="list-style-type: none"> Reconstruction of asbestos-cement pipes In cooperation with local self-governments, work on project development and possible co-financing 	Eco Fund

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3. Co-financing of projects, programmes and other activities in the climate and energy fields	3.1. Energy efficiency and use of renewable energy sources for households, small and medium enterprises, public sector and legal entities.	3.1.1. Financial support to the public sector for investments in energy efficiency	<ul style="list-style-type: none"> • Preparation of methodology and creation of new sustainable instruments for financing energy efficiency projects in the public sector (public buildings and public lighting) - the goal is for these instruments to become fully functional by 2021. The activity will be implemented in cooperation with the Ministry of Economy, financial institutions and local self-governments 	Eco Fund
		3.1.2. Financial support to natural persons - households for investments in energy efficiency	<ul style="list-style-type: none"> • Preparation of methodology and creation of new sustainable instruments for financing energy efficiency projects in households. The activity will be realised in cooperation with the Ministry of Economy and financial institutions. • Implementation of new programmes for co-financing energy efficiency and the use of renewable energy sources in households. • Implementation of training programmes - technical support to stakeholders 	Eco Fund
		3.1.3. Financial support to legal entities in the private sector for investments in energy efficiency	<ul style="list-style-type: none"> • Preparation of methodology and creation of new sustainable instruments for financing energy efficiency projects in the private sector. The activity will be realised in cooperation with the Ministry of Economy and financial institutions. • Implementation of training programmes - technical support to stakeholders. • Implementation of new programmes for co-financing energy efficiency and the use of renewable energy sources in the private sector 	Eco Fund

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	3.2. Cleaner and energy efficient transport	3.2.1. Implementation of support schemes for <i>green</i> public transport vehicles	<ul style="list-style-type: none"> In cooperation with the Ministry of Transport and Maritime Affairs, the Ministry of Economy, UNDP, municipalities and other relevant entities, needs identification at the local level. (Based on that, work will be done on creating a support programme that will be implemented in accordance with the defined needs and available funds in the next planning period) 	Eco Fund
		3.2.2. Implementation of support programmes for the transition to <i>green</i> vehicles	<ul style="list-style-type: none"> Preparation of methodology and creation of new sustainable instruments for financing the procurement of electric vehicles in the private and public sector and for natural persons Implementation of the programme of co-financing the purchase of electric and hybrid vehicles for entities from the private and public sector and natural persons 	Eco Fund
		3.2.3. Developing a map of public charging stations for electric vehicles on the territory of Montenegro	<ul style="list-style-type: none"> Selection of contractor who will prepare a proposal for a technical solution and mapping of the network of public charging stations on the territory of Montenegro, through the public procurement procedure 	UNDP Eco Fund
		3.2.4. Programme for developing public awareness and education on cleaner and energy efficient transport	<ul style="list-style-type: none"> Preparation of educational materials and implementation of the campaign for cleaner, energy efficient transport 	Eco Fund

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	3.3 Support for strengthening “green jobs”	3.3.1 Implementation of training programmes - technical support for “green jobs”	<ul style="list-style-type: none"> • In cooperation with UNDP, define training programmes for the provision of business planning advisory services in order to strengthen the capacity for providing support for "green jobs" 	UNDP Eco Fund
4. Decree CO2 Emissions Trading	4.1 Keeping the Register of CO2 Emission Credits	4.1.1 Establishment of the Register of CO2 Emission Credits and harmonisation with EU legislation	<ul style="list-style-type: none"> • Development of protocols and guidelines for legal entities that are subject to the provisions of the Decree • Defining the form and structure of the Register of CO2 Emission Credits • Regular updating of the Register <ul style="list-style-type: none"> - defining the manner of monitoring, verification and reporting of emission credits, their transfer and use, - additional harmonisation of regulations with the legislation of the European Union (EU ETS acquis) 	Eco Fund
5. Institutional strengthening	5.1. Strategic planning of the Eco Fund development	5.1.1 Creating the Eco Fund Development Roadmap for a period of 5-10 years	<ul style="list-style-type: none"> • Defining the Eco Fund Development Roadmap for a period of 5-10 years through a consultative and participatory process 	UNDP Eco Fund
	5.2. Personnel strengthening of the Eco Fund	Employment according to systematisation	<ul style="list-style-type: none"> • Employment in work positions provided by the systematisation of jobs within the deadlines that correspond to the scope of work and the work plan of the Eco Fund 	Eco Fund
		Establishment of a system for employees monitoring and evaluation	<ul style="list-style-type: none"> • Developing internal procedures for monitoring and evaluation of employees • Informing employees about their rights and obligations and about the system for monitoring and evaluation of employees 	Eco Fund
	5.2. Education of	Development of an annual education plan	<ul style="list-style-type: none"> • Mapping the needs of employees and development of an annual education plan 	

