

STABILISATION AND ASSOCIATION
BETWEEN
THE EUROPEAN UNION
AND MONTENEGRO

The Stabilisation and Association Council

Brussels, 25 June 2015

UE-ME 3603/15

COVER NOTE

Subject: Sixth meeting of the EU-Montenegro Stabilisation and Association Council
(Luxembourg, 22 June 2015)

Delegations will find attached the position paper of the European Union tabled on the occasion of the 6th meeting of the Stabilisation and Association Council between the European Union and Montenegro.

SIXTH MEETING OF THE
EU-MONTENEGRO
STABILISATION AND ASSOCIATION COUNCIL
(Luxembourg, 22 June 2015)

POSITION OF THE EUROPEAN UNION

The European Union welcomes the holding of the sixth meeting of the EU–Montenegro Stabilisation and Association (SA) Council. The EU considers that this meeting of the SA Council provides a timely opportunity to review Montenegro's progress in the preparations for membership, following the publication in October 2014 of the Commission's Progress Report, the Stabilisation and Association Committee of December 2014, and the various Sub-committees held since the last SA Council meeting.

Item 3. Relations under the Stabilisation and Association Process

3.1. Accession strategy, in particular in the light of the Commission's 2014 Progress Report

The EU welcomes the opening of a number of negotiating Chapters since the last SA Council, bringing the total number of Chapters opened to 20, two of which have been provisionally closed. The EU welcomes the opening of two additional Chapters in our IGC today.

The EU notes with satisfaction that Opening and Closing Benchmarks have been set for nearly all Chapters and Interim Benchmarks for the rule of law Chapters, and encourages Montenegro to continue working on all benchmarks in order to meet them.

The EU welcomes the inclusion of civil society representatives in Montenegro's working groups for the negotiating Chapters, and reiterates the importance of ensuring the inclusiveness of the reform process in order to achieve the necessary progress in the accession negotiations.

The EU regrets that some civil society activists have been targeted on a personal basis by local media.

The EU encourages Montenegro to focus on the fundamentals of the accession process: rule of law, economic governance and public administration reform.

Political criteria

The EU notes that Montenegro has continued to sufficiently meet the political criteria. The EU recalls the conclusions of the **General Affairs Council** of 16 December 2014, according to which, progress in Chapters 23 and 24 will determine the overall pace of the negotiations, in line with the negotiating framework.

The EU welcomes the revision of the Action Plans for Chapters 23 and 24, in February 2015. The government adopted the revised Action Plans following the first eighteen months of their implementation and on the basis of progress made and shortcomings identified. Revisions relate mainly to fine-tuning the implementation of reform measures foreseen for 2015 and beyond, reviewing budget allocations and setting new, realistic deadlines for measures not implemented according to schedule.

In April 2015, the European Commission provided its latest assessment of progress made in the implementation of the Action Plans and in meeting key commitments undertaken in the context of accession negotiations. The assessment was based on the third semi-annual report on the implementation of the Action Plans submitted by Montenegro in January 2015, information provided in the context of the JLS-Subcommittee (25-26 February 2015) and several Peer Reviews carried out in spring 2015. The assessment concludes that continued progress has been made, overall, on legislation and on technical issues, despite some delays. Further efforts are needed for the effective and successful implementation of these reforms. Regarding institutions, there remains a capacity problem. Technical preparations for the establishment of the new Special Prosecutor's Office have not been addressed on time. In the fight against corruption and organised crime, tangible results in terms of track records so far remain very limited, including on financial investigations.

The EU notes with concern that there has been no political follow-up to the 2012 alleged abuse of public funds for party political purposes ("Audio Recordings Affair") and emphasises that the judicial follow-up needs to be completed.

The EU recalls the importance of media freedom. It notes the decrease in the number of attacks against the media in the past 12 months and the continuation of investigations and prosecution of cases of violence against the media. It recalls, however, that activities need to continue for solving old and recent cases of violence against the media, and preventing similar occurrences in the future. The EU calls on Montenegro to urgently follow up on the recommendations by the commission monitoring the authorities' actions in the investigation of old and recent cases of threats and violence against journalists, and recalls the need for full support to its work. The EU takes note of the weak professional and ethical standards of certain media practitioners, which contributed to further tension in the media environment.

