

Brussels, 31 October 2024
(OR. en)

15120/24

ELARG 154

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	31 October 2024
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2024) 694 final
Subject:	COMMISSION STAFF WORKING DOCUMENT Montenegro 2024 Report Accompanying the document COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF REGIONS 2024 Communication on EU enlargement policy

Delegations will find attached document SWD(2024) 694 final.

Encl.: SWD(2024) 694 final



EUROPEAN
COMMISSION

Brussels, 30.10.2024
SWD(2024) 694 final

COMMISSION STAFF WORKING DOCUMENT

Montenegro 2024 Report

Accompanying the document

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF REGIONS**

2024 Communication on EU enlargement policy

{COM(2024) 690 final} - {SWD(2024) 690 final} - {SWD(2024) 691 final} -
{SWD(2024) 692 final} - {SWD(2024) 693 final} - {SWD(2024) 695 final} -
{SWD(2024) 696 final} - {SWD(2024) 697 final} - {SWD(2024) 698 final} -
{SWD(2024) 699 final}

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1. INTRODUCTION¹

1.1. CONTEXT

Accession negotiations with Montenegro were opened in June 2012. To date, 33 negotiating chapters have been opened, of which three have been provisionally closed. Montenegro continued to broadly implement the Stabilisation and Association Agreement (SAA) and meetings of the joint bodies under the agreement took place at regular intervals.

Overall, the government accelerated preparations on EU accession and worked effectively, in particular on meeting the requirements stemming from the interim benchmarks of chapters 23 and 24. On 26 June 2024, the 16th meeting of the Accession Conference with Montenegro confirmed that Montenegro overall met the interim benchmarks for chapters 23 and 24 and adopted the closing benchmarks for these chapters. This opens a new phase in the accession negotiations, with the possibility to proceed with provisionally closing further chapters. To do so, it will be essential for Montenegro to establish a track record of implementation and deliver results on the ground.

The political commitment of the Montenegrin authorities to the strategic goal of European integration has been consistently stated as the key priority for the country and staying firm on EU strategic orientation remains key. Since its formation in October 2023, the government has been operating in a generally stable political environment, with less polarisation compared to recent years.

However, the country and its institutions are fragile and vulnerable to political crisis and potential institutional blockages. No nationwide elections took place; local elections were held in five municipalities. Overall, the electoral framework requires a comprehensive revision. The parliament elected in June 2023 held its first session at the end of October 2023 and has generally been operating regularly, largely with consensus on key EU related reforms.

Montenegro has actively engaged in implementing the new Growth Plan for the Western Balkans across its four pillars: (i) gradual integration with the EU's Single Market, (ii) regional economic integration, (iii) fundamental reforms and (iv) increased financial support.

Significant efforts have been made on gradual integration. On 26 September 2024 Montenegro adopted its Reform Agenda, as envisaged under the Reform and Growth Facility². The Reform Agenda covers reform milestones in the areas of: (1) business environment and private sector development; (2) digital and green transition; (3) human capital development and (4) fundamental rights and the rule of law.

The Commission's 2024 rule of law report also covered Montenegro for the first time.

1.2. MAIN FINDINGS OF THE REPORTS³

CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

¹ The 2024 report is presented in a renewed format and structure. Main findings of the report, together with the recommendations (previously grey assessment boxes) are brought together at the beginning of the report. Furthermore, under the fundamentals cluster, for better readability and comparability across all reports, certain data is provided (also) in the form of graphs.

² OJ L, 2024/1449, 24.5.2024

³ This report covers the period from 15 June 2023 to 1 September 2024. It is based on input from a variety of sources, including contributions from the government of Montenegro, EU Member States, European Parliament reports and information from various international and non-governmental organisations. It also includes the results of comparative assessments and indices produced by other stakeholders, in particular in the area of rule of law.

The report uses the following assessment scale to describe the state of play: early stage, some level of preparation, moderately prepared, good level of preparation and well advanced. To describe progress made during the reporting period, it uses the following scale: backsliding, no progress, limited progress, some progress, good progress and very good progress. Where appropriate, interim steps have also been used.

Democracy

While the conduct of the *elections* is mostly satisfactory overall, the legal framework requires a comprehensive reform and alignment with EU law of the election legislation, voting and candidacy rights restrictions, transparency, mechanisms of dispute resolution, and oversight of campaign finance and media. The majority of pending OSCE/ODIHR recommendations have not been addressed. Montenegro should further strive to align its electoral processes to highest democratic standards.

Parliament can exercise its powers in a mostly satisfactory way. Despite the persisting fragmentation of the parliamentary landscape, a majority has emerged since October 2023, ending a prolonged period of political instability. Consensus on key EU accession related reforms extended to both ends of the political spectrum and EU-related legislation was adopted by unanimity in Parliament. However, tensions and inter-ethnic polarisation has resurfaced, having an adverse impact on political stability. During the summer of 2024 the Parliament took some hasty legislative initiatives failing to apply the necessary transparency.

Montenegro has put in place a revised set of institutional structures that have been delivering adequately on the *integration* process. A new negotiation structure in charge of EU accession negotiations, headed by the Chief Negotiator, adequately fulfils its role of coordinating the country's EU accession negotiations. The coordinating role of the Ministry of European Affairs should be strengthened, and additional resources and expertise added.

The *government* has been holding regular sessions. However, recurring internal rifts between certain ministers and the Prime Minister have undermined the government's cohesion and overall effectiveness.

Civil society organisations (CSOs) in Montenegro operate in an enabling environment. The main legal and institutional framework for civil society to operate freely is in place. The role of civil society in policy making is formalised, yet at times purely symbolic. The Council for Cooperation between the Government and non-governmental organisations (NGOs) has not resumed work. Further efforts are needed to ensure genuine and meaningful cooperation between the government and CSOs.

Public administration reform

Montenegro is **moderately prepared** in this area. Overall, **limited progress** was made. Some measures were taken to improve the capital investment planning and management, notably by setting up a Public Investments Council, but more effort is needed to improve the public investment management framework. The number of requests for public information and related appeals further increased.

