

STABILISATION AND ASSOCIATION
BETWEEN
THE EUROPEAN UNION
AND MONTENEGRO

The Stabilisation and Association Council

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COVER NOTE

Subject: Seventh meeting of the EU-Montenegro Stabilisation and Association Council (Luxembourg, 20 June 2016)

Delegations will find attached the position paper of Montenegro tabled on the occasion of the 7th meeting of the Stabilisation and Association Council between the European Union and Montenegro.



Ministry of Foreign Affairs and European Integration

No:

Podgorica, 17 June 2016

POSITION

OF MONTENEGRO FOR THE SEVENTH MEETING OF THE EU-MONTENEGRO STABILISATION AND ASSOCIATION COUNCIL

(Luxembourg, June 2016)

1. Adoption of the agenda

Montenegro welcomes the holding of the **seventh meeting of the Stabilisation and Association Council between Montenegro and the European Union** and reminds that the Stabilisation and Association Agreement (SAA) represents the basis for bilateral relations. Montenegro points out that it continued to smoothly fulfil commitments from the SAA in line with the established dynamics and continued to conduct and develop the institutionalised political dialogue with the European Union.

2. Relations under the Stabilisation and Association Process

2.1. Enlargement strategy and Montenegro 2016 Report of the European Commission On 29 June 2016, it will be four years since the start of the negotiation process and during that time Montenegro opened negotiations in twenty two negotiating chapters two of which have been provisionally closed. At the last Intergovernmental Conference held on 21 December 2015 in Brussels the negotiations were opened on **Chapter 14 – Transport Policy and Chapter 15 – Energy.**

Montenegro is working dedicatedly on the realisation of 83 interim benchmarks in Chapter **23 – Judiciary and Fundamental Rights and Chapter 24 – Justice, Freedom and Security**, which make the backbone of the negotiating process. Besides, Montenegro intensively implements activities in other negotiating chapters as well. **Montenegro has** met the opening benchmarks in 9 out of 13 chapters where the benchmarks were set.

According to Article 15 of the Stabilisation and Association Agreement, Montenegro had meetings with Serbia, the former Yugoslav Republic of Macedonia and Albania. The first meeting of the Joint Committee between Montenegro and the Republic of Serbia was held on 23 and 24. July 2015 in Podgorica, in line with the Agreement on Cooperation between the Government of Montenegro and the Government of the Republic of Serbia in the context of accession to the European Union. Furthermore, the first meeting of the Joint Committee between Montenegro and the Republic of Albania for implementation of the Agreement on Cooperation between the Government of Montenegro and the Council of Ministers of the Republic of Albania in the context of EU accession was held in Podgorica on 15 March 2016. Moreover, the second meeting of the Joint Committee between Montenegro and the former Yugoslav Republic of Macedonia for implementation of the Agreement on Cooperation between the Government of Montenegro and the Government of the former Yugoslav Republic of Macedonia in the context of EU accession was held on 10 – 11 May 2016. The SAA commitments related to the work of the sectoral and other sub-committees and other bodies are efficiently implemented through regular meetings.

Montenegro's Programme of Accession to the European Union 2016 – 2018 was adopted by the Government on 21 January 2016. Montenegro has realised 369 out of 421 or 88% of the planned commitments in 2015. In 2015 Montenegro planned the adoption of 74 strategic documents, whereas 65 or 88% have been realised. Montenegro has adopted 304 out of planned 347 laws and bylaws (88%).

The Strategy of Informing the Public on Montenegro's accession to the European Union for the period 2014 – 2018 is implemented very successfully. On 21 January 2016 the Government adopted the Report on the realisation of the 2015 Action Plan with the realisation rate of 95.73%. On 4 February 2016 the Government also adopted the 2016 Action Plan envisaging 142 activities.

Political Criteria

Since June 2015 the **Parliament** has adopted 97 laws. The most important adopted laws include: the Law on Compensation of Damages for Victims of Violent Crimes, the Law on Arbitrage, the Law Amending the Law on Civil Procedure, the Law on the Centre for Training in Judiciary and Public Prosecution Office, the Law on Customs Service, the Law on Seizure of Proceeds of Crime, the Law Amending the Criminal Procedure Code and the Law Amending the Criminal Code of Montenegro.

After giving the Government the vote of confidence on 27 January 2016, the political parties had an intensive dialogue which resulted in the **adoption of the Law on Implementation of the Agreement on Creating Conditions for Free and Fair Elections (Lex specialis) on 19 May 2016**. Afterwards, two Deputy Prime Ministers (one on the proposal of the opposition) were elected as well as the Minister of Finance, the Minister of Interior, the Minister of Agriculture and Rural Development and the Minister of Labour and Social Welfare on the proposal of the opposition.

For the purpose of adequate **application of the electoral legislation**, the Government provided the equipment for electronic identification of citizens during the period September 2015 - February 2016. On 14 January 2016 the Ministry of Interior adopted the Instruction on the manner of using the electronic device for identification of voters. On the basis of the Instruction, the State Electoral Commission has passed a new set of bylaws. At the same time, before the local parliamentary elections in Tivat (held on 17 April 2016), the State Electoral Commission also passed and implemented a plan and a training programme for the bodies participating in the implementation of elections. There were no complaints or problems in the application of the new equipment, and the State Electoral Commission will use the findings obtained in these elections to further enhance the training programme dedicated to the electoral bodies, in order to successfully implement the electoral legislation in the October parliamentary elections.

The Anti-Corruption Agency adopted the secondary legislation on the implementation of the Law on Financing of Political Parties and Electoral Campaigns, carried out trainings for all bodies and performed the supervision over the application of the new legislative solutions. In this respect, it stated that all bodies published the analytical cards and the issued travel orders each seven days, and that the Municipality of Tivat published the reports on allocation of all forms of social aid at the local level, including the data on the types, amounts and recipient of the social aid each 15 days. They also published the statement from the local treasury and the analytical card on the spending of budgetary reserve funds. Furthermore, all electoral lists were regularly submitting fifteen day reports on the contributions of legal entities and natural persons collected during the electoral campaign.

As regards the **freedom of media**, the Parliament currently considers the proposal on forming the Temporary Parliamentary Committee for the supervision of investigation of cases of jeopardising the safety of journalist and media companies, which was submitted on 26 May 2016 by the members of the Democratic Party of Socialists for the purpose of strengthening the control role of the Parliament. The Public Prosecution Office and the Police Administration continued their work on resolving all cases of violence against journalists and media companies.

In the period 1 June 2015 - 31 May 2016, the **Government** realised 202 out of 280 planned commitments (72.14 %).

In the period 1 June 2015 - 31 May 2016 the Government passed 106 law proposals and adopted 70 decrees. Together with 77 law proposals and 45 decrees, the proposers have submitted reports on the implemented regulatory impact analysis (RIA).

As concerns the field of **public administration**, the Law on Salaries in the Public Sector has been adopted and it has been applied since 16 March 2016.

On 3 December 2015 the Government adopted the Programme of Public Finance Management Reform 2016 -2020. The Programme defines key reform plans for the future period in this area, aimed at increasing accountability and ensuring reliable financial management, by improving economy, efficiency and effectiveness in the management of public resources. In January 2016 the Ministry of Finance established the Coordination Working Group for continuous monitoring of implementation of the Programme of Public Finance Management Reform 2016 – 2020.

As of 1 January 2016, with the entry into force of the Law on the Prevention of Corruption, monitoring over the adoption of integrity plans is performed by the Agency for Prevention of Corruption. Until June 2016, 609 state authorities had submitted integrity plans to the Agency. On the basis of integrity plans, the Agency shall make a report in early 2017 on the adoption of integrity plans in state authorities, which will be an integral part of the annual report of the Agency. The state authorities are required to submit reports on implementation of the integrity plans for 2016 to the Agency by 15 April 2017, so the next annual report on the work of the Agency will include the analysis of implementation of the integrity plans in state authorities. The analysis will show to what extent the integrity plans reached the effect during one year period after their adoption.

Montenegro is continuously dedicated to the **regional cooperation** and has active role in building more stable and secure region through the participation in regional organisations and initiatives, including the Cooperation Process in South-Eastern Europe, the Regional Cooperation Council, the Central European Free Trade Agreement, the Energy Community Treaty, as well as the Western Balkans 6 Initiative which is still recognised through the Conference of Western Balkan States better known as the Berlin Process.

In 2016 Montenegro is the Chair of CEFTA, which means that in the following period it will be the host of many CEFTA meetings including the meeting of deputy ministers responsible for CEFTA and the CEFTA Week which gathers businessmen of the region.

The country continues to support bilateral and multilateral platforms for the exchange of experiences important for the European path of the countries included in the Stabilisation and Association Process. On 1 February 2016, a meeting was held in Tirana where the Ministry of Interior of Montenegro, the Ministry of Interior of Albania and the Ministry of Interior of Kosovo* agreed and signed the Protocol on establishing and functioning of the Common Centre for Police Cooperation in Plav.