In the field of Public Administration, the EU welcomes ongoing efforts to strengthen the coordination and monitoring mechanisms for the implementation of the overall public administration reform strategy, including the adoption of the new law on general administrative procedures. It encourages Montenegro to thoroughly prepare for its full implementation as of January 2016. It also welcomes the preparation of a new law on administrative disputes. The EU welcomes the implementation of the civil service law, and encourages Montenegro to fully enforce its practical application in terms of merit-based recruitments and promotions. These must be ensured in all institutions and bodies, including at local level. The EU underlines the importance of administrative capacity for the future effective implementation and enforcement of the *acquis*. It strongly recommends that Montenegro continues to pursue and accelerate the reform process to achieve a more efficient and streamlined public administration, able to cope with the challenges of EU accession.

As regards Public Financial Management, the EU welcomes the adoption of the law on budget and fiscal responsibilities and the new law on the prevention of corruption. The EU encourages Montenegro to ensure the establishment of the new Anti-Corruption Agency by 1 January 2016, as foreseen [*see also Chapter 23 – Judiciary and fundamental rights*]. Montenegro should ensure that its planned law on public sector salaries establishes the necessary levels of control on salaries and increases transparency and fiscal accountability. It welcomes the inclusion of sectorial spending ceilings in the "*Guidelines for Macroeconomic and Fiscal Policy 2015-2017*".

The EU commends Montenegro for its continued commitment to regional cooperation and its constructive role in maintaining regional stability. The EU welcomes the active participation – and co-initiation – of Montenegro in numerous regional initiatives in South Eastern Europe and the good neighbourly and bilateral relations it entertains with other enlargement countries and EU Member States. The EU takes note of the ongoing activities towards finding mutually acceptable solutions to pending border issues with its neighbours in line with international law and established principles, and encourages Montenegro to make progress on them. The EU looks forward to the signing of the border agreement with Bosnia and Herzegovina, initialled in 2014. A bilateral convention on regional cooperation under Article 15 of the SAA remains to be concluded with Bosnia and Herzegovina.

The EU welcomes Montenegro's decision to fully align, when invited, with all Council decisions and EU declarations.

The EU recalls that the 2007 bilateral immunity agreement with the United States of America does not comply with the EU Common Position on the integrity of the Rome Statute or with the related EU guiding principles on bilateral immunity agreements, and that Montenegro needs to align with the EU position before accession to the EU.

Economic criteria

The EU takes positive note of the fact that Montenegro's recovery continued in 2014. The economy grew by 1.5 %, largely driven by investments. However, declining industrial production and falling exports resulted in a slowdown in growth compared to a year before. Large imbalances between exports and imports persist and the external position further deteriorated. Despite some improvement in labour market conditions, the unemployment rate remains very high.

Given the absence of monetary policy tools, a rigorous fiscal policy and flexible product and labour markets remain important to achieve macroeconomic stability. The EU welcomes the improvement of the fiscal position accomplished through tax reform and the government's efforts to reduce the informal economy. The construction of the Bar-Boljare highway will support economic growth over the next years, but its significant fiscal burden, calls for sustained commitment to fiscal discipline as well as a sound public debt management strategy.

The EU welcomes the submission by Montenegro in January 2015 of its first Economic Reform Programme (ERP) as part of the enhanced dialogue with the European Commission on economic governance, and draws attention to the joint conclusions of the Economic and Financial Dialogue adopted on 12 May 2015 between the EU ECOFIN Council and the Western Balkans and Turkey. The EU stresses the importance for Montenegro to ensure close and timely follow-up to the targeted policy guidance of these joint conclusions.