The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Montenegro should, in particular:

- adopt and implement amendments to the Law on access to information, in line with the principles of good public administration, and introduce measures to reduce the high number of requests for information and related appeals;
- amend and implement the Law on civil servants and state employees and the Law on local self-government, to ensure that recruitment follows the principles of merit, competence and transparency;
- put in place a unified, comprehensive and transparent system for capital investment planning and management.

Chapter 23: Judiciary and fundamental rights

Montenegro remains **moderately prepared** to apply the EU *acquis* and European standards in this area and has made **good progress** overall. Good progress was achieved as regards justice reform, the fight against corruption, and freedom of expression and media freedom, with substantial reforms to the legislative and strategic frameworks. In June 2024, the European Commission assessed in its

interim benchmark assessment report that Montenegro had fulfilled the interim benchmarks for chapter 23, and consequently the closing benchmarks for chapter 23 were set.

Functioning of the judiciary

Montenegro's judicial system is **moderately prepared** and has made **good progress** on key judicial reforms and last year's recommendations. A new strategic framework was put in place, and substantial amendments were adopted to the Law on Judicial Council and Judges, the Law on State Prosecution Service, and the Law on Special State Prosecution Service aiming to align them with the EU *acquis* and European standards, based on the European and Venice Commissions' recommendations. Further efforts will need to be ensured to continue their alignment. Progress was made on transparent and merit-based high-level judicial appointments, following a long period of standstill. The Parliament appointed by qualified majority a new permanent Supreme State Prosecutor, three members of the Judicial Council and one judge of the Constitutional Court, and only a permanent President of the Supreme Court remains to be appointed.

The Commission's recommendations from last year were largely met. In the coming year, Montenegro should, in particular:

- appoint a permanent President of the Supreme Court, as well as other high-level judicial positions, through a merit-based and transparent procedure, to ensure the proper functioning and accountability of the justice system;
- ensure full and effective implementation of the improved strategic and legal framework to address existing challenges, and further align the legal framework, including the Constitution, in particular on the composition and decision making process of the Judicial Council, with the EU *acquis* and European standards on judicial independence, accountability, impartiality, integrity, efficiency, and professionalism of the judicial system, addressing the remaining recommendations from the European Commission, the Venice Commission and the Council of Europe Group of States against Corruption (GRECO), to decisively restore the stability, credibility and public trust in the justice system;
- fully implement the Plan for the rationalisation of court network and the Strategy for digitalisation of the judiciary, to improve human, financial, and physical infrastructure in the judiciary and state prosecution service.

Fight against corruption

Montenegro is **between having some level of preparation and a moderate level of preparation** in the fight against corruption. **Good progress** was made on key reforms and last year's recommendations. The strategic framework has improved with the adoption of a new 2024-2028 Anticorruption Strategy, aiming to align it with European and international standards, by addressing prevention and repression of corruption, as well as international cooperation. Likewise, the legal framework was substantially upgraded with the adoption of a new Law on Prevention of Corruption and amendments to the Law on Confiscation, with the aim to align them with European standards by addressing existing loopholes. In addition, a new Law on lobbying was adopted, in line with the EU *acquis* and European standards. New guidelines were adopted to improve the use of plea bargain agreements by prosecutors and judges in corruption cases, including high-level corruption, to ensure an effective and deterrent criminal justice response.

The Commission's recommendations from last year were largely met. In the coming year, Montenegro should, in particular:

- ensure full and effective implementation of the improved strategic and legal frameworks to address existing challenges, and continue its alignment with the EU *acquis* and European standards on prevention and fight against corruption by addressing the remaining recommendations from the European Commission, the Venice Commission and the Council of Europe Group of States against Corruption (GRECO) and peer review missions, including on its institutional set up and effective functioning;

- further improve the track record on corruption, including high-level corruption, by urgently strengthening the effective enforcement of the existing criminal legislation by the prosecution and courts, including by imposing effective and deterrent penalties;
- urgently amend Law on financing of political entities and election campaign to address the existing shortcomings and bring it fully in line with European standards, to substantially increase transparency and control of the spending of political parties, and prevent the abuse of state resources, including through dissuasive sanctions.

Fundamental rights

The legislative and institutional framework on fundamental rights is largely in place and Montenegro continues to largely meet its international obligations on human rights. However, more effort is needed to fully implement this framework and to ensure access to justice and enforcement of rights in administrative and judicial proceedings, in particular for vulnerable groups. The most vulnerable groups in society (including Roma and Egyptians, persons with disabilities, LGBTIQ persons) continued to be subjected to discrimination, hate speech and hate crime. More effort is needed to effectively address all recommendations from the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment (CPT).

The Commission's recommendations from last year were partially implemented, with substantial progress in drafting a new anti-discrimination law, and the revision of relevant criminal legislation, and remain largely valid. In the coming year, Montenegro needs in particular to:

- make substantial progress in implementing all pending recommendations of the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment (CPT);
- make substantial progress in implementing the Strategy for the Advancement of the Status of Roma⁴ and Egyptians in Montenegro, as well as commitments under the Poznan Declaration;
- adopt a new law on anti-discrimination and a new law on personal data protection, in line with the EU *acquis*, European and international standards.

Freedom of expression

Montenegro has a pluralistic media environment and is **between having some level of preparation and moderate level of preparation** in the area of freedom of expression. Overall, **good progress** was achieved in the reporting period, notably with the adoption a media legislative package – new Media Law, new Law on Audiovisual Media Services and new Law on Public Broadcaster RTCG – in line with the EU *acquis*, and European standards, which was a key recommendation of last year's report.

The Commission's recommendations from last year were largely implemented. In the coming year, Montenegro needs in particular to:

- continue to provide prompt and effective law enforcement and institutional protection to journalists against all forms of violence, while prioritising investigations and judicial follow-up in key cold cases;
- ensure consistent implementation of all media-related legislation and uphold a zero-tolerance policy to any form of pressure or harassment of journalists, including by public officials;
- safeguard against any form of undue influence on the editorial, institutional or financial independence of the public broadcaster RTCG, which needs to comply fully with the law and with the highest standards of professional integrity and accountability.

⁴ In line with the terminology of European institutions the umbrella term 'Roma' is used here to refer to a number of different groups, without denying the specificities of these groups.