Republic of Albania – The Agreement on Cooperation between the Government of Montenegro and the Council of Ministers of the Republic of Albania in the context of accession to the European Union entered into force on 16 December 2015; the Agreement between the Ministry of Sustainable Development and Tourism of Montenegro and the Ministry of Urban Development of the Republic of Albania on cooperation in the field of spatial planning was signed in Podgorica on 30 October 2015. Furthermore, the fourth bilateral political consultations were held in Podgorica on 23 November 2015, and it is also important to mention the fourth meeting of the Border Commission of Montenegro and the Republic of Albania on the subject of preparing for the conclusion of an international agreement on the state border between Montenegro and the Republic of Albania held on 26 October 2015.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/99 and the ICJ Opinion on the Kosovo declaration of independence.

Bosnia and Herzegovina – Good and substantial cooperation resulted in signing the Agreement on the state border between the two countries on 26 August 2015 in Vienna, on the margins of the Western Balkans Six (WB6) summit, which came into force on 20 April 2016 in accordance with Article 12 of the Agreement, as well as the Protocol on Cross-border Supervision between the Government of Montenegro and the Council of Ministers of Bosnia and Herzegovina signed in Sarajevo on 8 December 2015. On 14 December 2015 a meeting was held in Nikšić regarding the draft Agreement between the Government of Montenegro and the Council of Ministers of Bosnia and Herzegovina on mutual relations in the field of water management, whereas other consultations in the field of security took place in Podgorica on 9 November 2015.

Former Yugoslav Republic of Macedonia - The Business Forum for Investment Opportunities in the former Yugoslav Republic of Macedonia and strengthening economic cooperation between the former Yugoslav Republic of Macedonia and Montenegro was held on 16 October 2015 in Podgorica. In a meeting held on 2 November 2015, in the spirit of strengthening cultural cooperation, the two parties discussed the conceptual designs for the memorial dedicated to Vladimir and Kosara, in Skadar Krajina (the border of the municipalities of Bar and Ulcinj), and agreed to realize its set up in the shortest time possible.

Republic of Croatia - The contractual-legal base was improved by signing the Memorandum of Understanding between the Ministry of Education of Montenegro and the Ministry of Science, Education and Sports of the Republic of Croatia in the field of sport on 23 October 2015, the Agreement on Cooperation between the Directorate for IPARD payments (the future Agency for Payments) of the Ministry of Agriculture and Rural Development of Montenegro and the Agency for Payments in Agriculture, Fisheries and Rural Development of Croatia on 22 January 2016 and the Agreement on opening of the Regional Centre for Research and Innovation, based in Split, whose work will be attended, apart from Croatia and Montenegro, by Albania, Bosnia and Herzegovina, Kosovo, Serbia and the former Yugoslav Republic of Macedonia (signed on 18 September 2015). In the context of demarcation in the area of Prevlaka, harmonization of the Draft Special Agreement for addressing the International Court of Justice in Hague is underway.

Kosovo - The work on strengthening the contractual-legal base of cooperation has been continued: the Agreement on border between the two countries was signed on 26 August 2015; the Agreement on Cooperation between the Commission for Missing Persons of the Government of Montenegro and the Commission for Missing Persons of the Republic of Kosovo was signed on 22 October 2015 in Pristina; the Memorandum of Understanding between the Ministry of Foreign Affairs and European Integration of Montenegro and the Ministry of Foreign Affairs of Kosovo was signed on 4 March 2016 in Podgorica on the occasion of other bilateral political consultations between the two Ministries of Foreign Affairs; the Agreement on Cooperation between the State Archive of Montenegro and the State Archive of Kosovo was signed on 21 March 2016 in Pristina, whereas the Agreement on police cooperation between the Government of Montenegro and the Government of the Republic of Kosovo entered into force on 10 September 2015. The fourth and final round of negotiations on a set of agreements on judicial cooperation took place on 10 May 2016 in Budva, when the Agreement on mutual execution of court decisions in criminal matters was initialled. At the beginning of the current year the two countries have renewed discussions about the conclusion of the Agreement on Cooperation in the field of culture and the Agreement on voluntary return of IDPs to Kosovo, expert working groups were formed and they should soon commence their work on harmonization of the texts of the agreements. First bilateral political consultations between the Ministry of Foreign Affairs and European Integration of Montenegro and the Ministry of Foreign Affairs of the Republic of Kosovo took place on 20 – 21 July 2015 in Pristina and the two parties continued political dialogue regarding the matter of constitutional recognition of the Montenegrin national minority. Both parties made a decision on raising diplomatic relations to the ambassadorial level, and in April 2016 both countries launched the procedure of appointing ambassadors.

Republic of Serbia –The Protocol on electronic data exchange in the field of pension and disability insurance and the Technical Protocol on electronic data exchange between the Pension and Disability Insurance Fund of Montenegro and the Republic Pension and Disability Insurance Fund of Serbia were signed on 23 July 2015, as well as the Protocol on Cooperation in the field of European integration between the Ministry of Interior of Montenegro and the Ministry of Interior of Serbia on 28 July 2015. The first meeting of the Joint Committee between Montenegro and Serbia in the context of EU accession was held on 23 – 24 July 2015 in Podgorica. The Programme of Cooperation in the fields of science and technology 2015-2017 between the two competent ministries was signed on 17 September 2015. Regular and substantial cooperation in the defence sector has been continued – the Agreement on Cession of Submarines Class 911 between the Ministry of Defence of Montenegro and the Ministry of Defence of the Republic of Serbia was signed at the beginning of April by exchanging signatures, so realization of the handover process is expected in the next period.

Montenegro implements all restrictive measures of the Security Council of the United Nations and the EU. After the Law on International Restrictive Measures entered into force, intensive activities were undertaken with the aim to introduce the restrictive international measures, that Montenegro aligned with, into the internal legal system according to the new legal solutions.

Public Finance Management

On 21 January 2016 the Government adopted the Economic Reform Programme for Montenegro (ERP) for the period 2016-2018 which is the most important economic document in the country; it represents its midterm economic policy and the basis for the economic dialogue with Brussels, and it has been structured according to the requirements and methodology of the European Commission. The goal of the economic policy in the period until 2018 is an intensive and sustainable economic growth and the creation of new jobs. The economic policy will be directed at the growth of competitiveness of the Montenegrin economy through the implementation of structural reforms and development of infrastructure aimed at the growth of domestic and foreign direct investments. The economic policy priorities of Montenegro defined by the Programme are the following: further development of transport infrastructure, fiscal sustainability, favourable investment environment, systemic reduction of informal employment, creating conditions for the growth of credits and development of SMEs, strengthening of country's external position and enhancement of human capacities. These priorities are the answer to the obstacles to economic growth, according to the EU recommendations for Montenegro.

Source budget revenues in 2015 amounted to EUR 1,326.7 million or 36.9% of the estimated GDP (EUR 3,595.0 million). The highest increase was recorded by revenues from excise duties and contributions of EUR 13.5 million and EUR 12.3 million, respectively.

In 2015, the **financial account** recorded a net inflow of capital due to a significant inflow of portfolio and foreign direct investments. According to preliminary data, total **net FDI inflow** amounted to EUR 619.3 million in 2015, showing a 75% growth compared to the previous year. The FDI inflow increase was a result of a significant increase in the inflow of investments in domestic companies and banks, as well as reduced withdrawal of foreign investments in relation to the previous year. Total FDI inflow amounted to EUR 757.4 million, which is 52.1% more than in 2014. FDI inflow in the form of equity investments amounted to EUR 490.3 million, accounting for 64.7% of the total inflow. Inflow arising from intercompany debt amounted to EUR 255.2 million, which is 10.8% more than in 2014.

The value of executed construction works in 2015 was by 5.8% higher than in 2014, while construction activity measured by effective working hours increased by 4.7%.

Preliminary MONSTAT data reveal that 28,343 tourists visited Montenegro in March 2016, which is the y-o-y increase of 17.1%. During the same month, the number of tourist overnight stays was 98,770 or 12.2% more than in March 2015. In the first three months of 2016, the number of tourist arrivals and overnights recorded respective y-o-y increases of 9% and 11.9%.

The **budget expenditure** in 2015 amounted to EUR 1,618.0 million or 45% of GDP, which was 3.4% higher than planned and 10.8% higher than in 2014.

The **budget deficit** in 2015 amounted to EUR 291.3 million, being EUR 55.5 million higher than planned and EUR 184.1 million higher than in 2014.

The **external sector** trends in 2015 were characterised by the current account deficit decline, and a surplus growth at the services and primary income accounts, as well as an increase in inflow of net FDI and portfolio investments.