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	employees in the Eco Fund	Implementation of the annual education plan	<ul style="list-style-type: none"> • Participation of employees in professional seminars, workshops, trainings and study visits • Use of international cooperation programmes with the aim of transferring best practices from other countries 	Eco Fund UNDP
	5.3.	Provision of infrastructure for the work of the Eco Fund	<ul style="list-style-type: none"> • Equipping office space • Procurement of vehicles • Procurement of ICT equipment 	Property Administration UNDP Eco Fund
	5.4. Informatisation of the Eco Fund business	Establishment of the integrated Eco Fund information system	<ul style="list-style-type: none"> • Development of the Eco Fund website • Procurement of the integrated information system of the Eco Fund (accounting, finance, document management, applications for competitions, travel orders, etc.) 	Eco Fund
	5.5. Eco Fund branding	Establishing the visual identity of the Eco Fund	<ul style="list-style-type: none"> • Creating a logo and a book of standards • Branding of Eco Fund premises • Development of communication strategy • PR - promotion in the media, on social networks, press-clipping 	Eco Fund

**FINANCIAL PLAN OF
ENVIRONMENTAL PROTECTION FUND
FOR 2020**

PROPOSAL

FINANCIAL PLAN OF ENVIRONMENTAL PROTECTION FUND FOR 2020

INTRODUCTION

The manner of financing the Environmental Protection Fund (hereinafter: the Eco Fund) is prescribed by Article 76 of the Law on Environment (hereinafter: the Law), whereby paragraph 3 stipulates that funds for the operation of the Eco Fund are provided from the budget of Montenegro Up; eco-fees funds; loans, donations and assistance; instruments, programmes and funds of the European Union, the United Nations and international organisations; foreign investments intended for the protection of the environment and other sources in accordance with the law. In accordance with paragraph 2 of Article 6 of the Decision on Establishment of Environmental Protection Fund, the funds are determined and used in accordance with the financial plan of the Eco Fund, while paragraph 1 item 4 of Article 8 states that the Government of Montenegro (hereinafter: Founder) approves financial plan of the Company.

Pursuant to Article 77, paragraph 2 of the Law, and the Decree on the amount of fees, method of calculation and payment of fees for environmental pollution and Article 18 of the Law on Administrative Procedure, the Agency for Nature and Environmental Protection issues decisions based on which the eco-fees are collected, i.e. funds for financing the Eco Fund are raised, as follows:

- Fee for importing substances that deplete the ozone layer
- Fee for releasing pollutants into the air
- Fee for generating and disposing of hazardous waste

Eco-fees are fees for environmental pollution that are paid according to the "polluter pays" principle.

Pursuant to the Decree on activities or operations emitting greenhouse gases for which a permit for the emission of greenhouse gases is issued, the Eco Fund generates revenues from fees for the transfer of emission credits in the amount of 0.1% of the minimum emission credit price of €24/tCO₂.

Bearing in mind that the Financial Plan, in addition to the Work Programme, represents one of the important mechanisms for ensuring work transparency, it is thus made on the basis of the competencies and obligations of the Eco Fund prescribed by the legal framework.

The plan envisages that in the revenues of the Eco Fund, the amount of annual fees for generating hazardous waste is the most significant part of total revenues (54.37%), fees for releasing pollutants into the air (43.43%), fees for transferring of emission credits (1.54%), fee for importing ozone depleting substances (0.66%).

The Financial Plan for 2020 projects all relevant economic categories, i.e. estimates of expenditures based on expected operations and implementation of new activities in 2020 in fulfilling the obligations determined by the Law and in accordance with that, estimating the revenue to cover the expected expenditures. The expenditure estimate is presented in the plan according to the expenditures arising from the annual revenue estimate. This plan should provide financial stability and liquidity of the Eco Fund's operations in 2020.

