

STABILISATION AND ASSOCIATION  
BETWEEN  
THE EUROPEAN UNION  
AND MONTENEGRO

The Stabilisation and Association Council

Brussels, 27 June 2017  
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**COVER NOTE**

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Subject: Eighth meeting of the EU-Montenegro Stabilisation and Association  
Council (Luxembourg, 20 June 2017)

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Delegations will find attached the position paper of Montenegro tabled on the occasion of the 8th meeting of the Stabilisation and Association Council between the European Union and Montenegro.

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## Ministry of European Affairs

No:

Podgorica, 12 June 2017

### POSITION

## OF MONTENEGRO FOR THE 8<sup>TH</sup> MEETING OF THE EU-MONTENEGRO STABILISATION AND ASSOCIATION COUNCIL

(Luxembourg, 20 June 2017)

Montenegro welcomes the holding of the **eighth meeting of the EU-Montenegro Stabilisation and Association Council** and considers it to be an excellent opportunity to present progress accomplished after announcement of the Report on Montenegro for 2016, the last meeting of the Stabilisation and Association Council in December 2016, and the regular subcommittee meetings. Montenegro indicates that smooth implementation of the SAA commitments in line with established dynamics is maintained and that the country continued to conduct and develop institutionalised political dialogue with the European Union.

### Item 3. Relations under the Stabilisation and Association Process

#### 3.1. Enlargement strategy and the EC Report on Montenegro for 2016.

**Five years of the negotiating process will be completed on 29 June 2017**, and within that period Montenegro opened negotiations in **26 negotiating chapters, two of which have been provisionally closed**. At the last Intergovernmental Conference in Brussels held on 13 December 2016, negotiations were opened on **Chapter 11 – Agriculture and Rural Development and Chapter 19 – Social Policy and Employment**.

Montenegro is working diligently on the realisation of 83 interim benchmarks in Chapters **23 - Judiciary and Fundamental Rights** and **24 - Justice, Freedom and Security**, which make the backbone of the negotiating process.

Besides, Montenegro intensively implements activities in other negotiating chapters as well. **Out of 13 chapters with defined opening benchmarks, Montenegro fulfilled the benchmarks in 12 chapters. Soon we expect fulfilment of the last of five proposed opening benchmarks in chapter 8 – Competition which would round off the work on all opening benchmarks. Furthermore, we are dedicated to the realisation of proposed closing benchmarks in those areas where negotiations are in progress.**

**The government appreciates cooperation with nongovernmental organisations within the negotiating structure and SAA mechanisms. The last meeting of the Joint Consultative Committee with the civil society was held on 8-9 June 2017 in Montenegro.**

As regards the cooperation with the **civil sector**, on 29 September 2016 the Government endorsed the Regulatory Impact Analysis of the Strategy for NGO Development 2014-2016, and on 30 March 2017 adopted the Proposal for Law Amending the Law on Nongovernmental Organisations which was passed in the Parliament on 2 June 2017.

**Montenegro's Programme of Accession to the European Union (MPA) for the period 2017 – 2018**, adopted on 27 January 2017, stipulates altogether 819 commitments, including 82 in the strategic and 737 in the legislative part. Out of 76 planned obligations for the first quarter 2017, 62 (82%) obligations are completed. In 2016, out of 344 planned obligations from MPA 2016-2018, 247 (72%) are completed.

**Strategy for informing the public about Montenegro's accession to the European Union 2014-2018** is implemented successfully. On 23 March 2017 the Government endorsed the Report on the realisation of the Action Plan for 2016 with the realisation rate of 88% and adopted the fourth Action Plan for 2017 which provides for 154 activities.

**The last research showed that the Montenegrin citizens' opinion about the EU is dominantly positive**, and the trends show slight increase of 4% in the positive attitude towards the EU compared to the research in 2015. The research shows that the number of those who support the integration process, as well as of those who believe that Montenegro will become a Member State is growing. Even 68.7% of citizens think that Montenegro will become an EU Member State, while 62.4% of them absolutely or generally support the EU membership. The data also show that the turnout rate at the referendum on the membership of Montenegro in the EU would be circa 78%, so that **76.3% of voters would support the EU membership**.

### *Political criteria*

Regular parliamentary elections were held on 16 October 2016. The elections were preceded by **the establishment of the Government of electoral trust** which, in a sense of the electoral process, was supposed to eliminate all doubts of the opposition regarding the transparency and legality of work of public bodies and local self-government. However, although OEBS and the Council of Europe assessed that the last parliamentary elections were the best prepared and realised elections in Montenegro thus far, with the turnout rate over 73%, the opposition does not recognise the elections and continues the boycott of work of the Parliament of Montenegro and of its working bodies. Several times the Prime Minister invited the opposition parties to return to the legislative body, as well as to the Government if they want, and participate responsibly in the political life.

The election results unmistakably showed that the **Montenegrin citizens confirmed the previous opinion that the country's future lies with the EU and NATO**, therefore more concrete support of the EU and its members represents an additional impetus for further reforms.

After the State Electoral Commission established the final results on 29 October 2016, the constitutive session of the Parliament was held on 7 and 24 November 2016. Local elections in Budva, Kotor, Gusinje and Andrijevica were held on 16 October 2016, in Nikšić on 12 March 2017 and in Herceg-Novi on 7 May 2017.

Because of the series of attempts of jeopardising the legal system on the day of parliamentary elections, when the **authorities prevented the criminal act of the creation of a criminal organisation and attempted terrorism**, as well as hacker attacks on a great number of portals and sending of messages with political content via Viber and WhatsApp, the Prosecution Office carries out its activities without pressures, respecting the presumption of innocence and independence of the authority. The previous activities in this case showed that Montenegro is building a quality judicial and prosecutorial system, which will work to the benefit of justice and equity and protect the Constitution of Montenegro and fundamental values defined by it.

Based on suspicion of committing a criminal offence of **creation of a criminal organisation and attempted terrorism during the elections**, on 8 June 2017 the High Court in Podgorica confirmed the indictment against 14 persons including two MPs whose immunity was previously lifted by the Parliament.

Montenegro continues the implementation of the **Acton Plans for chapters 23 and 24**. The last semi-annual reports were adopted on 19 January 2017, and the realisation rate was 81% for chapter 23 and 75% for chapter 24. Montenegro continues to improve track record particularly in the field of fight against corruption and organised crime.

As regards **freedom of the media**, in June 2016 the Government adopted the Decision on forming another Commission for monitoring the actions of competent bodies in the investigation of cases of threats and violence against journalists and attacks against the property of media. The Commission started to work in September 2016, and it is composed of the president and eight members. The Police Administration and the prosecution office continue to work on cases of attacks against journalists and media companies. Out of seven reported cases one event remained unsolved, whereas the rest of them have been processed which resulted in one criminal report, four requests for the launching misdemeanour procedure and one filed case. The Montenegrin courts decided in altogether three cases against four persons where the injured parties were journalists. The courts passed one verdict of release for two persons and two convicting verdicts against two persons (conditional sentences). All three decisions are final and enforceable. In 2017 there were no cases of violence against journalists before courts.

As regards the **public administration**, on 28 July 2016 the Government adopted the **Public Administration Reform Strategy 2016-2020 with the Action Plan**. The report on the realisation of the Action Plan for 2016 was adopted on **30 March 2017**. **On 16 March 2017 the Government adopted the Decree Amending the Decree on the Criteria for the Internal Organisation and Job Descriptions in Public Administration Bodies**. According to the Decree Amending the Decree on the Organisation and Work of the Public Administration, adopted by the Government in November 2016, **the political support for the public administration reform is expressed through the creation the Ministry of Public Administration which is the main responsible entity and coordinator of the public administration reform**.

For the purpose of efficient monitoring of the public administration reform and strengthening of coordination of institutions responsible for its implementation, on 23 March 2017 the Government formed the **Public Administration Reform Council** which is chaired by the Deputy Prime Minister for political system, internal and external policy. Furthermore, the Council membership is also ensured for two **NGO representatives** for the purpose of strengthening the transparency of the process.

On 30 July 2016 the Parliament adopted the **Law on Administrative Dispute** which going to be applied as of 1 July 2017. On 27 April 2017 the Parliament adopted the Law Amending the Law on the Capital City. **Law amending the Law on Non-governmental Organisations** was adopted in the Parliament on 2 June 2017, and the **Law Amending the Law on Territorial Organisation of Montenegro** was passed on 27 April 2017.

In order to have more efficient, merit based management of human resources, the Ministry of Public Administration is in the final phase of preparation of amendments to the **Law on Civil Servants and Public Employees**, as well as the **Law on Local Self-Government**.

