

**STABILISATION AND ASSOCIATION
BETWEEN
THE EUROPEAN UNION
AND MONTENEGRO**

The Stabilisation and Association Council

**Brussels, 27 June 2018
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UE-ME 3604/18

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 Montenegro tabled on the occasion of the 9th meeting of the Stabilisation and Association Council between the European Union and Montenegro.

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POSITION

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

(Luxembourg, 25 June 2018)

Montenegro welcomes the holding of the **ninth meeting of the EU-Montenegro Stabilisation and Association Council** and believes that this is an excellent opportunity to present the progress made after the publishing of the 2018 Report on Montenegro, the last meeting of the Stabilisation and Association Committee held in December 2017 and regular subcommittee meetings. Montenegro points out that the country smoothly continued the implementations of SAA commitments in line with the established dynamics and continued to conduct and develop institutionalised political dialogue with the European Union.

Item 3. Relations under the Stabilisation and Association Process

3.1. Accession strategy and the Commission's 2016 Montenegro Report

On 29 June 2018, it will be the sixth anniversary of the negotiating process, and in that time Montenegro opened negotiations in **30 negotiating chapters**, three of which have been **provisionally closed**. At the last Intergovernmental Conference held in Brussels on 11 December 2017 the negotiations have been opened on **Chapter 2 – Freedom of movement for workers and Chapter 3 – Right of establishment and freedom to provide services**.

Montenegro is dedicated to the realisation of 83 interim benchmarks related to **Chapter 23 – Judiciary and fundamental rights and Chapter 24 - Justice, freedom and security** which make the backbone of the negotiating process.

Furthermore, Montenegro intensively implements activities in other negotiating chapters as well. By the adoption of two laws in the field of state aid in February 2018, Montenegro **fulfilled the last opening benchmark in Chapter 8 – Competition and thus met all opening benchmarks given in 13 chapters. Furthermore, we are dedicated to the realisation of the given closing benchmarks in chapters where the negotiations are in progress.**

Since June last year, Montenegro submitted two negotiating positions. Negotiating position on Chapter 17 – Economic and monetary policy was adopted at the Government session of 30 June 2017 and submitted to the European Commission on 25 July 2017 whereas the **negotiating position on Chapter 27 – Environment** was adopted at the Government session of 8 February 2018 and sent to Brussels. We also work on the finalisation of the **Draft Negotiating Position on Chapter 8 – Competition** which is also the last document of this kind that we are drafting.

The Government appreciates cooperation with nongovernmental organisations within the negotiating structure and through the SAA mechanisms. In Brussels, on 19 December 2017, the tenth meeting of the **Joint Consultative Committee of the civil sector between the European Union and Montenegro was held and** it concerned the areas of media and digitalisation.

Regarding the issue of cooperation with the **civil sector**, on 11 January 2018 the Government adopted the **Strategy for improvement of stimulating environment for the activities of NGOs 2018-2020.** The general goal of the Strategy is still the improvement of legal and institutional framework for the NGO activities and strengthening cooperation of public administration and NGOs in the process of creating an application of public policies. Furthermore, on 1 February 2018 the Government of Montenegro adopted the **Decree on Financing NGO Projects and Programmes** in the areas of public interest.

Montenegro's Programme of Accession to the European Union (MPA) for the period 2018 – 2020 was adopted at the Government session of 16 February 2018. Out of 90 planned commitments in the first quarter of 2018 Montenegro fulfilled 60 (67%). In the legislative framework, Montenegro realised 38 out of 67 planned regulations and secondary legal acts (57%). Namely, only one of the planned 4 laws has been realised (25%), whereas 36 out of the planned 63 bylaws have been realised (57%). High realisation rate has been accomplished in the strategic framework. Out of 23 planned strategic documents, 22 have been fulfilled (96%).

The Strategy for informing the public on Montenegro's accession to the EU 2014-2018 is implemented very successfully. On 22 March 2018 the Government adopted the Report on realisation of the Action Plan for 2017 (91% realisation rate) and adopted a new Action Plan for 2018, fifth in a row, which defines 148 activities.

The last survey of public opinion, which has been presented in January 2018, confirmed a stable positive trend that we had for years concerning the attitude of the citizens toward the European integration of Montenegro. Accordingly 63.7% of citizens have positive attitude toward the EU.

Furthermore, the data show that the turnout at the referendum on the membership of Montenegro in the EU would be around 76.5%, whereas 80.09% of voters would vote for the EU membership.

Political criteria

On 29 December 2017 the Parliament adopted the Law Amending the Law on Electronic Media, Law Amending the Law on Voters' List and the Law Amending the Law on Financing of Political Parties and Electoral Campaigns, which incorporate the **recommendations from the report of the OEBS/ODIHR observation mission**. The Law on the Election of Parliament Members and Councillors which meets a significant number of the mentioned recommendations was not adopted by the Parliament since it did not have the support of the needed two thirds majority.

As regards the boycott of the Parliament which lasts since the parliamentary elections in 2016, the Government called the opposition parties several times to return to the legislative authority and responsibly participate in the political life of Montenegro. **The greatest opposition coalition the Democratic Front stopped the boycott and returned to the Parliament in December 2017.**

In the reporting period, **the elections for councillors** were held on 26 November 2017 (in the municipalities of Mojkovac and Petnjica and the city municipality of Tuzi under the Capital and the Old Royal Capital of Cetinje), on 4 February 2018 (in municipalities of Ulcinj and Berane) and on 27 May 2018 (in Capital Podgorica, the city municipality of Golubovci under the Capital and the municipalities of Šavnik, Žabljak, Bar, Plav, Pljevlja, Rožaje, Danilovgrad, Bijelo Polje and Kolašin). The presidential elections were held on 15 April 2018.

Montenegro continued to implement the **action plans for Chapters 23 and 24**. The last semi-annual reports were adopted on 8 February 2018, and the realisation rates were 76% for Chapter 23 and 72% for Chapter 24. Montenegro continued to improve its track record, particularly in the part related to fight against corruption and organised crime.

The Government stays committed to **the protection of freedom of media** and safety of journalists as one of the most important value of each democratic society. In that respect, Montenegro works on the improvement of legislative framework in line with the recommendations of the Analysis of the media sector in Montenegro

In that respect, Montenegro works on the promotion of legislative framework in line with the recommendation of the Analysis of the media sector in Montenegro and recommendations for alignment with the standards of the Council of Europe and European Union drafted under the JUFREX project. Furthermore, on 8 February 2018, after considering the report of the Commission for monitoring actions of the competent state authorities regarding the investigations of cases of threats and violence against journalists, murder of journalists and attacks on media property, the Government gave assignments and recommendations to the relevant institutions. The Police Administration and the Prosecution Office continue to resolve the cases of assaults on journalists and media outlets. In the police records, there are eight cases in total related to attacks against journalists or their property. Out of this number, three charges were rejected by the competent prosecutor, in one case the competent prosecutor established that there was no basis for prosecution for the criminal offense prosecuted ex officio, but instructed the injured party to initiate a private action, while two cases are still pending. Two cases were prosecuted, i.e. two criminal charges were brought against four persons.

In the framework of **public administration**, on 28 December 2017 the Parliament adopted a new Law on Public Servants and State Employees and new Law on Self-government. **The Law on Public Servants and State Employees** which improved the normative framework for the public service system and created conditions for better human resource management in terms of merit based employment and promotion, will be applied as of 1 July 2018. **The Law on Self-government** is an addition to the normative framework and better functioning of the local self-government system. Provisions of this law related to the public service system at the local level will be applied as of 1 July 2018. On 11 January 2018 the Government adopted the Action Plan for the implementation of the Public Administration Reform Strategy for the period 2018-2020.

As regards the **public financial management**, on 26 July 2017 the Parliament adopted the Fiscal Strategy of Montenegro for 2017-2020. Priority of the Fiscal Strategy is strengthening of the fiscal stability, and in that context, creation of budgetary surplus and reduction of public debt as of 2019 and strengthening of economic activities and competitiveness of the Montenegrin economy.

As regards the strengthening of cooperation with the **civil sector**, on 11 January 2018 the Government adopted the Strategy of improvement of stimulating environment for NGO activities, which represents an important aspect in the creation and implementation of public policies of the Government of Montenegro and by its adoption Montenegro completed the strategic and informative framework for the functioning of NGOs.

Montenegro is continuously dedicated to **regional cooperation** and has an active role in creating more stable and safer region through the participation in over 30 regional organisations and initiatives. In 2017 Montenegro chaired the Council of the South Eastern European Law Enforcement Centre (SELEC). Since January 2018, Montenegro is the Chair of the A5 initiative, and from 1 June 2018 to 31 May 2019 Montenegro will chair the Adriatic-Ionian Initiative and the EU Strategy for the Adriatic-Ionian Region (EUSAIR). The status of partner for inter-sectoral dialogue in the Black Sea Economic Cooperation Organization (BSEC) has been renewed for the period from 1 January 2017 to 1 January 2019.

Regional cooperation was particularly was particularly directed at the **activities of the Western Balkans Six** and the **Berlin Process**. At the summit in Trieste held on 12 July 2017 Montenegro signed the Western Balkans Transport Community Treaty with the Western Balkan countries and the EU and adopted the Consolidated Multiannual Action Plan for regional economic area. Montenegro worked intensively on establishing the Western Balkans Fund (WBF), which was officially launched on 5 September 2017. The local office of the Regional Youth Cooperation Office (RYCO) was opened in Podgorica on 7 July 2017 which was the first opening of the local office in the region.

Furthermore, Montenegro is **fostering good bilateral relations with its neighbours** and addresses the border issues by respecting international law and good neighbourly relations. The agreement on state border between Montenegro and the Republic of Kosovo entered into force on 4 June 2018.

Bearing in mind Article 15 of the Stabilisation and Association Agreement, Agreement on cooperation between the Government of Montenegro and the Council of Ministers of Bosnia and Herzegovina in the process of accession to the European Union signed on 14 February 2017, entered into force on 27 October 2017. In line with commitments from these bilateral conventions, meetings of the Joint Committee with Macedonia and Bosnia and Herzegovina were held on 18 September 2017 and 22 February 2018 respectively.

Montenegro is implementing all **restrictive measures of United Nations Security Council and the EU**. As regards the **EU Common Foreign and Security Policy**, Montenegro accedes without exceptions to common positions of the EU, statements/declarations, communications and démarches (alignment rate 100%).

Economic criteria

On 25 January 2018, the Government of Montenegro adopted the **Programme of Economic Reforms for Montenegro 2018-2020** (PER), which is the key strategic document of the country for middle-term macroeconomic and fiscal programming in Montenegro and contains the accompanying agenda of structural reforms important for the reduction and elimination of obstacles to economic growth and strengthening of overall competitiveness of the country. Strategic developmental goal of Montenegro defined by the PER is a sustainable and inclusive economic growth which will contribute to reduction of developmental gap in the country in relation to the EU average and increase of life quality of all of its citizens.