Chapter 24: Justice, freedom and security

Montenegro has **between a moderate and a good level of preparation** in the area of justice, freedom and security. Montenegro has made **good progress** combating organised crime and on the management of migration and asylum. In June 2024, the European Commission assessed in its interim benchmark assessment report that Montenegro had fulfilled the interim benchmarks for chapter 24, and consequently the closing benchmarks for chapter 24 were adopted.

The Commission's recommendations from last year were partially implemented. In the coming year, Montenegro should in particular:

- increase the efficiency of prosecution/adjudication for serious and organised crime cases, especially cases of money laundering; address the lengthiness of trials and frequent adjournments in organised crime cases; ensure the application of key legal concepts such as stand-alone money laundering (independent of the predicate crime) and quality of evidence by the courts and the prosecution; and ensure the seizure and confiscation of criminal assets – by systematic tracking of money flows, the efficient use of special investigative measures and the consistent use of extended confiscation;
- further strengthen border management capacity by addressing critical gaps in border surveillance infrastructure and equipment; take the necessary steps to set up an advance passenger information system and a biometric migrant registration system;
- further align Montenegro's visa policy with the EU's list of visa-required countries, in line with the commitments taken in the Reform Agenda, in particular with regard to countries presenting irregular migration or security risks to the EU.

Fight against organised crime

Montenegro is **moderately prepared** in the fight against organised crime. **Good progress** was made with the adopted legislative amendments in the areas of money laundering and trafficking in human beings.

The Commission's recommendations from last year were partially implemented. In the coming year, Montenegro should in particular:

- make progress on filling vacancies in the Special Police Unit (SPU), SSPO and High Court of Podgorica; provide suitable premises to the SSPO and SPU and reorganise the Special Investigative Measure (SIM) division;
- further amend its legislation on weapons to align with EU *acquis* and international standards;
- address the risks of corruption and infiltration of organised crime into law enforcement agencies and the judiciary by implementing a strong prevention policy and providing a stringent judicial response to detected cases; urgently implement the reorganisation in the Ministry of Interior /police in the area of corruption prevention and internal control.

ECONOMIC CRITERIA

The existence of a functioning market economy

Montenegro has made **some progress** and is **moderately prepared** in developing a functioning market economy. Strong economic growth and one-off revenues supported a small budget surplus in 2023, but fiscal vulnerabilities remain given high public financing needs, elevated interest rates and persistent social spending pressures. The labour market situation improved, but structural problems persist. The banking sector remained well capitalised and liquid. Some progress was made in improving the business environment and preparing the reform of state-owned enterprises (SOEs).

Last year's recommendations were addressed to some extent but remain mostly valid. To improve the functioning of the market economy, Montenegro should in particular:

- adopt and implement additional fiscal measures, which would help targeting the achievement of a budget deficit below 3% of GDP, and a public debt ratio converging towards 60% of GDP by 2026;
- implement the Law on budget and fiscal responsibility to set up a fiscal council, while ensuring full transparency in selecting its council members; and
- prepare an analysis of the economic and fiscal impact of current tax exemptions and a fiscal risk assessment of SOEs.

The capacity to cope with competitive pressure and market forces within the EU

Montenegro has made **limited progress** and is **moderately prepared** to cope with competitive pressure and market forces in the EU. The education system still faces numerous challenges, as shown by the results of international surveys. Efforts to advance a green and digital transition have continued, but large infrastructure gaps persist. Further efforts are needed to diversify Montenegro's narrow production base. Obstacles to increasing the productivity and competitiveness of local firms include the low value added by domestic products, the small size of local companies and their low level of participation in exports.

The Commission's recommendations from last year were implemented to a limited extent and remain mostly valid. In the coming year, Montenegro should in particular:

- continue implementing digital services for micro, small and medium-sized enterprises and prioritise the development and implementation of an interactive e-government platform for transactional electronic services;
- improve programmes for dual vocational education and training and tertiary education, in close cooperation with business associations, and providing work-based learning;
- improve the institutional and regulatory environment for the green transition and increase energy resilience by adopting the National Energy and Climate Plan and implementing energy efficiency legislation.

Chapter 5 - Public procurement

Montenegro has **between a moderate and a good level of preparation** in this area. **Some progress** was achieved in 2023 in further improving the functioning of the electronic procurement system.

The Commission's recommendation from last year were partially implemented and remain largely valid. In the coming year, Montenegro should, in particular:

- increase the level of transparency regarding public procurement contracted under intergovernmental agreements and reduce the number of procurement procedures for which no contract notice is published;
- reach full compliance with the EU public procurement rules and principles in all cases.

Chapter 18 - Statistics

Montenegro is **moderately prepared** in the area of statistics. Overall, **some progress** was made. In particular, the enumeration and data processing phases of the national population and housing census were completed. Measures were taken to reinforce the Statistical Office of Montenegro (MONSTAT), but challenges remain with human resources and infrastructure.

The Commission's recommendations from last year were partially implemented and remain mostly valid. In the coming year, Montenegro should, in particular:

- start regular production and transmission to Eurostat of: (i) government financial statistics, which can be published; and (ii) properly completed tables for the excessive deficit procedure;

- strengthen the human and financial resources of MONSTAT so it can fully fulfil its responsibilities and retain expert staff;
- implement the agricultural census and publish the results of the national population and housing census, in line with EU requirements and recommendations.

Chapter 32 - Financial control

Montenegro is **moderately prepared** in the area of financial control. Overall, **limited progress** was made. Some effort was made to strengthen the centralised budget inspection function at the Ministry of Finance. The delegation of authority in the field of financial management and internal control remains limited.

The Commission's recommendations from last year were partially implemented and remain mostly valid. In the coming year, Montenegro should in particular:

- further operationalise the centralised budget inspection function in the Ministry of Finance, by allocating appropriate staff;
- extend the application of managerial accountability in public administration, with increased delegation of authority in the field of financial management and internal control;
- further align its legislation with the EU *acquis* on fraud prevention regarding the EU's financial interests, by: (i) adopting amendments to the Criminal Code; (ii) further strengthening the coordination capacity of the National Anti-fraud Coordination Service; and (iii) adopting a new national anti-fraud strategy for 2024-2027.

CLUSTER 2: INTERNAL MARKET

Chapter 1: Free movement of goods

Montenegro is **moderately prepared** as regards the free movement of goods. **Some progress** was made on alignment with the EU *acquis* on chemicals, medicines for human and veterinary use, medical devices and on construction products, and on improving the capacity of the bodies working on the EU chemicals *acquis*.