The sectorial priority measures included in the Economic Reform Programme are relevant for strengthening competitiveness and long-term growth. The EU notes that Montenegro has taken steps to implement the targeted policy guidance set out in the conclusions of the Joint Ministerial dialogues. However, major reforms still need to be implemented. To improve economic competitiveness, the economy needs to be further diversified, and its export base broadened by investing (in addition to tourism) in other sectors such as agriculture and energy, as well as in physical and human capital. To improve the business environment, economic agents would benefit from increased predictability and simplification in the regulatory environment and further improvement of the rule of law.

Acquis

The EU welcomes the progress made by Montenegro in aligning its legislation with the EU *acquis* and implementing its commitments under the trade and trade-related provisions of the SAA. The EU stresses that Montenegro's limited administrative capacity represents a challenge in a number of areas and needs to be strengthened during the accession negotiations to ensure effective implementation and enforcement of the *acquis*.

The EU notes with satisfaction that Montenegro continues to address its priorities related to the internal market. The EU notes that progress on alignment to the *acquis* in the area of free movement of goods has continued. The EU welcomes Montenegro's adoption of a comprehensive strategy on free movement of goods, and its ongoing work on a strategy and action plan to ensure compliance with Treaty principles in this area. The EU welcomes Montenegro's correction to rulebooks to comply with the EU *acquis* on European Conformity (CE) marking and invites it to continue its work on conformity assessment. The EU takes note of the gradual improvements in the area of market surveillance, including the adoption of amendments to the law on market surveillance, and in the area of standardisation where an increased number of standards continue to be adopted, despite ongoing financial and human resource limitations.

Regarding the right of establishment and freedom to provide services, preparations for transposing the Services Directive continued, notably by completing the screening of national legislation. The implementation of the national plan for developing qualifications for regulated professions has started, but needs to be stepped up.

As regards public procurement, the EU encourages Montenegro to ensure the effective enforcement and implementation of the law on public procurement and to build up the required administrative capacity, including on remedies. The EU welcomes Montenegro's progress achieved through the adoption of amendments to the public procurement law at the end of 2014, aligning further with the legislation on classical, utilities, and defence procurement. The EU invites Montenegro to further pursue the legislative agenda in order to fully comply with the relevant EU *acquis*, notably with the 2014 EU Public Procurement Directives (EU/2014/24, EU/2014/25) and the EU Directive on Concessions ((EU/2014/23). The EU encourages Montenegro to fully implement the 2011-2015 strategy for public procurement 2011-2015, ensure the timely adoption of new strategy by providing the necessary resources, including for strengthening control mechanisms and addressing staffing needs - for example at the Public Procurement Administration or the inspection control service.

In the field of intellectual property rights, the EU welcomes the high level of alignment achieved by Montenegro but underlines the importance of ensuring effective implementation and enforcement. Strengthening the administrative capacity of all institutions involved, with substantial allocation of financial and technical resources is still needed.

The EU notes that Montenegro continued legislative alignment in the area of competition. As regards antitrust and mergers, the adoption of implementing legislation was completed and capacity gradually improved, although the enforcement record remains insufficient. The role of the misdemeanor courts – imposing the fines in anti-trust cases – remains, on occasion, an issue of serious concern. The administrative capacity of the state aid authority has gradually improved and legislative alignment has further advanced. However, significant alignment is still necessary on state aid procedures. An action plan for the alignment of remaining aid schemes was adopted. The enforcement track record of the state aid authority remains insufficient. The participation of state aid grantors in the state aid authority appears problematic. Resources are lacking and state aid notifications are rare, even in crucial cases like the construction of the Bar-Boljare highway. The EU also notes that limited progress has been made as regards compliance with state aid rules in the case of the aluminium plant KAP.

Regarding financial services, the EU acknowledges the important alignment work already achieved, but notes that substantial further alignment efforts are required to align with and implement the existing *acquis* in this area.

In the area of information society and media, the EU takes positive note of the fact that Montenegro has already reached a good level of alignment with the *acquis*. Full alignment with the *acquis* remains to be ensured, as well as sufficient resources for its implementation.

The EU acknowledges the progress made in the area of agriculture and rural development. Overall, alignment with the *acquis* remains at an early stage. Montenegro made progress in drafting the comprehensive strategy and action plan for the alignment, implementation and enforcement of the *acquis* in this area. Good progress can also be seen in the preparation of the IPARD II programme for the management of rural development funds and the accreditation of the IPARD II structures is progressing well.

