

STABILISATION AND ASSOCIATION  
BETWEEN  
THE EUROPEAN UNION  
AND MONTENEGRO

The Stabilisation and Association Council

Brussels, 27 June 2018  
(OR. en)

UE-ME 3603/18

**COVER NOTE**

---

Subject: Ninth meeting of the EU-Montenegro Stabilisation and Association Council  
(Luxembourg, 25 June 2018)

---

Delegations will find attached the position paper of the European Union tabled on the occasion of the 9th meeting of the Stabilisation and Association Council between the European Union and Montenegro.

---

## **9<sup>TH</sup> MEETING OF THE EU-MONTENEGRO**

### **STABILISATION AND ASSOCIATION COUNCIL**

**Luxembourg, 25 June 2018**

#### **POSITION OF THE EUROPEAN UNION**

The European Union welcomes the holding of the 9th meeting of the EU–Montenegro Stabilisation and Association (SA) Council. The EU considers this meeting of the SA Council to provide a timely opportunity to review Montenegro's progress in the preparations for membership, following the publication in April 2018 of the Commission's Montenegro Report, the Stabilisation and Association Committee of December 2017, 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 2018 Montenegro 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 30, three of which have been provisionally closed

Opening or Closing Benchmarks have been set for all Chapters, except the rule of law Chapters, where Interim Benchmarks have been set, and the EU encourages Montenegro to continue work on meeting all benchmarks.

The EU welcomes the inclusion of civil society representatives in Montenegro's working groups for the negotiating Chapters, and in the implementation of the related reform processes, and encourages Montenegro to increase and improve consultations with civil society and other relevant and interested stakeholders.

The EU encourages Montenegro to continue focusing on implementation of 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 period has been marked by the low level of trust towards the electoral framework and the prolonged parliamentary boycott since the October 2016 parliamentary elections. EU has repeatedly stated that returning the political debate to the Parliament is the responsibility of all political actors. The political scene remains fragmented, polarised and marked by lack of political dialogue, notably in the democratic institutions. Local elections do not take place on the same day nationwide, but on a rolling bases; thus a prolonged and highly personalised election mood characterises the political landscape.

The parliamentary legislative capacity and the oversight of the executive needs to be further enhanced. In December 2017, the Parliament adopted without proper public consultation a set of laws which only partially address the recommendations of the OSCE's Office for Democratic Institutions and Human Rights (OSCE/ODIHR). A comprehensive electoral reform should be considered, to address repeated findings and recommendations of electoral observation missions. In the April 2018 Presidential elections, the OSCE/ODIHR noted that overall fundamental freedoms were respected, although the candidate of the governing party had an institutional advantage.

Building on the results achieved during the last 5 years with the implementation of the Action Plans for Chapters 23 and 24 the legal framework has improved and the institutional set up is largely in place, while the practical impact of the reforms is not yet sufficiently visible.

More proactive and vigorous progress in reform implementation and concrete results in the area of rule of law are now crucial, in particular to strengthen the track record in fighting corruption and organised crime, money laundering and trafficking in human beings, as well as on seizure and confiscation of criminal assets. The EU regrets that no progress has been made in the area of freedom of expression and media. The EU calls on Montenegro to focus and intensify efforts towards meeting the Interim Benchmarks set for Chapters 23 and 24. The EU recalls that progress on rule of law chapters, demonstrated by tangible results, will continue to determine the overall pace of accession negotiations.

In April 2018, the European Commission provided its latest assessment of progress made in the implementation of the Action Plans and in meeting the Interim Benchmarks set in the framework of the negotiations. The assessment concludes that Montenegro continued to make progress in particular on the legal and institutional framework, while the practical impact of reforms is not yet sufficiently visible and no progress has been made in the area of freedom of expression.