The Commission's recommendations from last year were partially implemented and remain mostly valid. In the coming year, Montenegro should in particular:

- complete the alignment of its legislation with the EU *acquis*, notably on medicines, motor vehicles and market surveillance;
- complete all the measures necessary to ensure full membership of the Institute for Standardisation of Montenegro (ISME) in the European Committee for Standardisation (CEN) and the European Committee for Electrotechnical Standardisation (CENELEC);
- continue to strengthen the human and financial capacity of its quality infrastructure and market surveillance bodies.

Chapter 2 - Freedom of movement for workers

Montenegro has **some level of preparation**. **Limited progress** was made related to the conclusion of bilateral social security agreements. Initial steps were also taken to upgrade the administrative and technical capacity of the Employment Agency.

Last year's recommendations remain largely valid. In the coming year, Montenegro should in particular:

- take decisive action to improve the functioning of the Employment Agency such that it promotes and implements relevant and evidence-based active labour market policies;

- adopt an action plan for implementing the EU *acquis* in this area and step up legislative alignment to implement EU *acquis* on free movement of workers upon accession;
- step up efforts to conclude bilateral social security agreements with all EU Member States, and at least with additional five Member States in the coming year.

Chapter 3 - Right of establishment and freedom to provide services

Montenegro is **moderately prepared** in this area. **Limited progress** was made by adopting a new strategy for developing the postal services in 2024-2028, and in the area of services by establishing the Point of Single contact portal.

The Commission's recommendations from last year were partially implemented and remain partially valid especially the need to progress in the area concerning professional qualifications to advance on the closing benchmarks in this chapter. In the following period, Montenegro should in particular:

- adopt and finalise the justification grounds for each of the professions it regulates;
- amend the horizontal law on services to ensure full compliance with the EU Services Directive and adopt legislation to align at least 5 priority service sectors with the EU Services Directive, following the finalisation of an exhaustive mapping exercise regarding the state of play concerning alignment of Montenegrin sectoral legislation with the EU Services Directive;
- accelerate the alignment of the study programmes and finalise it for the seven sectoral professions (doctors of medicine, dental practitioners, architects, general care nurses, veterinary surgeons, pharmacists and midwives) with the Professional Qualifications Directive.

Chapter 4 - Free movement of capital

Montenegro is **moderately prepared** in this area. **Some progress** was made mainly related to the adoption of the new Law on the prevention of money laundering and terrorist financing, amendments to the Law on games of chance and the adoption of secondary legislation on payment systems.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Montenegro should in particular:

- continue aligning with the EU *acquis* on capital movements and payments, including on the acquisition of property rights by EU nationals;
- strengthen further the anti-money laundering supervision of the non-financial sector, particularly in high-risk areas such as games of chance, by further amending the Law on games of chance and the Law on the prevention of money laundering and terrorism financing.

Chapter 6 - Company law

Montenegro has **good level of preparation** in the area of company law. **No progress** was made.

The Commission's recommendation from last year were not implemented and remain valid. In the coming year, Montenegro should, in particular:

- finalise, adopt and start implementing (i) the draft company Law and Law on business organisations, to further align national legislation with the *acquis* on company law including on certain aspects of company law, which includes amongst others the conversion of documents and information recorded in the national business register into a machine readable and searchable format or structured data, the connection of the national business register with the EU Business Register Interconnection System (BRIS), (ii) the use of digital tools and processes, (iii) the cross-border mergers, divisions, conversions and (iv) the encouragement of long-term shareholder engagement;

- complete alignment with: (i) the Transparency Directive, including the sanctioning regime and the Directive on the harmonisation of transparency requirements; and (ii) the Directive on accounting, as regards the financial reporting regime for micro and small companies and dividend distribution;
- finalise and adopt the revision of the Corporate Governance Code.

Chapter 7 - Intellectual property law

Montenegro is **between having a good level of preparation and being well advanced** in the area of intellectual property law. **Very good progress** was made during the reporting period in aligning national legislation with the EU *acquis* namely by adopting amendments to the Law on copyright and related rights and through the adoption of the Law on ratification of the Geneva Act of the Lisbon Agreement on Appellations of Origin and Geographical Indications.

The Commission's recommendations from last year were fully implemented. In the coming year Montenegro should in particular:

- continue to reinforce the implementation of the intellectual property strategy 2023-2026, specifically addressing staff shortages, providing annual training to market inspectors on IPR matters and strengthening the IT capacity;
- improve criminal enforcement by, inter alia, adopting legislation and providing trainings to the relevant authorities;
- reestablish a fully functional online register of industrial property rights by end of 2024 publicly available online;

Chapter 8 - Competition policy

Montenegro is **moderately prepared** in this area. **No progress** was made on last year's recommendations. A decision on the prohibition of cartel practices was taken and secondary legislation on State aid was adopted.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Montenegro should, in particular:

- adopt the new Law on protection of competition and the new Law on control of State aid, ensuring further alignment with the EU *acquis*. Finalise and implement a plan to ensure the financial independence of the Agency for Protection of the Competition (APC) and judicial overview in compliance with the Directive to empower the competition authorities of the Member States to be more effective enforcers and to ensure the proper functioning of the internal market;
- strengthen administrative and judicial capacities in the area of antitrust, mergers and State aid control, including by ensuring additional personnel, as well as specific measures to address identified gaps in judicial capacity;
- Montenegro should intensify its efforts to further improve its track record on antitrust, mergers and State aid, as well as to conclude the pending major investigations of benchmark State aid cases, and, if necessary, recover the funds in question.

Chapter 9 - Financial services

Montenegro is **moderately prepared** in the area of financial services. **Limited progress** was achieved, with some secondary legislation acts adopted by the central bank, while work continued on several legal acts on banking, insurance and capital markets.

The Commission's recommendations from last year were only partially implemented and remain valid. In the coming year, Montenegro should:

- adopt EU-aligned legislation on capital requirements, bank resolution and supervision of financial conglomerates;
- continue working on alignment with the EU *acquis* on insurance, including Solvency II Directive;
- complete alignment with the EU laws on open-ended investment funds, alternative investment funds and financial market infrastructures.