Management of public finance

In line with the goals of the PER, **economic policy will be directed at strengthening of macroeconomic stability of the country, particularly consolidation of public finance**, strengthening of stability of the financial sector, as well as tackling the structural problems in economy, and elimination of key obstacles for the improvement of competitiveness of the country. Priorities of the economic policy of Montenegro established by the Programme are the following: **strengthening of fiscal stability and economic sustainability, preservation of predictable and competitive tax system, strengthening of physical infrastructure, systemic reduction of informal economy, strengthening of support to small and medium size enterprises with diversification of production and export base, human resource development and enhancement of flexibility of labour market, strengthening of social inclusion and further strengthening of the rule of law**. These priorities are a response to the obstacles to the economic growth in line with the EU recommendations for Montenegro.

The **preliminary own-source revenues of the budget** amounted to EUR 1566.3 million, which means than an 5.3% was recorded when compared to 2016, as a consequence of increase in VAT by 9.6%, due to increase in economic activity, increase in excise duties (23.2%), as a result of a raise in excise duty on mineral oils and further alignment of the excise duty calendar for cigarettes, as well as in contributions by 6.9%, due to enforcement of the Law on Re-programming of Tax Claims.

In 2017, the **preliminary budget expenditure** amounted to EUR 1,803.1 million, recording an increase of 11.2% as a result of intensified works on the priority section of the Bar-Boljare highway. On the other hand, the current budget expenditure recorded a 0.4% decrease when compared to 2016, primarily due to redefining of social policy. As for the **budget deficit** in 2017, it accounted for 5.9% of GDP, meaning that it was three times higher when compared to 2016, which is a result of increased allocation of funds from the capital budget, while as far as the current budget is concerned, surplus accounting for 0.4% of GDP has been recorded for the first time in 10 years.

According to Monstat data, the number of **employed persons** in 2017 was 182,368, showing an increase of 2.5% when compared to 2016. In 2017, the **average gross wage** in Montenegro amounted to EUR 765, which indicates that an increase of 1.9% was recorded when compared to 2016. The **average net wage** in 2017 was EUR 510, showing an increase of 2.2% when compared to 2016.

In 2017, the **external sector** was characterised by an increase in foreign trade deficit as a result of a rise in imports of goods for the needs of implementation of investment projects. Rise in exports of goods, which grew at a rate of 13.9% in 2017 when compared to the previous year, considerably made up for trade in goods deficit, so the coverage of imports by exports has increased. When it comes to exports in the course of 2017, bauxite ore and aluminium have the largest share. The current account deficit in 2017 remained at a similar level as in 2016 and accounted for 16.3% of GDP.

According to the preliminary data of the Central Bank of Montenegro, **net inflow of foreign direct investments (FDIs)** amounted to EUR 484.3 million in 2017, showing an increase of 30.3% when compared to 2016. The net inflow of FDIs covers 70.1% of the current account deficit in 2017.

After a successful fiscal consolidation in 2017, the Government of Montenegro continued implementing the measures defined in the **Plan for recovery of budget deficit and public debt for the period 2017-2021 and the Fiscal Strategy of Montenegro for the period 2017-2020**. The results of fiscal consolidation in the period January-April 2018 are reflected in the increase in the **own-source revenues of the budget**, which amounted to EUR 484.2 million in the first four months, showing an increase of 14.6% when compared to the same period a year earlier, as a result of the increase in VAT (16.4%), due to the increase in the economic activity and the increase of the standard rate by 2 percentage points, contributions (11.4%), due to enforcement of the Law on Re-programming of Tax Claims, and corporate income tax (25.0%), as a result of favourable trends in the macroeconomic environment.

Budget expenditure in the observed period of 2018 amounted to EUR 544.5 million, recording an increase of 6.9% when compared to the previous year, due to the increase in the capital budget.

Budget deficit in the same period of 2018 amounted to EUR 60.3 million, being by 30.5% lower than in the same period a year earlier.

When it comes to macroeconomic indicators, a positive trend was recorded at the beginning of 2018. As regards **total employment**, a 0.7% increase was recorded during the first three months of 2018. The **average gross wage** in the first three months of 2018 amounted to EUR 764, meaning that it remained unchanged when compared to the first quarter of 2017. The **average wage without taxes and contributions** in the first three months of 2017 was EUR 510, meaning that it remained unchanged when compared to the same period a year earlier. The number of pensioners in March 2018 was 114,447, indicating an increase of 5.2% when compared to the same month a year earlier. The average pension in March 2018 was EUR 285, meaning that it remained unchanged when compared to March 2017.

When it comes to **foreign trade exchange** in the first quarter of 2018, a 20.3%, increase in exports has been recorded, as well as increase in imports by 9.9%.

According to the preliminary data of the Central Bank of Montenegro, **net inflow of foreign direct investments (FDIs)** in the period January-March 2018 amounted to EUR 50.8 million, showing an increase of 50.1% when compared to the same period a year earlier.

Financial sector development

The banking system is adequately capitalised and solvent. A significant decrease in the share of non-performing loans in total loans has been recorded (7.09%). The banking system of Montenegro consists of 15 banks. Banking operations in the observed period are characterised by an increase in the key balance sheet positions: loans and receivables from banks and clients, assets, deposits and capital.

At the end of April 2018, **total assets of banks** amounted to EUR 4,168.5 million, while at the end of June 2017 they stood at EUR 3,890.2 million. The most important item of the aggregate balance sheet of banks are loans and receivables from banks and clients accounting for EUR 2,703 million or 64.84%. When compared to June 2017, they increased by EUR 228.6 million or 9.24%. **Banks' lending activity** during the first four months of 2018 amounted to EUR 347.3 million, indicating a decrease of 13.11% when compared to the same period a year earlier when newly granted loans amounted to EUR 399.7million

As at 30 April 2018, **total deposits** (including funds at escrow accounts, interest rates, accruals and prepayments) amounted to EUR 3,305.7 million, while their amount as at 30 June 2017 was EUR 2,925.7 million.

Gross non-performing assets (C, D and E), which include loans and receivables and other assets and off-balance sheet items, at the banking system level, amounted to EUR 244.3 million at the end of April 2018, representing 5.61% of total assets. **Gross non-performing assets (C, D and E) at the banking system level** recorded a decline of 15.26% when compared to June 2017, when their amount was EUR 288.3 million (7.41% of total assets).

As at 30 April 2018, **total capital of banks** amounted to EUR 503.3 million, indicating an increase of 0.34% when compared to the end of June 2017. The aggregate solvency ratio was 16.19%, i.e. above the statutory minimum of 10%.

Acquis

Montenegro has made progress and will continue to align legislative and institutional capacities with European standards in line with obligations defined by the trade provisions of the Stabilisation and Association Agreement. In this regard, Montenegro is actively working to strengthen the administrative capacities for effective implementation of the EU acquis.

When it comes to free movement of goods, Montenegro continued undertaking activities with a view to aligning national legislation with the EU acquis. As regards *horizontal measures*, on 19 April 2018, the Government endorsed the **Proposal for the Law Amending the Law on Market Surveillance of Products**. As far as *standardisation* is concerned, the process of adoption of Montenegrin standards and related documents (MEST), fully aligned with European and international standards, has continued. When it comes to metrology, the Metrology Office continues the trend of increasing the number of certified measuring instruments of a particular type, as well as the calibration of measuring instruments and etalons. As regards *accreditation*, the Accreditation Body of Montenegro continued the process of accreditation of new bodies for compliance assessment. As for the fulfilment of the second closing benchmark, a set of by-laws were adopted in order to align national legislation with the *New Approach directives*, while as regards the alignment with the *sectoral (old) approach directives*, the Parliament adopted a new Law on Chemicals on 26 June 2017, as well as a set of by-laws for enforcement of this law. Furthermore, on 11 October 2017, the Parliament adopted the **Law on Ratification of Amendments to the Stockholm Convention on Persistent Organic Pollutants** adopted at the sixth and seventh session of the conference of the parties to the Convention. With a view to meeting the obligations arising from the Action Plan for fulfilment of obligations under Articles 34-36 of the TFEU, which represents the third closing benchmark in this chapter, a set of rulebooks in the field of metrological and technical requirements were adopted in the reporting period. As regards fulfilment of the fourth closing benchmark, which refers to the strengthening of administrative capacities, a new act on internal organisation and job descriptions of the Administration for Inspection Affairs was adopted in June 2017, increasing the number of inspectors for conducting market surveillance. In the course of 2018, the Administration employed two inspectors (one health inspector and one sanitary inspector). Furthermore, the Institute for Standardisation of Montenegro employed two persons in 2018, as was planned.

In the area of freedom of movement for workers, the Parliament passed the **Law Amending the Law on Health Insurance** and the **Law on Foreigners** on 14 February 2018. Furthermore, on 29 December 2017, the Law on Civil Servants and State Employees was passed. In addition, the **Rulebook on the European Health Insurance Card** was adopted on 17 October 2017 and will be applied as of the day of Montenegro's accession to the European Union.

As regards the right of establishment and freedom to provide services, the Law on Services was adopted on 16 October 2017, while the Decree on the Point of Single Contact for Services, which will cover regulated professions, is planned to be passed in the fourth quarter of 2020. The Government of Montenegro adopted the Report on the implementation of the Action Plan for transposition of Directive on services in the internal market for 2016 at its session held on 30 November 2017. Preparation of the Report for 2017 is in progress.

In order to continue implementing the activities defined in the *National Plan for Development of Qualifications for Performing Regulated Professions with the Action Plan for the period 2013-2018*, the **Law on the Recognition of Professional Qualifications for Performing Regulated Professions** is expected to be adopted in the forthcoming period, the proposal of which was adopted by the Government on 7 July 2018. The **List of regulated professions** in Montenegro is being prepared and will be adopted by the Government of Montenegro in the course of the fourth quarter of 2018.

When it comes to free movement of capital, it is worth mentioning that the **Law on Property Legal Relations** was endorsed by the Government on 11 January 2018 and its adoption by the Parliament is pending, bearing in mind that two-thirds majority vote is required. On 22 March 2018, the Government endorsed the Proposal for the Law Amending the **Law on Prevention of Money Laundering and Terrorist Financing** and it has been included on the agenda of the Plenary Session of the Parliament scheduled for 18 June 2018.

As regards ***public procurement***, the Parliament adopted the **Law Amending the Law on Public Procurement**, which entered into force on 29 June 2017.

Public discussion on the new Law on Public Procurement has been completed. The law is in the final stage of preparation and is expected to be submitted to the European Commission for opinion in the forthcoming period.

The Ministry of Finance has launched a public discussion regarding the Proposal for the Law on Public-Private Partnership and amendments to the Law on Concessions, while expert assistance from consultants from the International Finance Corporation/World Bank was provided to the Ministry in the course of April.

The proposals for both laws, which have been submitted to the European Commission for comments in the form of a draft, will be publicly discussed in the period 9 May-18 June 2018.