Condemning the recent attacks against journalists and recalling the importance of media freedom, the EU calls on the authorities to show unwavering respect for freedom of expression and to refrain from making statements that are not in line with creating an environment conducive to investigative journalism and media freedom in general. The public broadcaster RTCG and all other media should be shielded from undue influence and political pressure. The EU calls on Montenegro to clearly step up its efforts to effectively investigate and solve cases of violence against journalists, including the recent incident and the 2004 murder case, and identify not only the material perpetrators but also those behind the attacks, as well as the shortcomings and delays in the investigation. There must be no impunity and the safety of journalists and civil society representatives must be ensured. The EU expects Montenegro to fully implement the recommendations issued by the ad-hoc commission monitoring violence against media

In the field of Public Administration, the EU welcomes the adoption of new framework laws on civil servants and state employees and on local self-government, which provide the potential to implement merit-based recruitment across the public sector. The EU urges Montenegro to ensure that the secondary legislation needed to implement these laws allows for the necessary professionalisation and de-politicisation of the public service. The EU welcomes the start of the process of optimisation of the state administration. This needs to be fully and efficiently implemented both to ensure a modern public service that is able to take forward the EU accession process, and to ensure the financial sustainability of reforms. The EU welcomes that Montenegro has started work to enhance and ensure the consistency and coordination of sector strategies, and urges that this is continued and implemented fully in line with the OECD/SIGMA Principles of Public Administration. The EU also urges Montenegro to enhance the quality of regulatory impact assessments and ensure that inclusive public consultations are properly conducted, without unjustified restrictions on their scope.

As regards Public Financial Management (PFM), the EU notes the timely implementation of some of PFM reforms of the Public Financial Management Reform Programme 2016-2020, but also that there have been delays in other areas. It welcomes Montenegro plans to focus on budget credibility and control, in order to create an effective system of cash management, public expenditures planning, budgeting execution and control, as well as a proper debt management strategy and fiscal risks analysis.

The EU commends Montenegro for its continued commitment to regional cooperation and its constructive role in maintaining regional stability. The EU welcomes Montenegro's active participation in numerous regional initiatives in South Eastern Europe and the good bilateral relations it entertains with neighbours. The EU takes note of the ongoing activities of Montenegro towards finding mutually acceptable solutions to pending border and other open issues with its neighbours in line with international law, good neighbourly relations and established principles and positively notes the recent results achieved. EU encourages signing a bilateral convention on regional cooperation under Article 15 of the SAA with all partners with an SAA in force.

The EU strongly commends Montenegro for its consistent cooperation on foreign policy issues, and in particular its full alignment with the EU Common Foreign and Security Policy

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 welcomes the submission by Montenegro, on 31 January 2018, of its fourth Economic Reform Programme (ERP) and draws attention to the joint conclusions of the Economic and Financial Dialogue, adopted on 25 May 2018, between the EU ECOFIN Council and the Western Balkans and Turkey. The EU stresses the importance for Montenegro of following up the policy guidance given in these conclusions in a full and timely manner.

The EU notes that Montenegro's economy grew by a robust 4.4% of GDP in 2017, largely driven by private consumption and investments, especially in construction, energy and tourism. At the same time, the current account deficit broadened to 19 % of GDP in 2017, up from 13 % recorded in 2015. Significant external financing needs and large trade imbalances persist, rendering the country highly vulnerable to external shocks. The EU positively notes the introduction of a more stringent fiscal policy to address debt-related concerns with the adoption of a medium-term fiscal consolidation strategy in summer 2017. The corrective measures, whose combined fiscal impact is estimated at 3.6 % of GDP over 4 years, are expected to bring the budget close to balance in 2019. In view of the presently still high budget deficit and growing public debt, it is essential to rebalance the budget structure towards growth-enhancing spending and to continue fiscal consolidation efforts.

The EU also welcomes the ERP's stronger focus on regulatory and administrative reform measures in the areas of the labour market, transport, energy, and financial services. The focus on private sector development, innovation, and improving the business environment similarly addresses key binding constraints to competitiveness and long-term growth.

Given the absence of monetary policy tools, a rigorous fiscal policy combined with flexible product and labour markets remain important to maintain macroeconomic stability and increase competitiveness. While growth is set to remain robust, the EU considers that a key challenge for Montenegro is to find new ways to boost the productivity and competitiveness of its economy, and promote the diversification of the sources of growth beyond the current investment cycle.