According to preliminary data, **the current account deficit** amounted to EUR 481.9 million or 8.3% less than in 2014. The decline in the current account deficit was a result of an increase in the surplus at the services and primary income account.

In the period January – March 2016, source budget revenues amounted to EUR 284.7 million, which is EUR 26.3 million or 10.2% higher when compared with the same period of the previous year. The highest increase was recorded by corporate income tax (49.1%) and personal income tax (24.7%).

The budget expenditure for the observed period of 2016 reached EUR 331.9 million, thus being 23.4% lower than planned and 4.7% higher in comparison with the same period of the previous year.

The budget deficit for the same period of the current year amounted to EUR 47.2 million, which is EUR 11.3 million less than in the comparative period in 2015.

According to records of the Statistical Office of Montenegro, **the number of employed persons** was 172,098 in March 2016, which is 0.7% higher when compared with the previous month and 0.1% higher when compared with March 2015. During the first three months of the current year, the number of employed persons increased by 0.3% in comparison with the same period of the previous year.

The Employment Office of Montenegro's records showed that there were 42,406 registered unemployed persons in March 2016, which represents the month-on-month decline of 0.5%, and the increase of 21.5% when compared with March 2015.

In March 2016, the average wage in Montenegro amounted to EUR 734, which is 1.8% higher than in March 2015. The amount of average wage without taxes and contributions was EUR 488, which is 2.5% higher when compared with March 2015.

The number of pensioners was 108,901 in March 2016 or 1% less than in March 2015. The average pension was EUR 276.23, which is 1.2% higher when compared with March 2015.

Financial system stability

The banking system is adequately capitalised and liquid. The banking system recovery is primarily reflected in a decline in the share of non-performing loans in total loans, as well as in increased lending activity. Banking operations in the observed period were characterised by an increase in the key balance sheet positions: loans to and receivables from banks and clients, assets, deposits and capital.

Banks' total assets amounted to EUR 3,440.9 million at the end of March 2016, while, at the end of September 2015, they amounted to EUR 3,487.2 million. Loans and receivables from clients and banks in the amount of EUR 2,248.9 million or 65.36% represented the most significant item in banks' aggregate balance sheet.

Lending activity of banks reached the level of EUR 962.7 million in 2015, which is 20.12% higher in comparison with 2014, when new loans amounted to EUR 801.5 million. This positive trend continued in 2016, and thus the lending activity of banks in the first three months of 2016 reached EUR 249.9 million, which is an increase of 31.39% in comparison with the same period of 2015, when new loans amounted to EUR 190.3 million.

On 31 March 2016, **the total deposits** (including funds in escrow accounts, interests and prepayments, as well as accruals) amounted to EUR 2,627.5 million, while on 30 September 2015 they amounted to EUR 2,643 million.

Gross non-performing assets (C, D and E), which include loans and receivables and other assets and off-balance sheet items, amounted to EUR 351.3 million at the end of March 2016 or 10.2% of total assets at the banking system level. Gross non-performing assets (C, D and E) at the banking system level recorded 16.1% decline when compared with September 2015, when they amounted to EUR 418.4 million (12.00% of total assets).

On 31 March 2016, **the total capital of banks** amounted to EUR 470 million, and it increased by 0.99% in comparison with September 2015.

Montenegro achieved progress and it will continue aligning its legislative and institutional capacities with European standards in accordance with commitments defined by the trade - related provisions of the Stabilisation and Association Agreement. In that regard, Montenegro actively works on filling of administrative capacities for the efficient implementation of the *acquis*.

Activities have been continued in the field of **free movement of goods** as regards the alignment of national regulations with the *acquis* and standards regulating standardisation, metrology, as well as accreditation and European standards conformity assessment. In December 2015, the Government adopted the Action Plan for alignment of national legislation with Articles 34-36 of the Treaty on the Functioning of the European Union. Seventeen rulebooks that transpose the Old and New Approach Directives have been published as well.

In the field of **freedom of movement for workers**, on 24 February 2016, the Parliament passed the Law Amending the Law on Foreigners, which removed provisions that restricted employment of foreigners. The Decision determining the annual number of permits for temporary residence and work of foreigners for 2016 was adopted on 3 December 2015. This decision specified the annual number of permits for temporary residence and work of foreigners – annual quota for 2016, as well as activities and occupations where foreigners may be employed, i.e. where they can provide contracted services. The Parliament passed the Law on Health Insurance on 28 December 2015.

As regards the **right of establishment and freedom to provide services**, the Proposal for the Law on Services transposing Directive [2006/123/EC](#) is currently being harmonised together with the Secretariat for Legislation. Furthermore, the Decree on Point of Single Contact for Services that will define the work and the functioning of the Point of Single Contact (PSC) in Montenegro is being drafted.

In the field of *free movement of capital*, on 17 December 2015, the Government adopted the money laundering and terrorist financing national risk assessment (NRA), as well as the Action Plan that specifies measures and obligations for a number of government bodies. On 10 March 2016, the Government adopted the IX Report on the implementation of the Strategy for the Prevention and Suppression of Terrorism, Money Laundering and the Financing of Terrorism for the period 2015-2018, as well as the Action Plan 2015- 2016 for the period July – December 2015. On 25 March 2016, the Central Bank of Montenegro passed the Decision Amending the Decision on the structure, more detailed conditions and the method of opening and closure of transaction accounts. On 1 September 2015, the Administration for Prevention of Money Laundering and Financing of Terrorism established the Guidelines for the assessment of risk of money laundering and financing of terrorism for companies, legal persons, entrepreneurs and natural persons that perform the activity and/or are engaged in the business of audit, authorized auditor, accountancy, and tax advisory services.

In the field of *public procurement*, on 28 December 2015, the Government adopted the Strategy for Development of the Public Procurement System in Montenegro for the period 2016-2020 with the Action Plan for the implementation of the Strategy. The new Rulebook on Internal Organisation and Job Descriptions of the Public Procurement Administration was adopted on 22 October 2015.

In the field of *company law*, on 13 November 2015, the Government endorsed the Proposal for the Law Amending the Law on Takeover of Joint Stock Companies. The Proposal for the Law on Accounting and the Proposal for the Law on Auditing were endorsed by the Government on 31 March 2016. Furthermore, the Law on Companies is being drafted and the final alignment with the EC comments regarding the Law on Capital Market is underway.

The Ministry of Finance is implementing the project 'Building capacities for effective audit surveillance' in cooperation with the World Bank. Training related to surveillance over the quality of auditors' work, i.e. the work of audit companies was organised under the project, and the expert assistance was provided in the part related to the improvement of legislation, as well as support to the Institute of Certified Auditors of Montenegro in becoming a full-fledged member of the International Federation of Accountants. The project is in the final stage and it will be implemented by mid-August 2016.

In the field of intellectual property law, Montenegro achieved complete alignment with the *acquis* through adoption of the Law on Patents by the Parliament on 26 July 2015. The Government also endorsed proposals for all relevant laws with a view to complete aligning with the *acquis* in this field: Proposal for the Law Amending the Law on the Protection of Topography of Semiconductors - 30 July 2015, Proposal for the Law Amending the Law on the Protection of Industrial Design and the Proposal for the Law Amending the Law on Trademark Protection – 27 August 2015, as well as Proposal for the Law Amending the Law on Copyright and Related Rights - 24 September 2015. With a view to strengthening coordination of institutions dealing with implementation, on 26 April 2016, the Intellectual Property Office passed the Decision establishing the Working Group for drafting of the methodology of collection and analysis of statistical data on the exercise of intellectual property rights.

In the field of competition policy, bearing in mind complete alignment of the national legislation with the *acquis*, Montenegro paid particular attention to the implementation of legislative solutions, education of judges in charge of this field, as well as further strengthening of capacities of the Agency for Protection of Competition. In the field of state aid, so far, by publishing the fourth Rulebook on the List of State Aid Rules on 20 March 2016, Montenegro transposed 25 EU regulations into its legislative framework. The Government passed the Decree on Business Zones on 10 September 2015.

In the field of **financial services**, the Central Bank of Montenegro is preparing the Law on Banks, which is planned for the fourth quarter of the current year, as well as a set of bylaws required for its adoption. In the insurance sector, on 16 July 2015, the Parliament passed the new Law on Bankruptcy and Liquidation of Insurance Companies, while the Government of Montenegro endorsed the Proposal for the Law Amending the Law on Insurance on 28 December 2015. It is currently in the parliamentary procedure. As regards **institutional capacities**, the Central Bank of Montenegro, together with other supervisory authorities of countries in the region, signed the agreement on cooperation with the EBA (European Banking Authority) in London on 23 October 2015. According to this agreement, the Parties shall enjoy the status of equal participation in the sharing of information with the EU Member States on operations and supervision of the banking systems.