With a view to implementing the **Strategy and the Action Plan for Implementation of the Strategy for Development of the Public Procurement System in Montenegro for the period 2016-2020**, the Government adopted a decision establishing a Coordination Body for continuous monitoring of implementation of the Strategy (hereinafter referred to as CB), which is obliged to report to the Government on the progress made in achieving the strategic goals and measures set out in the Action Plan twice a year. In accordance with the plan, CB has prepared a report containing information regarding a total of 56 measures, which includes the following data: 13 measures - fully implemented, 26 measures – continuously being implemented, seven measures - partially implemented, 10 measures - not implemented, five measures have not been implemented since the deadlines for their implementation are expiring in the coming years, while five measures refer to the new law and by-laws and the completion of the e-Procurement project.

On 18 January 2018, the Government of Montenegro discussed and adopted the Annual Report on implementation of measures set out the Action Plan for implementation of the Strategy for Development of the Public Procurement System in Montenegro for the period 2016-2020 for 2017, along with a comparative analysis.

In order to strengthen its capacities, the Public Procurement Administration hired one employee (a lawyer) in 2017/18, while the procedure for hiring another employee in progress. During the reporting period, the administrative capacities of the Administration for Inspection Affairs - Inspectorate for Public Procurement - were strengthened, i.e. another three inspectors were hired. The Inspectorate for Public Procurement now has six employees: five inspectors and chief inspector for public procurement.

Pursuant to the Law Amending the Law on Public Procurement, two new members of the State Commission were appointed during the reporting period (at the end of 2017). Therefore, the Commission is currently composed of a president and six members. Furthermore, eight new employees were hired in the Administrative and Professional Service in this period.

When it comes to company law, with a view to achieving full alignment with the EU acquis, the Government adopted the Draft Law on Companies on 6 July 2017. After addressing the comments from the public discussion (over 320 comments), a version of the Proposal for the Law on Companies was prepared, which will, along with transposition tables, and following internal procedures, be submitted to the European Commission for opinion.

As regards **accounting and auditing**, the Audit Council was established on 30 June 2017 following adoption of the Law on Accounting and the Law on Audit in 2016, by which great progress was made when it comes to fulfilment of benchmarks in the field of accounting and statutory audit. The Law on Audit provides for establishment of a special organisational unit to supervise audits, based on which an audit supervision department has been set up within the Directorate for Central Harmonisation of the Ministry of Finance, which is in charge of monitoring the work of audit companies or authorised auditors (competent authority). Furthermore, a set of by-laws related to the area of accounting and auditing was adopted in the previous period.

As far as **alignment with the Transparency Directive** is concerned, the Law on Capital Market was adopted on 26 December 2017, which entered into force on 12 January 2018. Alignment with the EU acquis will continue in the upcoming period through adoption of by-laws based on the Law.

As regards the area of **intellectual property law**, Montenegro has been significantly active when it comes to improvement and strengthening of cooperation between bodies in charge of protection and enforcement of intellectual property rights. Five meetings of the Coordination Team for implementation of intellectual property rights have been held since June 2017. Furthermore, on 13 October 2017, a special working team was set up with the task of organising and undertaking joint actions aimed at preventing and suppressing the violation of intellectual property rights.

The Intellectual Property Office of Montenegro has fully and successfully implemented regular activities falling within its competence: it registered 267 national trademarks, 2956 international trademarks; 12 national patents, 275 European patents, one industrial design, 209 international industrial designs, and deposited 26 copyrighted works. Cooperation with all international organisations dealing with intellectual property (WIPO, EPO, EUIPO) has intensified, resulting in over 40 successfully implemented joint activities. Moreover, WIPO has accepted the initiative of the Office on the basis of which Montenegro got its first expert in WIPO working bodies.

When it comes to ***competition policy***, Montenegro adopted the **Law Amending the Law on Protection of Competition** and the **Law on State Aid Control** on the 14 February 2018, thus fulfilling the defined opening benchmarks. The Law on Competition provides for a stimulating element for more effective uncovering of cartels in the form of the possibility of acquittal or the possibility of reducing the sentence for those participants who are ready to cooperate with the Agency (leniency programme), except for those who initiated or organised a cartel. The Agency will continue to strengthen its capacities through organisation of training courses for the Agency's employees, as well as for judges in several Montenegrin courts, which will contribute to improvement of results in the area of competition.

The Law Amending the Law on Protection of Competition and the Law on State Aid Control regulate issues related to the extension of powers of the Agency for Protection of Competition to state aid control activities. As an operationally independent body, the Agency will have the powers and resources necessary for full application of state aid rules. As far as the Law on State Aid Control is concerned, the most important novelty is that the Agency has been granted the power to, following grantor's notification, directly control the allocation and intended use of state aid by state aid beneficiaries. Moreover, the Law prescribes fines for state aid grantors and state aid beneficiaries if they, upon the Agency's request, do not provide and submit data and information necessary for decision making. This also represents a novelty since penal policy has been for the first time introduced in Montenegro in the area of state aid.

As far as the area of *financial services* is concerned, significant activities have been undertaken with the aim of achieving full alignment and application of the EU acquis. In this regard, as part of preparation for the twinning project "Support to Regulation of Financial Services“, as well as during its initial phase (officially launched on 11 April 2018), activities have been intensified on developing a new regulatory framework for the banking sector, which implies drafting of a new **Law on Credit Institutions** and a set of by-laws ensuring full alignment with Directive 2013/36/EU and Regulation (EU) No 575/2013, by which Basel standards (Basel III) will be implemented into national legislation. Furthermore, it was decided that, along with these activities, the working version of the **Law on Bank Resolution** will be updated, by which regulations will be aligned with Directive 2014/49/EC (BRRD). On 2 June 2017, in order to facilitate the **financial restructuring** of sustainable economic entities, the Parliament adopted the Law Amending the Law on Voluntary Financial Restructuring of Debts towards Financial Institutions. With the same aim, Decision amending the Decision laying down minimum standards for credit risk management in banks has been adopted. Since the application of these regulations has produced very positive effects when it comes to reduction of the level of NPLs in Montenegro, and in order to further encourage this trend, the Proposal for amendments to the aforementioned law has been prepared, extending its application for another year (until May 2019) and is undergoing the adoption procedure.

The International Financial Reporting Standard 9 (**IFRS 9**) has been implemented. Full application IFRS 9 began on 1 January 2018, which also implied amendment of certain by-laws in the area of banking. In this regard, the following decisions have been prepared: Decision amending the Decision on capital adequacy of banks, Decision amending the Decision laying down minimum standards for credit risk management in banks, new Decision on chart of accounts for banks and the Decision amending the Decision on reports submitted to the Central Bank of Montenegro.

The Parliament adopted the **Law on Financial Leasing, Factoring, Purchase of Receivables, Micro-lending and Credit-Guarantee Operations** on 25 October 2017, as well as a set of by-laws that further regulate the operations of these financial institutions, thus creating a basis for exercising supervision over them, as well as preconditions for further development of this segment of financial services, which also implies protection of consumers as users of services provided by these financial institutions. Application of the law and the accompanying decisions began on 11 May 2018.

With the help of the World Bank' consultants, Draft Law on Deposit Protection has been prepared and brought up for public discussion. The public discussion ends on 15 June 2018. The law is expected to be adopted by the end of 2018 and applied in 2019 (apart from provisions that will be implemented when Montenegro becomes a member of the EU).

After public discussion ended, the Insurance Supervision Agency carried out additional activities on the Law Amending the Law on Compulsory Traffic Insurance. The European Commission's opinion on the Draft Law is pending. The proposed amendments provide for further alignment with Directive 2009/103/EC relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability and Regulation (EC) No. 785/2004 on insurance requirements for air carriers and aircraft operators. The plan is also in place to align the existing provisions with provisions of other laws in the field of insurance, as well as to postpone deregulation of compulsory insurance, which is a result of an analysis of the state of play in the insurance market in Montenegro.

When it comes to the drafting of the new Law on Insurance, following the signing of a contract under the IPA II 2014-2020 project "Support to Regulation of Financial Services“, project activities aimed at providing the expertise necessary for transposition of relevant EU regulations into Montenegrin legislation were initiated in May 2018.

The Parliament adopted the **Law on Capital Market** on 26 December 2017. The law is in line with the basic EU directives and regulations governing this area and provides a basis for further alignment with implementing directives and regulatory and technical standards. In accordance with the Law on Capital Market, the "Securities Commission" continues its operations as the "Capital Market Commission".

On 19 January 2018, the Parliament adopted the **Law Amending the Law on Investment Funds and the Law Amending the Law on Voluntary Pension Funds**. Amendments to the aforementioned laws refer to the adoption of recommendations of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). The Proposal for the Law Amending the Law on Voluntary Pension Funds also includes amendments aimed at achieving alignment with Article 124 of the Treaty on the Functioning of the European Union, in the part relating to the prohibition of privileged access by the public sector to financial institutions.

As regards the area of *information society and media*, the **Information Security Council** was formed on 8 June 2017. On 21 December 2017, the Government adopted the **Cyber Security Strategy for the period 2018-2021**. Furthermore, on 29 March 2018, the 2018 Action Plan for Implementation of the Cyber Security Strategy and the 2018 Action Plan for Implementation of the Strategy for Development of Information Society of Montenegro by 2020 were adopted, along with the Report on Implementation of the 2017 Action Plan. Another local CIRT team has been formed (**the seventh one in the private sector**). The team cooperates with members of the national CIRT in the field of protection against computer security incidents on the Internet. Pursuant to the Law on Free Access to Information, the Ministry of Public Administration has created the **Open Data Portal**. Relevant data on business licences have been published on the e-Government portal. A **Memorandum of Understanding between the European Union and Montenegro on the participation of Montenegro in the programme on interoperability solutions and common frameworks for European public administrations, businesses and citizens (ISA²)** was signed on 29 May 2018 in Brussels.

Furthermore, the **Rulebook on radio equipment** has been passed and implemented since 1 January 2018. On 29 December 2017, the Parliament passed the **Law Amending the Law on Electronic Media**, which entered into force on 30 December 2017.

As regards the field of *agriculture and rural development*, Montenegro **continued fulfilling its obligations under the Action Plan for alignment with the *acquis***. In that context, on 26 July 2017, the Parliament passed the **Law on Organisation of Market in Agricultural Products**. In addition, eleven bylaws have been passed.

At the end of 2017, Montenegro was provided the opportunity to use the funds from IPARD programme through decentralised management of budgetary funds for two measures "Investments in physical assets of agricultural holdings" and "Investments in physical assets concerning processing and marketing of agricultural and fishery products". Public calls for these measures were announced at the beginning of 2018 and Montenegrin administration will continue implementing the existing IPARD programme measures and ask for the accreditation of new ones.

In the field of *food safety, veterinary and phytosanitary control*, Montenegro worked intensively on further **implementation of adopted Strategy for transposition and implementation of the *acquis*** for Chapter 12, with General Action Plan and Special Action Plan for suppression and eradication of classical swine fever.