Regarding the management of public finances, on 27 January 2017, the Government adopted the **Programme of Economic Reforms for Montenegro for 2017-2019** which is the most important economic document in the country and represents a mid-term economic policy and the basis for economic dialogue with Brussels, structured in line with requirements and methodology of European Commission. The goal of economic policy until 2019 is **sustainable and inclusive economic growth** which would contribute to the reduction of development gap of the country related to the EU average and increase of living standard of population. On 9 June 2017, the Government endorsed the **Proposal for the Law on Annual Statement on Accounts of the Budget for 2016, Proposal of the Law Amending the Law on Tax Administration and Fiscal Strategy of Montenegro 2017-2020** which set the goals and priorities of economic policy and indicate challenges for sustainable growth and prosperity, that is, models for its reduction and finally, elimination, while the **Action Plan for Eradication of the Grey Economy** has been adopted.

On 28 April 2017, The Parliament adopted the **Law on Ratification of the North Atlantic Treaty and Protocol with North Atlantic Treaty** on accession of Greece and Turkey. **On 5 June 2017, by submitting the ratification instrument, Montenegro has formally become the 9<sup>th</sup> member of NATO.**

Montenegro is continuously dedicated to regional cooperation and has active role in development of more stable and safer region through involvement in **over 30 regional organisations and initiatives. From January to December 2016 Montenegro was chairing CEFTA.**

The state continues to support bilateral and multilateral platforms for the exchange of experiences important for the European path of the countries involved in the Stabilization and Association Process. Montenegro **initialled the Draft of the Treaty on Establishment of Transportation Community and is ready to sign it.** After it **ratified the Agreement on Establishment of the Regional Office for Cooperation of Youth from Western Balkans (RYCO)**, which was signed on 4 July 2016 in Paris, Montenegro appointed a representative for the office's governing board, secured funding for the contribution to the office's budget and actively participated in promotional activities in the region.

Also, Montenegro **maintains good bilateral relations with its neighbours** and resolves border issues with respect to international law and good relations. We hope that the agreement on demarcation will be ratified after the establishment of the new Parliament of Kosovo<sup>\*</sup>, while the Agreement with Bosnia and Herzegovina came into force in April 2016. Alternative roads for illegal border crossings between Montenegro, Bosnia and Herzegovina and Albania are demolished, while the plans have been prepared in relation to Serbia and Kosovo.

According to **Article 15 of the Stabilisation and Association Agreement, Agreement on Cooperation of Government of Montenegro and the Council of Ministers of Bosnia and Herzegovina in the Process of the Accession to the EU was signed on 14 February 2017 and came into force in Montenegro on 23 March 2017**. Following the obligations from these bilateral conventions, the meeting of the Joint Committee with Serbia and Albania was held on 4 November 2016 and 7 April 2017.

*Albania* – Legal basis for cooperation is enhanced by signing the Agreement on Cooperation in the area of healthcare on 3 March 2017, Protocol between Customs Administration of Montenegro and the Customs Directorate of the Republic of Albania on the implementation of the Agreement between the Government of Montenegro and the Council of Ministers of the Republic of Albania on implementation of border transportation on 20 June 2016, Protocol between the Ministry of Agriculture and Rural Development of Montenegro and the Ministry of Agriculture, Rural Development and Water Management of the Republic of Albania on implementation of the Agreement of Government of Montenegro and the Council of Ministers of the Republic of Albania on the organization of border railroad traffic on 20 June 2016.

*Former Yugoslav Republic of Macedonia* – Montenegro and the former Yugoslav Republic of Montenegro developed great and dynamic cooperation in the area of defence, which is confirmed by signing the Plan for Bilateral Cooperation for 2017 during bilateral consultations with representatives of the Ministry of Defence on 14 – 16 February 2017.

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\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.



*Bosnia and Herzegovina* - Memorandum of Understanding has been signed between the Ministry of Agriculture and Rural Development of Montenegro and the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina on cooperation in the implementation of the Project “Western Balkans Drina River Basin Management”, signed in Sarajevo on 8 May 2017.

*Republic of Serbia* – In the beginning of 2017, the ministers of education of the two countries have signed the Agreement on Cooperation in the area of education. A Memorandum between the Ministry of Sustainable Development of Montenegro and the Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia on Cooperation in the area of tourism was signed on 23 February 2017 in Belgrade. Second meeting of negotiations teams, as well as meeting of the negotiations teams of Serbia and Montenegro for Chapter 19 – Social Policy and Employment were held in October 2016.

*Kosovo* - The relations between the two countries were improved by the appointment of Ambassadors. The Ambassador of Kosovo assumed the duty on 26 July 2016 and the Ambassador of Montenegro on 24 October 2016. On 22 March 2017, the Government of Kosovo adopted the Strategy for the Affirmation and Integration of the Montenegrin community in Kosovo 2016-2021. The Agreement on Cooperation in the area of culture between Montenegro and Kosovo was signed on 27 April 2017.

Montenegro is implementing **all restrictive measures of the United Nations Security Council and the EU**. Regarding **Common Foreign and Security Policy of the EU**, Montenegro unreservedly joins the common positions of the EU, statement/declarations, communications and demarches (level of concordance 100%).

Within the Berlin process we support the decision of the Italian presidency to steer the **Western Balkans Summit in Trieste** in July 2017 toward the promotion of unambiguous political support to the countries of the Region in their EU path, through decisions on financial support for the projects of national and regional importance within the Connectivity Agenda and further integration of the countries of the region in the EU market in the area of energy and transportation.

In 2016, the **preliminary source revenues of the budget** amounted to EUR 1486.5 million, meaning that they increased by 12% when compared with 2015, as a result of increase of the following: VAT by 9.5%, due to increase of import VAT, and personal income tax by 17.5%, as a result of the enforcement of the Law on Salaries of Employees in the Public Sector.

In 2016, the **preliminary budgetary expenditures** amounted to EUR 1.615,9 million and they were 0.1% lower, due to weaker dynamics of the construction of the Bar-Boljare highway's priority section. However, a strong pressure on the budgetary expenditures, due to amendments to the legislative framework in the segment of salaries and social allowances, resulted in increase in the current budgetary expenditures by 11.6%. In 2016, the **budget deficit** was 3.4% and it is 2.5 times lower when compared with 2015.

In 2016, according to records of the MONSTAT, **the number of employed persons** was 177,473 and it is 2.9% higher in comparison with 2015. In 2016, **the average gross salary** was EUR 751, which is 3.4% higher than the average gross salary in 2015. **The average net salary** in 2016 was EUR 490, which is 4% higher than the average net salary in 2015.

In 2016, **the external sector** was characterised by increase in the current account deficit to the level of 19.1% of GDP, which is a result of increase in trade deficit, expenditures from services and payment of dividends to non-resident investors. **The current account deficit** amounted to EUR 714.9 million and it increased by 48.1% in comparison with 2015. **The net inflow of foreign direct investments (FDI)** is financing 52.2% of the current account deficit. During 2016, the net foreign direct investments amounted to EUR 371.6 million, which represents 40% decrease in comparison with the same period of 2015.

The Government of Montenegro prepared the **Recovery Plan for the budget deficit and public debt for the period 2017-2020**, as an integral part of the Budget Law for 2017, which was adopted by the Parliament of Montenegro in December 2016. The first results of the fiscal consolidation can be seen in the increase of **source budgetary revenues**; they amounted to EUR 297.7 million in the first quarter of 2017, which is 4.6% higher when compared with the same period of the previous year; that was the result of the increase of excise duties (21.9%), excise duties on mineral oils, Value Added Tax (5.0%), economic activity and personal income tax (17.5%), as a result of the enforcement of the Law on Salaries of Employees in the Public Sector.

On 9 June 2017, the Government adopted the Proposal for the Fiscal Strategy of Montenegro for the period 2017-2020, which contains the measures for collecting the remaining tax debt, fiscal discipline measures and measures for the improvement of environment for investments and development. The proposed activities were supported by the IMF and the World Bank.

In the observed period of 2017, **the budgetary expenditures** were EUR 368.2 million and they are 13.3% lower when compared with the plan, due to the decrease of the capital budget, which is a result of inappropriate dynamics of the construction of the highway.

In the same period of the current year, the **budget deficit** was EUR 70.5 million and it is 1.8% lower in comparison with the same period of the previous year.

The beginning of 2017 was also characterised by a positive trend of macroeconomic indicators. In the first three months of 2017, **the total employment** increased by 4.2%. **The average gross salary** for the first three months of 2017 was EUR 765 and it is 3.8% higher in comparison with the same period of the previous year. **The average salary without taxes and contributions** for the first three months of 2017 was EUR 510 and it is 4.1% higher when compared with the same period of the previous year. The number of pensioners in March 2017 was 108,824 or 0.07% less than in the same month of the previous year. In March 2017, the average pension amounted to EUR 285, and it was 3.4% higher when compared with March 2016.