In the field of **information society and media**, the Ministry for Information Society and Telecommunications prepared the Draft Strategy for Information Society Development by 2020, which was put on public debate on 25 May 2016. It provided, inter alia, the framework for improving development of electronic communication networks and services. Strategic goals of development of information society in Montenegro are being aligned with the Digital Agenda for Europe and the Digital Single Market Strategy. On 28 December 2015, the Government endorsed the Proposal for the Law Amending the Law on Electronic Media, which is in the parliamentary procedure. Amendments to the Law on Electronic Media refer to complete alignment with the 2010 Audio-visual Media Services Directive and alignment with the state aid rules for public service broadcasters in compliance with the Communication from the Commission on the application of State aid rules to public service broadcasting (2009/C 257/1).

In the field of **agriculture and rural development**, on 26 June 2015, the Government passed the Strategy for the Development of Agriculture and Rural Areas 2015–2020 with the Action Plan for alignment with the *acquis* under Chapter 11– Agriculture and Rural Development.

The Programme of development of agriculture and rural areas within IPARD II 2014-2020 (IPARD Programme) was approved by the European Commission on 20 July 2015 and adopted by the Government on 10 September 2015.

On 16 July 2015, the Parliament passed the Law on Cooperatives, while the Law on Ratification of the Sectoral Agreement between the Government of Montenegro and the European Commission on the rules for management and implementation of the Union financial assistance to Montenegro under the Instrument for Pre-accession Assistance in the Policy Area “Agriculture and Rural Development” (IPARD) was passed on 28 December 2015.

The Decree on realisation and the procedure of use of the funds from the instrument of pre-accession assistance European Union (IPARD II programme) was published on 8 March 2016.

In the field of *food safety, veterinary and phytosanitary control*, on 10 September 2015, the Government passed the Montenegro’ Strategy for transposition and implementation of the EU *acquis* for Chapter 12 – Food Safety, Veterinary and Phytosanitary Policy including a General Action Plan and a Specific Action Plan for suppression and eradication of classical swine fever.

The Parliament passed 9 laws with a view to aligning the legal framework with the *acquis*. The following laws were passed at the ninth sitting of the first ordinary session on 16 July 2015: Law Amending the Law on Animal Welfare Protection; Law Amending the Law on Planting Material; Law Amending the Law on Agricultural Plant Seeds Material; Law Amending the Law on Plant Health Protection; Law Amending the Law on Veterinary Medicine; Law Amending the Law on Livestock Farming; Law Amending the Law on Animal Identification and Registration. The following laws were passed at the sitting of the fifth irregular session of 21 September 2015: Law Amending the Law on Reproductive Material of Forest Trees and the Law on Food Safety.

Fifteen bylaws in the field of food safety, as well as 28 bylaws in the field of veterinary medicine and 18 bylaws in the field of phytosanitary control were passed with a view to additional aligning with the *acquis*. Decree Amending the Decree on the Organisation and Method of Work of the State Administration, which was endorsed at the session of the Government on 3 December 2015, defines the Ministry of Agriculture and Rural Development as the central authority for food and feed safety and the contact point with the European Commission in the field of food safety with the Administration for Food Safety, Veterinary and Phytosanitary Affairs as its integral body.

Following the first categorisation of facilities in December 2014, further categorisation of food establishments as regards their level of conformity/nonconformity, by which the structures were classified in three categories, was carried out in the period 24 November 2015 - 20 February 2016.

In the field of *fisheries*, in accordance with dynamics of association and further alignment with goals of the Common Fisheries Policy, on 25 June 2015, the Government passed the Fisheries Strategy of Montenegro for the period 2015–2020 with the Action Plan for transposition, implementation and enforcement of the *acquis*, which represents the opening benchmark for opening negotiations on this chapter. The Parliament passed the Law Amending the Law on Marine Fisheries and Mariculture on 31 July 2015.

The following strategic documents were adopted in the field of *transport*: Programme of construction, maintenance, reconstruction and modernisation of the railway infrastructure for 2016, Plan of regular and investment maintenance, reconstruction and construction of state roads for 2016, Action Plan for the implementation of the Strategy for Improving the Road Transport Safety for 2016 and the National Programme amending the National Civil Aviation Safety Programme. On 28 December 2015, the Government endorsed the Proposal for the Law on the Security Protection of Merchant Ships and Ports. The project "One Stop Security", which was initiated by the European Commission, European Civil Aviation Conference and the aviation authorities of Montenegro, was successfully implemented, and thus, as of 29 February 2016, Montenegro became the only country outside the European Union involved in this security system network.

Installation of sensor stations Obosnik, Crni Rt and Mavrijan for surveillance and control of maritime transport (VTMIS) was successfully completed and tested during 2015. The Vessel Traffic Monitoring and Information System was put into operation on 30 October 2015. Numerous bylaws for road transport, railway transport, as well as maritime and air transport were passed in the period June 2015 – June 2016.

In the field of energy, the Parliament passed the Law on Energy on 29 December 2015. Passing of this law provided further alignment with directives of the Third Energy Package. On 30 July 2015, the Government endorsed the Proposal for the Law on the Cross-Border Exchange of Electricity and Natural Gas, which transposed regulations of the Third Energy Package. The mentioned proposal is in the parliamentary procedure. Seventeen bylaws which regulate in more details certain obligations laid down by the law and additionally transpose requirements of the EU directives were passed in accordance with the Law on the Efficient Use of Energy. On 22 March 2016, the Parliament passed the Law on Ratification of Amendments to the Convention on the Physical Protection of Nuclear Material, after which the instruments of ratification were submitted to the Depositary (Director General of the International Atomic Energy Agency) and the national focal point was appointed.

In the field of taxation, the Law Amending the Law on Personal Income Tax, which was passed by the Parliament on 28 December 2015 and which is applied from 1 January 2016, extended the validity of higher tax rate on personal incomes in gross amount over EUR 720, provided that the tax rate in 2016 is 11%. Taxation of incomes from games of chance was also abolished with these amendments. On 14 September 2015, the Tax Administration adopted the Analysis and the Strategy of the Tax Administration Information System 2015 - 2019, the application of which started on the day of adoption.

In the field of *economic and monetary policy*, on 3 December 2015, the Government adopted the Public Finance Management Reform Programme 2016–2020, while the Economic Reform Programme for Montenegro for the period 2016-2018 was adopted on 21 January 2016. Furthermore, on 2 July 2015, the Government adopted Montenegro Development Directions 2015-2018. On 6 May 2016, the Statistical Office of Montenegro (MONSTAT), the Central Bank of Montenegro and the Ministry of Finance signed the Agreement on cooperation in the field of general government national accounts statistics and the related statistics. The revised Action Plan for the alignment with the *acquis* in the field of monetary and economic policy was submitted to the EC on 1 March 2016. On 18 April 2016, the EC submitted the evaluation of the draft Action Plan for the Alignment with the *Acquis* in the field of Economic and Monetary Policy (Chapter 17) and proposed amendments to the Law on the Central Bank of Montenegro. Answers to comments and recommendations were submitted to the EC at the beginning of June. In the field of prohibition of privileged access of the public sector to financial institutions, the Decision on Bank Reserve Requirement to be held with the Central Bank of Montenegro was passed on 21 December 2015. Its application started on 1 January 2016. In the part related to the currency standards, on 13 October 2015, the Parliament passed the Law on Ratification of the International Convention for the Suppression of Currency Counterfeiting.

In the area of *statistics*, activities on alignment of Montenegro's national accounts with the EU standards (ESA 2010) have been continued through the continuous improvement of the scope and quality of data sources, with a view to enhancing the consistency and ensuring quality application of relevant methodological standards of the System of National Accounts. The Statistical Office calculated quarterly GDP according to the production and expenditure method, for the period 2010-2015 at current prices, and for the period 2011- 2015 at constant prices. In the calculation of quarterly GDP, ESA 2010 methodology was implemented and in December 2015, time series were published for the first quarter of 2010 – third quarter of 2015. In the calculation of annual GDP, ESA 2010 methodology was implemented, and in September 2015, time series were published for the period 2010– 2014.

Through the Edamis web portal and the Edamis web application, the Statistical Office submits to EUROSTAT all available data from 38 fields. A total of 169 different datasets are being submitted. At the beginning of the year, a new version of the Edamis web application was installed.

The budget of the statistical Office for 2016 has increased by 20% compared to the 2015 budget. This increase provided for the employment of five civil servants with a view to strengthening the capacities in terms of staff.