As regards **alignment with the *acquis* and for the purpose of implementing the Strategy, 63 legal acts have been passed.**

The food inspectorate, as well as veterinary and phytosanitary inspectorate was taken over by the Administration for Food Safety, Veterinary and Phytosanitary Affairs in June 2017 in order to further achieve the goals defined by the Strategy and properly organise the official checks.

Montenegro adopted the **National plan for improving non-compliant facilities** in June 2017. In the reporting period, following categorisation of food facilities, monitoring of improvement of non-compliant facilities has been performed continuously in line with approved Adaptation Plans.

Montenegro also developed the proposal for the **National programme for improvement of quality of raw milk with the strategy for the use of non-compliant milk with the Action Plan**, as well as the proposal for the **Management Plan for by-products of animal origin that are not intended for human nutrition with the Action Plan**. Development and adoption of these strategies is also defined by the first closing benchmark for Chapter 12.

National plan for sustainable use of plant protection products has been implemented in line with the Action Plan.

In the *field of fisheries*, in order to strengthen administrative capacities, following establishment of the **Fisheries Directorate**, whose head was appointed by the Government on 25 May 2017, two new employees were appointed in September 2017 for the following functions: advisor for market organisation, structural measures and state aid and advisor for international agreements.

One person was trained in controlling fishing activities through the project implemented by the Municipality of Ulcinj titled **‘Sustainable development of maritime and coastal ecosystem‘**, which is financed by the Kingdom of Norway. On 24 July 2017, the Ministry of Agriculture and Rural Development and the Municipality of Ulcinj concluded the agreement on recruitment of the mentioned person for performing control of fishing activities so as to proceed with the monitoring of maritime and coastal area, i.e. strengthen control of fishing activities. With this agreement, the municipality committed itself to hiring a person trained in inspection supervision for the period of two years, while the Ministry committed itself to financing labour costs and maintaining equipment, which will be made available to fishery inspectors for performing controls at the sea.

Implementation of technical assistance project IPA II 2014 ‘‘Enhancing management and control of fisheries‘‘, through which further development of the Fishery Information System (FIS) has been planned is in the final stage. The existing Fishery Information System (FIS) has been upgraded in the segment of Registry of fishing vessels, Electronic records on catch and fishing activities, as well as Fishermen registry and Registry of licences for commercial fishing. FIS has been upgraded by establishing Electronic issuance of catch certificates, Registry of buyers and sellers, as well as Registry of biological and survey data and tools for reporting and data processing. These changes resulted in development of entirely new software that enables online access to FIS for administration, inspection services, fishermen, scientists of the Institute of Marine Biology and other stakeholders. Furthermore, under this project, devices for automatic vessel identification were procured and installed on all fishing vessels exceeding 10m LOA in length. Control and management of these devices has been designated to the Ministry of Transport and Maritime Affairs, i.e. Harbour Masters Office, which has established vessel traffic monitoring and information system VTMIS. Furthermore, the link for data exchange between VTMIS and FIS has been set up.

In the field of fisheries, on 9 March 2018, the Parliament passed the **Law on Freshwater Fisheries and Aquaculture**, which regulates in details the method of use, protection, preservation and catch of water organisms in fishing waters, requirements for aquaculture and other issues important for freshwater fisheries, and which inter alia led to alignment with Directive [2006/123/EC](#) of the European Parliament and of the Council of 12 December 2006 on services in the internal market.

In the first quarter of 2018, the draft **Law on Structural Measures, Market Organisation and State Aid in Fisheries and Aquaculture** has been prepared and sent to the European Commission for consideration following alignment with the national legal practice of Montenegro.

Preparation and alignment of the new draft **Law on Marine Fisheries and Mariculture** with national legislation is underway, and it will be subject to public discussion.

The **Annual programme for collecting data on fisheries in Montenegro (DCF - DCRF)** for 2018 has been developed and created the framework for collecting biological, ecological, technical and socio-economic data required for management in fisheries on sustainable grounds, aligned with EU legal framework and recommendations of the General Commission for Fisheries in Mediterranean. Collection of biological data on economically important species in pelagic, demersal and small coastal fishing has been continued.

In the field of ***transport***, on 16 October 2017, the Parliament passed the **Law on Road Transport**, based on which seven rulebooks were adopted, as well as the **Law Amending the Law on Maritime Navigation Safety**, based on which two rulebooks were adopted. One rulebook was adopted on the basis of the Law on Safety Protection of Ships and Ports. Eight rulebooks were published in line with the Law on Safety, Organisation and Efficiency of Railway Transport. The Agreement on Transport Community, which was signed on 12 July 2017, was ratified by the Parliament on 24 March 2018. As regards the investments and implementation of the Strategy for railway development, i.e. the National programme for railway infrastructure, around EUR 12 million were spent for investment maintenance of railways in the last year, while EUR 6.8 million were spent for current maintenance.

In the field of ***energy***, on 26 July 2017, the Parliament passed the **Law Amending the Law on Energy**. Based on the mentioned law, 21 bylaws were adopted, while 1 bylaw was adopted on the basis of the Law on Cross Border Exchange of Electricity and Natural Gas. On 24 April 2018, the Energy Regulatory Agency passed the Decision on certification of the JSC Montenegrin Electricity Transmission System. The Montenegrin Power Exchange (MEPX) Podgorica was established in the mid-2017, with a view to further developing competitive and transparent electricity market. In December 2017, by signing an agreement with the Agency for the Cooperation of Energy Regulators (ACER), the Energy Regulatory Agency was granted the observer status in ACER and the opportunity to participate in working groups dealing with electricity and gas. Fifteen bylaws that introduced the requirements related to eco design of certain groups of products that influence consumption of energy were passed on the basis of the Law on Efficient Use of Energy, as well as regulation governing labelling of energy efficiency of pneumatic tyres.

On 30 September 2017, the Parliament passed the **Law on Spatial Planning and Construction of Facilities**, as well as the **Law Amending the Law on Transportation of Hazardous Substances** (14 February 2018). On 21 December 2017, the Government adopted the Strategy for reducing risks from disasters with the Action Plan for the implementation of the Strategy for the period 2018 - 2023.

When it comes to the field of *customs and taxation*, in the field of **taxation**, the Law Amending the Law on Value Added Tax, which was passed by the Parliament on 26 July 2017 and which has been implemented since 8 August 2017 led to alignment with Council Directive [2006/112/EC](#) of 28 November 2006 on the common system of value added tax in the part that refers to the place where a supply of services is carried out. The mentioned legal solution also increased the general VAT rate from 19% to 21%, and it has been applied since 1 January 2018. The Law Amending the Law on Excise Duties, which was passed by the Parliament on 26 July 2017, and which has been applied since 8 August 2017, enabled gradual increase of the amount of excise duties for cigarettes for the period from 2018 to 2020 in line with Council Directive [2011/64/EU](#) of 21 June 2011 on the structure and rates of excise duty applied to manufactured tobaccos. The mentioned amendments, in line with measures from Montenegro's fiscal strategy for the period 2017-2020 additionally modified economic policy measures, which refer to increase in incomes and rationalisation of expenditures in the segment of increase of excise duties for ethyl alcohol, soda drinks with added sugar and coal.

On 4 April 2018, Montenegro became the 150th member of the Global Forum on Transparency and Exchange of Information for Tax Purposes.

On 20 January 2018, the Tax Administration started the implementation of the project IPA 2014, which is aimed at further alignment of legislation with the *acquis*, training of employees, automatic exchange of information and IT system interoperability and interconnectivity. So far, the existing legal regulations in the field of direct and indirect taxation have been analysed, and activities that should be undertaken for fulfilling requirements for enabling automatic information exchange have been considered (technical and normative requirements). Project plan has been amended in order to intensify activities on the component and legislation so as to prepare proposed draft amendments of the national legislation related to VAT by September, as well as the legislation related to profit (transfer prices) and the Law on the Tax Administration in the segment of information exchange. Furthermore, the tender has been announced for establishing the DWH BI system in the Tax Administration. Technical assistance of the IMF consultants is expected, with a view to strengthening administrative capacities through project Multi-beneficiary IPA for the following three years. Project is financed from EU funds. Log framework has been harmonised and two strategic goals have been set: improved Tax Administration, managing arrangements and strengthening key functions of the Tax Administration.

In the field of customs, on 16 October 2017, the Parliament passed the Law Amending the Customs Code, which amended provisions related to requirements for issuing approvals for Authorised Economic Operator (AEO), non-preferential origin of goods, customs valuation, protection of intellectual property rights and transit procedure, thus achieving alignment with the new Customs Code of the EU. The mentioned law entered into force on 8 November 2017. On 28 September 2017, the Government endorsed the proposal for the Law Amending the Law on Customs Service, which entered into force on 9 December 2017. On 15 June 2017, the Government passed the Decree Amending the Decree on Customs Tariff for 2017 in line with commitments laid down by Ministerial Declaration on the Extension of Trade in IT Products (ITA 2 Agreement). Furthermore, the proposal for the Decree Amending the Decree on Customs Tariff for 2018 has been prepared and provided gradual abolition of customs rates for certain products mentioned in ITA 2 Agreement.

On 28 December 2017, the Government passed the Decree on Customs Tariff for 2018, which has been implemented since 1 January 2018. Furthermore, on 26 October 2017, the Government endorsed the Rulebook on internal organisation and job descriptions of the Ministry of Finance, under which the Customs Administration operates as an integral part. The mentioned rulebook entered into force on 30 October 2017.

The action plan of the Business Strategy of the Customs Administration of Montenegro for the period 2016-2018 has been updated (updated action plan was adopted during the meeting of EU integration strategic group of the Customs Administration on 18 July 2017). At the end of September 2017, the Ministry of Finance provided the consent to solutions contained in this action plan. Furthermore, the updated IT strategy was adopted, along with the Strategy for improvement and modernisation of technical equipment and infrastructure of the customs service for the period 2017 – 2018.

On 29 March 2018, the Government adopted the Strategy of trade reliefs 2018-2022 which defined the common agenda for all border authorities in the field of trade reliefs, and whose implementation will secure the fulfilment of commitments under the WTO Agreement on trade reliefs and CEFTA Additional Protocol 5, as well as commitments arising from the process of accession to the EU, which are related to trade reliefs.

Two tender procedures are ongoing under IPA 2014 project "Support to Tax Administration", the implementation of which will lead to fulfilment of all requirements for Montenegro's accession to the Convention on a Common Transit Procedure and Convention on Facilitation of Trade in Goods.

In the field of ***economic and monetary policy, Montenegro's negotiating position*** for the Intergovernmental conference on Montenegro's accession to the EU for Chapter 17 – Economic and Monetary Union was adopted by the Government on 30 June 2017, and forwarded to the European Commission on 25 July 2017. On 28 December 2017, the Government passed Montenegro's Development Directions for the period 2018-2021, while the **Economic Reform Programme for the period 2018-2020** was adopted on 25 January 2018. The goal of economic policy in the period until 2020 is **sustainable and inclusive economic growth**, which will contribute to reduction of developmental gap of the country when compared with EU average and increase the life standard of the population. On 29 March 2018, the Government endorsed the **Mid-term public debt management strategy for the period 2018-2020**, which contains the data on movement of debts in line with the existing macro-economic and fiscal forecasts, as well as dynamics of debts in case of occurrence of some risks recognised by the Strategy as possible causes of increase in debts. Furthermore, on 6 June 2017, the Government adopted the **Guidelines of macroeconomic and fiscal policy for the period 2017-2020**; the adoption of the **Guidelines of macroeconomic and fiscal policy for the period 2018-2021** is also expected during the same month.