Widespread skills mismatches, due to lack of specialized workforce, limit employment opportunities. Insufficient coverage, targeting of social assistance and a high marginal effective tax rate on earnings below social assistance levels result in disincentives to formal work. The strong economic growth and the rollback of some unaffordable social benefits which discouraged women participation in the labour market contributed to a slow but gradual decline of unemployment in 2017, which stood at a still very high 17.4 % at the end of the year, according to the labour force survey.

Finally, the EU calls on Montenegro to further strengthen the rule of law, reduce the informal sector, and tackle corruption, which remain important barriers for the development of a more favourable business and investment environment.

### *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 notes with satisfaction that Montenegro continues to address its priorities related to the internal market, except for the area of public procurement. The EU notes that progress on alignment to the *acquis* in the area of free movement of goods continued, though Montenegro plans to revise and extend the action plan due to changes to the EU *acquis* and delays in alignment. The EU takes note of the continued adoption of standards that are compliant with EU standards, but urges Montenegro to ensure the provision of sufficient human and financial resources to its market surveillance, standardisation and accreditation bodies, and for REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals).

Regarding the right of establishment and freedom to provide services, the framework law on services was adopted, setting the legal basis to establish the point of single contact for regulated professions. Progress continued to implement the national plan on developing qualifications for regulated professions. Study programmes in the medical field were aligned with EU regulations. Work on sectoral legislation and a list of regulated professions needs to continue.

As regards public procurement, the EU notes that progress has been slower than anticipated. Several areas are of concern: the stalled alignment in the field of classical and sectoral procurement and concessions; the use of bilateral agreements to exempt projects from national public procurements rules, limited coverage and bottlenecks of the remedy system, the slow pace of capacity-building, including as regards the introduction of e-procurement. The EU encourages Montenegro to address these issues as a priority and to further strengthen implementation and enforcement capacities at all levels. Key bodies of the public procurement system are in need of additional human resources and modern working methods.

Setting up an effective and *acquis*-compliant regulatory framework for concessions and public private partnerships will entail institutional modifications and capacity-building efforts. As regards the use of bilateral agreements, Montenegro needs to ensure that these do not unduly restrict competition, comply with the Stabilisation and Association Agreement and the EU *acquis*, as well as with commitments taken under the WTO Government Procurement Agreement. The EU reminds Montenegro in this regard that it has not yet provided to the Commission a list of such bilateral agreements impacting on the application of public procurement rules. The EU notes that, by contrast, the amendments to the public procurement law, adopted in June 2017, have reduced the level of compliance with EU rules.

In the field of intellectual property rights, Montenegro needs to ensure 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, low enforcement remains a concern and could improve by on-site inspections and promoting the leniency policy in place. Misdemeanour courts continue to have sole power to impose fines and their capacity needs to be significantly strengthened. On State aid, amendments to the competition law were adopted, setting the legal basis to establish an independent State Aid Authority. Institutional reforms are now expected to ensure its functioning and effective State aid control at all levels, including the building up of an enforcement record. The number of competent staff will need to increase to ensure sufficient capacity of the Authority to investigate and take decisions on State aid cases, including in crucial cases like Montenegro Airlines.

Regarding financial services, the EU acknowledges the important alignment work already achieved, but notes that substantial further 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 note of the good level of alignment with the *acquis*, which Montenegro had reached. Clearer regulation of the Public Service Broadcaster's financing was now achieved and will need to prove in practice. The Councils of the Public Service Broadcaster and of the Agency for Electronic Media saw disputed dismissals of members and will need to prove their independence.



The EU acknowledges the continued progress made in the area of agriculture and rural development. Overall, alignment with the *acquis* remains at an early stage. The EU welcomes the ongoing implementation of the comprehensive strategy and the action plan for the alignment, implementation and enforcement of the *acquis* in this area. Concerning rural development, Montenegro was entrusted in October 2017 with budget implementation tasks for two important IPARD II measures investing in physical assets. Some progress is also being made on the development and promotion of quality schemes.