Chapter 28 - Consumer and health protection

Montenegro is **moderately prepared** in the area of consumer and health protection. **Some progress** was made by strengthening the national Consumer Protection Council, by further alignment with the EU *acquis* on communicable diseases and the adoption of 2023-2027 healthcare development strategy and 2023-2024 action plan.

The Commission's recommendations from last year were partially implemented and remain mostly valid. In the coming year, Montenegro should in particular:

- complete the alignment of national legislation with the EU consumer protection *acquis* and with the EU *acquis* on substances of human origin and on patients' rights in cross-border healthcare;
- further strengthen the role and effectiveness of the Council for Consumer Protection;
- develop a national strategy on immunisation, in line with the best international practices and methodologies.

CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

Chapter 10 - Digital transformation and media

Montenegro has a **good level of preparation** in the area of digital transformation and media. **Very good progress** was made, with the adoption of the Law on audio-media visual services as part of a comprehensive media reform package and the adoption of the Law on electronic communication aligning with the European Electronic Communications Code. Through this Law, Montenegro brought its legislation in line with the EU *acquis* as regards the provisions on the independence of the national regulatory authority for electronic communications. In addition, the Agency for Electronic Media (AEM), now known as Agency for Audiovisual Media Services (AMU), was granted legal powers to impose fines. Montenegro launched public calls under the Digital Europe Programme.

The Commission's recommendations from last year were implemented. In the coming year, Montenegro should in particular:

- adopt and implement the Law on information security, fully aligning with the Network and Information Security (NIS2) Directive;
- ensure it maintains a good track record on enforcing the EU *acquis* on electronic communications and audiovisual media services;
- proceed with additional recruitment of staff to fulfil the remaining planned posts, thus strengthen further the administrative capacities in the field of electronic communications, information society services and audio-visual media services.

Chapter 16 - Taxation

Montenegro is **moderately prepared** in the area of taxation. Overall, **limited progress** was made, mainly on further aligning the legislation on excise taxes and VAT and corporate income tax with the EU *acquis*. The separation of the Tax Administration from the former Revenue and Customs Administration entailed organisational changes and slowed down the development of administrative

capacity and required infrastructure, notably as concerns the interconnection with the EU IT systems in the area of taxation.

The Commission's recommendations from last year were partially implemented and remain mostly valid. In the coming year, Montenegro should in particular:

- further remove indirect tax exemptions that are not aligned with the EU *acquis* including those on fuel supplied to pleasure boats, and introduce fuel markers to avoid misuse of reduced-rate fuel;
- increase staffing in the Tax Administration to the level necessary for effective and efficient operations, including fighting corruption, and provide extensive training in the fields of tax inspection and risk assessment;
- strengthen the technical capacity and infrastructure needed to apply the EU IT systems, such as the Excise Movement Control System (EMCS) and the VAT Information Exchange System (VIES), and the IT systems necessary for tax cooperation and exchanging information in the field of direct taxation.

Chapter 17 - Economic and monetary policy

Montenegro is **moderately prepared** and has made **some progress** in the area of economic and monetary policy. The implementation of the action plan for alignment with the EU *acquis* advanced.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Montenegro should:

- continue to implement the revised action plan for alignment with the EU *acquis* under this chapter;
- ensure that the Ministry of Finance, the Central Bank of Montenegro and Monstat cooperate, coordinate among themselves and have appropriate capacity to produce government finance statistics and fiscal notifications in accordance with the ESA 2010 methodology.

Chapter 19 - Social policy and employment

Montenegro has **some level of preparation** in this area. **Some progress** was made, in particular on work towards the legislative alignment of the labour law and on anti-discrimination, as well as advancing the reform of the Employment Agency.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Montenegro should in particular:

- continue to strengthen the Employment Agency so that it can efficiently play its role as a modern public employment service, and effectively implement the Youth Guarantee and future use of the European Social Fund (ESF);
- intensify reform efforts for improved and timely provision of active labour market measures with an emphasis on their labour market relevance;
- adopt the Strategy and Law on social and child protection and start implementing the reform.

Chapter 20 - Enterprise and industrial policy

Montenegro achieved **a good level of preparation** in this area. **Good progress** was made, notably by implementing enterprise and industrial policy and completing preparations for alignment with the current EU policy framework.

The Commission's recommendations from last year were mostly implemented. In the coming year, Montenegro should:

- implement the new industrial policy, in cooperation with all relevant stakeholders;

- align with the EU Late Payments Directive;
- continue addressing various business barriers identified by the Competitiveness Council.

Chapter 25 - Science and research

Montenegro has a **good level of preparation** in this sector. **Good progress** was made, notably on continuing the implementation of the Smart Specialisation Strategy and strengthening academia-business cooperation and adoption of the strategy for scientific research.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Montenegro should:

- adopt a new smart specialisation strategy and continue to implement it;
- further strengthen the national innovation ecosystem;
- adopt the new research and development strategy and adopt the law on scientific research activities.

Chapter 26 - Education and culture

Montenegro has a **good level of preparation** in this area. **Some progress** was made, notably on advancing preparations for the sectoral reform strategy and implementing the strategy on early and preschool education. The recommendation related to evaluation mechanisms for practical learning remains to be addressed.

In the coming year, Montenegro should in particular:

- adopt a high-quality, comprehensive and costed education sector strategy with clear and realistic targets based on evidence; and a solid financial framework for its sustained implementation;
- put in place mechanisms to evaluate practical learning at VET and higher education levels and to ensure increased work-based learning with employers.
- ensure full implementation, funding and monitoring of the new Youth Strategy 2023-2027.

Chapter 29 - Customs union

Montenegro is **moderately prepared** for the customs union. It made **some progress**, advancing preparations for its accession to the Common Transit Convention and amending its legislative framework on intellectual property rights and cultural goods.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Montenegro should in particular:

- finalise the legal and technical preparations for the country's accession to the Common Transit Convention and for the implementation and operation of the New Computerised Transit System (NCTS – phase 5);
- adopt and implement new business strategy and IT strategy of Customs Administration;
- ensure sufficient staffing levels and funding to upgrade its IT systems, enabling interconnection and interoperability with the EU electronic customs environment.

CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

Chapter 14 - Transport policy

Montenegro is **between moderate and a good level of preparation** in this area. There was **limited progress** on key reforms, with the adoption of the new road safety strategy.

The Commission's recommendations from last year were only partially implemented and remain valid. In the coming year, Montenegro should in particular:

- adopt a new railway law to ensure that fully functional, operationally independent and appropriately staffed railway regulatory body and railway safety authority are in place;
- lay down the strategic Intelligent Transport System framework for the rail and maritime networks;
- ensure full implementation, funding and monitoring of 2024-2030 road safety strategy.

Chapter 15 - Energy

Montenegro has reached a **good level of preparation** in this area. **Limited progress** was achieved, with drafting the National Energy and Climate Plan and implementing renewable energy projects. Montenegro is significantly delayed on drafting and adoption of the National Energy and Climate Plan, alignment with the *acquis* on mandatory oil stocks and on alignment with the Electricity Integration Package.

The Commission's recommendations from last year were only partially implemented and remain largely valid. In the coming year, Montenegro should, in particular:

- finalise and start implementing the National Energy and Climate Plan, in line with the Energy Community energy and climate targets;
- adopt and implement the Law on energy, transposing the Electricity Integration Package and the Law on security of supply of oil products, also appointing the stockholding body for the mandatory oil reserves;
- accelerate alignment with the Energy Performance of Buildings Directive and deployment of energy efficiency along new targets, to align with the EU renovation wave policy.

Chapter 21 - Trans-European networks

Montenegro is **between a moderate and a good level of preparation** in this area. There was **no progress** on key reforms.

The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Montenegro should in particular:

- review its transport development strategy and align it with the strategy for sustainable and smart mobility in the Western Balkans, confirming a policy shift towards rail, multimodality and reducing CO₂ emissions and other environmental impacts;
- strengthen administrative capacity and develop institutional policies to hire and retain skilled staff to manage infrastructure projects in the areas of transport, telecommunications and energy;
- revise institutional policies to improve decision-making on infrastructure projects and increase the capacity to absorb funding.

Chapter 27 - Environment and climate change

Montenegro has **some level of preparation** in this area. **Some progress** was made in further aligning national legislation with the EU *acquis*, namely through the adoption of the Law on waste management, the Law on biocidal products, and, in the field of civil protection, by connecting fully to the EU's Common Emergency Communication and Information System.

The Commission's recommendations from last year were partially implemented, and remain valid, in particular on the priority reforms needed. In the coming year, Montenegro should, in particular:

- significantly intensify work to achieve the closing benchmarks for Chapter 27, specifically on implementation and enforcement of legislation, including the adoption and implementation of

sectoral strategies, particularly in the areas of waste management, air and water quality, nature protection, and climate change and ensure that there is an institutional structure in place to deliver coordinated, strategic planning for climate and environmental investments;

- adopt implementing legislation necessary to implement the new Law on waste management and finalise and adopt the national waste management plan for the next 5-year period, followed by the adoption of waste management plans at local level;
- implement commitments under the Energy Community's Decarbonisation Roadmap in particular adopt and implement the National Energy and Climate Plan (NECP), and take steps for the alignment with the EU Emission Trading Scheme (ETS).

CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

Chapter 11 - Agriculture and rural development

Montenegro remains **moderately prepared** in this area. **Good progress** was achieved, mainly through improved implementation of the Instrument for Pre-accession Assistance for Rural Development (IPARD II and III), drafting an implementation plan for the establishment of a Paying Agency and an integrated administrative and control system (IACS) extending the area included in the land parcel identification system (LPIS). However, there were no developments regarding legislative alignment apart from the wine sector.

The Commission's recommendations from last year were largely implemented. In the coming year, Montenegro should in particular:

- ensure full absorption of the IPARD II funds by the end of 2024, and intensify the implementation of the IPARD III programme;
- further implement the action plan for aligning with the EU *acquis* on agriculture and rural development including the setting up of the paying agency and adoption of related legislation;
- ensure further progress with the roll-out of the land parcel identification system (LPIS) across the whole territory.

Chapter 12 - Food safety, veterinary and phytosanitary policy

Montenegro remains **moderately prepared**. **Some progress** was achieved through further alignment of implementing legislation with the EU *acquis*, the adequate monitoring of zoonoses, zoonotic agents and their antimicrobial resistance (AMR), the prompt tackling of an outbreak of African swine fever and an increase of establishments fulfilling EU standards.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Montenegro should in particular:

- finalise alignment of its legislation with the *acquis* on official controls and strengthen its administrative, inspection and infrastructure capacities to implement the system of official controls;
- establish robust passive surveillance of rabies and independently continue with the aerial rabies vaccination as necessary. In addition, strengthen the surveillance programme for notifiable avian diseases;
- pursue the efforts to approximate national legislation with the EU animal welfare legislation until alignment is complete and strengthen administrative and inspection capacities for its implementation by engaging additional staff for food safety, veterinary and phytosanitary sectors.

Chapter 13 - Fisheries and aquaculture

Montenegro has **some level of preparation** in this area. **Some progress** was made through the adoption of the new 2024-2029 fisheries and aquaculture strategy and its action plan, the adoption of an agreement on subsidies and fisheries within the WTO framework, the adoption of the Law on market organisation in fisheries and aquaculture and the updating of legislation.

The Commission's recommendations from last year were partially implemented and remain partially valid. In the coming year, Montenegro should, in particular:

- increase its administrative, control and inspection capacities;
- finalise and adopt pending legislation on structural measures and State aid in fisheries and aquaculture, on Marine fisheries and Mariculture and start work on implementing legislation.

Chapter 22 - Regional policy and coordination of structural instruments

Montenegro is **moderately prepared** in this area. **Some progress** was made with work on updating the Chapter 22 Action Plan and preparations for IPA III operational programmes (Instrument for Pre-accession Assistance) and the related budget entrustments.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Montenegro should in particular

- advance implementation of the updated action plan for chapter 22.
- strengthen its administrative capacity in both designing and implementing policies relevant for the country's economic and social cohesion and its regional competitiveness, including strengthened interinstitutional coordination and structured dialogue with social partners (employers groups and unions) and civil society, which should be involved in policy development, implementation, monitoring and evaluation.
- work on a solid pipeline of projects irrespective of the source of funding, along with a framework for strategic sectoral orientations and policies, while improving project preparation, procurement and implementation in line with EU and international standards.