On 16 October 2017, the Parliament passed the Law Amending the Law on the Central Bank of Montenegro and Law Amending the Law on Foreign Current and Capital Operations, thus **completely** implementing the principle of **independence of the Central Bank of Montenegro**. Principle of ***prohibition of monetary financing of public sector has*** been **completely** implemented by adopting the abovementioned Law Amending the Law on the Central Bank of Montenegro and adopting Decision on more detailed requirements for granting loans to banks in case of need for solvency (adopted on 30 November 2017), thus repealing Decision on the approval of financial aid in final instance. This law also **completely** implemented requirements related to **integration** of the ***CBCG into the ESCB***.

In the field of statistics substantial progress has been made in the implementation of the new EU legislation, by adopting **Commitment on Confidence in Official Statistics** in February 2018 by the Government, thus additionally reinforcing professional independence of the Statistical Office. By adopting the mentioned declaration, Montenegro became prominent among numerous EU countries as the country that implemented the new EU legislation from the field of official statistics.

In this period, the Statistical Office continued its activities on modernisation of the process of collecting and processing of data, which resulted in development of integrated system for production of official statistics on the basis of the Generic Statistical Business Process Model (GSBPM). In November 2017, the Statistical Office adopted the new quality policy that completely relies on the European Statistics Code of Practice and principles of the total quality management (TQM), which represent the common quality framework of the European statistical system.

MONSTAT continued its work on development and updating of reference metadata, in line with European standards. Since November 2017, reference metadata base is completely aligned with EURO SDMX Metadata Structure (ESMS) standard and published on the official website of the Statistical Office, and it has been established at the level of the entire statistical system. In the reporting period, the Statistical Office submitted to EUROSTAT data from 33 domains through Edamis web portal and Edamis web application. In the reporting period, 101 different datasets were sent. When observing the total number of datasets submitted, we can conclude that there was an increase by approximately 40%.

In the observed period, in the field of national accounts, time series of data on the Gross Domestic Product have been extended in line with ESA 2010 methodology from 2006 and further on by implementing the upgraded methodological concept. The time series 2006-2009 were published in September 2017 in line with ESA 2010 methodology together with results of calculation of the annual GDP for 2016 and results of calculation of the Gross National Income for 2016. The time series of quarterly GDP by expenditure method for the period of first quarter of 2010 – fourth quarter of 2017 are available in line with ESA 2010 methodology.

The annual calculation has been improved in the segment of preparation of indicators: number of employees and salaries according to ESA 2010 methodology. Data on employees and salaries have been prepared in line with ESA 2010 methodology for the period 2013-2015 and submitted to Eurostat for the first time through eDamis. The data on salaries represent the base for continuation of activities aimed at introduction of GDP in accordance with income method. In the field of annual national accounts, metadata have been prepared for available indicators for Macro-economic imbalance procedure – MIP.

Substantial efforts have been made in development of experimental supply and use tables. For the first time, the Statistical Office submitted experimental data of balanced supply and use tables in line with defined methodology to Eurostat in December 2017 for 2013 and 2014. Eurostat received comprehensive document titled GNI Inventory, i.e. detailed description of sources and methods for GNI calculation, the development of which is defined by closing benchmarks for Chapter 18, with accompanying tables. Furthermore, the document titled QNA Inventory has been prepared, and its development is defined by closing benchmarks for Chapter 18, which describes the sources and methods of calculation of quarterly GNI according to expenditure method.

During the reporting period, experimental data on Trade by invoicing currency-TIC have been prepared, as well as the data on Trade by Enterprise Characteristic – TEC for the reference year 2014. Experimental data on TIC for 2014 have been submitted to Eurostat for the first time, along with the data of Structural Business Statistics (SBS) for 2014 and 2015.

In the field of price statistics, activities on introduction of the House Price Index have been initiated, whereby administrative sources of data have been identified and experimental index has been calculated on the basis of data from regular MONSTAT survey “Prices of dwellings in new residential buildings”.

Data of survey on the structure of agricultural holdings were processed as preliminary in December 2017 and submitted to Eurostat. Eurostat also received the National Report in March 2018. As regards the field of crop production statistics, development opportunities for the use of administrative data sources have been examined with a view to improving the data quality. Data in the field of organic farming statistics for 2016 and 2017 have been submitted to Eurostat for the first time.

In the field of livestock farming statistics, forecasts for the gross slaughtered meat production (GIP) were made and submitted to Eurostat in March 2018. As regards the field of economic accounts in agriculture, in the observed period, obtained results were controlled and interconnected with results of survey on the structure of agricultural holdings for 2016, thus finalising the set of economic accounts in agriculture for the period 2012-2016. In November 2017, pilot survey was conducted with regard to prices of land and land rent; processing of the obtained data was completed in April 2018. As regards the field of waste statistics, series of data for the period 2011-2015 were revised and published in July 2017. Data comparable at the national and international level were obtained in this way.

When it comes to the field of short-term business statistics, the number of new indicators available in Eurobase has been increased. Calendar and seasonal adaptation of time series for has been continued for the two new fields: industry statistics and trade in services statistics. Progress in the short-term business statistics has been confirmed in Eurostat document titled “STS compliance assessment“, where the short-term business statistics has been moved from the level of *low compliance to the middle level of compliance* when it comes to European legislation.

Transport statistics has been improved substantially during the previous period, particularly in the field of maritime transport by shifting from recent simplified reporting to detailed reporting of Eurostat. In December 2017, Montenegro voluntarily participated for the first time in fulfilling the EUROSTAT/ITF/UNECE “Common Questionnaire“.

Substantial progress has been made in the field of tourism statistics by conducting pilot survey on tourist activity of Montenegrin population that represents the important base for calculating tourism satellite accounts (TSA). In July 2017, Eurostat received for validation all sets of data and micro-bases of data on national tourism, while the quality report was submitted in August 2017.

Montenegro is currently considering the possibility of implementing the registration census of the population in 2021. In this regard, and according to the information adopted by the Government 22 February 2018: In that regard, and in accordance to the Information which was adopted by the Government on 22 February 2018:

- The Statistical Office has initiated amendments to the legislation to ensure the right of access to all administrative sources of data with identifiers;
- The Ministry of Finance will establish a Commission for monitoring and coordination of all activities related to the realization of the project on the creation of the Register of house, streets and squares numbers (Address register).

In May 2018, in cooperation with the Montenegrin Academy of Sciences and Arts, a first round of consultations with the scientific community was held on the upcoming census.

The social protection statistics were established when, in 2017, for the first time, the pilot survey of social protection statistics of ESSPROS was completed, and the data refer to 2013, 2014 and 2015. The data were submitted to EUROSTAT. Data for 2016 for research on statistics on income and living conditions were sent to Eurostat via EDAMIS at the end of November 2017. At the end of December 2017, Eurostat was submitted also the Quality Report for 2016. The communication of the Labour Force Survey for the fourth quarter of 2017 was published in March 2018, both micro data and a quality report were sent to Eurostat. The data on crime statistics for 2016, according to the deadlines set, were submitted to Eurostat in November 2017.

In the field of *social policy and employment*, a new Law on Representativeness of the Trade Union was adopted on 14 February 2018. Also, the adoption of the new Law on Social Council is in the final stage as it is in the parliamentary procedure. The new Labour Law was sent to the European Commission for the opinion on May 2018. Also, on 5 January 2018, the Government adopted Proposal for Law on Amendments to the Law on Health and Safety at Work. In the field of social inclusion, the Law on Amendments to the Law on Social and Child Protection was adopted, which came into force on 1 July 2017. In the third quarter of 2017, the Strategy for the Development of the Social and Child Care System for the period from 2018 to 2022, with the Action Plan for 2018, and the Strategy for the Development of the Social Protection System of the Elderly for the period 2018-2022 with the Action Plan for 2018. In the area of anti-discrimination, the Parliament adopted the Law on Amendments to the Anti-Discrimination Law on 30 June 2017. Also, on 15 March 2018, the Government adopted the Action Plan for the implementation of the Strategy for the Improvement of the Quality of Life of LGBT Persons in Montenegro 2013-2018, and on 22 November 2018 it adopted the Action Plan for the Implementation of the Strategy for Social Inclusion of Roma and Egyptians in Montenegro 2016 - 2020 for 2018 and the Report on the Implementation of the Action Plan for the Implementation of the Strategy for Social Inclusion of Roma and Egyptians 2016-2020 for 2017. Finally, three officers were employed for an indefinite period of time at the Ministry of Human and Minority Rights in November 2017.

In the process of implementing the *industrial policy* of Montenegro until 2020, after the adoption of the annual Action Plans for Implementation for 2016 and 2017 and the Report on the Implementation of the Action Plan for 2016, the Action Plan for the Implementation of the Industrial Policy for 2018 with the Report on the implementation of the Action Plan for 2017 was adopted on 5 November 2018. In accordance with the Industrial Policy Implementation and Monitoring Plan, a policy review is envisaged, which implies a possible redefinition of policies and the establishment of corrective measures with the updating of monitoring indicators. A project task for access to a mid-term review of the Industrial Policy was drafted, which, after harmonization with the EC, was modified and further discussed with representatives of the GIZ as potential expert support for the preparation of the revised document. The aforementioned project task will be implemented as an integral part of a regional project for the development and implementation of industrial policy in the context of Chapter 20, the beginning of which is expected in the middle of the current year. In parallel to the stated, the implementation of program activities and measures from the Action Plan for the implementation of the Industrial Policy for 2018 is underway, whose effects, along with the achieved results shown in the reports on the implementation of the action plans for 2016 and 2017, will be an integral part of the documentary analysis for the forthcoming review of the industrial policy.

In the field of *entrepreneurial policy* principles as regards the strengthening women's entrepreneurship and entrepreneurial learning, in December 2017, the Government adopted the Action Plan for 2018 for the implementation of the Women's Entrepreneurship Strategy 2015-2020 and the Strategy for lifelong entrepreneurial learning 2015-2019. Additionally, the Strategic Guidelines for development of MSME 2018-2021 was adopted, which provides an overview and analysis of the implementation of the SME policy in the previous period and the effects achieved on the development of the SME sector and as such represents a kind of starting document and framework in defining the MSME Development Strategy in Montenegro 2018-2022, whose development is underway. The continuous realization of numerous programs and support projects to improve the competitiveness of the SME sector also went on.

In the area of **judiciary and fundamental rights** and **justice, freedom and security**, Montenegro continues to improve the legal and institutional framework, as well as the results in the implementation of realized reforms.