The EU notes that some progress has been made in the area of food safety, veterinary and phyto-sanitary policy. Most of the framework laws are now fully aligned with the *acquis*. The EU encourages Montenegro to finalise the draft law on food safety. The EU welcomes the completion of the assessment of hygiene standards in food and feed establishments. Control capacity in the veterinary field must be reinforced. Montenegro must complete the comprehensive national strategy and action plan, which will serve as a basis for the transposition, implementation and enforcement of the EU *acquis*, including plans for the development of the relevant administrative capacities and an estimation of the financial resources required.

Some progress has been made on fisheries as regards administrative capacity. The EU notes Montenegro's progress in drafting the comprehensive strategy and action plan for the alignment, implementation and enforcement of the *acquis* in this area. Further efforts are needed on alignment and implementation of EU standards, in particular in the areas of resource and fleet management, inspection and control, market policy, structural policy and state aid policy.

Montenegro achieved good progress in the transport sector, in particular in the area of road safety and the transposition of the social *acquis* for road transport. The EU encourages further progress in the rail transport sector, to improve regional and intermodal connections, as well as ensure the establishment of an independent accident investigation body for air, rail and maritime transport.

As regards energy, the EU welcomes the continued progress that Montenegro has made in its alignment with the *acquis* and its successful participation in the Energy Community Treaty. The EU encourages Montenegro to continue preparations for alignment with "the third energy package" and for further liberalisation of the energy market. The EU recalls the importance of ensuring sufficient administrative capacity in this sector.

As regards progress on customs and taxation, on taxation the EU welcomes that Montenegro's VAT legislation is largely aligned with the *acquis* and that it has adopted a Business Strategy and IT systems for the tax administration. Montenegro must make further progress towards the adoption of the *acquis* on VAT, excise duties and direct taxes, and continue strengthening its taxation system and reinforcing its administrative capacity and infrastructure so as to ensure enforcement, collect taxes effectively and fight tax fraud and evasion. As regards customs, Montenegro still has to further align its legislation and ensure the implementation of the customs business and IT strategy, including the required strengthening of the relevant IT units. The EU encourages Montenegro to start preparations for a possible accession to the Convention on a Common Transit Procedure.

The EU welcomes Montenegro's progress in several areas of statistics, including agricultural statistics, and economic and financial statistics following the signature of the memorandum of understanding with the Central Bank. The statistics on income and living conditions survey (SILC) has been harmonised with Eurostat methodology. The EU invites Montenegro to continue its investment in a number of statistical areas, notably to increase staffing levels in Monstat and ensure full harmonisation with EU statistical standards and methodologies.

Montenegro continued its efforts with *acquis* alignment in the area of social policy and employment, notably through the adoption of legislation on labour law and health and safety at work. Montenegro must further advance legal alignment in this area. In the field of employment policy, resolute action is necessary to address the critical labour market situation. The EU encourages Montenegro to continue addressing the low activity and employment rates, as well as the mismatch between skills available and labour market needs, including through strengthening the capacity of the Public Employment Service. In the area of social inclusion, efforts should be stepped up as regards poverty reduction, improving the inclusion of all vulnerable groups (emphasis on Roma and Egyptian population, people with disabilities) and their access to healthcare, housing, education, and the labour market. In the area of social protection, further measures are needed to improve the sustainability and adequacy of the pensions system, as well as to create community-based services as an alternative to institutionalisation for persons with disabilities and persons with mental health problems, children, older people, and homeless people. The EU recalls that proper and transparent social dialogue needs to be ensured and takes note of the entry into force of a new General Collective Agreement. The EU encourages Montenegro to continue strengthening administrative capacity across all sectors.

As regards enterprise and industrial policy, the EU welcomes Montenegro's ongoing work to develop a comprehensive industrial policy strategy and the continued progress on some sectorial policies. However, insufficient administrative capacity and fragmented strategies continue to impede the effectiveness of the instruments in place.