In the first quarter of 2017, the **foreign trade exchange** was characterised by the increase in export, primarily export of aluminium and mineral ores. When compared with the same period of the previous year, the export was 39.3% higher, while import was 19.6% higher.

According to preliminary data, in the period January-March 2017, **the net foreign direct investments** amounted to EUR 102.6 million, which represents an increase of 46.7% when compared with the same period of the previous year.

## *Development of the financial sector*

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 below 10%, as well as in increased lending activity. Montenegrin banking system consists of 15 banks. 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** at the end of April 2017 amounted to EUR 3.840,9 million, while, at the end of June 2016, they amounted to EUR 3.511,8 million. The most important item of the banks' aggregate balance sheet consists of loans and claims from the banks and clients in the total amount of EUR 2.444,9 million or 63.65%. When compared with June 2016, they recorded an increase of EUR 192.3 million or 8.54%. **Lending activity of banks** during the first four months of 2017 reached EUR 399.7 million, which is 12.41% higher when compared with the same period of the previous year, when newly approved loans amounted to EUR 355.6 million.

**The total deposits** (including funds in escrow accounts, interests and prepayments, as well as accruals) on 30 April 2017 amounted to EUR 2.878,9 million, while on 30 June 2016 they amounted to EUR 2.643,1 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 305.4 million at the banking system level at the end of April 2017, which represents 7.95% of total assets. **Gross non-performing assets (C, D and E) at the banking system level** recorded 9.74% decline when compared with June 2016, when it amounted to EUR 338.4 million, i.e. 9.64% of total assets.

On 30 April 2017, **the total capital of banks** amounted to EUR 500.7 million and it increased by 2.49% when compared with the end of June. At the end of the first quarter of 2017, the solvency indicator of all banks is below the regulatory minimum of 10% and it amounts to 15.90% at the aggregate level.

## *Acquis*

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 in of the administrative capacities for the efficient implementation of the acquis.

In the field of *free movement of goods*, activities have been continued as regards the alignment of the national regulations with the acquis. In that regard, in June 2016, Montenegro prepared the **updated version of the Strategy for the implementation of the acquis in the field of free movement of goods and the accompanying Action Plan**. The mentioned action plan defines the deadlines for the adoption of the national regulations with a view to aligning with EU legal acts. The intensive process of adoption of standards has been continued, particularly the adoption of harmonised standards that represent one of the basis of technical legislation. In the field of accreditation, in the reporting period, the number of requests for accreditation of conformity assessment bodies has been increased, while the Metrology Office continued with development of the national calibration laboratories, which resulted in awarding of certificates by the Accreditation Body of Montenegro and Croatian Accreditation Agency. Relevant certificates enabled laboratories of the Metrology Office to provide their services outside Montenegro.

In the field of *right to establishment and freedom to provide services*, when it comes to transposition of the *Services Directive*, **the Report on the implementation of the Action Plan for transposition of the Services Directive into the national legislation for 2015** was adopted on 15 September 2016, **while the horizontal Law on Services is being finalised**. In order to further implement the activities provided for by the **National Plan for developing qualifications for regulated professions with the Action Plan for the period 2013 – 2018**, it is expected that the *Law on Recognition of Professional Qualifications for Regulated Professions* will be adopted in the forthcoming period. The mentioned law is in the final stage of preparation. Development of the *List of regulated professions* was initiated in the reporting period. Dynamics has been determined and the competent institutions completed transparency exercises, in accordance with submitted template. On 11 May 2017, the High Education Council issued certificates on the accreditation of study programmes Medicine, Pharmacy, Dentistry, High Medical School, which are aligned with Directive 2005/36/EC and amendments to Directive 2013/55/EC. When it comes to *postal services*, on 22 July 2016 the Parliament of Montenegro adopted the Law Amending the Law on Postal Services.

In the field of *public procurement*, on 18 May 2017, the Government endorsed the **Proposal for the Law Amending the Law on Public Procurement, which eliminates the barriers related to enforcement of the law that were previously identified** both by the public authorities and business community. The law contributes to simplification of the procedures, provision of more quality, more efficient and more cost-effective mechanisms for the protection of rights and legal interests of parties involved in public procurement procedure, as well as to protection of public interest. As regards the adoption of the new Law on Public Procurement, **the Working Group prepared the first draft of the new law. The law will be completely aligned with the acquis.**

The Proposal for the Law on Public-Private Partnership has been drafted, and its adoption is expected until the end of the second quarter of 2017. **The Law on Concessions** is in the final stage and it is expected that it will be discussed before the Parliament during the following three months.

When it comes to **administrative capacities**, during 2016, two new employees were recruited in the Public Procurement Administration, while the Administration for Inspection Affairs recruited three new public procurement inspectors. The new act on job descriptions and working tasks of the public procurement inspectorate provides for the recruitment of five new inspectors, whose hiring has been planned during 2017 and 2018. As regards the remaining activities related to recruitment in the period 1 July 2016 – 1 May 2017, it should be indicated that, on 23 February 2017, two members of the State Commission were reappointed following termination of their previous offices, and that one new member was elected due to the fact that the State Commission operated without one member who assumed another position from December 2016. Furthermore, two working positions were filled in the mentioned period, thus there are 10 employees in the Professional Service of the State Commission, including the secretary. (Information of 1 May 2017)

As regards the **e-procurement**, the second project “*Implementation of the e-public procurement system*” resulted in approval of funds for the implementation of e- procurement in Montenegro. Montenegrin institutions completed the “license” procedure, and **announcing of the tender procedure for the election of the most favourable bidder can be expected during this month.**

In the field of **intellectual property law**, Montenegro recorded substantial activity – passed the following laws: Law Amending the Law on Trademarks (17 June 2016); Law Amending the Law on the Protection of Topographies of Semiconductor (17 June 2016); Law Amending the Law on Copyright and Related Rights (22 July 2016); Law Amending the Law on Trademarks (29 December 2016); Law Amending the Law on the Legal Protection of Industrial Design (29 December 2016), as well as the Law Amending the Law on Patents (29 December 2016), in order to achieve complete alignment of this field with the *acquis*.

In order to promote and strengthen cooperation between the authorities in charge of the protection and exercise of intellectual property rights, on 29 March 2017, the Ministry of Economy passed the decision establishing **Coordinating authority for exercising intellectual property rights**, which conducts its meetings when necessary, at least two times a year.

In the field of competition policy, Montenegro completed preparations of the **Draft Law Amending the Law on the Protection of Competition, as well as the Draft Law on the Control of the State Aid**. The mentioned legislative activities are carried out with a view to enabling **conferral of competences in the field of the state aid to the Agency for the Protection of Competition**, thus providing independent control of awarding of the state aid, and improving the quality of implementation of the acquis under Chapter 8 – Competition.

In the field of financial services, based on experiences in the implementation of the **Law on Consensual Financial Restructuring of Debts to Financial Institutions**, which was passed in 2015, amendments to this law have been prepared with a view to encouraging financial restructuring of sustainable economic operators, which should be provided through additional incentives to participants of the restructuring and laying down simplified procedures that are implemented under the process of financial restructuring of debts to financial institutions. The Law was submitted to the Parliament of Montenegro and its adoption is expected in the nearest future.

A new Law on Banks and a set of bylaws for the alignment of the national legislation with Directive 2013/36 EC and Regulation 575/2013 will be prepared under the twinning project of support to financial services. It was concluded that the plan for preparing regulations should be amended by preparing the Law on the Recovery of Banks, which will enable alignment of regulations with Directive 2014/49EC (EU Bank Recovery and Resolution Directive), whose preparation has been planned for 2018 according to Montenegro's Programme of Accession to the European Union 2017-2018. The Central Bank of Montenegro prepared the draft version of the law on bankruptcy procedure in banks, which will soon be submitted to the Ministry of Finance for further procedure. Furthermore, the draft version of the **law amending the Law on Banks has been prepared** in the segment by which the alignment with the BRRD is carried out (bank recovery plans, early intervention measures, and financial assistance within the group).



Also, the draft version of the law which regulates the establishment, business operations and control of business operations of certain financial institutions (leasing companies, factoring companies, microcredit financial institutions and legal persons dealing with credit-guarantee operations) has been prepared. Regulating and supervision of these financial institutions will create preconditions for further development of this segment of financial services, provision of more comprehensive database on business operations of entities providing financial services, and which will be used for statistical and other purposes, improvement of the Credit registry maintained by the Central Bank, as well as improvement of protection of consumers – beneficiaries of services provided by these financial institutions.

In August 2016, the **Law Amending the Law on Insurance** entered into force. **In April 2017, the Council of the Insurance Supervision Agency adopted the Law Amending the Law on Mandatory Insurance**, in the form of a draft, and it was submitted to the Ministry of Finance for further procedure.