When it comes to the area of *social policy and employment*, the Government adopted the Proposal for the Law on Ratification of the Night Work Convention number 171 of the International Labour Organisation on 3 March 2016, following which it was submitted for parliamentary procedure. The Ministry of Labour and Social Welfare has adopted a set of rulebooks regarding the field of protection against non-ionizing radiation. The National Strategy for Employment and Human Resources Development 2016-2020 was adopted on 17 December 2015, together with the Action Plan for Employment and Human Resources Development for 2016. The Decree on grants for employment of certain categories of unemployed persons was adopted on 28 December 2015. The Decree prescribes the grants for employers hiring the certain categories of unemployed persons. The Report on implementation of the Action Plan for Employment and Human Resources Development for 2015 was adopted on 21 April 2016. Namely, according to the data of the Statistical Office of Montenegro (Labour Force Survey for the first and second quarter of 2015), the activity rate for the population of 15-64 years of age marked an increase from 60.2% in the first quarter to 63.9% in the second quarter, the employment rate from 49.1% to 52.4%, and unemployment rate marked a decrease from 18.4% to 18.0%. Due to impact of seasonal employment, the mentioned positive trends continued during the third quarter, when the activity rate was at the level of 63.9%, employment rate was 53.1%, and unemployment rate decreased to 16.8%. A decrease in these indicators was reported during the fourth quarter. The activity rate (15-64) was 62.4%, which is 1.5 percentage points less in comparison with the third quarter of 2015 (63.9%); employment rate was 51.1 % or less for 2 percentage points in comparison with the third quarter (53.1%); unemployment rate was 18.0% which was an increase for 1.2 percentage points in comparison with the third quarter (16.8%). The new Law on Health Care was adopted on 28 December 2015, as well as the new Law on Health Care Insurance.

As for the area of **enterprise and industrial policy**, the project aimed at drafting the industrial policy strategy was finalised in October 2015. Furthermore, the Action Plan for 2016, with the defined activities to be implemented in the current year with the funds allocated for their implementation, was prepared in coordination of the Ministry of Economy within the framework of the inter-ministerial cooperation with all the participating institutions on the basis of the submitted inputs. In the field of enterprise and industrial policy principles, the Government adopted the Action Plan for the implementation of the 2015–2019 Strategy for Lifelong Entrepreneurial Learning on 31 March 2016.

When it comes to the area of **regional policy and coordination of structural instruments**, the Government adopted the Action Plan for fulfilment of the EU requirements in the field of cohesion policy on 3 September 2015. The Action Plan describes in detail the current situation and defines the key measures for alignment with the *acquis* so that Montenegro could gradually prepare itself to manage structural instruments upon the accession. Implementation of the Action Plan started in accordance with the established dynamics for certain measures, while the gradual strengthening of the capacities continues to be pursued in the context of the use of currently available EU financial support under the Instrument for Pre-Accession Assistance.

Montenegro has carried out significant activities towards reforming the judiciary. On 26 June 2015, the Parliament adopted the Law on Compensation of Damages for Victims of Criminal Acts of Violence, which respects the principles of the European Convention on the Compensation of Victims of Violent Crimes. On 31 July 2015, the Parliament adopted the Law Amending the Law on Civil Procedure, which improves the existing legal solutions so as to eliminate the shortcomings observed in the practice and to strengthen the efficiency of the procedure. On 31 July 2015, the Parliament adopted the Law on Arbitration, which regulates the arbitration agreement, the composition and jurisdiction of the arbitral tribunal, provisional measures, conduct of arbitration proceedings, passing of arbitration award and completion of the proceedings, annulment, recognition and enforcement of arbitration award, all in line with the model law on arbitration developed by the UN Commission on International Trade Law.

The administrative capacities of the key institutions in this area have been strengthened. On 9 June 2015, the Prosecutorial Council adopted the Decision on the election of the Secretary of the Secretariat of the Prosecutorial Council, while on 30 July 2015 the Council adopted the Rulebook on internal organisation and job descriptions of the Secretariat of the Prosecutorial Council. Furthermore, by-laws have been adopted regulating the functioning of the Judicial Council and Prosecutorial Council. The Parliament adopted the Law on the Centre for Training in Judiciary and Public Prosecution Office on 23 September 2015. This law established Centre for Training in Judiciary and Public Prosecution Office as an independent organisation in the capacity of a legal person, which organises and conducts training courses for judges and public prosecutors, as well as for other judicial professions. Following the adoption of the Rulebook on Internal Organisation and Job Descriptions of the Centre, which foresees 19 positions, the procedure for filling the vacancies was launched.

When it comes to the strengthening of independence and impartiality of the judiciary, the misdemeanour courts became operational on 6 October 2015, after the appointment of the president and judges in the misdemeanour courts in Podgorica, Bijelo Polje and Budva. High Misdemeanour Court became operational on 18 November 2015. The re-election of all public prosecutors took place in the course of 2015. On 1 January 2016, a new algorithm for the current random allocation of cases to judges was made operational, which is additionally increasing transparency in the allocation of cases. As for the activities carried out with a view to strengthening the responsibility, all courts and public prosecution offices, as well as the Prosecutorial Council and the Judicial Council, have adopted new Integrity Plans based on the guidelines issued by the Anti-Corruption Agency, all in accordance with the new Law on Prevention of Corruption. Regarding the strengthening of professionalism and expertise, a pilot appraisal in selected Basic Court in Nikšić is being conducted in accordance with Decision of the Judicial Council adopted on 26 March 2016. On 26 February 2016, the Prosecutorial Council determined the Basic Public Prosecution Office in Cetinje as the pilot public prosecution office for carrying out the appraisal procedure of public prosecutors and heads of that public prosecution office.

When it comes to the strengthening of the efficiency of the judiciary, the Government adopted the Analysis of the enforcement system efficiency on 10 December 2015, while the the Analysis of the need for rationalisation of the judicial network was adopted on 28 December 2015.

In the field of reform activities in the area of **prevention of corruption**, the Parliament adopted the Law on the Customs Service on 28 December 2015, which has improved the anti-corruption actions, as well as the obligation of reporting the assets and income of officials, and which stipulates that the heads and assistant heads of customs offices and customs inspectors, customs officers, senior associates and customs officer – associates are obliged to submit a report on income and assets to the Anti-Corruption Agency. On 21 January 2016, the Government adopted the Report on the degree of implementation of unimplemented and partially implemented measures and activities from the Strategy for the Fight against Corruption and Organised Crime (2010-2014) and its results were taken into account during the drafting of the Operational document.

With a view to ensuring full operability of the key anti-corruption institutions, the Parliament elected members of the Council of the Anti-Corruption Agency on 26 June 2015. The first constitutive session of the Council was held on 23 July 2015. At the session held on 30 July 2015, the Council of the Anti-Corruption Agency elected the President of the Council. Director of the Anti-Corruption Agency was elected on 1 October 2015. The Anti-Corruption Agency became operational on 1 January 2016, and with its operation the Commission for the Prevention of the Conflicts of Interest and the Directorate for Anti- Corruption Initiative cease to exist. The Agency has its premises and information system. The Agency currently employs 44 persons, out of the foreseen 55. Furthermore, training courses have been regularly conducted as of January 2016 with a view to strengthening the Agency's capacities.

In June 2015, by adopting the GRECO Evaluation Report within the 4th round of evaluations, Montenegro received 11 recommendations related to the prevention of corruption with regard to MPs, judges and prosecutors. The Report was adopted at the Government's session held on 30 July 2015.

In the area of **fight against corruption and organised crime**, significant activities have been carried out when it comes to the criminal justice reform. On 26 June 2015, the Parliament adopted the Law Amending the Criminal Procedure Code, thus accepting the recommendations of foreign experts and the European Commission, eliminating certain legal inconsistencies, as well as specifying certain provisions with a view to strengthening the efficiency of the criminal procedure. On 23 December 2015, the Parliament adopted the Law on Confiscation of Proceeds of Crime. On 17 December 2015, the Government adopted the Decree on the manner of selling temporarily seized immovable property acquired through criminal activity or proceeds of crime and the Decree on the manner of leasing temporarily seized proceeds of criminal activity or proceeds of crime.

At the beginning of December 2015, the Government adopted the Decree amending the Decree on the organisation and functioning of public administration, by which the Public Property Administration became an independent administrative body, i.e. no longer an administrative body under the Ministry of Finance. Twelve employees are currently employed at the Department for Seized Property. Furthermore, the Decree on the manner of selling temporarily seized immovable property acquired through criminal activity or proceeds of crime was adopted in December 2015, as well as the Decree on the manner of leasing temporarily seized proceeds of criminal activity or proceeds of crime. On 30 July 2015, the Government passed the Strategy for the Fight against Illicit Trade in Tobacco Products and adopted the Action Plan for suppression of illicit trade in tobacco products with a view to achieving positive effects in the fight against crime. The proposal for the National priorities in the fight against serious and organised crime for the period 2016- 2017 was adopted on 13 April 2016.

When it comes to the reform activities at the police level, the Analysis of the situation of admission, promotion, education, and training of police officers, with the plan of realization of measures to improve the condition and improving the performance and functioning of the police was adopted on 17 December 2015.