The EU notes that in the area of the judiciary and fundamental rights, as well as in the area of justice, freedom and security, overall the main part of the legislative work has been completed and reforms have reached a stage where well-resourced, professional and pro-active institutions are required to ensure that the reforms are fully implemented and produce the expected results. Strong political will is required for this to be achieved.

As regards *judicial reform*, the EU welcomes the adoption, in February 2015, of four new basic laws regulating the judiciary and prosecution (law on constitutional court, law on courts, law on judicial council and rights and duties of judges, law on state prosecutor's office). These laws introduce far-reaching reforms that are expected to strengthen the independence and professionalism of the judiciary. The EU underlines, in particular, that these laws now need to be immediately, and correctly, implemented, to produce results regarding the independence, impartiality and professionalism of judges and prosecutors. With regard to accountability and integrity of the judiciary, track records of establishing and effectively sanctioning breaches of rules remain limited. This should be addressed both through continued awareness-raising of existing complaint mechanisms and through internal control. Training on the Codes of Ethics for judges and prosecutors should continue. The EU welcomes the significant reduction, in 2014, of the number of cases older than three years. It notes, however, that despite the positive clearance rate the total number of cases resolved by courts has decreased in comparison to 2013. Continued attention needs to be given to measures aimed at increasing the efficiency of the judiciary. While activities in the area of judicial statistics have been implemented with good quality, the judicial information system PRIS is technically not viable anymore and needs to be replaced. The EU welcomes that work on a PRIS-replacement strategy has started. The EU stresses the importance of the ongoing case-weighting study (measuring timeframes for processing different categories of cases) for the further judicial reform process and commends its so far high-quality implementation and commitment of all stakeholders.

As regards *domestic handling of war crimes*, the EU calls on the police and prosecution to take a more pro-active approach in initiating investigations, to further cooperation with neighbours as well as the ICTY, and to ensure the quality of indictments. Well-investigated cases should lead to final judicial decisions in line with international humanitarian law and the jurisprudence of the ICTY. The EU welcomes that the prosecution has started work on a strategy with a view to opening new cases. Access to justice and reparation for the victims of war crimes should also be ensured.

With regard to the *fight against corruption and organised crime*, the EU welcomes the adoption of the amendments to the law on internal affairs in December 2014 and of the new law on the Special Prosecutor's Office in February 2015. It looks forward to the adoption of the amendments to the criminal procedure code. Drafting of the new law on seizure and confiscation of assets is at an advanced stage. As regards institutional capacity, the EU looks forward to the formal establishment of the new Special Prosecutor's Office in June 2015. In order to implement its mandate efficiently and effectively, the new body needs to be provided with adequate resources and expertise, and demonstrate a pro-active approach. Smooth, efficient, and results-oriented cooperation of the newly-established office with the police must be ensured. The internal reorganisation of the police needs to continue by providing adequate trainings and technical resources to new specialised staff. Cooperation between law-enforcement agencies needs to be enhanced. It is of the outmost importance that Montenegro develops an initial track record of investigations, prosecutions and final convictions in corruption and organised crime cases. In this regard, the EU underlines the importance of systematic conducting of financial investigations in parallel to criminal investigations as well as both seizure and confiscation of assets, in order to tackle organised crime groups more effectively. The EU also calls for a stronger approach – pro-active, victim-oriented and multidisciplinary -- in addressing effectively the trafficking in human beings.