In line with comments and suggestions of the European Commission, the Securities Commission completed the process of preparation of innovated version of the Proposal for the Law on Capital Market and it is currently being agreed between the relevant line ministries. In October 2016, in Ljubljana, representatives of the Securities Commission signed the Declaration on Cooperation with capital market regulators from the region (Slovenia, Croatia, Bosnia and Herzegovina, Republic of Srpska, Serbia and the FYR of Macedonia). The basic goal of the Declaration is to establish and maintain fair, efficient and stable capital markets and it also provides for establishment of the Permanent conference of national capital market regulators and forming of the permanent working groups that will deal with current issues related to capital market.

In the field of information society and media, the **Strategy for development of information society until 2020** was passed on 21 July 2016, while the Action Plan for the implementation of the Strategy was adopted on 10 March 2017. Strategic goals for development of information society in Montenegro have been harmonised with **the Digital Agenda for Europe and the Digital Single Market Strategy**. In November 2016, in order to perform reorganisation of the public administration, the **Ministry for Information Society and Telecommunications** ceased to exist and **the Ministry for Public Administration was established. The mentioned ministry is in charge of electronic government and cyber security. Competences of the Directorate for Electronic Communications, Postal Services and Radio Spectrum were assumed by the Ministry of Economy.** Law Amending the Law on Electronic Media and the Law Amending the Law on Public Broadcasting Services were passed on 30 July 2016. Law Amending the Law on Electronic Communications was passed on 29 December 2016, **and it improves the issue of independence of regulators, as well as the alignment with the state aid rules.** Two Rulebooks have been passed for the purpose of aligning with the law - Rulebook amending the Rulebook on the types of benefits and special measures for access to public electronic communications services for persons with reduced mobility and persons with disabilities, as well as the Rulebook amending the Rulebook on providing access to persons with reduced mobility and persons with disabilities to number 112 and emergency service number. Law Amending the Law on Free Access to Information and the Law on Electronic Identification and Electronic Signature were passed on 27 April 2017.

In the field of agriculture and rural development, Montenegro **continued with fulfilment of obligations from the Action Plan for the alignment with the acquis.** In that context, the following laws have been passed: Law on Wine, which was passed by the Parliament of Montenegro on 28 June 2016, Law Amending the Law on Olive Growing and Olive Oil, which was passed by the Parliament on 17 June 2016, Law on Quality Schemes for Food and Agricultural Products, which was passed by the Parliament on 28 March 2017 and the Law on Ratification of the International Agreement on Olive Oil and Table Olives 2015, which was passed by the Parliament of Montenegro on 25 April 2017. Twelve more bylaws were passed besides the abovementioned laws.

During 2016, **strengthening of the capacities of the IPARD Operational Structure has been continued through the implementation of grant schemes of IPARD-like programmes.**

Through public calls under IPARD-like programmes, measures subject to accreditation were implemented as well: Investments into agricultural holdings and processing and marketing of agricultural and fish products. In order to achieve better preparation for the implementation of IPARD, these calls were useful for testing the procedures subject to accreditation and cooperation with technical authorities.

In the field of *food safety, veterinary and phytosanitary control*, Montenegro worked intensively on further **implementation of the adopted Strategy of Montenegro for transposition and implementation of the acquis** under Chapter 12, with the General Action Plan and the Special Action Plan for suppressing and eradicating classical swine fever. As regards **the alignment with the acquis, 95 bylaws were passed for that purpose.** In order to achieve the goals defined by the Strategy, the Ministry of Agriculture and Rural Development and the Administration for Food Safety, Veterinary and Phytosanitary Affairs **initiated and conducted the procedure for taking over inspection services.**

In the reporting period, following categorisation, entities dealing with food preparation were classified into categories 1, 2 and 3. Entities classified into category 1 (EU standards) were granted the approval for performing their operations. Entities classified into category

2 were granted temporary approvals and they are obliged to remove identified irregularities within 6 months. Entities classified into category 3 were granted temporary approvals following previously submitted and approved Improvement Plans. All entities dealing with food of animal origin were classified into categories 1 or 3, and the process of monitoring of improvement of non-compliant entities is underway. Montenegro prepared the draft national plan for the improvement of non-compliant entities.

In the field of ***fisheries***, on 6 March 2017, the Parliament passed the Law on the Ratification of the Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing, whose implementation will improve the control of illegal, unreported and unregulated fishing and damage it inflicts to marine resources, marine ecosystems and livelihood of persons involved in legal fishing. One bylaw has been passed, i.e. the Rulebook on the method and requirements for issuing catch certificate and list of fish and other marine organisms of 3 June 2016.

**The Annual programme for collecting the data on fisheries in Montenegro (DCF - DCRF)** has been prepared, and provides the framework for collecting biological, ecological, technical and socio-economic data required for fisheries management on sustainable grounds; it is aligned with the EU legal framework and recommendations of the General Fisheries Commission for the Mediterranean. Implementation of the Plan started on 1 April 2017. Activities have been continued as regards collection of biological data on economically important species in pelagic, demersal and small-scale coastal fishing.

Implementation of the technical assistance project IPA II 2014 ‘**Strengthening fisheries management and control**’ started through development of the **Fisheries Information System – FIS**. The goal of the project is to improve control and management in marine fisheries, through provision of support to harmonisation of collection of electronic data in fisheries with EU requirements and support to establishment of the system for automatic locating and identification on vessels for the purpose of improving fishermen safety.

**The Directorate for Fisheries** was established for the purpose of strengthening administrative capacities, and the person in charge was appointed by the Government on 25 May 2017. Two working positions are being advertised, and after completion of the recruitment procedure, the Directorate will have seven employees, including director general.

In the field of transport, on 22 July 2016, the Parliament of Montenegro passed the Law on Security Protection of Ships and Ports, while the Law Amending the Law on Transport was passed on 27 April 2017. Based on the original Law on Air Transport, Montenegro adopted 6 rulebooks and 9 amendments to rulebooks, for the purpose of continuous aligning with EU regulations in this field. In line with the Law on Safety, Organisation and Efficiency of the Railway Transport, five rulebooks have been published, providing the additional harmonisation of the national legislation with EU requirements in the field of safety and interoperability of the railway transport. Based on the Law on Railway, the Strategy for Development of the Railway for the period 2017-2027 was adopted on 30 March 2017.

In the area of energy, on 28 June 2016, the Parliament passed the Law on Cross-Border Exchange of Electricity and Natural Gas, transposing the regulations of the Third Energy Package. In line with the provisions of the Law on Energy, in June 2016, legal and functional separation took place of the electricity distribution system operator from the Electric Power Utility of Montenegro JSC (Elektroprivreda) and the Limited Liability Company Montenegrin Electricity Distribution System (CEDIS) was founded. In November 2016, the Agency issued the licence to CEDIS for dealing with distribution of electricity. In the same period, in addition to the existing suppliers, three new licenced suppliers to end users appeared on the retail market. On the basis of the Law on Efficient Use of Energy, four bylaws were passed detailing certain obligations prescribed by the law and further transposing the requirements of EU directives, while the third action plan for energy efficiency was also adopted for the period 2016-2018. On 22 July 2016, the Parliament passed the Law amending the Law on Ionising Radiation Protection and Radiation Safety, and on 30 July 2016 it passed the Law amending the Law on Protection and Rescue. On 8 September 2016, the Government adopted the Strategy for Non-Proliferation of Weapons of Mass Destruction for 2016-2020, and on 29 December 2016 it adopted the Strategy for Ionising Radiation Protection, Radiation Safety, and Radioactive Waste Management for 2017-2021, along with the Action Plan for 2017-2021. On 6 March 2017, the Parliament passed the Law on Ratification of the Agreement between the European Atomic Energy Community (EURATOM) and non-Member States of the European Union on the participation of the latter in the Community arrangements for the early exchange of information in the event of radiological emergency (ECURIE), after which instruments of ratification were sent to the European Commission.

**The Connectivity Agenda** afforded a new perspective to big infrastructure projects, for which the region is in dire need. The **Trans-Balkan Electricity Corridor** - section Montenegro is the first project under the Berlin Process approved in 2015, for which the EU, via the Western Balkans Investment Fund, allocated EUR 25 million in grants, while the total value of the project is EUR 127 million.