The chief special prosecutor was elected at the session of the Prosecutorial Council held on 23 June 2015, while 8 out of 10 special prosecutors were elected in the course of June. The election of the remaining 2 special prosecutors is undergoing the final stage. The Special Prosecutor's Office started working in July 2015. Pursuant to the Law on the Special Public Prosecutor's Office and the Rulebook on internal organisation and job descriptions of the **Special Public Prosecutor's Office** of 5 October 2015, internal organisational units were established, namely: four departments and three professional services. Outside the scope of these activities, the activities of the Secretary of the Special Public Prosecutor's Office are also provided. To perform the activities within the organisation regulated in such a manner, 43 posts for civil servants and employees were established.

On the basis of the Law on the Special Public Prosecutor's Office, the head of the Police Administration adopted the Decision on the appointment of the Head of the Special Police Department on 2 March 2016. Premises and material-technical capacities for the work of this Department have been provided. Pursuant to the Rulebook amending the Rulebook on Internal Organisation and Job Descriptions of the Ministry of Interior, which was adopted on 21 April 2016, out of the total of 20 envisaged job positions in the Special Police Department, a total of 13 job positions have been filled.

The Information Technology Department of the Ministry of Interior has installed the appropriate equipment to set up INTRANET, which at the level of the Police Administration enabled electronic exchange of information and contributions. Until 30 November 2015, the Supreme Public Prosecutor's Office ended mutual informatics connection among public prosecutors' offices, as well as the installation of servers and a single domain in which all computers of prosecutor's offices are connected. As regards the information system of the Public Prosecution Office (IBM Case Management System), it has been tested by prosecutors, registrars, secretaries and typists of the High and Basic Public Prosecutor's Offices in Podgorica, as well as employees in the ICT sector.

In the area of **fundamental rights**, the legal and strategic frameworks have been significantly improved. On 26 June 2015, the Parliament adopted the Law on the Enforcement of Sentences of Imprisonment, Fines and Security Measures, Law on Prohibition of Discrimination of Persons with Disabilities, and the Law Amending the Law on Gender Equality. On 8 October 2015, the Government adopted the Second Report on the Implementation of the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). On 10 December 2015, the Government adopted a new Strategy on the Protection from Domestic Violence for the period 2016-2020. On 3 March 2016, the Government adopted the Action Plan for the Strategy for Inclusive Education for the period 2016-2018. The 2016 Action Plan for implementation of the 2013-2018 Strategy for Improving the Quality of Life of LGBT Persons was adopted in March 2016. On 24 March 2016, the Government adopted a new Strategy for Social Inclusion of Roma and Egyptians in Montenegro 2016-2020 and the Action Plan for the implementation of the Strategy for 2016. The key and general objective of the Strategy is social inclusion of Roma and Egyptians by improving the socio-economic status of Roma and Egyptians in Montenegro. Amendments to the Law on Prohibition of Discrimination are planned to be adopted by the end of 2016 so that it could be fully aligned with the *acquis*.

As regards the **protection of rights of persons with disabilities**, the following buildings were adapted in the period of 1 November 2015 to 1 May 2016: the Parliament of Montenegro (I phase), Centre for Social Welfare Podgorica, Tax Administration – Branch Office Podgorica, Health Centre “Dr Niko Labović“ in Berane (I phase) – service of chosen doctor for women, Health Centre in Pljevlja – the building of laboratory and X-ray. In April 2016, decisions on granting agreements for the adaptation of four buildings were adopted (Republic Health Insurance Fund in Podgorica, Basic Court in Podgorica, the Faculty of Economy in Podgorica and PHI General Hospital in Niksic) and the contracts were signed with the contractors.

When it comes to the area of **protection of rights of LGBTI persons**, especially at the local level, the Ministry for Human and Minority Rights signed a Memorandum of Understanding on measures to combat discrimination based on sexual orientation or gender identity and promote tolerance towards LGBT people with the municipality of Nikšić in February 2016. The Memoranda of Understanding on measures to combat discrimination based on sexual orientation or gender identity and promote tolerance towards LGBT people have so far been signed with the following municipalities: Kotor, Tivat, Budva, Herceg Novi, Bar, Ulcinj, Podgorica, Cetinje and Bijelo Polje.

As for the **prevention of domestic violence and gender-based violence**, on 21 April 2016, the Government adopted the Decision establishing the Coordination Committee for the coordination, implementation, monitoring and evaluation of policies and measures to prevent and combat all forms of violence covered by the Council of Europe Council of Europe Convention on preventing and combating violence against women and domestic violence. A unique national, free SOS helpline for victims of domestic violence started working on 9 September 2015. A unique database of victims of domestic violence, which connects the Police Administration, Centres for Social Work, prosecution offices and the judiciary, was established in December 2015. Memoranda of Cooperation (with a view to developing gender equality policies at the local level) have been signed with all the local self-governments in Montenegro after they were signed municipalities of Andrijevica, Plav, Gusinje and Petnjica, on 2 October 2015, and the municipalities Šavnik, Žabljak and Plužine, on 28 October 2015. The first local action plans for gender equality were signed in September 2015 in Berane and in December 2015 in Podgorica.

In order to improve the **rights of minorities**, amendments to the Law on Minority Rights and Freedoms are planned to be adopted. The Law contains in its entirety the recommendation previously received by the European Commission and the Venice Commission and sets out the main directions for the reform of the Fund for the protection and realisation of minority rights, focused on the prevention of objectively possible conflict of interest, increased work transparency, better control of project implementation through monitoring and evaluation, and creates the preconditions for the strengthening of the Fund's capacities. The Draft Law Amending the Law on Minority Rights and Freedoms was sent on 6 May 2016 for the opinion to the Venice Commission and the European Commission.

With a view to improving the strategic framework in the **migration area**, On 28 April 2016, the Government adopted the Strategy for the Reintegration of Persons Returned under Readmission Agreements for the period 2016-2020. The Guidelines for dealing with unaccompanied migrant minors (accommodation, care and rehabilitation), which represent adequate provisions used in work with this category of vulnerable groups, were adopted in December 2015. Montenegro is taking preventive actions to accommodate a large number of migrants and refugees in the event of a sudden influx. As a result of these activities, an Action Plan was adopted in November 2015 in case of a large influx of migrants and refugees on the border of Montenegro.

When it comes to **visa policy**, the decreasing trend in the number of visas issued on border crossing continued.

In the area of **external borders and Schengen**, significant activities have been undertaken with a view to improving the relations with the neighbouring countries. The state border agreement between Montenegro and Bosnia and Herzegovina entered into force on 20 April 2016. On 28 December 2015, the Parliament adopted the Law on Ratification the State Border Agreement between Montenegro and Republic of Kosovo, by which Montenegro has implemented the internal legal procedures necessary for the ratification of this Agreement. All eight alternative roads suitable for illegal state border crossing between Montenegro and Albania were torn down, as well 44 alternative roads between Montenegro and Bosnia and Herzegovina. On 7 December 2015, an agreement was reached regarding the competence for closing 87 identified roads suitable for illegal state border crossing between Montenegro and Serbia. Furthermore, on 22 December 2015, an agreement was reached regarding the competence for closing 16 alternative roads suitable for illegal state border crossing between Montenegro and the Republic of Kosovo. On 21 April 2016, Montenegro endorsed the Draft Schengen Action Plan, which was submitted on 9 May 2016 to the European Commission to give its opinion. At the meeting held on 1 February 2016 in Tirana, the Protocol between Montenegro, Republic of Albania and the Republic of Kosovo on the establishment and functioning of the Joint Centre for Police Cooperation in Plav was agreed and initialled. Montenegro has continued implementing the Integrated Border Management Strategy for the period 2014-2018.

When it comes to the area of **judicial cooperation in civil and criminal matters**, by signing an agreement with EUROJUST on 3 May 2016 in Brussels, Montenegro became an integral part of the European system of judicial cooperation in the fight against serious cross-border crime. On 15 October 2015, the Parliament adopted Law on Ratification of the 38th Convention on the International Recovery of Child Support and Other Forms of Family Maintenance. In April 2016 in state-prosecution organisation, in relation to cases of international legal assistance, IT system Luris was introduced and is being used.

Montenegro has achieved significant results in the area of **police cooperation**. On 24 September 2015 the Agreement on Cooperation between Montenegro and the European Police Office (EUROPOL) was signed, regulating the status of the Montenegrin liaison officers, as well as the Memorandum of Understanding on the confidentiality and security of information between Montenegro and the European Police Office. The liaison officer was sent on residential basis to the Europol headquarters on 1 November 2015.