II LEGAL STATUS AND COMPETENCES OF THE FUND

Article 76 of the Law stipulates that the Eco Fund has the status of a legal entity, the founder of which is the Government of Montenegro. The Decision on Establishment of Eco Fund, as well as the Articles of Association, govern the organisation and manner of work, activities, bodies, manner of financing and use of funds.

The Eco Fund, within the competencies determined by the Articles of Association, performs the following tasks:

- implementation of national strategic planning documents in the environmental protection, sustainable development and energy efficiency fields;
- mediation related to the financing of environmental protection, energy efficiency and renewable energy sources from funds provided by loans, donations and assistance, instruments, programmes and funds of the European Union, the United Nations and international organisations, foreign investments intended for environmental protection, from foreign countries, financial institutions and domestic and foreign legal and natural persons;
- maintaining a database of programmes, projects and similar activities in the environmental protection and energy efficiency fields, the necessary and available financial resources for their implementation;
- establishing and conducting cooperation with international and domestic financial institutions and other legal and natural persons, in order to finance environmental protection and energy efficiency, in accordance with national strategic planning documents in the field of environmental protection, energy efficiency and renewable energy sources;
- other activities related to the financing of environmental protection and energy efficiency.

III FINANCING THE WORK OF THE ECO FUND

In order to achieve functional independence, the Eco Fund is financed by fees, in accordance with the Law paid by eco-fee payers based on decisions issued by the Agency for Nature and Environmental Protection, which is the primary method of financing. The amounts of fees are determined in accordance with the Decree on Amount of Fees, Method of Calculation and Payment of Fees for Environmental Pollution. The obligation of the Eco Fund prescribed by the Article of Association is that after the end of the business year, the funds that remain on the account after the settlement of obligations are shown as retained profit. The Founder decides on the distribution of profits. Pursuant to Article 76 of the Law, financing the preparation, implementation and development of programmes, projects and similar activities at the state and local level, with the aim of preserving, sustainably use, protecting and improving the environment, energy efficiency and use of renewable sources and energy, implementation of goals and principles of environmental protection, in order to achieve integral and complete preservation of environmental quality, preservation of biological, geological and landscape diversity and rational use of natural resources and energy as basic conditions for sustainable development, as well as the realisation of citizens' rights to a healthy environment.

IV REVENUE PLAN

The financial plan of the Environmental Protection Fund for 2020 is based on the sources of financing of the Eco Fund, prescribed by the Law, as follows:

1. Annual fees based on decisions issued by the Agency for Nature and Environmental Protection pursuant to Article 77 of the Law:
 - a. Fee for importing ozone-depleting substances, fee for releasing pollutants into the air and fee for generating hazardous waste;
2. Fees collected from emission credits on the basis of the Decree on activities or operations emitting greenhouse gases for which a greenhouse gas emission permit is issued in accordance with Article 3:
 - a. Fee for transferring emission credits;
3. Other sources in accordance with the law.

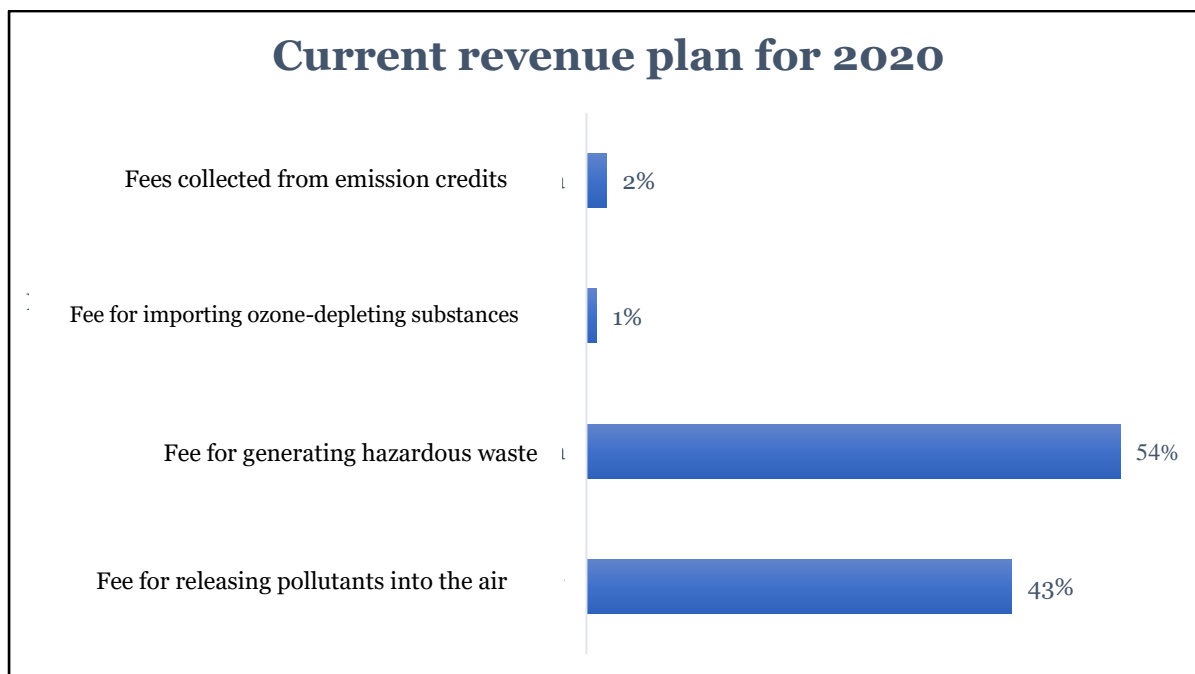
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The total planned revenues of the Eco Fund for 2020 on the basis of annual eco-fees paid by fee payers to the Eco Fund and on the basis of fees for the transfer of emission credits are in the amount of €477.093.50 and they consist of:

- **revenue from fees for releasing pollutants into the air** in the amount of €207,188.44
- **revenue from fees for generating hazardous waste** in the amount of €259,406.25
- **revenue from fees for importing ozone-depleting substances** in the amount of €3,130.38
- **fees collected from emission credits** in the amount of €7,368.43

CURRENT BUDGET			
		Current revenue plan for 2020	Share percentage %
1.	Fee for releasing pollutants into the air	207,188.44 €	43%*
2.	Fee for generating hazardous waste	259,406.25 €	54%*
3.	Fee for importing ozone-depleting substances	3,130.38 €	1%*
4	Fees collected from emission credits	7,368.43 €	2%*
Planned current revenue		477,093.50 €	100%

*percentage amounts are rounded to the first integer



In the structure of planned revenues for 2020 based on eco-fees, the most significant item is revenues from fees for generating hazardous waste (54%).

V EXPENDITURE PLAN

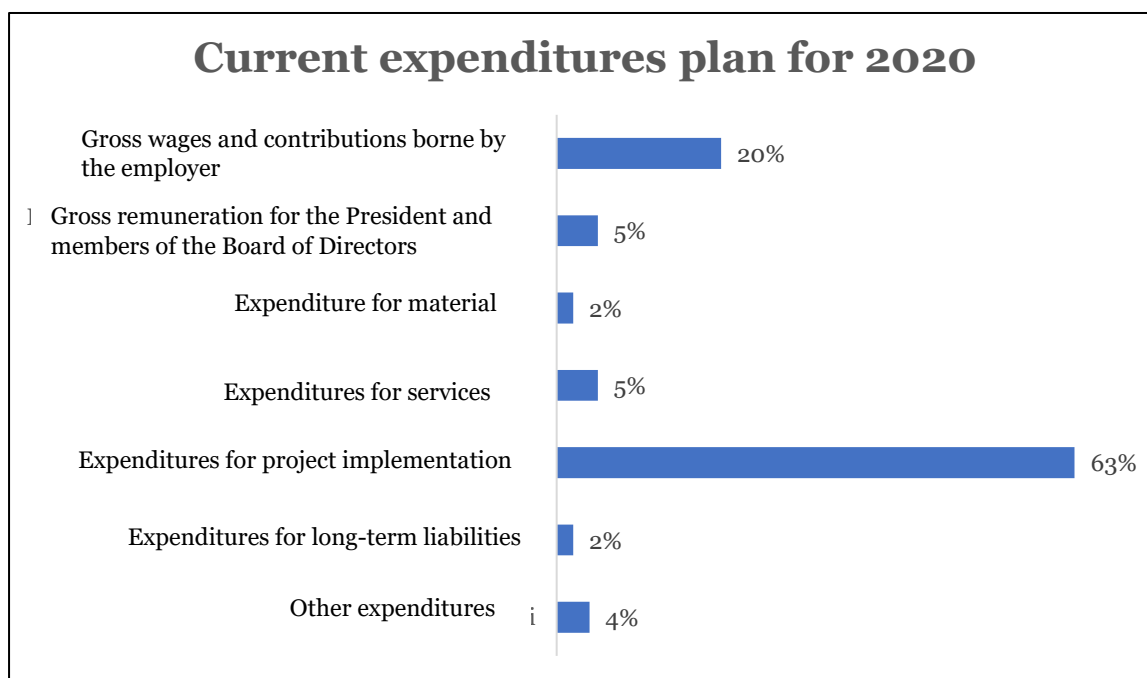
Expenditures are harmonised with the expected scope of work and the need for timely execution of programme activities of the Eco Fund and they are planned based on the