In order to reform the *judiciary*, the Parliament adopted: the Law on Amendments to the Criminal Code of Montenegro (29 June 2017); Law on Amendments to the Law on Misdemeanours and the Law on Amendments to the Law on Civil Procedure (26 July 2017); Law on Amendments to the Law on State Prosecution (23 November 2017); Law on Amendments to the Law on Treatment of Juveniles in Criminal Proceedings (21 December 2017); Law on Amendments to the Law on the State Prosecutor's Office (14 February 2018). The Government adopted the Action Plan for the Implementation of the Judicial Reform Strategy (for the period 2017-2018) on 28 September 2017.

The first test dates for interns and bar exams were organized. In January 2018, interns selected in accordance with the new system started working in the judiciary and the State Prosecutor's Office.

The strengthening of the administrative capacity of key institutions is continued. In the Secretariat of the Training Centre in Judiciary and the State Prosecutor's Office, an additional 6 positions were filled (14 positions in total). In the Secretariat of the Judicial Council in 2018, one person was employed. The Secretariat of the Prosecutorial Council amended the systematization and moved to new premises, and 5 job positions were filled.

The procedure for selecting judges was conducted by internal advertisement. In accordance with the new system, three candidates for judges of the Administrative Court were elected, one for the judge of the Commercial Court and one for the judge of the Basic Court in Niksic. The procedure under the public announcement for the election of judges of the higher courts, as well as the procedure for the public announcement for the election of ten judges of the Basic Courts is underway. The procedure for electing prosecutors on a public advertisement was conducted in accordance with the new system, and 8 newly elected prosecutors were sent to initial training, while a new advertisement is ongoing. There are several procedures in place for the selection and voluntary permanent transfer of prosecutors.

In order to strengthen the accountability of the judiciary in 2018, proceedings are pending before the **Commission for Ethics Codex** based on 4 initiatives to determine the violation of the Code of Ethics of Judges. Two proceedings are pending before the Disciplinary Panel of the Prosecutor's Office, and one proposal for establishing disciplinary responsibility is at the stage of the investigation by the Disciplinary Prosecutor.

In the area of strengthening professionalism and capacity, the evaluation of 41 judges of basic courts who have 5-10 years of judicial service in 10 basic courts has begun, and 11 judges have been evaluated for the promotion. In December 2017, evaluation of 9 prosecutors was completed after two years of work and in January 2018 evaluation of another 7 prosecutors started. The procedures of regular assessment of the Head of the High Prosecutor's Office in Podgorica and state prosecutors in the High Prosecutor's Office in Bijelo Polje are underway. In May 2018 a decision on evaluation of the work for five candidates on public advertisements was adopted.

In terms of efficiency, Montenegro continues to implement the ICT Justice Strategy 2016-2020. Tender procedures for the procurement of one part of services and equipment are ongoing. A separate Directorate for Information and Communication Technologies of Judiciary and Data Security was established. In the forthcoming period, the methodology for reporting, strengthening administrative capacities for the statistical and analytical component will be improved, all within the preparation for the implementation of the new information system.

Regarding the handling of *war crimes cases*, before the High Court in Podgorica proceeding against one person for war crimes against the civilian population is currently ongoing. All cases of damage compensation to war crimes victims have been finalized. In the period 2015-2017, in respect of Morinj case, the courts adopted 154 decisions which finally adopted the claim and a total of €1,485,510.20 was adjudicated.

As regards **corruption prevention**, the Agency for Prevention of Corruption has been continuously making significant efforts in terms of further improving efficiency and establishing a track-record. The strengthening of administrative capacities and the improvement of the information system continued.

In the area of **repression of corruption and the fight against organized crime**, the election of two special prosecutors is ongoing. From the Police Directorate - Criminal Police Department, 10 employees were sent to the Special Police Department for the work on complex cases. *The agreement to improve cooperation in the field of crime prevention*, which represents the legal basis for the information connection and the secure exchange of information between authorities in the field of crime, was signed on 16 October 2017 and came into force on the same day. At the end of December 2017, a Serious and Organized Crime Threat Assessment SOCTA MNE was adopted.

From the jurisdiction of the Special State Prosecutor's Office 6 new cases of investigation against 30 persons have been initiated for corruption offenses. In two cases, in addition to criminal offenses, a financial investigation was initiated against 18 persons. Indictments were filed in 10 cases against 20 natural and 4 legal entities. In relation to corrupt criminal offenses under the jurisdiction of the Higher and Basic Prosecutor's Offices, 25 indictments were filed. In the period from June 2017 to May 2018, there were 45 cases of corruption in the Special Department of the Higher Court in Podgorica, out of which 21 were completed as valid while 2 were not. 2. There were 7 convictions, 5 acquittals, while the proceeding in 11 cases was suspended or the charge was rejected. Two cases of permanent property seizure are ongoing.

According to the data of the Special State Prosecutor's Office, in the period from 1 January 2018 to 1 July 2018, for organized crime, orders were issued on the conduct of an investigation against 58 persons, of which against six legal entities, 34 persons were indicted and eight verdicts were pronounced, and those were imprisonment on the basis of the Plea Agreement. Two financial investigations were initiated against 40 people, out which five against legal entities. For the criminal offense of Money Laundering, orders were issued on the conduct of an investigation against four persons, of which against one legal entity. According to the information from the Directorate for the Prevention of Money Laundering and Financing of Terrorism, seven cases have been established, one of which has been completed with an official note, while six cases are in the course of the investigation. On the proposal of SSP the Proposal for determining the provisional security measure, prohibition on disposal of immovable property is submitted in three cases.

In the framework of **fundamental rights**, the Parliament adopted the Law on Amendments to the Law on the Prohibition of Discrimination on 30 June 2017, and on 20 October 2017 it adopted the Decision on Amendments to the Decision on the Establishment of the Fund for the Protection and Exercising of Minority Rights. The Government adopted the Proposal for the Law on the selection, use and public display of national symbols on 2 January 2017. On 15 January 2018, the Government adopted an Action Plan for the implementation of the Strategy for the Improvement of the Quality of Life of LGBT Persons in Montenegro 2013-2018. The Law on spatial planning and construction of structures, which was adopted in October 2017, further strengthened the legal framework for the accessibility of facilities for persons with disabilities and persons with reduced mobility both at the level of the planning document and in the technical documentation.

Regarding the *rights of persons with disabilities*, in March 2018, the Government adopted a two-year Action Plan for Implementation of the Strategy for the Integration of Persons with Disabilities in Montenegro for the period 2016-2020. In 2017, the following objects were completed: PHI Health Care Centre "Dr Niko Labović" Berane II phase; PHI General Hospital in Berane; PHI Health Centre in Nikšić; PHI Hospital for pulmonary diseases - Brezovik in Nikšić. The realization of the following facilities is under way: PHI General Hospital in Nikšić; Ministry of Finance Podgorica.

Regarding *gender equality and domestic violence*, Montenegro presented the Second periodical report on the implementation of the CEDAW Convention to the CEDAW Committee in July 2017. The First Crisis Centre for Victims of Domestic Violence at the Centre for Social Work for the Municipality of Herceg Novi started on 9 February 2018. Within the IPA 2014 Program "Support to Anti-Discrimination and Gender Equality Policies", an intensive process of political strengthening of women was implemented. Amendments to the Criminal Code were adopted regarding the alignment of the definition of rape with the Istanbul Convention. Six municipalities (Podgorica, Budva, Bar, Danilovgrad, Kolasin, Herceg Novi) have allocated special funds for women entrepreneurship in the budgets for 2018 in the total amount of 120,000 EUR.

Regarding the protection of *LGBTI rights*, in September 2017, the fifth Pride Parade was held. The adoption of the Law on life partnership of the same-sex, as well as the adoption of new Strategy for improving the quality of life of LGBTI people in Montenegro for the period 2019-2023 is planned in future.

Regarding the *ban on torture*, the improvement of legal framework continued by adopting a set of by-laws. The reform of the prison system, the construction of new facilities and the adaptation of the existing ones also continued. A series of trainings on the topic of human rights and freedoms and the prevention of torture, case law and European standards were held. The Protector of Human Rights and Freedoms continued to control the conditions and work of the Institute for the Execution of Criminal Sanctions.

When *minority rights* are concerned, in order to preserve and enhance cultural identity, publication of regulations as well as other literature concerning minority peoples and other minority national communities in minority languages has continued. The Protocol on prevention and treatment in case of risk of early leave of education was adopted and sent to all primary schools where the RE children are trained.

In the area of **migration**, on 14 February 2018, the Parliament adopted the Law on Foreigners, whose implementation began on 3 March 2018. EU migration standards were transposed to a large extent through this law, and part of the Directive that has remained will be incorporated into the by-law and possible changes and amendments to this law, which will be completed before the accession of Montenegro to the EU. In November 2017, the Parliament adopted the Law on the Confirmation of the Agreement between the Government of Montenegro and the Government of the Republic of Azerbaijan on the readmission of persons without a residence permit.

In the field of **asylum**, implementation of the Law on international and temporary protection of foreigners began on 1 January 2018. This law fully transposes European standards in the field of asylum in national legislation. In the reporting period, a number of by-laws were adopted for the purpose of smooth application of the law.

In the area of **visa policy**, the trend of low number of visas issued at border crossings continued (total of in 2017). Also, the embassies of Montenegro continued to be included in the Visa Information System, as follows: in the Republic of Turkey, the Russian Federation, PR China, in Sarajevo, Zagreb, Ljubljana, Vienna, Budapest, General Consulate in Sremski Karlovci, Buenos Aires, Washington, General Consulate in New York, in which visas are issued in the form of visa labels, harmonized with Schengen standards.

In the area of **external borders and Schengen**, the Agreement on the State Border between Montenegro and the Republic of Kosovo (signed in Vienna on 26 July 2015) entered into force on 4 June 2018, with the submission of a verbal note by the Ministry of Foreign Affairs of the Republic of Kosovo to the Montenegrin side, informing that Republic of Kosovo has completed the internal legal procedures necessary for the entry into force of the Agreement. Montenegro proceeds with the continuous implementation of the Integrated Border Management Strategy. On 22 March 2018, the Government reviewed the Report on the Implementation of the Action Plan for 2017 and adopted the Action Plan for the Implementation of the Integrated Border Management Strategy for 2018.

In the area of **judicial cooperation in civil and criminal matters**, the Parliament adopted the Law on the Confirmation of the Additional Protocol to the Council of Europe Convention on the Prevention of Terrorism on 26 July 2017. Montenegro signed the Hague Convention on the choice of courts on 5 October 2017. In September 2017, Montenegro appointed a state prosecutor to liaise with Eurojust. The three-year program of training of judges and prosecutors, as well as police officers in the field of international judicial cooperation within the project Eurol 2, was launched in May 2018.