The EU notes good progress in the area of food safety, veterinary and phyto-sanitary policy. Implementing legislation in various fields of food safety, veterinary and phyto-sanitary policy has been adopted and vaccination successfully carried out. Since September 2016 no cases of lumpy skin disease have been registered, which is an important step towards stopping its spread into the EU. Progress has also been achieved to align with EU requirements in the milk sector and the upgrading of food processing establishments.

Good progress has been made in fisheries, particularly as regards the strengthening of administrative capacity. Montenegro signed the Malta MedFish4Ever Declaration, including its action plan for sustainable fishing and fishing communities in the Mediterranean. Implementation of the comprehensive strategy for the alignment, implementation and enforcement of the *acquis* should continue. Capacity should be further strengthened in particular on scientific advice, inspection and control.

In the transport sector, Montenegro signed the Transport Community Treaty in July 2017 and ratified it in March 2018. Legislative alignment with the EU *acquis*, especially in maritime and road transport, has progressed well. However, several important reforms, mainly related to the further opening of the railway market, to the creation of an efficient and independent regulatory and safety authority and to the full membership to the Paris Memorandum of Understanding on port State control remain outstanding.

As regards energy, the EU welcomes the good level of preparation reached by Montenegro in the alignment of its legislative framework with the EU *acquis*. Notwithstanding the progress made, the EU encourages Montenegro to further reform its energy market, to develop better cross-border interconnections and to step up efforts to complete the alignment with the EU *acquis* on energy efficiency. Furthermore, the EU encourages Montenegro to establish a stockholding body as well as intended storage capacities and to start accumulating the mandatory physical oil reserves, in accordance with the relevant Action Plan.

As regards taxation, the EU notes the adoption and start of implementing of an action plan to address the issues highlighted by the Tax administration diagnostic assessment tool analysis, and the adoption of the Fiscal Strategy 2017-2020 and the action plan for the suppression of a "grey" economy. The EU notes that a number of tax exemptions granted to holders of private yachts are not in line with the EU *acquis*. Montenegro needs to ensure that by end 2019 it joins the Global Forum on Transparency and Exchange of Information for Tax Purposes and the Inclusive Framework of OECD BEPS (Base Erosion and Profit Shifting), and signs the OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters. As regards customs, the EU welcomes the amendments to the Montenegrin customs rules, adopted in 2017, to prepare for accession to the Convention on a common transit procedure and the Convention on the facilitation of trade in goods, as well as Montenegro's ratification Protocol to Eliminate Illicit Trade in Tobacco Products of the WHO Framework Convention on Tobacco Control. Montenegro still has to further align its legislation on transit, drug precursors, security aspects, and on export control of cultural goods. The EU encourages Montenegro to promote a more service-oriented organisational culture in customs service and strengthen efforts to expand the use of its trade facilitation instruments. Controlling the illicit tobacco trade, in particular the transit through the Port of Bar free zone, remains a significant challenge and the EU welcomes Montenegro's continued efforts to develop its international cooperation in this regard.

The EU welcomes Montenegro's continued progress in the area of statistics, notably by harmonising the statistical methodology with EU standards and by ensuring the increased transmission of data to Eurostat. The EU urges Montenegro to strengthen the human and financial resources of the Statistical Office of Montenegro (Monstat), and to strengthen the human resources of the Ministry of Finance in order to fulfil its responsibilities regarding government finance statistics under ESA 2010. Montenegro also needs to continue to prepare the 2021 population and housing census applying the register-based methodology.

In the area of social policy and employment, EU notes that while some progress has been made, Montenegro must continue efforts to align with the *acquis*, notably regarding revising the key Labour Law. Beyond that, the mismatch between education and the labour market remains a weakness. In the context of the Law on health and safety at work, Montenegro is encouraged to improve monitoring so the Law is implemented efficiently. As regards social dialogue, the EU encourages Montenegro to further use the Social Council, set up for that very purpose.