implementation for the first 5 months of its establishment, i.e. since March, 2020 and a detailed estimate of costs necessary for work. i.e. for realisation of the tasks determined by the 2020 Work Programme.

Total expenditures in the current budget are planned in the amount of €477.093.50 and their overview is given in the following table:

CURRENT BUDGET			
		Current expenditure plan for 2020	Share percentage %
1.	Gross wages and contributions borne by the employer	€97,657.65	20%
2.	Gross remuneration for the President and members of the Board of Directors	€22,138.70	5%
3.	Costs of material	€7,500.00	2%
4.	Expenditures for services	€22,100.00	5%
5.	Expenditures for project implementation	€300,000.00	63%
6.	Expenditures for long-term liabilities	€9,000.00	2%
7.	Other expenditure	€18,697.15	4%
	Expenditure	€477,093.50	100%

* percentage amounts are rounded to the first integer



In the structure of planned expenditures in 2020, the most significant item is expenditures for project implementation in the amount of 62.88% of the total expenditures.

The Eco Fund planned expenditures for 2020 in the total amount of €477,093.50 and it consists of current expenditures in the amount of €458,396.35, other expenditures in the amount of €18,697.15

CURRENT EXPENDITURE

1. Gross wages and contributions paid by the employer

Employee salaries are stated in gross amount and include net wages, taxes, and contributions for 10 employees. According to Article 13 of the Rulebook on Internal Organisation and Systematisation 19 job positions with 25 employees are planned for performing tasks from the Eco Fund scope of work. As of the end of August 2020, a total of eight employees were employed, and it is planned to employ an additional two more employees by the end of 2020, so that the total planned gross salary amounts to €97,657.65.

2. Gross remuneration for president and members of Board of Directors

Gross remuneration for the president and members of the Board of Directors is planned in the total monthly gross amount of €2,213.87, which would represent the total planned funds for ten months in the amount of €22,138.70.

3. Expenditure for material

Expenses for materials are stated in the total amount of €7,500.00 and include costs of office supplies in the amount of €3,000.00; fuel costs in the amount of €2,600.00, as well as other costs for materials related to the cost of materials for maintaining hygiene, protective masks for employees, disinfectants and the cost of small inventory in the amount of €1,900.00.

4. Expenditures for services

Expenditures for services are stated in the total amount of €22,100.00 and include:

Expenditure for business trips that consist of expenses for business trips in the country and abroad (transportation, accommodation, per diems and travel insurance); representation expenses; costs of communication services; payment costs of banking services and negative exchange rate differences; professional development services for employee training and other services including graphic design costs; costs of solicitor, notary and legal services as well as consulting services, projects and studies.

5. Expenditures for project implementation

The crisis situation caused by the pandemic of the COVID-19 virus endangered the financial stability of the registered polluters, which results in reduced collection of eco-fees, which are also one of the main sources of funds for project financing. In this regard, the Eco Fund planned, in accordance with the Work Programme for 2020, to redirect the collected funds in the amount of €300,000.00 for the implementation of the following projects:

- **Project in the water protection field** - the Financial Plan allocated funds for investment subsidies for the reconstruction of the water supply and sewerage network; reconstruction of asbestos-cement pipes through cooperation with local governments in the amount of €100,000.00.
- **Project in the energy efficiency field** - the Financial Plan allocates funds for subsidies to households and SMEs - in the form of financial support to legal entities in the private sector for investment in energy efficiency, through cooperation with the Ministry of Economy and financial institutions in the amount of €100,000.00. The project includes implementation of new programmes for co-financing energy efficiency and the use of renewable energy sources in households and the implementation of training programmes - technical support to stakeholders. The aim of the project is to reduce heating costs and increase comfort in households, to achieve a significant reduction in CO₂ emissions in the household sector as well as the development of the market for biomass heating systems in Montenegro.
- **Project in the field of energy efficiency in the transport field** - the Financial Plan allocates funds for subsidies in the implementation of support programmes for the transition to "green" vehicles for private and public sector entities, and individuals,

intended for purchasing of electric and/or hybrid vehicles in the amount of €100,000.00. The purpose of the project is to encourage cleaner transport, use of alternative fuels in transport, i.e. reduce the negative impact of gases on air quality, environment and human health, by reducing greenhouse gas emissions related to conventional vehicles (such as CO₂ by about 15 to 30%).