As regards *prevention of corruption*, the EU welcomes that with the adoption of the package of laws in December 2014 (law on prevention of corruption, amendments to the law on conflict of interest, law on lobbying, law on political party financing and electoral campaigns, amendments to the law on public procurement, law on general administrative procedure), the important reforms related to the legislative framework (primary legislation) have been completed. The EU stresses the importance of ensuring the timely establishment of the new Anti-Corruption Agency, scheduled to be fully operational by January 2016. Despite delays, Montenegro has taken steps to strengthen the administrative capacity of the State Electoral Commission but the EU stresses that the recruitment of additional staff needs to be completed without further delay. Track records in the area of prevention of corruption overall remain limited, including on the need to apply effective and deterrent sanctions. The EU would welcome a more pro-active approach by the relevant bodies, ensuring the effective implementation of the relevant legal framework – including on public procurement, even before the new Anti-Corruption Agency starts working. On *fundamental rights*, the EU welcomes the adoption of the law on execution of suspended sentences and community work sentences and of the law on the Ombudsman, enhancing alignment with international human rights law. The fact that the role of the Ombudsman in dealing with anti-discrimination cases has been weakened remains a matter of concern. Overall, the EU takes note that the capacity of the institutions in charge of protection and enforcement of human rights, including the judiciary and police, remains weak and needs strengthening and specialisation. It is vulnerable groups that are most affected by the shortcomings in this area. Further efforts are also needed to improve the access to legal aid, especially for marginalized groups.

Some progress was made in the field of *civil and political rights*. The amendments to the law on the Ombudsman improve the definition of the role of the Ombudsman as the national preventive mechanism against torture and ill-treatment. The urgent recommendations, made following a visit by the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment in 2013, have been addressed. Montenegro is planning the follow-up to all remaining recommendations. However, the EU regrets that awareness remains low in the police; follow-up to cases of torture and ill-treatment, and the use of deterrent sanctions, is limited. The EU welcomes the adoption of the law on enforcement of conditional sentences, through which the alternative sanctioning system has started being implemented in the country, and looks forward to the adoption of the law on enforcement of sentences of imprisonment, fines and security measures. The EU recalls that the prison health and rehabilitation services are poorly developed and lack resources.

The EU calls on Montenegro to continue strengthening social and economic rights. The Ministry of Human and Minority Rights remains understaffed, and the internal organisation of the Ombudsman's office must be improved, to cope with its broad mandate. The EU encourages Montenegro to adopt the new law to fight *discrimination against persons with disabilities*, aiming at further aligning with EU standards on antidiscrimination but also with the relevant UN Convention. The EU regrets that access to public buildings for persons with disabilities has not yet improved in any of the priority buildings identified, despite the budget put aside by the government.

The EU welcomes the fact that Montenegro was able to smoothly handle the October 2014 LGBTI pride parade in Podgorica, and the participation and support of various institutional and political representatives. In May 2015, Montenegro successfully organised the third IDAHO ministerial conference, with the participation of delegations from 21 countries as well as high-level representatives of the Montenegro government. The EU regrets, however, that attacks against LGBTI persons continued and only few cases of attack were resolved. Police temporarily banned an "academic walk of pride" in Niksic on security reasons, which point to hostility against LGBTI persons in society.

The EU calls on Montenegro to step up its efforts in the field of *women's rights and gender equality*, including by improving political representation of women at all levels and looks forward to the adoption of the new law on gender equality. The EU notes that gender-based violence remains an overall concern in the country and that the implementation of the Istanbul Convention proceeds slowly.

The EU encourages Montenegro to adopt the new law on persons belonging to minorities as soon as possible. It is expected to remove the potential conflict of interest in the procedures to allocate and control funds for persons belonging to minorities. The EU stresses, however, that persons belonging to the Roma minority remains the most vulnerable and discriminated against in various areas of life, despite some progress on lower education. Increasing participation in pre-school education would be instrumental in decreasing Roma students' drop-out rates and improving their scholastic success in later years.

The EU welcomes Montenegro's efforts to align with the EU *acquis* in the field of police cooperation, as well as the operational agreement with Europol, signed in October 2014. The EU calls for its full implementation. The EU also calls on Montenegro to put in place a solid system to counter the crime of *money laundering*; enforcement remains weak and lacks strong coordination mechanisms between the various actors. The EU welcomes the amendments to the criminal code which, in line with UN guidelines, penalises Montenegrin citizens for joining foreign military groups. The EU recalls that preventive tools and anti-radicalisation measures must be strengthened. A system for freezing terrorists' funds must be established.

The EU encourages Montenegro to implement the Financial Action Task Force standards comprehensively, and to demonstrate its commitment in making progress in addressing the deficiencies identified by Moneyval.