In the area of prevention of **money laundering**, Montenegro proceeded with the continued implementation of the Strategy for the Prevention and Suppression of Terrorism, Money Laundering, and Terrorism Financing 2015-2018 through the implementation of the Action Plan for its implementation by 2016. On 17 December 2015, the money laundering and terrorist financing national risk assessment was adopted with the action plan, with a view to considering the possibilities for the efficient engagement of the available financial, technical and human resources in the fight against financial crime. In September 2015, tender procedure for the development of the necessary software was successfully completed, and the software development started on the 12 October 2015.

In the area of **fight against human trafficking**, the Unit for the fight against human trafficking and illegal migration was formed within the Police Administration in August 2015, and it has three employees. Montenegro proceeded with the continued implementation of the Strategy for the Fight against Human Trafficking, and the Action Plan for 2016 was adopted on 11 February 2016, placing the emphasis on the multidisciplinary approach to the fight against human trafficking.

As regards **cooperation in the field of drugs**, Montenegro proceeded with the continued implementation of the Strategy for Prevention of Drug Abuse 2013-2020. The Instruction on the practice of employees of the Division for the Fight against Drugs and Trafficking was drafted, and it entered into force on 5 June 2015.

In the area of **customs cooperation**, on 4 June 2015, the Parliament adopted the Law Amending the Criminal Procedure Code, authorising the Customs Administration to act on the order of the state prosecutor in preliminary investigation and evidence gathering process in the criminal proceedings. On 28 December 2015, the Parliament adopted the new Law on Customs Service, laying down that the authorised customs officers working on investigations shall carry out evidence gathering actions entrusted by the competent public prosecutor, in accordance with the provisions of the Criminal Procedure Code and regulations under the purview of the Customs Administration. The new electronic system was implemented, allowing for implementation of all activities in the risk management system of the Customs Administration through an electronic application.

In the area of **environment and climate change**, a strategy and an action plan for alignment with the EU acquis for the negotiating chapter 27 were drafted. Public debate on draft strategy and action plan for Chapter 27 took place in the period 5 March-11 April 2016. The documents were sent to the Commission on 25 April 2016, the comments from the public debate on 16 May 2016, while the European Commission submitted comments on draft documents to Montenegro on 10 June 2016. The National Strategy in the area of climate change by 2030 was adopted in September 2015. The Intended Nationally Determined Contribution (INDC) of Montenegro for the reduction of GHG emissions was also adopted, and Montenegro took on an obligation to reduce GHG emissions by 30% compared to the base year 1990. As regards waste management, on 9 July 2015, the Government adopted the Waste Management Strategy of Montenegro by 2030 and on 30 July 2015 the National Waste Management Plan of Montenegro for 2015-2020. With regard to nature protection, the Government defined the Proposal for the Law on Nature Protection on 28 December 2015, and it is currently undergoing the Parliamentary procedure. In addition, the Government is continuously working on the protection of the area of Ulcinj Saline. As regards cooperation with the civil sector, the Coalition of NGOs for monitoring negotiations under Chapter 27 – Environment and climate change was established on 11 April 2016.

In the area of **consumer and health protection**, on 16 July 2015, the Parliament passed the Law Amending the Law on Consumer Protection, with the aim of specifying the provisions regulating the issues of indicating notices and prices for products in sign language. Five by-laws were passed for implementation of the Law on Consumer Protection.

Pursuant to the Law on Supervision of Products on the Market, on 14 May 2015 the Government adopted the Decision on the establishment of the new Coordinating Body for market supervision, which entered into force on 4 July 2015.

In the area of supervision over the use of tobacco products, on 28 December 2015, the Parliament passed the Law Amending the Law on Limiting Use of Tobacco Products. On the basis of the Law on Provision of Blood, a number of rulebooks for its implementation were adopted. On 23 September 2015, the Parliament passed the Law on Acquisition and Transplantation of tissues and cells for therapeutic purposes, which is aligned with Directive 2003/24/EC, as well as the rulebooks for its implementation. On 28 December 2015, the Parliament passed the Law on Health Insurance, thus creating the basis for further normative regulation for exercising the patients' rights in cross-border health care. On 28 December 2015, the Parliament also passed the new Law on Health Care, positioning the establishment and development of an integral health information system.

In the area of **customs**, in the previous period, on 28 December 2015, the Parliament passed the new Law on Customs Service, while on 18 June 2015 the Government of Montenegro adopted the Decree on conditions for approving the status of an authorised commercial entity on the customs territory of Montenegro. On 28 December, the Government adopted the Decree amending the Decree for implementation of the customs law and the Decree on customs tariff for 2016. In addition, on 10 March 2016, the Government passed the Decree amending the Decree on conditions for carrying out the tasks of representation before a customs authority. The Ministry of Finance adopted the Rulebook on the form, content, and manner of submission of customs declaration and other forms used in the customs procedure, which was published on 13 April 2016, with the delayed application as of 1 January 2017. The Business Strategy of the Customs Administration for 2016-2018 was adopted in February 2016 at the College of the Customs Administration. On 17 March 2016, the Ministry of Finance gave the consent to the solutions contained in this Strategy. The Customs Administration adopted the Human Resource Management Strategy on 21 April 2016.

In the area of **foreign relations**, activities were continued on aligning the national regulations with the EU acquis. As regards the **Trade Facilitation Agreement (TFA)**, on 22 March 2016, the Parliament passed the Law on Ratification of the Protocol Amending the Marrakesh Agreement Establishing the World Trade Organisation, and on 10 May 2016 Montenegro handed its instrument of ratification. The **Information Technology Agreement (ITA, ITA2)** was finalised in December 2015. Montenegro became a signatory to the **Agreement on Trade in Civil Aircraft**, which was amended in November 2015 through the adoption of Protocol on amendments to the annex to the Agreement on Trade in Civil Aircraft. Montenegro will take on obligations deriving from this Agreement. As regards dual-use goods, on 9 July 2015, the Government adopted the Decision establishing the national control list for dual-use goods, which came into force on 16 September 2015. Montenegro is presiding over CEFTA in 2016.

As regards the area of **foreign, security and defence policy**, on 22 March 2016 the Parliament passed the Law on Ratification of the Convention on the Physical Protection of Nuclear Material, after which instruments of ratification were submitted to the depositary, with the appointment of the national focal point. Also, on 12 May 2016, the Government adopted the National Plan for the protection against chemical, biological, radiological and nuclear threats and risks (CBRN) for 2016-2020. On 22 March 2016, the Parliament passed the Law on Ratification of the Protocol on Explosive Remnants of War to the Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons which could be considered as Producing Excessive Traumatic Effects or as Striking Indiscriminately. On 8 October 2015, the Government defined the Proposal for the Law Amending the Law on Protection and Rescue. The Parliament of Montenegro adopted the Law Amending the Law on Data Confidentiality and the Law Amending the Law on Flammable Liquids and Gases. Montenegro continued with the development of the operational capacity for multi-national operations, and representatives of the Armed Forces of Montenegro were engaged in three NATO and EU missions (non-combat mission “Resolute Support”, in the EU operation NAVFOR-ATALANTA in Somalia and EU training mission in Mali (EUTM)).

As regards **financial control**, the Ministry of Finance, in cooperation with the Human Resources Administration, prepared the Training Programme for the internal financial control system in the public sector, which was adopted on 19 January 2016. On 28 December 2015, the Government adopted the Analysis of the number of IT systems used in the public administration, required capacities for the establishment of the IT audit function, and a proposal for the establishment of the model for the IT internal audit function, and on 31 March 2016, the Government adopted the third Action Plan for implementation of the Strategy for further development of internal financial controls in the public sector in Montenegro for the period 2016-2017. On the basis of the Strategy for the fight against fraud and management of irregularities with the aim of protecting EU financial interests 2015-2017, and the accompanying Action Plan, the First Report on implementation of measures under the Action Plan for implementation of this Strategy was drafted, and this Report pertains to the period 1 May 2014 to 31 December 2015, and it was adopted by the Government on 3 March 2016. The Parliament passed the Law on Ratification of the International Convention for the Suppression of Counterfeiting Currency on 13 October 2015.

In the area of **financial and budgetary provisions**, In March 2016, the government adopted the Information on the fulfilment of obligations defined under the negotiation chapter 33 together with the Action Plan for establishing a system of own funds of the European Union in Montenegro for the period 2016-2020 and defined responsibilities of the Action Plan implementing institutions.

The Framework Agreement between Montenegro, represented by the Government of Montenegro and the European Commission on the rules for implementation of the financial assistance of the Union to Montenegro under the **Instrument for Pre-accession assistance** (IPA II) entered into force on 4 June 2015.