As regards ***customs and taxation***, in the area of ***customs***, on 7 July 2016, the Government of Montenegro adopted the Decree amending the Decree on Customs Tariff for 2016, in line with the obligations laid down in the Ministerial declaration on trade in information technology products (ITA 2 Agreement) and Protocol on trade in civil aircraft, which achieved liberalisation of customs rates for certain products. On the same day, the Government adopted the Decree on the Customs Authority Treatment of Goods under Reasonable Suspicion of Infringing Intellectual Property Rights, which is being applied as of 1 January 2017. On 29 December 2016, the Government of Montenegro adopted the Decree on Customs Tariff for 2017, which is being applied as of 1 January 2017. On 9 June, the Government of Montenegro adopted the Decree amending the Decree for implementation of the Customs Law with a view to regulating procedures related to express shipment, as well as creating conditions for IT implementation of these procedures.

On 27 December 2016, the Ministry of Finance adopted the Rulebook on the Actions of Customs Authorities in Customs Procedures related to Arms and Military Equipment, which came into force on 6 January 2017. In addition, the Ministry of Finance also adopted five new rulebooks with a view to implementing the Law on Customs Service.

The Customs Administration adopted the Competency Dictionary of the Customs Administration of Montenegro, thus continuing the activities on carrying out the process of implementation of the EU Competency Framework.

On 29 December 2016, the Customs Administration adopted the Training Strategy of the Customs Administration for 2016-2018, and on 8 June 2016 it adopted the Public Relations Strategy of the Customs Administration for 2016-2018.

As regards **taxation**, the Law amending the Law on Value-Added Tax, passed by the Parliament on 29 December 2016 and applied as of 9 January 2017, achieved alignment with Article 98 paragraph 2 and Annex III to Council Directive 2006/112/EC stipulating that the lower rate shall not be applied to supply of certain products and services, among other things, to supply of computer equipment. According to the new legal solutions, computer equipment is taxed at the general rate of 19%. The Law amending the Law on Excises, passed by the Parliament on 29 December 2016 and applied as of 9 January 2017, increased the excise on leaded and unleaded petrol and on gas oils, as well as achieved further alignment with Council Directive 2003/96/EEC in the area of taxation of energy products by introducing natural gas into the excise system. The Law amending the Law on Personal Income Tax, passed by the Parliament on 29 October 2016 and applied as of 1 January 2017, extended the application of the tax rate of 11% to personal income in gross amount above the average income in Montenegro, i.e., above EUR 751. On 9 June, the Government of Montenegro passed the Proposal for the Law amending the Law on Tax Administration with a view to achieving its alignment with the new Law on Administrative Procedure, whose solutions will be applied as of 1 July 2017.

The Customs Administration started the development of software for automatic risk analysis and it applies application for monitoring the work of customs inspectors. In addition, services were established for automatic exchange of information with the MI, Health Fund, Customs Administration, and previously with the Ministry of Labour and Social Welfare. An application solution is being applied for enforcement of collection measures, which will enable data on measures taken for collection for each taxpayer by the tax type.

In the area of statistics, the Statistical Office calculated and published the results of annual Gross Domestic Product (GDP) and Gross National Income (GNI) for 2015, by production and expenditure method. **The document GNI Inventory is currently being drafted, and its drafting is defined by the closing benchmark for the negotiating chapter 18.** With the implementation of activities contributing to the fulfilment of closing benchmarks for the negotiating chapter 18, in the area of statistics of prices, work started on the implementation of the pilot survey “Housing market price index”. **Harmonisation of agriculture statistics continued, by way of conducting the Survey on the structure of agricultural holdings in November 2016**, in line with Regulation 1166/2008. In addition, a **system of economic accounts in agriculture was finalised**, in line with Regulation 138/2004, as was the system of absolute agricultural prices and price index (2012-2015) in line with the Rulebook for prices in agriculture of 2008. In the area of short-term statistics, for the first time ever the Statistical Office received the medium compliance assessment. A number of missing variables has been processed and sent to EUROSTAT. For the first time, calendar and seasonally adjusted data series were sent to EUROSTAT in March 2017 (area of construction).

In 2016, **a survey on national tourism was conducted for the first time** (tourist activity of Montenegrin population), which is fully aligned with Annex II to Regulation 692/2011. In February 2017, a variable regarding *net occupancy rate of bedrooms* was processed for the first time for group 55.1 Hotels and similar accommodations (*NACE Rev.2*) and the data was submitted to EUROSTAT.

**In the reporting period, the annual energy statistics were fully aligned with the EU acquis, on the basis of which, for the first time, EUROSTAT published SHARES statistics data in March 2017** (*Short Assessment of Renewable Energy Sources*) for Montenegro. In addition, an electronic questionnaire was created for short-term statistics of petroleum products.

In the reporting period, the aviation statistics were fully aligned with the EU acquis. The data were produced in accordance with Regulation 437/2003 and submitted for the first time to EUROSTAT in July 2016.



In 2016, the Statistical office intensified cooperation with holders of administrative data sources from various statistical areas. **During the year, four agreements were signed, which makes for a total of 18 signed agreements on cooperation from various statistical areas.** All available data from 40 domains were sent via Edamis portal. In total, 222 different datasets were submitted, which is an increase compared to the previous period. In the reporting period, procedure was launched was hiring five new employees, and the process is currently in its final stage.

In the area of *social policy and employment*, the Strategy for improvement of protection and health at workplace was adopted in July 2016 for the period 2016-2020, along with the Action Plan. The Ministry of Labour and Social Welfare adopted a set of rulebooks relating to the area of protection and health at the workplace. The second annual Action Plan for employment and human resources development for 2017, implementing Strategy for employment and human resources development 2016-2020 was adopted in December 2016. In April 2017, the Report on implementation of the Action Plan for employment and human resources development for 2016 was adopted. The social platform with representatives of the International Labour Organisation and EU experts took place in the period 9-10 May 2017.

The Law amending the Law on Pension and Disability Insurance was passed on 28 June 2016. The Law amending the Law on Pension and Disability Insurance was passed on 22 July 2016. The Strategy for Integration of Persons with Disabilities in Montenegro 2016- 2020 was adopted in 2016, along with the Action Plan for implementation of the strategy for 2016 and 2017. The Strategy for Prevention and Protection of Children against Violence with the Action Plan 2017-2021 and the Strategy for Permanent Solution for Displaced and Internally Displaced Persons in Montenegro, with particular emphasis on Konik camp for the period 2017-2019 were adopted in the first quarter of 2017.

In the course of 2016, the Ministry for Human and Minority Rights signed five Memorandums of Understanding regarding the measures in the fight against discrimination based on sexual orientation or gender identity and promotion of tolerance towards sexual minorities with the municipalities Nikšić, Berane, Danilovgrad, Kolašin, and Mojkovac. Thus the total number of signed memorandums reached 14. In the course of 2016, the sixth cycle of education of social work centres representatives took place regarding the implementation of anti-discrimination legislation. External evaluation was done of the previous Plan of activities for achieving gender equality 2013-2017. In March 2017, the Report on implementation of the Plan of activities for achieving gender equality for 2016 was adopted, as was the third Plan of activities for achieving gender equality in Montenegro 2017-2021, along with the Implementation Programme 2017-2018. Campaigns and education regarding the issue of violence against women and forced marriages of Roma and Egyptian girls were organised in Roma settlements in seven Montenegrin cities. In cooperation with Roma Education Fund (REF) and the Education Office, scholarship activities continued for high school pupils and students of RE population for 2016/2017. Funds are allocated each year for the purposes of provision of free sets of textbooks for elementary school pupils of Roma and Egyptian population of first, second, and third grade.

For the purpose of **judicial reform**, on 22 July 2016, the Parliament passed the Law on Interns in Courts and Public Prosecution Offices and Bar Exam, Law on Court Expert Witnesses, Law amending the Law on Notaries, Law amending the Family Law, and the. On 30 July 2016, the Parliament passed the Law on Administrative Dispute, as well as the Law amending the Law on Special Public Prosecutor's Office, expanding the jurisdiction of the Special Public Prosecutor's Office related to criminal offences in the area of violation of election rights laid down by the Criminal Code. At the same session, the Parliament passed the Law on Court Interpreters. On 28 March 2017, the Parliament passed the following: Law amending the Law on Enforcement and Security, Law amending the Law on Public Bailiffs, Law amending the Law on Obligations, and the Law amending the Law on Advocacy.

**Administrative capacities of key institutions** in this area were reinforced with the employment of five new employees in the Secretariat of the Judicial Council and five in the Secretariat of the Prosecutorial Council. Out of the planned 19 positions in the Judicial Training Centre, nine have been filled so far.

The procedure of election of judges and prosecutors following a public announcement and in line with the new system was carried out, and three candidates were elected as judges of basic courts and one judge for a misdemeanour court, and they were deployed to mandatory initial education. Following the internal announcement, the Judicial Council made a decision on 9 June 2016 by which one public prosecutor from the Basic Public Prosecutor's office in Berane was voluntarily transferred to the Basic Public Prosecutor's Office in Bijelo Polje.