The employment activity rate is still low. More active labour market measures must be implemented, particularly for women, and for national and other minorities, including Roma. The EU welcomes measures such as the social inclusion and protection 2017-2021 strategy and action plan for the prevention and protection of children against violence. The EU also welcomes progress regarding the non-discrimination in employment and social policy but underlines that continuing efforts are needed to address for instance, the protection of persons with disabilities. Attention is needed also in the area of women's entrepreneurship. Financial and non-financial support to single parents is still insufficient. This has a disproportionate impact on women.

The EU notes that in the area of rule of law the judiciary and fundamental rights, as well as in the area of justice, freedom and security the legislative reforms have been mostly completed, and that the process of institution building is well advanced. The translation of legislative and institutional reforms into concrete results on the ground will require further efforts to strengthen administrative capacity, pro-activeness of all the stakeholders and institutions to implement the reforms in the spirit in which they were designed, and an environment where independent institutions are provided with the necessary resources, shielded from any interference and incentivised to fully use their powers. To this end, political and institutional commitment, responsibility and leadership need to be demonstrated.

As regards justice reform, the EU welcomes the efforts of the Judicial and Prosecutorial Councils to implement the systems of recruitment, professional assessment and promotion, and improved institutional capacities. The EU underlines, in particular, the need to fully and timely implement the new system of regular professional assessment. With regard to accountability and integrity of the judiciary, the EU notes that track records of enforcement of disciplinary accountability and of the Codes of Ethics for judges and prosecutors still remain limited. The EU encourages Montenegro to strengthen accountability of the judiciary.

As regards efficiency, the EU recalls the need to ensure better human resources management and to step up the work on rationalisation of the judicial network. The work on reducing court backlogs also needs to continue. The EU welcomes the start of the implementation of the new ICT strategy for judiciary. The EU underlines the need for timely implementation of the strategy backed by adequate financial and human resources and a clear allocation of responsibilities. The EU recalls that there are still concerns as regards consistency and reliability of statistical data and that the guidelines of the European Commission for the Efficiency of Justice (CEPEJ) are not yet fully implemented. The EU encourages Montenegro to improve the statistical capacity and to actively use data on the performance of the judicial system for management and policy-making purposes. The EU notes that Montenegro needs to provide for fair proceedings within reasonable time in implementing existing national legal framework, including in the area of property rights and restitution of property.

In relation to the *domestic handling of war crimes*, the EU notes investigations as a result of the implementation of the Prosecution Strategy and start of judicial proceedings in one case. The EU encourages Montenegro to further step up its efforts to fight impunity for war crimes and to apply a more pro-active approach in investigating, prosecuting, adjudicating such cases, in line with international humanitarian law and the jurisprudence of the ICTY.. It recalls that access to justice in line with European and international standards and reparations for the victims of war crimes in line with Montenegro's commitments needs to be ensured.

As regards prevention of corruption, the EU notes some progress in establishing a track record on prevention of corruption. Track records of detecting irregularities need to be further consolidated in particular in the areas of conflict of interest, political party financing, whistle-blower protection and codes of ethics. The EU stresses the need to continue improving the institutional capacities in this area and to implement the recommendations issued by the Council of Europe Group of States against Corruption (GRECO). The institutions are expected to demonstrate a more pro-active attitude and the challenges related to the independence and priority setting of the Agency for Prevention of Corruption need to be addressed. In order to increase the impact of anti-corruption measures in particularly vulnerable areas, further strengthening of inspection and internal control capacities is required.

With regard to the fight against corruption and organised crime, the EU acknowledges the establishment of initial track records of investigations, prosecutions and final convictions in cases of high-level corruption, and some areas of organised crime. The EU expects that the track records will be consolidated by additional new investigations and further processing of cases leading to results in terms of indictments and final court decisions, and effective and deterrent sanctions, also with regard to seizure and confiscation of assets where results remain limited. The EU Notes with concern that criminal activities in the country have frequently led to gang-related murders and calls for swift and appropriate follow up from the authorities.