In the area of **anti-money laundering**, Montenegro proceeds with the continuous implementation of the Strategy for the Prevention and Suppression of Terrorism, Money Laundering and Terrorism Financing 2015-2018. In this regard, on 27 July 2017, the Government adopted XII Report on the implementation of the Action Plan 2017-2018, for the period January - June 2017. At the 54th Plenary Session of MONEYVAL, held in the period from 26 to 28 October 2017, the delegation of Montenegro presented a report on fulfilled obligations and undertaken activities in order to improve the PML/FT system in Montenegro. In order to comply with the recommendations of MONEYVAL, on 22 March 2018, the Government adopted Proposal for the Law on amendments to the Law on the Prevention of money Laundering and Financing of Terrorism, while the Law on International Restrictive Measures is in the final stage of development.

In the field of **combating trafficking in human beings**, on 29 June 2017 the Parliament adopted the Law on Amendments to the Criminal Code, which contains amendments to Articles 210 *Mediation in Prostitution* and 444 *Trafficking in Human Beings* as well as some new related articles. Montenegro proceeds with the continuous implementation of the Strategy for Combating Trafficking in Human Beings, so the Government adopted the First Semi-annual Report on the Implementation of the Action Plan for 2017-2018 on the 31 August 2017 and on 29 March 2018 the Second Semi-annual Report on the Implementation of the AP. On 2 November 2017 the Government adopted the Report on the implementation of the GRETA recommendations within the II Round of the evaluation of the implementation of the Council of Europe Convention to Combat Trafficking in Human Beings, which, according to the procedure, on 6 November 2017 was sent to the Secretariat of the Convention for the Fight against Trafficking in Human Beings .

In the field of **fight against terrorism**, Montenegro proceeds with continuous implementation of the Strategy for the Prevention and Suppression of Terrorism, Money Laundering and Terrorism Financing 2015-2018. Thus, in July 2017, the Government adopted the XII report on the implementation of the AP 2017-2018, for the period January - June 2017, and in February 2018, the XIII report on implementation of the AP 2017-2018, for the period July - December 2017.

As regards **cooperation in the field of drugs**, Montenegro proceeds with continuous implementation of the Strategy for the Prevention of Drug Abuse 2013-2020, through the Action Plan 2017-2018. When it comes to repression, there is a constant trend of a large quantity of seized drugs. Thus, 3374.3 kg of narcotic drugs were found and seized in the territory of Montenegro in 2017, including: marijuana (3336.4 kg), heroin (17.9 kg), cocaine (1.6 kg), hashish 3.9 kg). In the period from 1 January to 1 June 2018, 1374.6 kg of narcotic drugs were found and seized in the territory of Montenegro, including: marijuana (1370.9 kg), heroin (1.1 kg), cocaine (2.3 kg), hashish (143 gr).

In the field of **science and research**, for the first time Montenegro earned a net profit under the Horizon 2020 program in 2017, so the amount of funds for approved projects is higher than the financial contribution of Montenegro.

The Strategy for Scientific Research Activities (2017-2021) with the Action Plan was adopted on 21 December 2017. Montenegro started the Initiative for the Establishment of the International Institute for Sustainable Technologies in the area of South East Europe, which by signing the Declaration of Intent by eight SEE countries on 25 October 2017, became a regional project. The European Commission has accepted the application of Montenegro for the Policy Support Tool and approved special expert support in the domain "Development of the legislative framework and ecosystem model for support to start ups in Montenegro". By signing a Memorandum of Understanding for the maintenance and functioning of CMS detectors on 7 December 2017. Montenegro became a full member of the CMS experiment. Montenegro became a full member of the European Organization for Molecular Biology - EMBO and joined the European Molecular Biology Laboratory - EMBL, on 27 and 28 November 2017. Montenegro was supported by the Joint Research Center - JRC for Creation of S3 and joined the JRC S3 Platform in October 2017. The Ministry of Science hired a S3 country mapping expert to prepare a preliminary country report - Analysis of priority areas for S3, which completed the S3 mapping phase, and the next phase that started in April 2018 relates to process of entrepreneurial discovery. IPC "Tehnopolis" in Niksic has intensified its activities and has so far received five EU projects, with a total value of 736,000 euros for the period 2017-2020.

In the area of ***education and culture***, on 29 June 2017 the Parliament adopted the Law on Amendments to the Law on Higher Education, on 10 July 2018 the Law on Amendments to the Law on Primary Education, Law on Amendments to the General Law on Education the Law on Amendments to the Law on Vocational Training, the Law on Amendments to the Law on Adult Education, the Law on Amendments to the Law on the Education and Education of Children with Special Educational Needs, the Law on Amendments to the Law on Gymnasiums, the Law on Changes and Amendments to the Law on Vocational Training, Law on Amendments to the Law on Preschool Education and Education. The aim of amending the Law on Higher Education is to solve the problem of mismatch of education with the needs of the labour market and to improve the quality assurance system in this area. The amendments provided for implementation of practical education in institutions of higher education in a percentage of minimum 25%, implementation of dual education in secondary vocational education, as well as better conditions for learning or studying. In dual form, 280 pupils are educated. For the purpose of continuous monitoring of the quality of practical education, a new application Practical Teaching on the MEIS portal (www.meisportal.edu.me) was developed. In the past period, the coverage of children from pre-school education aged from 3 years to school age has increased to 69.99%. Regular activities include children from particularly vulnerable categories (activities on the full integration of the RE population). In order to improve the quality of higher education and to ensure the independence and transparency of the work of the bodies responsible for quality, the Agency for the Control and Quality of Higher Education has been established. On 1 January 2018, the Parliament appointed the Council for Higher Education, consisting of seven members for a period of four years. The Government adopted, on 28 December 2017, the Action Plan for implementation of the Culture Development Program 2016-2020 for 2018, as well as the Report on the Implementation of the Action Plan for the Implementation of the Culture Development Program 2016-2020, in 2017, and the Program for the Protection and Preservation of Cultural Property for 2018 with the Report on the Implementation of the Program in 2017.

In the field of *environment and climate change*, on 8 January 2018, the Government adopted the **Negotiating Position** for Chapter 27, which was sent to the European Commission on 12 February 2018.

In December 2017, the Government adopted a **Report on the Implementation of the National Strategy for the 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** (which is the opening benchmark for Chapter 27) **for the reporting period July 2016 - December 2017**, according to which the level of realization of the Strategy's obligations is **60.26%**. The adoption of the revised Strategy is expected by the end of the second quarter of 2018, while the development of the Report on the implementation of the revised Strategy is planned for the fourth quarter of 2018.

The Parliament passed the **Law on Spatial Data Infrastructure** on 2 June 2017 and the **Law on the Provision of Water Safe for Human Consumption** on 23 November 2017.

On 4 May 2018, the Government adopted the **Decision amending the State Waste Management Plan in Montenegro for the period 2015-2020**, laying down the method of waste management in Montenegro, through the establishment of four waste management centres: Podgorica, Bar, Nikšić, and Bijelo Polje, with the centres in Podgorica and Bar already functioning as inter-municipal and being developed in accordance with the current National Waste Management Plan.

Pursuant to the **Law on Air Protection** of 16 July 2015 and the **Decree on Limit Values of Pollutants in Liquid Fuels of Petroleum Origin** of 16 February 2017, on 8 May 2018, at the proposal of the Environmental Protection Agency, the Ministry of Sustainable Development and Tourism adopted the **Programme for monitoring the quality of liquid fuels of petroleum origin for 2018**, thus providing the framework for implementation.

In October 2017, the Short Term Action Plan for the municipality of Pljevlja in the event of exceeding or a risk of exceeding the sulphur dioxide alert threshold was adopted, and it was published on the website of the Environmental Protection Agency.

In the course of 2017, the first stage of implementation of the IPA project "Capacity Building for Air Quality Management in Montenegro" was carried out (2014/032-803.09/ENV/SER). Under this project, activities will be carried out towards achieving better monitoring of air quality through the procurement of equipment and increase of the number of automatic stations for monitoring the air quality and better implementation of Directive 2008/50/EC on ambient air quality and cleaner air for Europe and Directive 2004/107/EC relating to arsenic, cadmium, mercury, nickel and polycyclic aromatic hydrocarbons in ambient air will be ensured.

The Ministry of Sustainable Development and Tourism initiated the drafting of the **Law on Foreign and Invasive Alien Species**, which is the basis for the legal framework for the application of Regulation (EU) 1143/2014 of the European Parliament and of the Council of 22 October 2014 on the prevention and management of the introduction and spread of invasive alien species. The public debate on the Draft Law was finished on 7 June 2018, after which the draft will be sent to the EC for opinion.

At the end of November 2017, under the European Union Integration Facility (EUIF), and under the project *Finalisation of the Protection Study for Ulcinj Salina*, a comprehensive **Protection Study of Ulcinj Salina** was completed, covering all issues of importance for this site (biodiversity, and scenarios for launching salt production and models of sustainable development at the site, management models, etc. were developed).

Under the IPA project *Establishment of the NATURA 2000 network*, which started on 26 April 2016, by June 2018 all envisaged activities were carried out. The project is currently in the stage of the second year of field research and activities are being implemented in accordance with the plan.

The percentage of the protected territory of Montenegro has been increased through the proclamation of the Nature Park Dragišnica and Komarnica (Municipality of Šavnik) and the Natural Monument Canyon Cijevna (Capital City of Podgorica).

The Parliament passed the **Law on the Ratification of the Protocol on Pollutant Release and Transfer Registers** of 26 July 2017. The Government adopted the **Decision on the Publishing of the Amendment to Annex I to the Industrial Accidents Convention** at its session of 21 December 2017.

The drafting of the **Law on Industrial Emissions** is under way, and it will transpose Directive 2010/75/EC on industrial emissions (IED). The adoption of the Law on Industrial Emissions will be followed by the preparation of DSIPs (directive-specific implementation plans) for IED.

The activities on the implementation of the *Industrial waste management and clean-up* project, in cooperation with the World Bank, have been intensified.

The **Law on Chemicals** was adopted on 26 July 2017 and 10 bylaws were adopted on the basis of this law. Furthermore, on 11 October 2017, the **Law on the Ratification of the Amendment to the Stockholm Convention on Persistent Organic Pollutants** was passed.

A helpdesk has been established within the Environmental Protection Agency, providing support with regard to the obligations set out in the BPR, REACH and CLP Regulation.

The following project was implemented: *Preparations for the ratification and implementation of the Minamata Convention on Mercury and Initial Assessment for Montenegro*, and the implementation of the following project is ongoing: *Revision of the National Plan for the Implementation of the Stockholm Convention on Persistent Organic Pollutants*.

Development of the **Strategic Noise Map for the Territory of the Capital City of Podgorica** and urban municipalities within the Capital City is under way.

On 21 December 2017, the Government adopted the **Strategy for Disaster Risk Reduction**, along with the Dynamic Plan of activities for the implementation of the Strategy for the period 2018-2023, as well as the **Action Plan for Implementation of the Strategy for Disaster Risk Reduction for the period 2018-2019**. On 14 February 2018, the Parliament adopted the **Law amending the Law on the Transport of Hazardous Substances**.

The Parliament passed the **Law on the Ratification of the Paris Agreement** on 11 October 2017, and accordingly, the Social and economic analysis of investments was carried out for ratification of the Paris Agreement.