6. Expenditures for long-term liabilities

Expenditures for the loan are related to debt repayment leasing to close the credit arrangement for the purchase of an official vehicle in the planned amount of €9,000.00, which represents a share of 20% of the total value of the vehicle and instalments for 4 months of repayment in 2020. Debt repayment on the basis of leasing implies repayment of principal and interest costs for a period of 5 years.

OTHER EXPENDITURE

Other expenditures include expenditures for equipment related to initial investments for purchasing accompanying equipment in the amount of €13,897.15. In addition, they include expenditures for purchasing software, as well as the installation of software and equipment in the amount of €3,000.00. Insurance expenses relate to the insurance of employees in case of injury at the workplace and amount to €300.00, as well as contributions for membership in domestic and international organisations in the amount of €1,500.00.

VI TABLE OVERVIEW OF PLANNED REVENUE AND EXPENDITURE OF THE ENVIRONMENTAL PROTECTION FUND FOR 2020

Planned revenues and receipts by type are determined in the following amounts:

NO	Classification	Description	Amount in €
		Revenues	€477,093.50
I		Current revenue 1 + 2	€477,093.50
1	653	Revenues from eco-fees	€469,725.07
	653	Revenues from fees for emissions of pollutants into the air	€207,188.44
	653	Revenues from fees for generating hazardous waste	€259,406.25
	653	Revenues from fees for importing ozone-depleting substances	€3,130.38
2	653	Revenues from fees for transferring emission credits	€7,368.43

Planned expenditures and expenses by type are determined in the following amounts:

No		Description	Amount in €
		Expenditures and expenses	€477,093.50
I		Current expenditures and expenses I+II	€458,396.35
1		Gross wages and contributions paid by the employer	€97,657.65
	520	Expenses for net salaries	€59,418.02
	520	Expenses for wage tax	€7,981.43
	520	Employee contribution costs	€21,283.94
	521	Costs of contributions paid by the employer	€7,776.78
	555	Municipal surtax	€1,197.48
2		Earnings remuneration	€22,138.70

ENVIRONMENTAL PROTECTION FUND

	526	Gross remuneration for president and members of Board of Directors	€22,138.70
3		Expenditures for material	€7,500.00
	512	Office supplies expenses	€3,000.00
	513	Fuel expenses	€2,600.00
	512	Other expenses for material	€1,900.00
4		Expenditures for services	€22,100.00
	529	Expenditures for employees business trips expenses	€4,500.00
	551	Representation expenses	€2,000.00
	531	Communication expenses	€2,300.00
	553	Payment costs (banking services and negative exchange rate differences)	€500.00
	550	Costs of solicitor, notary and legal services	€1,500.00
	550	Costs of consulting services, projects and studies	€3,000.00
	550	Costs of professional training	€3,300.00
	559	Costs of other services	€5,000.00
5		Expenditures for project implementation	€300,000.00
	557	Expenditures for environmental protection projects	€300,000.00
6.		Expenditures for long-term liabilities	€9,000.00
	419	Debt repayment on the basis of leasing	€9,000.00
II		Other expenses	€18,697.15
	023	Equipment expenses	€13,897.15
	532	Costs of software and equipment maintenance services	€3,000.00
	554	Costs of membership fees	€1,500.00
	552	Costs of insurance premiums	€300.00

VII IMPLEMENTATION OF THE FINANCIAL PLAN

The Executive Director of the Eco Fund is responsible for the implementation of the Financial Plan for 2020, and submitting a proposal to the Board of Directors, which determines it, and Government as the Founder, adopts it.

The allocation of funds under this plan will be made in accordance with the decisions, programme and Work Plan, established criteria and benchmarks, concluded contracts and other acts issued by the Eco Fund in accordance with the law, in order to perform its competence and function.

VIII FINAL PROVISION

The proposal of the Financial Plan for 2020 is submitted to the Founder for consideration and adoption.