Chapter 33 - Financial and budgetary provisions

Montenegro has **some level of preparation** in this area. Overall, **limited progress** was made. Progress took place mainly concerning the adoption of implementing legislation and guidelines on the procedure for planning the resources that Montenegro pays to the EU budget.

The Commission's recommendations from last year were partially implemented and remain mostly valid. In the coming year, Montenegro should in particular:

- strengthen the administrative capacity of the Directorate for Coordination and Management of EU Own Resources and of all other institutions involved in the own-resources system, notably by developing organisational and procedural links between these institutions;
- fully implement the improvements to the IT system of the Revenue and Customs Administration enabling a full audit trail and reporting on customs duties;
- adopt implementing legislation on collecting debts on movable and immovable property and procedures for writing off uncollectible customs debt and start their implementation.

CLUSTER 6: EXTERNAL RELATIONS

Chapter 30 - External relations

Montenegro has a **good level of preparation**. **Some progress** was made in the field of regional cooperation and development policy and humanitarian aid.

The Commission's recommendations from last year were partially implemented and remain largely valid. In the coming year, Montenegro should in particular:

- continue to actively participate in the implementation of measures under the Common Regional Market action plan for 2021-2024, implement actions under the new action plan for 2025-2028 and take the necessary steps to implement Additional Protocol 7 to the CEFTA on dispute settlement;
- ensure proper implementation of the new Law on international development cooperation and international humanitarian assistance and set up a database on donor support projects.

Chapter 31 - Foreign, security and defence policy

Montenegro has a **good level of preparation**. **Good progress** was made as the country maintained its track record of full alignment with relevant statements by the High Representative on behalf of the EU and Council decisions on sanctions, including with the EU restrictive measures related to Russia's invasion of Ukraine and has provided assistance to Ukraine. Montenegro continued to participate in EU crisis management missions and operations under the common security and defence policy.

The recommendations from last year were implemented. In the coming year, Montenegro should, in particular:

- maintain its full alignment with the EU common foreign and security and strengthen its enforcement capacity regarding restrictive measures.
- take further efforts to close space for foreign interference and information manipulation, including disinformation, and take action towards building resilience against all forms of hybrid threats by adopting the strategy on countering hybrid threats and its related action plan.

1.3. STATE OF PLAY OF THE ACCESSION NEGOTIATIONS

CLUSTERS	Chapters / areas	Date chapter opened / closed with interim or closing benchmarks
Fundamentals <i>All chapters open</i>	23-Judiciary and fundamental rights 24-Justice, freedom, security 5-Public procurement 18-Statistics 32-Financial control ...Economic criteria ...Functioning of democratic institutions ...Public administration reform	December 2013 December 2013 December 2013 December 2014 June 2014 - -
Internal market <i>All chapters open</i>	1-Free movement of goods 2-Freedom of movement for workers 3-Right of establishment and freedom to establish services 4-Free movement of capital 6-Company law 7-Intellectual property rights 8-Competition 9-Financial services 28-Consumer and health protection	June 2017 December 2017 December 2017 ... June 2014 December 2013 March 2014 June 2020 June 2015 December 2014
Competitiveness and inclusive growth <i>All chapters open, ch.25</i>	10-Information society and media 16-Taxation 17-Economic and monetary policy 19-Social policy and employment 20-Enterprise and industrial policy	March 2014 March 2015 June 2018 December 2016 December 2013

<i>and 26 provisionally closed</i>	25-Science and research 26-Education and culture 29-Customs union	December 2012 (opened and closed - no closing benchmarks); April 2013 (opened and closed – no closing benchmarks) December 2014
Green Agenda and sustainable connectivity <i>All chapters open</i>	14- Transport policy 15- Energy 21-Trans-European Networks 27-Environment and climate change	December 2015 December 2015 June 2015 December 2018
Resources, agriculture and cohesion <i>All chapters open</i>	11-Agriculture and rural development 12-Food safety, veterinary, phytosanitary services 13- Fisheries and aquaculture 22-Regional policy and coordination of structural instruments 33-Financial and budgetary provisions	December 2016 June 2016 June 2016 June 2017 December 2014
External relations <i>Both chapters open, ch.30 provisionally closed</i>	30-External relations 31- Foreign, security & defence policy	March 2015 – June 2017 provisionally closed June 2014

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2. CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

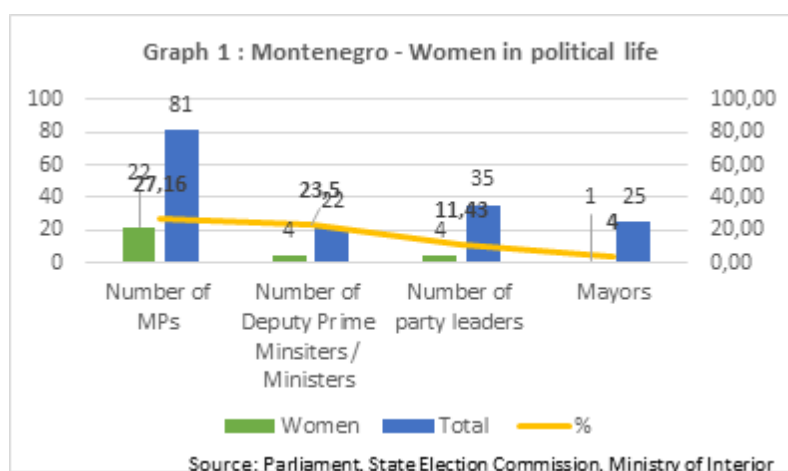
2.1. FUNCTIONING OF DEMOCRATIC INSTITUTIONS AND PUBLIC ADMINISTRATION REFORM

2.1.1 Democracy

The functioning of democratic institutions is satisfactory. Since its formation at the end of October 2023, the government has been operating in a generally stable political environment, with a lower level of polarisation compared to recent years. However, the country and its institutions are fragile and vulnerable to political crisis and potential institutional blockages.