The EU encourages Montenegro to step up its anti-terrorism and anti-radicalisation efforts along the six priorities of the EU policy in this area. The EU welcomes the amendments to the criminal code on foreign fighters, reinforcing the capacity of the country to prevent radicalisation. The EU stresses the need for Montenegro to step up regional cooperation and exchange of information between law enforcement and intelligence services, as well as with the EU.

The EU welcomes that the centres for irregular migrants and for asylum seekers are now operational and appear to cope with the inflow of migrants. The EU stresses that the focus should remain on assessing the centres' human and material capacity and adjusting them to migration flows, by paying attention to the needs of vulnerable groups and minors. The number of people granted international protection in Montenegro increased (four people in 2014 as opposed to none in 2013). The EU welcomes the amendments to the law on foreigners, which pave the way for future alignment with the EU *acquis*. The EU encourages Montenegro to continue the overall legislative analysis for this purpose, as well as to finalise the drafting of a fully *acquis*-compatible asylum law. The EU encourages Montenegro to increase its efforts in implementing the integrated border management strategy and action plan, amended in line with the EU model. The EU stresses the need for Montenegro to continue cooperating with its neighbours in the area of border control, including on resolving the issue of alternative routes used to cross the border illegally.

Recalling the provisions of the Visa Regulation, the EU calls on Montenegro to continue its efforts to properly implement all the obligations arising from the *visa free regime* for Montenegrin citizens and its relevant roadmap. The EU points out that Montenegro should continue its activities to monitor closely the implementation of all the conditions set for visa liberalisation and to counter visa regime abuses. In this regard, Montenegro needs to continue focusing on: increasing targeted assistance to persons belonging to minorities, aiming to improve their long-term socio-economic integration; strengthening operational cooperation and information exchange with neighbours,, EU Member States and Schengen-associated countries, the European Commission as well as Frontex, Europol and EASO; investigating facilitators of irregular migration and prosecuting those enabling the abuse of the visa-free regime; and strengthening border controls, in strict compliance with citizens' fundamental rights. The European Commission will continue to monitor closely the implementation of measures taken under the visa liberalisation roadmap through the post-visa liberalisation monitoring mechanism, as well as in the framework of the SAA sub-committee on Justice, Freedom and Security.

To improve the quality of education at all levels, the EU encourages Montenegro to continue implementing existing strategies and action plans. Of particular importance is improving the teaching of basic skills and key competencies at the basic levels of education; as illustrated by the latest PISA results, Montenegro is well below the EU average and the EU benchmark for 2020. The EU takes note of the fact that Montenegro has harmonised its National Qualifications Framework with that of the EU. Monitoring the relevance of Montenegro's educational provisions in relation to modern standards and in addressing the needs of the labour market is important. The EU welcomes the adoption of Montenegro's law on higher education in October 2014, through which the issue of non-discrimination between EU and Montenegrin nationals has been addressed, and recalls the need for Montenegro to align with the EU Directive on the Education of Children of Migrant Workers, and facilitate their integration in education.

Regarding environment and climate change, Montenegro needs to prepare a comprehensive strategy and action plan for the alignment, implementation and enforcement of all *acquis* areas. This should include indicative timelines backed by the financial resources needed. Preparations in the areas of water, waste, nature and climate change have been highlighted as particularly challenging for Montenegro. Some progress has been made on drafting the climate strategy. The EU calls on Montenegro to adopt and implement the strategy, which should be complemented by analytical cross-sector action plans for the transposition and implementation of the climate *acquis*. The EU underlines the need to integrate environment and climate change considerations more systematically into other sectors, including through proper environmental assessments at strategic and project-level sectorial policies and planning documents. Regarding legislative alignment, limited progress has been made in the areas of environment and climate change *acquis*. Montenegro should strengthen its capacity and its efforts to align with the environment *acquis* and enhance its monitoring and reporting on greenhouse gas emissions. The EU welcomes the setting up of an international coordination directorate within the Ministry of Sustainable Development. Administrative capacity and inter-institutional cooperation must be strengthened, especially in the area of waste and climate change. The EU calls on Montenegro to finalise its Intended Nationally Determined Contribution (INDC) to the new climate agreement to be adopted in Paris in December, in line with the contributions of the EU and its Member States, as soon as possible.