For the purpose of strengthening liability of the judiciary, a **disciplinary procedure** was initiated in the first half of 2017 against one judge and it is pending. Since June 2016, the **Commission for the Ethical Code of Judges** has had a total of 17 pending reports, out of which 16 have been resolved. On 24 March 2017, the Prosecutorial Council adopted the Report on the work of the Commission for the Ethical Code of Public Prosecutors for 2016. In the course of 2016, two decisions were adopted upon initiatives for assessment whether a certain conduct of public prosecutors was in line with the Ethical Code, of which in one case violation of the Ethical Code of public prosecutors was found. One disciplinary procedure was launched, against a public prosecutor, which resulted in a disciplinary liability and imposition of a disciplinary sanction (fine). In addition, the Commission for the Ethical Code drafted the Report on the analysis of conformity with the Ethical Code of public prosecutors and rules regarding conflict of interest for the period from 1 November 2015 to 30 November 2016.

As regards the strengthening of professionalism and expertise, following the completed assessment in the pilot Public Prosecutor's Office, the **Rules for evaluation of public prosecutors and heads of public prosecutor's offices** were amended, and there was an extraordinary assessment that took place in November 2016 of the work of candidates who applied for the election of three public prosecutors in the High Public Prosecutor's Office in Podgorica by way of the system of promotion. Pilot evaluation was completed in the Basic Court in Nikšić, and the Evaluation Commission adopted the evaluations at the second session that took place on 18 November 2016.

As regards the strengthening of efficiency of the judiciary, on 17 June 2016, the Government adopted the **Strategy for Information and Communications Technologies in the Judiciary for 2016-2020 and on 22 September 2016 the accompanying** Action Plan, in accordance with which the Commission for Oversight and Coordination of Implementation of the Strategy will carry out control over implementation of the Action Plan measures. On 11 July 2016, the Government adopted the Strategy for management and human resources development in judicial institutions for 2016-2018, while the Mid- Term Plan of Rationalisation of Judicial Network (2017-2019) was adopted on 22 September 2016. On 30 November 2016, the Judicial Council adopted the Methodology of framework benchmarks of workload for determining the required number of judges and the balanced workload of judges.

With regard to the proceedings in the *war crimes cases*, based on the Strategy for investigation of war crimes, the Special Public Prosecutor's Office established **cooperation with prosecutor's offices in the countries of the region, with the aim of identification of perpetrators of war crimes who were Montenegrin citizens and possible transfer of the cases built by those prosecutor's offices, where Montenegrin citizens are perpetrators.** Eight cases were developed and charges were brought in one case, while the others are in the phase of investigation. With regard to reparations to the victims of war crimes, in the case of Morinj, 131 decisions are *res judicata*, rendering payment of EUR 1,245,427.84, while decision on 27 cases demanding EUR 191,265.60 are not yet legally binding. One court decision rejected grounds for charges brought, four proceedings were terminated and charges were withdrawn in six cases. Besides legally non-binding decisions, one additional case is active.

With regard to the prevention of corruption, the **Anti-Corruption Agency adopted all planned bylaws and internal acts related to the implementation of its activities** during 2016. The new Rulebook on internal organisation and job descriptions was adopted in January 2017 and two new departments were established: the Department for Auditing of Income and Assets of Public Officials is obliged to report on income and assets and the Department for Education, Research, Campaign and Analysis. The new Rulebook increases the number of staff from 55 to 60 employees. The Agency currently employs 50 people with the vacation notices for additional four positions in their final phase.

**The work on education of the staff goes continuously** along with the upgrade of the IT system, while additional modules for lobbying and whistle-blowers are enabled. The improvement of modules for observation of elections is planned through Horizontal programme of support for Western Balkans and Turkey. The data exchange with MOI (access to databases of weapons and vehicles) has been established, and also with the Tax Administration, Real-estate Administration and creation of connection with the Central registry of Economic Entities is ongoing. The Agreement with the Securities Commission was signed in February, enabling access to data on stocks and securities owned by public officials. The auditing of data on assets of the public officials in real time is enabled.

Regarding obligations of Montenegro in the area of **fulfilment of GRECO recommendations**, Montenegro is going through the 4<sup>th</sup> round of evaluation and the Agency coordinates the process of provision of data. In that regard, the answers of relevant institutions and complete report were submitted in envisaged time – 1 May 2017.

In the area of suppression of corruption and fight against organised crime, the Parliament adopted the Law amending the Law on Criminal Liability of Legal Entities on 17 June 2016. On 28 July 2016, the Government adopted **Operative document for prevention of corruption in areas of special risk**.

**The remaining two Special State Prosecutors were appointed in June 2016**. Within the new Rulebook on Internal Organisation and Job Descriptions of the Special State Prosecutor's Office (in force since 31 March 2017), 23 positions were systematised for 37 professionals. 28 officials were employed and the procedure for engagement of additional nine officials is in process through already advertised vacation notice. **Special police department has been operational since 2016** and is staffed with all of planned 20 officials. Through employment of financial experts in planned numbers and through the establishment of the functional network with public organs holding data on assets that are subject to financial investigation, the conditions for improvement in financial investigations have been met.

**Ten new investigations against 40 natural persons and two legal entities related to the corruption** have been launched. Of that number, in one case against one natural person charges were brought, while the cases against remaining 39 natural persons and two legal entities are in the investigation phase. Additionally, two charges were brought against three subjects for whom the investigation was launched in the previous period, as well as charge sheet against one subject. One direct charge was brought against one subject in a case developed at the end of 2015. A financial investigation was launched against 13 natural persons. In two cases that rendered verdicts based on a plea agreement, the confiscation of assets in the total value of EUR 23,482,545 was ordered, and collection was secured by placing a mortgage on seized non-movable assets. In one case, upon res judicata of the verdict and after the end of financial investigation that failed to prove legality of the ownership, the application for confiscation of assets in amount of 11 real-estates was submitted. With regard to the enforcement of penalty sanctions for 50 subjects with res judicata sentences during 2016 and 2017, 27 subjects started serving sentences, 8 had served their sentences, while 15 subjects received calls to start serving their sentences. Of those 15, international arrest warrant was filed for two, while the others must come into custody in May 2017.

**In 2016/2017, three court processes for permanent seizure of assets were led** before the High Court in Podgorica. One case rendered sentence for permanent confiscation of assets and became res judicata in February 2017, while rendering of decision in the other two is in process.

With regard to the fundamental rights, legal framework was improved with the adoption of the Law amending the Law on Minority Rights and Freedoms on 27 April 2017 and with creation of the Proposal for the Law amending the Non-discrimination Law on 8 June 2017. The Government improved the strategic framework by adopting: Strategy for Execution of Criminal Sanctions 2017-2021 (29 December 2016), Action Plan for Implementation of the Strategy for Execution of Criminal Sanctions 2017-2021 (30 March 2017); Plan of activities for achievement of Gender Equality in Montenegro 2017-2021 with Action plan for implementation 2017-2018 (March 2017); Strategy for Integration of Persons with Disabilities in Montenegro 2016-2020 with Action plan for implementation 2016 - 2017 (September 2016); Strategy for Protection of Persons with Disabilities against Discrimination and Promotion of Equality for 2017-2021 with Action plan 2017-2018 (15 December 2016); Action plan for Implementation of the Strategy of Enhancement of Quality of Living of LGBT persons in Montenegro 2013-2018 for 2017 (2 March 2017).

With regard to the *prohibition of torture*, the Ministry of Justice – Direction for probation became member of Confederation of European Probation Offices (CEP) on 6 October 2016. The internal Guide on Healthcare of sentenced and persons under custody in the Institution for Enforcement of Criminal Sanctions has been adopted. The Institution for Enforcement of Criminal Sanctions developed idea for creation of **Special detainment facility within the Institution**, and through Horizontal project of Council of Europe “Enhancing human rights protection for detained and sentenced persons in Montenegro” development of feasibility study on construction of the Special detainment facility within the Institution for Enforcement of Criminal Sanctions is in process. Regarding identification of the Police officers, the development of the new Law on Internal Affairs is in process aiming at establishment of more quality normative framework which shall, among other things, facilitate identification of Police officers, in particular of members of the Special Forces.

With regard to the *rights of the persons with disabilities*, on 22 December 2016, the Government adopted the Analysis of alignment of legislation in Montenegro with the Law Prohibiting Discrimination of Persons with Disabilities and UN Convention on Rights of the Persons with Disabilities with recommendations for harmonization. During 2016, the following facilities were adjusted: Health Insurance Fund in Podgorica, Basic Court in Podgorica, and Faculty of Economics in Podgorica. The tender procedures were finished and best offers accepted for modification of the following institutions: Hospital in Niksic, Community health centre in Niksic, Hospital for respiratory diseases – Brezovik, in Niksic, Community health centre “Dr. Niko Labovic” in Berane and Hospital in Berane.