The EU strongly encourages Montenegro to step up its work towards establishing initial track records on money laundering and trafficking in human beings. The EU notes some progress with regards to the operational capacities of the prosecution and police, but further improvement is crucial for achieving better results. The EU calls on Montenegro to provide both the Special Prosecutor's Office and the Special Police Unit with all the necessary resources, and sufficient staff to be able to fulfil their tasks. The EU expects that the Special Prosecutor's Office will be provided with adequate premises. The EU calls on Montenegro to step up efforts to increase the use of financial investigations.

On fundamental rights, Montenegro has continued the dialogue with international human rights organisations. The EU welcomes the adoption of amendments to the Law on prohibition of discrimination aimed at alignment with the EU *acquis*. The EU encourages Montenegro to ensure that adequate mechanisms are in place to protect vulnerable groups from discrimination. The EU notes that further to the 2017 adoption of the Law on minorities, aimed to eliminate the risk of conflict of interest in the process of attribution of funds to minorities, Montenegro is expected to prepare for proper implementation of this law by improving procedures and mechanisms of control in the distribution of funds for minorities, as well as for religious communities. The EU observes that several aspects of the work of the office of the Ombudsman have improved. The EU notes the need to improve the internal organisation of the Ministry of Human and Minority Rights and to provide the Ministry with sufficient staff and resources to enable it to effectively carry out its tasks.

The EU observes that some progress was made in the field of civil and political rights. Montenegro has continued to work towards implementing the recommendations of the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment (CPT). The EU takes note of the delays in progressing on investigations into cases of violence by law-enforcement officers, and violence in prisons. The EU urges all the institutions to strengthen the application and protection of human rights and to ensure protection of victims of human rights violations, including by providing for effective investigations into cases of ill-treatment by law enforcement, and cases of deaths and physical attacks on individuals, in accordance with the case-law of the European Court of Human Rights. In respect of prisons, the EU further observes that, despite some improvements and Montenegro's continuous efforts, the material conditions of detention, and medical and social support to inmates, as well as staff working conditions, remain poor overall. Montenegro is further encouraged to step up the implementation of alternative sanctions system and rehabilitation and resocialisation programmes.

Regarding the rights of people with disabilities the EU stresses the need to advance on legislative alignment with international standards. The EU invites Montenegro to secure regular and sustainable support to organisations of people with disabilities, and to adopt comprehensive strategies on de-institutionalisation and on accessibility.

On LGBTI rights the EU takes positive note of the preparations of the draft Law on civil partnerships, as well as of the constructive cooperation with CSOs in this area and improved cooperation between LGBTI community and the police. The EU notes that the 2017 national pride parade was organised in Podgorica in September without incidents. It observes, however, that the situation still remains difficult at local level and within the society itself where acceptance of sexual diversity is still advancing at a slower pace. Records of prosecution based on hate speech also need to improve.

The EU notes that domestic and gender-based violence, as well as violence against children, remain a serious concern. The EU calls on Montenegro to speed up the implementation of the Istanbul Convention, including by providing for effective multi-disciplinary cooperation in this area and adequate victim support.

In the field of rights of the child, Montenegro is invited to demonstrate a more pro-active approach in addressing the problems of child-begging as well as forced marriages, which continue to be reported by CSOs.

The EU notes that despite some progress on improving the socio and economic position of Roma, they remain the most vulnerable and discriminated community. The EU stresses the need for urgent measures in the areas of education, inclusion in the labour market, health, as well as housing conditions and risk of evictions. The lack of any identification document, especially for children also remains a matter of concern.

The EU welcomes the introduction of a separate procedure for determining statelessness through the new Law on foreigners.

In the area of Justice, Freedom and Security, the EU welcomes Montenegro's continued efforts to align with the EU *acquis* in the field of migration, asylum, visa policy, judicial cooperation in civil and criminal matters, and police cooperation. It welcomes in particular the entry into force of the new law on asylum and expects that Montenegro will ensure its proper implementation by proper training of staff in all relevant administrations, and a stronger inter-ministerial and inter-service coordination. The EU calls on Montenegro to remain vigilant as regards the migratory pressure along the "coastal route", and to adjust its national capacity accordingly, including in terms of accommodation for vulnerable groups.