Regarding consumer and health protection, Montenegro adopted the law on general product safety in October 2014. Work is ongoing on the expert recommendations, following technical missions to Montenegro in the fields of communicable diseases and substances of human origin. Legal alignment and administrative capacity-building needs to continue in both the consumer and health protection areas. Due attention needs to be paid to *acquis* enforcement and the application of EU quality and safety standards, in particular in the area of public health. Support for consumer non-government organisations as well as awareness-raising with the general public are needed.

As regards financial control, the EU welcomes the continued progress in the area of public internal financial control (PIFC) and the amendment of the law on the state audit institution to improve its financial and managerial independence. It also welcomes the amendment of the law on public internal financial control, designed to facilitate the further implementation of managerial accountability and improve the functioning of internal audit in the public sector. The EU encourages Montenegro to continue strengthening the managerial accountability arrangements and control systems, including in the context of the public administration reform.

Pre-accession Assistance

Montenegro has benefited since 2007 from the two first components of IPA I (I - Transition assistance and institutional building and II - Cross-border cooperation). At the end of May 2015, the contracting rate for IPA I Component I stood at 90% and payments at 77% of the initial 2007-2013 allocation. For Cross-Border Cooperation, during the same period, the contracting rate was over 66% and payments reached 60%.

The EU welcomes the conclusion of the Financing Agreements between Montenegro and the EU, necessary for beginning the implementation of IPA components III and IV. Montenegro should focus on project preparation and implementation to ensure full absorption of funds available within the Operational Programmes under IPA Components III and IV.

The finalisation of the Indicative Strategy Paper 2014-2020 and the 2014 Action Programme marks the start of IPA II in Montenegro. The EU welcomes the ratification, by Montenegro, of the Framework Agreement and the submission of the request for entrustment of budget implementation, which pave the way for the start of IPA II implementation.

Montenegro should continue its efforts regarding the sector approach and develop the capacity for multi-annual strategic planning for the implementation of IPA support.

The EU takes positive note of the fact that Montenegro has made progress in preparing a rural development programme under IPA II, and in meeting objectives for the entrustment of budget implementation tasks for the management of rural development funds.

The EU welcomes progress made in preparing the action plan for the management of the future cohesion and structural funds.

3.2. Bilateral relations under the Stabilisation and Association Agreement

The EU reiterates that the Stabilisation and Association Agreement (SAA), under the framework of the Stabilisation and Association Process, remains at the core of the relationship between the EU and Montenegro. The EU welcomes the entry into force, on 1 December 2014, of the Protocol to the Stabilisation and Association Agreement between the European Communities and their member states, on one side, and the Republic of Montenegro, on the other side, to take account of the accession of Croatia to the EU, which had been applied provisionally since 1 July 2013.

The EU welcomes Montenegro's positive track record in implementing its obligations under the SAA, including its trade related provisions, since its entry into force on 1 May 2010. The EU notes that significant alignment is still necessary on state aid procedures.

The EU notes that Montenegro has been actively participating in EU programmes since January 2008. IPA funds are used to meet part of the costs. Montenegro is currently participating in the following EU programmes: Erasmus+, Creative Europe (Culture and Media strands), Employment and Social Innovation, Horizon 2020, Customs 2020, Fiscalis 2020, Competitiveness of Enterprises and Small and Medium-Sized Enterprises Programme (COSME). The retroactive participation in COSME, as of 1 January 2014, allowed Montenegro to participate also in the Enterprise Europe Network.

The EU recalls the importance of continuing efforts with respect to investment in research and development, both by the public and private sector.

The EU encourages Montenegro's participation in further EU programmes in the future, where pertinent to the accession process of Montenegro.

Item 4. Exchange of views on developments in the Western Balkans and other international issues of common interest

The European Union and Montenegro will proceed to an exchange of views regarding developments in the Western Balkans.