Regarding *gender equality and domestic violence*, two municipalities adopted Decision on Gender Equality, while another established the Council for Gender Equality. The Coordinative Board for Coordination, Implementation, Monitoring and Evaluation of Policies and Measures for Prevention and Fight against all forms of Violence covered with the Council of Europe Convention on Prevention and Suppression of Violence against Women and Domestic Violence (Istanbul Convention) has been established. Montenegro will present the Report on implementation of Convention to CEDAW Committee on 11 July 2017.

Regarding protection of the rights of *sexual minorities*, another Gay Pride was successfully held in December 2016. Awareness raising on local level continues and memorandums of understanding were signed between the Ministry for Human and Minority rights and two additional municipalities, Kolašin on 18 July and Mojkovac on 4 August 2016.

Regarding **migrations**, with the aim of further alignment of national legislation with the EU acquis, the new **Law on Foreigners was planned to be adopted** in the third quarter of 2017. Cross-sectorial work group for development of this Law was formed on 13 May 2016, the Draft Law was created and it is undergoing public debate at the moment. On strategic plan, on 23 February 2017, the Government adopted the Strategy for Integrated Management of Migrations in Montenegro 2017-2020, with the Action plan for 2017.

Regarding **asylum**, on 29 December 2016, the Parliament adopted the Law on International and Temporary Protection of Foreigners in line with the contemporary standards in this area. The development of bylaws necessary for implementation of the Law is ongoing and deadline for their adoption is third quarter of 2017.

Regarding **external borders and Schengen**, on 23 February 2017 the Government adopted Schengen Action Plan which defines plans for modernisation of border crossings and alignment with Schengen standards in management and surveillance of the border. Regarding fight against corruption on the border, Common Plan of Measures for Prevention and Suppression of Corruption on Border Crossings for all involved institutions was adopted on 27 February 2017. The Joint Centre for Police Cooperation between Montenegro and Albania was opened in Plav on 30<sup>th</sup> May 2017.

Regarding **judicial cooperation in civil and criminal matters**, the **Draft Law on Judicial Cooperation in Civil and Criminal Matters with EU member states** was prepared and submitted to TAIEX for expertise. Deadline for adoption of this Draft Law is the third quarter of 2017. The **Hague Convention on International Recovery of Child Support from 2007 came into force in January 2017. The Law of ratification of the Agreement on Cooperation between EUROJUST and Montenegro was published in the Official Gazette of Montenegro (no. 001/17)** on 16 January 2017, which completed national procedures for implementation of the Law. The 2017 Budget provides funds for State Prosecutors who will be sent to EUROJUST, in line with the agreement.



With regard to **police cooperation**, with the aim of comprehensive police reform, the work on the **Law on Internal Affairs** which will, among other things, define issues of transparency, merit based engagement and professional advancement within the Police Administration. Continual implementation of the Agreement with INTERPOL is visible in practice through intensive exchange of information whose number has been constantly growing since the signing of the agreement.

Regarding the **fight against trafficking in human beings**, Montenegro continues implementation of the **Strategy for fight against trafficking in human beings**. On 2 February 2017, the Government of Montenegro adopted the **Action plan for Implementation of the Strategy for 2017-2018**.

Regarding **fight against terrorism**, Montenegro continues implementation of the **Strategy for Prevention and Suppression of Terrorism, Money Laundering and Financing of Terrorism 2015-2018**. Hence, on 28 July 2016, the 10<sup>th</sup> Report on implementation of the Strategy with review of realised measures from the AP 2005-2016 for the reporting period January-June 2016 was adopted. Afterwards, on 23 March 2017, 11<sup>th</sup> Report on implementation of the Strategy with review of realised measures from the AP 2005-2016 for the reporting period July-December 2016 was adopted. On 4 October 2016, Montenegro signed Additional Protocol accompanying Council of Europe Convention on prevention of Terrorism.

Regarding **cooperation in the field of drugs**, Montenegro is continuously implementing **Strategy for Prevention of Drugs Abuse 2013-2020**. After conducting mid-term external evaluation of Strategy by the TAIEX team for Drugs policies, the Government adopted the new Action Plan for Implementation of Strategy 2017-2018 on 16 February 2017, in line with the recommendations.

Regarding *science and research*, on 28 July 2016, the **Strategy for Innovative Activities** and the **Law on Innovative Activities** were adopted. Government of Montenegro is among the first countries in the Region that supported Initiative for establishment of **International Institute for Sustainable Technologies in South East Europe region with the mission – Science for Peace**, based on common interests, considering economic, cultural and social aspects. The **system of national contact persons and delegates** and programme boards for **Horizon 2020** programme was established. Innovative- entrepreneurship Centre „Tehnopolis“ in Nikšić, where services of pre-incubation and incubation with incentive measures have been provided was opened on 17 November 2016. Within „INVO“ project, following activities are being financed: Centre for Excellence in Bioinformatics with 3.4 million euro, 8 large research grants with 26 million euro and National Programme of Scholarships for Excellence that funds 32 PhDs (25 abroad and 7 at the University of Montenegro) and 14 post-doctoral fellows abroad with EUR 568,000. The Ministry of Science published on 7 March 2017 preliminary results of statistics for I&R for 2015. In line with the law, final results are submitted to EUROSTAT in June 2017. Key results for 2015 research shows that total domestic expenditure on I&R amounts to 0.38% of the GDP, that is, gross expenditures for I&R totalled to EUR 13,667,834. Even though the nominal amount was bigger than in 2014, the percentage of expenditures didn't increase significantly because Montenegrin GDP in 2015 also increased comparing to previous year.

In the field of *education and culture*, the Government of Montenegro adopted the Strategy for development of higher education in Montenegro (2016–2020) with the Action Plan, as well as the Strategy for the Education of Teachers (2017-2024) with Action Plan for its implementation for 2017 and 2018. The Government of Montenegro, i.e. the Ministry of Education **prepared a set of amendments to the laws in the field of education which should be adopted by the end of July** with the aim of improving the quality of education better alignment of education with the needs of the labour market and production of competitive labour force. The law amendments **are also related to the improvement of practical skills at all levels, as well as the improvement of knowledge of foreign languages, so the English language will be taught already in preschool institutions.** The new General Part of the curriculum for elementary education, the application of which will start as of the school year 2017/18, the overall number of classes has been reduced by 10%, which represents one of the elements of the educational reform.

The most important amendments in the field of professional education concern the creation of conditions for a more active involvement of employers in the realisation of practical education and implementation of dual education. Adoption of amendments to the Law on Higher Education endorsed by the Government on 15 June 2017 is pending. Crucial changes concern the introduction of the 3+2+3 studying model instead of the existing model 3+1+1+3, except for the regulated professions; establishment of the Agency for ensuring the quality of higher education; introduction of a new model of higher education financing, the so called contractual model of financing based on the performance indicators; introduction of free studies for students of the first and second cycle of studies in public institutions; as well as the introduction of mandatory practical classes as an integral part of curriculum which will make at least 25% of the total student's workload per each subject in a year. For the purpose of the reduction of unemployment and ensuring easier transition from the world of education to the world of employment, fifth year in a row Montenegro implements the Programme of professional training of persons with higher education.

In the field of ***environment and climate change***, on 28 July 2016 the Government adopted the **National Strategy for transposition, implementation and application of the EU acquis in the field of environment and climate change with the Action Plan for the period 2016-2020 and thus responded to the opening benchmark requirements and fulfilled the condition for opening negotiations on Chapter 27–Environment and Climate Change**. In June 2016 the Parliament of Montenegro adopted the Law on Environment, the Law on Waste Management, the Law on Nature Protection and the Law on Biocidal Products. In December 2016 the Parliament of Montenegro adopted the Law on Communal Wastewater Treatment.

Based on the State Plan for Waste Management the competent authorities approved 20 local plans, 15 of which were published in the Official Gazette of Montenegro. In these plans particular accent was put on setting up the system for primary waste selection and increase of reusing and recycling of paper, metal, plastic and glass. On 20 April 2017 the Government adopted the Fourth Report on the implementation of the National Strategy for Air Quality Management with the Action Plan for 2017-2020.

The realisation of the IPA project “Establishment of the NATURA 2000 Network” which was launched on 26 April 2016 is in progress, and the project will be completed by June 2019.

**Significant activities concerning the preservation and protection of the Ulcinj Salt Works have been launched and realised.** On 18 July 2016, based on the public call the bankruptcy manager of the Salt Works concluded the Contract on leasing the property of JSC *Bajo Sekulić Salt Works* with the Public Enterprise of National Parks for a one year period (until August 2017). During May 2017, Public Enterprise of National Parks of Montenegro completed the repair and enabled the functioning of pump engine of the Ulcinj Salt Works and thus provided pumping of water into the pools of the Salt Works. On 23 February 2017 the Government adopted the Urbanist Plan for the municipality of Ulcinj. **This plan suggests the proclamation of a nature park on the entire area of the Salt Works** (1,419.85ha). The realisation of the project “Finalisation of the Study on Protection of the Ulcinj Salt Works” financed from the European Integration Fund started in February 2017.