In respect of migration, the EU also takes positive note of the adoption of the new law on foreigners; it constitutes a substantial progress as regards Montenegro's alignment with the EU *acquis* in the field of legal migration and fight against irregular migration. The EU further welcomes the good progress in the implementation of the Strategy for Integrated Migration Management for 2017–2020 and the Schengen Action Plan. The EU stresses the need for Montenegro to ensure the necessary financial means to implement the Schengen Action Plan and to continue to work pro-actively against criminal activities at its borders. Montenegro should continue to prioritise smuggling of migrants as a security threat and strengthen its cooperation with neighbouring countries in that regard.

The EU notes that Montenegro continuously fulfils the visa liberalisation benchmarks, as indicated in the First Report under the Visa Suspension Mechanism. The EU calls on Montenegro to continue to be vigilant as regards potential abuses of the visa-free regime with the EU and Schengen-associated countries and to implement the areas of action indicated in the report.

The EU welcomes the appointment of a Montenegrin liaison prosecutor in Eurojust. The EU takes note of the preparation of the Law on Judicial Cooperation in Criminal Matters with EU Member States. It further invites Montenegro to ensure sufficient and trained human resources to be able to implement the EU *acquis* in the field of judicial cooperation in criminal, civil and commercial matters, including at the level of courts and prosecution offices.

The EU notes active participation of Montenegro in regional and international police cooperation and the gradual adoption of international police cooperation tools. It further notes the preparation of amendments to the Law on Internal Affairs aimed at the reform of the police organisation. The EU underlines the importance of introduction of transparent and merit-based system of recruitment, assessment and promotion within the police. The EU calls on Montenegro to improve its preventive mechanisms in the field of money laundering, as well as to step up its efforts to investigate and prosecute money laundering offences. The EU encourages Montenegro to continue its efforts to implement Moneyval recommendations and to comply with FATF standards, as a matter of priority.



The EU continues to stress the need to ensure efficient investigation and prosecution of trafficking in human beings, and to raise the awareness of prosecutors and judges regarding the specificity of this crime. Montenegro needs to demonstrate that it is capable of establishing a track record in this area.

The EU also recalls that institutional awareness and capacities need to be increased to monitor possible terrorist threats, including relating to radicalisation and return of foreign fighters... Preventive activities in this area need to be strengthened and anti-radicalisation measures implemented. The EU notes the increase of drugs transiting through the Western Balkans region and encourages Montenegro to continue its efforts to detect and confiscate drugs at its borders.

Concerning science and research, the EU acknowledges steps taken to improve participation in the EU's Horizon 2020 Programme and encourages Montenegro to seek greater cooperation between the public research sector and industry. The EU recalls the importance of continued efforts on increasing investment in research (in particular stimulating private sector investment) and collecting statistical data on research and development, and innovation. The EU welcomes the steps taken to develop a smart specialisation strategy for Montenegro which will prove an essential element for identifying key measures to support competitiveness and growth.

Regarding education, the EU encourages Montenegro to continue reform measures across all levels and strengthen sector governance for the effective delivery of education services; reform measures should be accompanied by a relevant system of monitoring and evaluation. The EU welcomes curricula reform and the introduction of dual learning for VET and practical training at higher level as a means of addressing labour market needs, and encourages continued improvement on enrolment policy reforms in both areas. The EU underlines how essential teacher training and development is for contributing to student attainment, and encourages further initiatives to reinforce quality-assured basic and transversal skills, entrepreneurship and career guidance. The EU recalls the importance of inclusive education for all and the need to continue efforts for increasing pre-school attendance.

The EU notes that Montenegro has some level of preparation in the area of environment and climate change. Montenegro started to implement the Action plan to its National strategy for the alignment, implementation and enforcement of the EU acquis on the environment and climate change. The lack of administrative capacity and financial resources at national and local levels however delay the implementation. The EU encourages Montenegro to faster progress in this field, in particular in the areas of water, waste, nature and climate change and on cross-border issues such as marine litter.