The *Proposal for the Law on the Ratification of the Doha Amendment to the Kyoto Protocol* was prepared, and its adoption is expected to take place by the end of June 2018, while the **Law on Climate Protection** is currently being drafted.

In the area of **consumer protection**, on 16 October 2017, the **Law amending the Law on Consumer Protection** was adopted with the aim of achieving alignment with the Law on Energy and the *acquis* relating to the participation of consumers in the coverage of the costs of construction and reconstruction of the electricity infrastructure. The Parliament passed the **Law on Tourism and Hospitality** on 29 December 2017 and the **Law Amending the Law on General Product Safety** on 14 February 2018. Also, in order to achieve alignment with the regulations in the area of consumer protection, five bylaws were adopted.

The **Action Plan for the implementation of the National Consumer Protection Programme for the period July 2017 - June 2018** and the **Report on the implementation of the previous annual action plan (for the period July 2016 - June 2017)** were adopted. Furthermore, on 28 November 2017, the **General Programme of Market Surveillance of Products for 2018** was defined, along with the **Report on the implementation of the General Program for 2017**. The Government adopted the **Report on the work of the Coordinating Body for Market Surveillance for the period 2016-2017** and the **Report on the Work of the Rapid Exchange of Information on dangerous products RAPEX)**¹ for the period 2016-2017.

By the decision on the establishment of the **Consumer Protection Council**, the number and composition of the Council was amended in accordance with the new needs. A number of market and tourist inspectors were recruited in the **Directorate for Inspection Affairs**, and they are, among other things, also authorised to perform supervision in the area of protection of economic interests of consumers.

As regards **public health**, i.e., the area of *communicable diseases*, on 7 December 2017 the Government adopted the **Action Plan for Improvement of the System of Monitoring and Response to Communicable Diseases for 2017-2022**, along with the **Report on realised activities for the period 2015-2017**. On 14 February 2018, the Parliament passed the **Law on the Protection of Population against Communicable Diseases**.

On 1 February 2018, Montenegro appointed a representative for membership in the **Health Security Committee**. Cooperation with the **Federal Institute for Public Health of Germany "Robert Koch"** from Berlin has continued with the aim of improving the surveillance of communicable diseases. The work on public health education and education of the population on HIV/AIDS has been intensified.

¹ compatible with the RAPEX system at the level of the EU

In the area of **external relations**, at the WTO Trade Policy Review Body (Geneva, 11-13 April 2018), 28 member countries of the World Trade Organisation (WTO) expressed satisfaction with the progress Montenegro has achieved since the accession to the WTO. The process of Trade Policy Review (TPR process) for Montenegro formally started in February 2017 and was completed in May 2018 with the submission of a response to the subsequently submitted queries of the WTO members. On 26 December 2017, the Parliament of Montenegro ratified the **CEFTA Additional Protocol 5 on Trade Facilitation**, which entered into force on 18 April 2018.

On 27 April 2018, the Parliament of Montenegro adopted the **Law on International Development Cooperation and the Provision of International Humanitarian Aid**. On 14 February 2018, the Parliament adopted the **Law amending the Law on the Transport of Hazardous Substances**. On 21 December 2017, the Government adopted the **Strategy for Disaster Risk Reduction with the Dynamic Plan of activities for the implementation of the Strategy for the period 2018-2023**. Furthermore, on 22 March 2018, the Government adopted the **Action Plan for the implementation of the Strategy for Disaster Risk Reduction for the period 2018-2019**. Also, in the area of humanitarian aid (civil protection), 20 **bylaws** were adopted during the reporting period.

As regards **common foreign and security policy**, the legislative framework is aligned with the EU *acquis* and NATO, as well as with the EU positions, and there is also a considerable contribution of Montenegro to civilian missions and military operations of the EU. In November 2017, the Parliament passed a set of laws ratifying the agreements that form the NATO *acquis* (9 agreements); 27 April 2017 Law amending the Law on deployment of the units of the Armed Forces of Montenegro to the international forces and participation of members of civil defence, police and public administration employees in international missions and other activities abroad, and on 6 July 2017 the new Law on Armed Forces of Montenegro. As regards the contributions to civilian and military missions, Montenegro continues to participate in the UN, EU and NATO operations and missions: the "Resolute Support" mission in Afghanistan, EU NAVOR ATALANTA, EUTM, and the implementation of the envisaged formal and legal procedures for participation in KFOR is also under way.

As regards **financial control**, the Ministry of Finance, in cooperation with the Human Resources Directorate, continued the implementation of planned training courses for 2017, in accordance with the Training Programme for the internal financial control system in the public sector of Montenegro. In the area of internal audit, changes were made in order to achieve compliance with the new International Professional Practice Framework of Internal Audit. A system for handling notifications on suspected irregularities and frauds has also been introduced. An analysis of obstacles to the establishment of managerial accountability in the public sector was prepared, and it was adopted by the Council for Public Administration Reform on 3 November 2017. The draft Law on Public Sector Management and Internal Control was also prepared and it is expected to be adopted by the Government. The new Law on Public Sector Management and Internal Control defines in a clear manner the responsibilities of the head of the entity and the heads of organisational units for the achievement of objectives and establishment of internal controls. In December 2017, methodological instructions were also updated: Internal Audit Manual and Manual for Financial Management and Control. As regards **external audit**, the State Audit Institution of Montenegro increased the number of performance audits compared to the

previous reporting period and improved the methodology for conducting performance audits through the adoption of the new Manual on the methodology for conducting performance audits in June 2017. The SAI also conducted two parallel performance audits. On 30 October 2017, the SAI submitted to the Parliament of Montenegro the Annual report on performed audits and activities of the Institution for the period October 2016 - October 2017. In accordance with SIGMA recommendation, protocols on cooperation were signed with the Parliament of Montenegro and the Agency for the Prevention of Corruption. In February 2018, SAI adopted the Strategic Plan for Development of the SAI for the period 2018-2022, along with the Action Plan for the implementation of the Strategy. The strategic plan for the development of the SAI defines the future directions of development of the Institution, related to the strengthening of the integrity of SAI at national and international level, the impact on improving public finance management and increasing the capacity and efficiency of its operations. SAI strengthened the audit capacities through additional recruitment of staff relative to the previous reporting period (five new employees); 13 persons already employed by the Institution were promoted during the reporting period to a higher rank through a public announcement. With regard to the protection of the EU's financial interests, expert assistance was granted to Montenegro in 2017 under the Twining Light Project, entitled *Strengthening AFCOS in Montenegro*, whose implementation is foreseen for the second half of 2018, and it will include the production of all relevant documents that will provide mechanisms for a more efficient and effective protection of EU's financial interests. In February 2018, nine irregularities were reported to OLAF through the IMS (Irregularity Management System), which did not have financial implications for the EU budget. In the area of administrative capacity, additional employment is foreseen by the end of the year.

Under the ***Instrument for Pre-Accession Assistance*** (IPA), Montenegro has completed the implementation of projects within the Financial Perspective 2007-2013 (IPA I) under the first two components: I - Transition Assistance and Institution Building and II - Cross-Border Cooperation. All projects have been successfully contracted, while implementation is in the final stage. As regards Components III - Regional Development and IV - Human Resources Development, in the reporting period work was done on the implementation of projects, and it was mostly completed. The efforts of the operational structures in the coming period will be focused on the successful closing of the program.

As regards the new financial perspective 2014-2020 (IPA II), programming of support was completed, including the allocation for programming 2018. The structures formed for the purpose of programming continued their work on the revision of sectoral planning documents, and started the activities on the preparation of the programmes for 2019. In accordance with entrusted execution of budget tasks, the indirect management structures in Montenegro continued the work on preparation of tender documentation and contracting projects from IPA 2014, IPA 2015 and IPA 2016 programmes. In addition, the EC decided to entrust the execution of budget tasks to the IPARD II programme, under which first calls have been announced. Capacity building for the process of indirect management remains high on the list of priorities in the upcoming period as well.

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

The implementation of the Stabilisation and Association Agreement has continued, as has the implementation of comprehensive political, economic, legal, institutional, and structural reforms.

The seventh meeting of the **Stabilisation and Association Committee between Montenegro and the European Union** was held on 7 December 2017 in Podgorica.

Meetings of joint committees with countries in the region

The third meeting of the **Joint Committee for the implementation of the Agreement on Cooperation between the Government of Montenegro and the Government of Macedonia in the context of the accession to the European Union** was held on 18 September 2017 in Skopje.

The first meeting of the **Joint Committee between Montenegro and Bosnia and Herzegovina in the context of accession to the European Union** was held on 22 February 2018 in Sarajevo.

Joint committees

The Fourteenth Meeting of the EU-Montenegro Stabilisation and Association Parliamentary Committee was held on 18 December 2017 in Podgorica.

On 8 December 2017, the Ninth Meeting of the **Joint Advisory Committee between the EU Committee of the Regions and Montenegro** was held in Danilovgrad, focusing on economic development based on local resources and sustainable tourism.

The Tenth Meeting of the **Joint Consultative Committee of the Civil Sector between the European Union and Montenegro** was held in Brussels on 19 December 2017, in which the areas of media and digitisation were discussed.

Sectoral sub-committees

Three regular annual meetings of sectoral subcommittees between Montenegro and the European Union were held: Subcommittee on industry, trade, customs, taxes and cooperation with other candidate countries, on 3 October 2017 and Subcommittee for Agriculture and Fisheries on 6 November 2017 in Brussels, i.e., the Subcommittee on Economic and Financial Issues and Statistics on 21 November 2017 in Podgorica.

The fifth meeting of the Special Working Group for Public Administration Reform established between the European Commission and Montenegro was held on 28 and 29 June 2017 in Podgorica.

In the period 2014-2020, Montenegro continues to take part in the EU programs: Horizon 2020, Cosme, Creative Europe (with the Media Sub-programme of 2015), European Employment and Innovation Programme, Europe for Citizens, Erasmus +, Customs and Fiscalis. Montenegro will also use the Interoperability Framework Program and the Common Framework for European Public Administration, Economy and Citizens - ISA, given that the Memorandum of Understanding between the European Union and Montenegro on participation in the Program was signed on 29 May 2018.

As regards the total foreign trade of goods between Montenegro and the European Union, in 2017 there was an increase in comparison with the previous year, so exports amounted to EUR 128.7 million (EUR 122.4 million in 2016), and imports EUR 1,091.3 million (EUR 992.6 million in 2016).

Having in mind the current stage of the European integration process and the increasingly complex and demanding obligations arising from the negotiation process, the process of aligning the national legislation with the EU acquis and meeting the SAA obligations, Montenegro expresses satisfaction with the current dialogue and indicates the interest for even closer contacts at the highest and expert level alike.

Point 4. Exchange of opinions concerning the situation in the Western Balkans

Montenegro is committed to developing good neighbourly relations and is determined to continue to contribute to the preservation of stability in the region. In the new capacity of the NATO member states and the most advanced country in the negotiations, we continue to share the knowledge and experience gained in the course of the accession processes.