**The Programme of Establishment of Eco Fund** is launched in cooperation with the UNDP. The proposal for the optimum model of Eco Fund for Montenegro will be prepared by the end of 2017 and activities concerning the establishment of this institution will be started based on the plan.

As regards the area of consumer and health protection, Montenegro adopted the Law on Misleading Advertising and the Rulebook on the list of products, manner of displaying and the type of objects where product declarations are displayed in Braille as of 9 May 2017. Montenegro adopted the Plan of activities on raising the level of protection of consumers in local self-government units, as well as the Action Plan for the implementation of Regulation 2006/2004 on cooperation between the national bodies responsible for the implementation of consumer protection law. The Action Plan for the National Programme on Consumer Protection (2015-2018) for the period July 2016 - June 2017 was adopted on 29 September 2016. The Annual Report on the realisation of the National Programme for Consumer Protection (2015-2018), for the period July 2015 - June 2016 was adopted on 28 March 2017. The General Programme for the control of products on the market for 2017 was also adopted and published on 30 December 2016 on the site of the Administration for Inspection Affairs together with the report on its realisation.

As regards the area of public health, in particular the field of blood, four rulebooks have been amended. In the field of human organs, the Parliament adopted the Law on Taking and Transplantation of Human Organs for the Purposes of Medical Treatment, which entered into force in July 2016, whereas there are nine adopted Rulebooks for its implementation. Furthermore, the Parliament adopted the Law on Health Inspection which entered into force in May 2017. In the field of infectious diseases, the competent bodies are working intensively on drafting the Law on the Protection of Population from Infectious Diseases, as well as the Action Plan for improvement of the surveillance system and response to infectious diseases. Furthermore, Montenegro also adopted the National Strategy for the control of resistance of bacteria to antibiotics for the period from 2017 to 2021, with the Action Plan for 2017 and 2018.

As regards the field of financial control, the Ministry of Finance in cooperation with the Human Resource Administration has implemented trainings planned for 2016, according to the Training Programme for the system of internal financial control in the public sector of Montenegro. On 29 December 2016 the Government endorsed the Decree Amending the Decree on the Establishment of Internal Audit in the Public Sector. The Decree stipulates that the Ministry of Public Administration establishes based on an act on internal organisation and systematisation a special organisational unit for the internal audit of information systems formed within the public administration bodies. As regards the external audit, the internal control of the realisation of the SAI recommendations has been improved and the newly introduced obligation is the submission of the Action Plan by audit entities and bodies responsible for the realisation of recommendation. On 31 October 2016 the Public Audit Institution submitted to the Parliament the Annual Report on realised audits and activities of the institution for the period October 2015 - October 2016, which contains information on the implementation of the Annual Plan of Audits for 2016. As regards the protection of financial interests of the EU, Montenegro got access to the Irregularities Management System which is the platform for electronic reporting of irregularities and frauds.

Under the *Instrument for Pre-accession Assistance* (IPA), Montenegro is finalising the implementation of projects within the financial perspective 2007-2013 (IPA I) under the first two components: I – Transition Assistance and Institution Building and Cross–Border Cooperation. All project included in Component I were successfully contracted until 26 April 2016 which was the deadline for contracting projects under IPA 2013. As regards Component III – Regional Development and Component IV – Human Resource Development, in the reporting period Montenegro successfully worked on contracting projects, which is mostly completed. Efforts of the operational structures will in the following period be directed at successful implementation of the programmes. Preconditions for closing the programmes are partially met after the Government of Montenegro accepted amendments of financial agreements for these two components, after which the National IPA Coordinator signed both financial agreements on 24 February 2017.

Concerning the new financial perspective 2014-2020 (IPA II), programming of the assistance is completed concluding with the allocation for the programme 2017. The structures formed for programming continued their work on revision of sectoral plan documents, which will considerably improve the multiannual strategic planning and interinstitutional planning under the sectoral approach. In line with the consigned execution of the budget tasks, the structures for indirect management in Montenegro continued their work on the preparation of tender documentation and contracting projects from the programmes IPA 2014 and IPA 2015. Decision on consigning the execution of budget tasks for the IPARD II programme has been postponed for 2017. Strengthening capacities will remain one of the main priorities in the following period.

### 3.2 Bilateral relations under the Stabilisation and Association Agreement

Montenegro ensured an efficient implementation of the SAA and commitments within the planned deadlines, as well as the implementation of the SAA according to the defined dynamics. Furthermore, Montenegro is continuing the process of comprehensive political, economic, legal, institutional and structural reforms.

The sixth meeting of the Stabilisation and Association Committee was held in Brussels on 19 December 2016.

#### *Meetings of joint committees with countries from the region*

According to Article 15 of the Stabilisation and Association Agreement, **the Agreement on Cooperation between the Government of Montenegro and the Council of Ministers of Bosnia and Herzegovina in the process of accession to the EU was signed on 14 February 2017, and in Montenegro it entered into force on 23 March 2017.**

**The second Consultative Committee between Montenegro and the Republic of Serbia** was held on 4 November 2016 in Belgrade. 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 was concluded in line with Article 15 of the Stabilisation and Association Agreement and entered into force on 23 September 2014.

**The second Joint Committee between Montenegro and the Republic of Albania** was held on 7 April 2017 in Tirana. The Joint Committee was established based on the Agreement on Cooperation between the Government of Montenegro and the Government of the Republic of Albania in the context of accession to the EU which was signed on 22 May 2015 and entered into force on 16 December 2015.

#### *Joint Consultative Committees*

**At the seventh meeting of the Joint Consultative Committee between the Committee of the Regions and Montenegro** held in Sutomore on 15 September 2016 the participants considered basic challenges of local administrations in the accession process.

*The eighth session of the Joint Consultative Committee between the Committee of the Regions and Montenegro* was held in Brussels on 31 May – 1 June 2017.

*The seventh meeting of the Joint Consultative Committee for Civil Society between Montenegro and the European Union* was held in Brussels on 8 July 2016;

*The eighth meeting of the Joint Consultative Committee for Civil Society between Montenegro and the European Union* was held on 8 November 2016 in Budva.

*The ninth meeting of the Joint Consultative Committee for Civil Society between Montenegro and the European Union* was held on 8-9 June 2017 in Bečići; the participants confirmed the importance of engagement of civil society in the negotiation process and considered the topics concerning health and movement of goods.

*The eighth meeting of the EU-Montenegro Parliamentary Stabilisation and Association Committee* was held on 14 June 2017 in Strasbourg.

The fourth meeting of the *Special Group for Public Administration Reform* was held in Podgorica on 16-17 June 2016.

#### *Sectoral subcommittees*

There were **9 regular annual meetings of sectoral subcommittees** between Montenegro and the European Union. The following meetings were held in Brussels: the ninth meeting of the Subcommittee for Transport, Energy, Environment and Regional Development on 14 June 2016, the ninth meeting of the Subcommittee for Industry, Trade, Customs, Taxes and Cooperation with Other Candidate Countries on 16 June 2016; the eighth meeting of the Subcommittee for Economic and Financial Matters and Statistics on 21 June 2016; the eighth meeting of the Subcommittee for Innovations, Human Resources, Information Society and Social Policy on 24-25 April 2017. The following meetings were held in Podgorica: the seventh meeting of the Subcommittee for Innovations, Human Resources, Information Society and Social Policy on 6-7 July 2016; the ninth meeting of the Subcommittee for Agriculture and Fisheries on 21 September 2016; the seventh meeting of the Subcommittee for Justice, Freedom and Security on 14-15 March 2017, the tenth meeting of the Subcommittee for Transport, Energy, Environment and Regional development on 7 June 2017; the eighth meeting of the Subcommittee for Internal Market and Competition on 8 June 2017.



Montenegro continues the participation in the EU programmes envisaged for the period 2014-2020: Horizon 2020, COSME, Creative Europe (with the MEDIA Sub-programme since 2015), Europe for Citizens, Erasmus +, Customs, Fiscalis, for which entry tickets can be partially refunded from the IPA resources.

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

#### **Item 4. Exchange of opinions regarding the situation in the Western Balkans**

Montenegro is dedicated to the development of good neighbourly relations and is determined in its intention to contribute to the preservation of stability in the region. In the new capacity of a NATO member state and the most advanced country in the EU negotiation process, we continue to share knowledge and experience obtained in the accession processes.

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