Implementation of environmental impact assessment and public consultations need to improve, especially at the local level. The EU reiterates the need to integrate environment and climate change considerations more systematically into other sectors, including tourism and hydropower development.

Some emergency measures have been taken by Montenegro to slow down the degradation of the Ulcinj Salina site as concerns its habitat and bird protection functions. The site still needs to receive an adequate protection status under national and international laws. The EU calls on Montenegro to complete the process to protect this site and to improve its ecological value as well as that of other protected areas and potential Natura 2000 sites such as Lake Skadar and river courses.

Montenegro has its climate change strategy in place but needs to ensure consistency with the EU 2030 climate and energy policy framework and also its integration into all relevant sectoral policies and strategies. Montenegro needs to draft its climate change law, which will, among other things, incorporate aspects of the EU emissions trading system (ETS), the Effort Sharing Regulation and the monitoring and reporting mechanism (MMR). As for the UN Framework Convention on Climate Change (UNFCCC), the EU welcomes that Montenegro has ratified the Paris Agreement. So far, it has submitted two national communications under the UNFCCC, and is working on the second biennial report.

Regarding consumer and health protection, the EU notes that Montenegro amended the law on general product safety in order to align it with the EU consumer protection *acquis*, though further work in this area is needed, as is the provision of the resources necessary to implement it. Montenegro needs to ensure further alignment with EU health protection *acquis*, and the implementation of its national Action Plans on communicable diseases and on substances of human origin. The EU urges Montenegro to address the fiscal sustainability of the health system, implement the smoking ban in public places, and ensure access to healthcare services for people with disabilities, people living with HIV, children and adults who use drugs, prisoners, women in prostitution, LGBTI people, internally displaced persons and Roma.

As regards financial control, the EU notes the progress made on public internal financial control and, in particular, on internal and external audit. It also notes that internal control is in line with recognised standards, though its implementation is uneven. The EU urges Montenegro to ensure an agreed definition and approach to managerial accountability, and then to start to implementation throughout the public administration. Montenegro also needs to significantly strengthen the coordination capacity of the National Anti-fraud Coordination Service and establish a solid track record on investigations and reporting of irregularities.

### ***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). Components III (Regional Development) and IV (Human Resources Development) were activated in 2012. At the end of 2017, the contracting rate for the four IPA I components stood respectively at 97.6%, 91%, 91.8% and 86%.

As regards IPA 2014 -2020, to date, 56% of the funds allocated to Montenegro have been programmed. Following the outcomes of the mid-term review and as a result of the performance reward mechanism, Montenegro will benefit from additional eight million euros, which have been allocated to the country through the on-going 2018 programming exercise.

Under IPA 2014-2020, the gradual increase of budget entrustment, including the IPARD II entrustment decision granted in 2017, requires Montenegro's long-term commitment to set up the enabling implementing conditions for the efficient and effective utilisation of the IPA funds. Therefore, the EU encourages Montenegro to continue building capacities and providing the appropriate level of resources to the Operating Structures responsible for the management of IPA programmes.

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

The EU reiterates that the Stabilisation and Association Agreement (SAA), within the framework of the Stabilisation and Association Process, remains at the core of the relationship between the EU and Montenegro. 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. On State aid, the EU notes that Montenegro, after establishing the independence of the State Aid Authority, should strengthen its efforts to demonstrate at all levels its functioning and effectiveness in order to fully comply with the provisions laid down in the Stabilisation and Association Agreement. Moreover, Montenegro should continue to seek ways of improving total trade between the EU and Montenegro, which has overall stagnated since the conclusion of the SAA in 2008; albeit with some improvement in recent years.

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 (EaSI), the Union Civil Protection Mechanism, Horizon 2020, Customs 2020, Fiscalis 2020, Competitiveness of Enterprises, and Small and Medium-Sized Enterprises Programme (COSME), Europe for Citizens and the Interoperability solutions for public administrations, businesses and citizen (*ISA*<sup>2</sup>).

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**

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

---