Montenegro is slowly finalising implementation of the projects under the financial perspective 2007-2013 (IPA I) under the first two components: I – Transition assistance and institution building and II – Cross-border cooperation. All projects covered by the component I were successfully contracted by 26 April 2016 on the expiry of the deadline for contracting projects under IPA 2013, as the last programming year of the previous financial perspective. As regards components III – Regional development and IV – Human resources development, activities were carried out on preparing tender documentation, announcing tenders and contracting the projects under operational programmes Regional Development 2012-2013 and Human Resource Development. As regards component V – Agriculture and Rural Development, activities continued on improving the financial and management control and preparing accreditation for IPARD. In that respect, after the National IPA Coordinator signed the Sector Agreement for IPARD on 3 November 2015, at the session of 28 December 2015, the Parliament of Montenegro passed the Law on Ratification of the Sector Agreement defining the rules for management and implementation of financial assistance of the Union to Montenegro under the Instrument for Pre-accession assistance for the policy area Agriculture and Rural Development (IPARD).

Under the new financial perspective 2014-2020 – IPA II, for the programming year IPA 2014, Montenegro was approved 17 actions totalling around EUR 39 million of IPA funds. The financial agreement for the annual IPA 2014 programme for the actions to be implemented under the direct management model (six actions) was signed on 4 October 2015. The EU Delegation, which is in charge of contracting these actions, has already started the required procedures and their implementation is expected to start soon. The financial agreement for IPA 2014 for actions to be implemented under the indirect management model (11 actions) was signed on 10 December 2015, and their contracting, which falls under the purview of the Directorate for Finance and Contracting of EU assistance funds (CFCU), is in its incipient stage.

In line with the new frameworks of functioning of the Western Balkans Investment Framework (WBIF), and through the establishment of the National Investment Commission (NIC), tasked with proposing to the Government a single list of priority infrastructure projects, on 2 December 2015 the NIC adopted, and on 3 December the Government confirmed the first single list of priority projects (both national and regional). The list contains 64 projects in the sectors of transport, energy, environment and social activity, totalling above EUR 4 billion. In addition, under the call of the Western Balkans Investment Framework for allocation of the funds for support to infrastructure projects for 2015, Montenegro proposed two projects with the total amount of EUR 45 million in EU grants, which were approved by the European Commission and presented at the Vienna summit in August 2015: Interconnection of the transmission systems of Montenegro, Serbia, and Bosnia and Herzegovina through a 400kV power line (total value of the project is EUR 127 million, where EUR 25 million is the EU grant) and Signalling and reconstruction of bridges on the railway Bar-Vrbnica (total value of the project standing at EUR 40 million, of which the EU grant accounts for EUR 20 million).

A meeting was held at the Ministry of Foreign Affairs and European Integration on 25 May 2016 of the Supervisory Committee of IPA and the Sector Supervisory Committee for IPA 2014 programme in its shorter composition, where the rules of procedure were adopted for these two committees. The meeting was also an inaugural meeting of the Sector Supervisory Committee for IPA 2014 programme.

In the course of 2015 and 2016, implementation of projects continued under eight bilateral and transnational programmes in which Montenegro takes part under IPA I 2007-2013. In the reporting period, 49 cross-border programmes were implemented in Montenegro, of which 28 bilateral (Albania – Montenegro, Bosnia and Herzegovina – Montenegro, Croatia – Montenegro, and Serbia – Montenegro) and 20 projects under IPA Adriatic cross-border programme, while projects under transnational programmes (South East Europe and Mediterranean) have been completed.

As regards nine projects of cross-border and transnational cooperation in which Montenegro takes part under IPA II 2014-2020 (four bilateral with Albania, Bosnia and Herzegovina, Kosovo and Serbia, two trilateral programmes Croatia-Bosnia and Herzegovina-Montenegro, and Italy-Albania-Montenegro, and three transnational programmes Danube, Adriatic-Ionian, and Mediterranean), first calls were announced in the reporting period for submission of project proposals under transnational programmes Danube, Adriatic-Ionian, and Mediterranean, as well as the trilateral programme Croatia- Bosnia and Herzegovina-Montenegro. In addition, the Financial Agreement for 2014 for the Cross-border cooperation programme Bosnia and Herzegovina-Montenegro was signed on 28 December 2015. As regards the programmes Montenegro-Albania, the Financial Agreement for 2014 and 2015 was signed on 29 March 2016, while for the programme Montenegro-Kosovo the Financial Agreement for 2014 was signed on 21 March 2016, and for 2015 on 28 April 2016. The Financial Agreement for the Programme Serbia-Montenegro for 2014 was signed on 28 March 2016, while for 2015 it was signed on 9 June 2016.

2.2. Bilateral relations under the Stabilisation and Association Agreement

Efficient implementation of the SAA and commitments within the planned deadlines was provided, as was the implementation of the SAA in accordance with the planned dynamics. In addition, Montenegro continues the process of comprehensive political, economic, legal, institutional, and structural reforms.

At the 10th Intergovernmental Conference on accession of Montenegro to the European Union, held in Brussels on 21 December 2015, negotiations were opened in Chapter 14 – Transport Policy and 15 - Energy.

The sixth meeting of the Stabilisation and Association Council was held in Luxembourg on 22 June 2015.

The first Joint Committee between Montenegro and the Republic of Serbia was held on 23 and 24 July 2015 in Podgorica. The Agreement on Cooperation between the Governments of Montenegro and the Government of the Republic of Serbia in the context of accession to the European Union was concluded in accordance with Article 15 of the Stabilisation and Association Agreement and it entered into force on 23 September 2014.

The first Joint Committee between Montenegro and the Republic of Albania was held on 15 March 2015 in Podgorica. The joint committee was established on the basis of the Agreement on Cooperation between the Governments of Montenegro and the Government of the Republic of Albania in the context of accession to the European Union, which was signed on 22 May 2015 and later came into force on 16 December 2015. The joint committee was established on the basis of the obligation deriving from Article 15 of the Stabilisation and Association Agreement. The meeting of the Joint Committee is a beginning of the form of cooperation based on the line of excellent relations of the two neighbouring countries, in particular in exchange of opinions in the context of the process of EU accession.

The second Joint Committee between Montenegro and the former Yugoslav Republic of Macedonia was held on 10 and 11 May 2016 in Bar. The Joint Committee has been established by the Agreement on Cooperation between the Government of Montenegro and the Government of the former Yugoslav Republic of Macedonia in the context of EU accession which was concluded on 14 October 2011 and came into force on 6 June 2012, in line with the commitment stemming from Article 15 of SAA.

Bearing in mind the present phase of the European integration process and increasingly complex and demanding commitments resulting from the negotiating process, the process of harmonisation of the national legislation with the EU acquis and fulfilment of SAA commitments, Montenegro expresses its satisfaction with the continuity of the economic and political dialogue with the EU.

The fourth meeting of the Joint Consultative Committee between Montenegro and the European Union was held on 24 June 2015 in Brussels where they confirmed the importance of the participation of the civil society in the negotiating process and considered the topics on the position of persons with disabilities and the representativeness of trade unions at all levels of the social dialogue.

The fifth meeting of the Joint Consultative Committee between Montenegro and the European Committee of the Regions where they considered the basic challenges of local administrations in the accession process was held on 3 November 2015 in Cetinje.

The fifth meeting of the Stabilisation and Association Committee was held in Podgorica on 9 December 2015.

The ninth meeting of the EU-Montenegro Stabilisation and Association Parliamentary Committee was held in Strasbourg on 16 – 17 December 2015, whereas the 12th meeting of the Stabilisation and Association Parliamentary Committee was held in Podgorica on 19-20 May 2016.

The third meeting of the Special Group for Public Administration Reform was held in Podgorica on 29 – 30 June 2015.

There were 6 regular annual meetings of sectoral subcommittees between Montenegro and the European Union; in Brussels: on 8-9 September 2015 the meeting of the Subcommittee for Innovation, Human Resources, Information Society and Social Policy; on 9 November 2015 the eighth meeting of the Subcommittee for Agriculture and Fisheries; in Podgorica on 9 June 2015 the eighth meeting of the Subcommittee for Transport, Energy, Environment and Regional Development; on 16 June 2015 the eighth meeting of the Subcommittee for Industry, Trade, Customs, Taxes and cooperation with other candidate countries; on 17 November 2015 the eighth meeting of the Subcommittee for Economic and Financial Affairs and Statistics; and on 9-10 February 2016 the seventh meeting of the Subcommittee on Justice, Freedom and Security.

In the period 2014-2020 Montenegro continues to participate in the EU programmes: Horizon 2020, COSME, Creative Europe (with the MEDIA Sub-programme of 2015), Europe for Citizens, Erasmus +, Customs, Fiscalis, for which a part of the annual contribution (entry ticket) can be refunded from IPA.

Furthermore, the Agreement on Participation of Montenegro in the European Employment and Social Innovation Programme (EaSI) entered into force on 25 June 2015. The components of the programme open for the candidate and potential candidate countries where Montenegro intends to take part are the employment and social policy component and the microfinancing and social entrepreneurship component.