Elections

No nationwide elections took place. Early elections were held in the municipalities of Budva and Andrijevica on 26 May 2024 and 2 June 2024 respectively, due to serious dysfunctions in their governance. Further early elections took place in Gusinje on 15 September, in Podgorica and Kotor on 29 September 2024. The election process in the municipality of Savnik, held in October 2022 and suspended in December 2022 due to irregularities, has not been completed to date.



While the legal framework provides a basis for the democratic conduct of elections, it should be comprehensively revised to address a number of gaps and inconsistencies. Parliament set up a committee for a comprehensive electoral reform, with a mandate until 31 December 2024, but no progress was made in following up on the pending OSCE/ODIHR recommendations and crucial issues concerning electoral legislative reform. Montenegro should further strive to align its electoral processes to highest democratic standards, such as the ones highlighted in the Commission Recommendation(EU) 2023/2829 of 12 December 2023.

The inclusion of women in political life remains low and is undermined by insufficient state and public efforts to overcome gender stereotypes and the failure of most political parties to promote women's participation.

Parliament

The parliament elected in June 2023 held its first session at the end of October 2023 and has been operating regularly overall. It assembled a clear majority to approve several key judicial appointments. In June 2024, it unanimously adopted twelve EU-related in the areas of judiciary, anti-corruption, and media. However, during summer 2024 the Parliament took some hasty legislative initiatives failing to apply the necessary transparency. The PM's question time took place irregularly and on some occasions was filibustered by the opposition.

Following its endorsement of the United Nations General Assembly Resolution on the Srebrenica genocide in May 2024, the government faced criticism from some majority parties in Parliament, with one temporarily withdrawing its support. On 28 June, part of the ruling majority supported a resolution on the 'genocide in the system of concentration camps Jasenovac, Dachau and Mauthausen' which was considered politically instrumental by the opposition and was perceived as antagonising by Croatia.

As part of their supervisory activities, the parliamentary committees considered numerous reports that independent bodies submitted to Parliament in accordance with the law. However, there is no uniform practice or approach to the conduct of parliamentary hearings. During 2024, the ruling majority repeatedly voted against control hearings requested by the opposition.

In 2023, the public submitted 52 requests for free access to information to Parliament, which were all responded to. Of 80 citizen petitions Parliament received by 31 December 2023, 58 were admissible and were all dealt with. Of 40 e-petitions, 22 did not get the required amount of signatures, 14 were not within the jurisdiction of Parliament, one resulted in a consultative hearing before the relevant committee, two are pending to be discussed at the relevant committee. One e-petition ended up in the form of a Draft Resolution submitted to the Parliament of Montenegro. No reports of violations of the Code of Ethics were submitted to the Committee on Human Rights and Freedoms.

In December 2023, Parliament formed a cross-party Women's MP Group.

EU integration

In December 2023, Montenegro established a new negotiation structure and appointed a Chief Negotiator as General Director in the Ministry of European Affairs reporting to the Minister. As part of the structure, lead negotiations for the clusters have been appointed and working groups in charge of each negotiating chapter were formed in February 2024. However, they are not meeting on a regular basis. The Ministry of European Affairs' overall coordination role is somewhat undermined by a lack of resources and limited influence over other ministries and structures.

Overall, the government greatly accelerated preparations on EU accession and worked effectively, in particular on meeting the requirements stemming from the interim benchmarks of chapters 23 and 24. This culminated in the adoption of a legislative package of 12 laws, as well as a package of three strategies, on which the European Commission and where relevant the Council of Europe or the Venice Commission had been consulted.

On 11 April 2024, the government adopted Montenegro's Programme of Accession to the European Union for 2024-2027. On 7 March and 2 August 2024, Montenegro adopted quarterly reports on its activities in the EU accession process. On 26 June 2024, the 16th meeting of the Accession Conference with Montenegro at ministerial level confirmed that, overall, Montenegro met the interim benchmarks for Chapters 23 and 24 and adopted the closing benchmarks for these chapters.

Governance

Following the June 2023 early parliamentary elections, the new government was established on 30 October 2023. In March 2024, the Prime Minister and Minister of the Interior failed to agree on a candidate for the acting Police Director, causing political tensions. In June, the PM initiated proceedings to dismiss the Minister of Justice, due to intra-party political disagreements. The coalition agreement from October 2023 envisaged a government re-shuffle within a year, which took place on 23 July 2024. The new government comprises 7 Deputy Prime Ministers and 24 ministers.

As for local governance, decentralisation in Montenegro is limited and primarily confined to utility services, water supply and public space maintenance. Even though local governments have their own remits on paper, in practice they often must secure approval from central authorities. Local governments have restricted financial autonomy and are often not consulted on draft laws that directly impact them. In December 2023, the Law on local self-government financing was amended, entailing reallocation of funds among the municipalities and aimed at increasing the income of the municipalities in the north.

Civil society

The overall legal and institutional framework on freedom of expression, association and assembly is in place, but some important pieces of legislation need reinforcing. The adoption of amendments to the Law on access to information has been pending for years. The tax law provides some incentives for philanthropy, but its notion of 'public interest' is limited, therefore restricting tax incentives for supporting CSOs. Montenegro has a Law on voluntary work, which sets out the rights and obligations

of volunteers. However, a broader legal framework is needed.

Civil society's role in policy-making is formalised, yet at times purely symbolic, so the government's practical implementation of this principle needs to be further reinforced. The 2022-2026 strategy for cooperation between state administration bodies and NGOs is being implemented, its practical application remains inadequate both in terms of public funding as well as its involvement in public consultations. The Council for Cooperation between the Government and NGOs has not resumed work since October 2021.

The relaunching of a dialogue between the government and civil society should be addressed as a matter of priority. A structure to monitor the strategy and to discuss the future Law on NGOs is yet not in place. In 2023, some ministries appointed CSO representatives to working groups for draft laws and national strategies, in compliance with the Law on public administration. However, not all ministries conducted public consultations on draft laws.

The public funding of NGOs is regulated by a set of rules to ensure transparency, including the obligation of ministries to conduct consultations with NGOs on annual funding priorities, to publish open calls and to award grants through a selection process involving external evaluators.

Despite the obligation prescribed by the Law on NGOs, not all ministries launched calls for proposals to finance NGO projects. Montenegro needs to strengthen ministries' capacity for strategic planning, monitoring and evaluation of support provided to CSOs to ensure public funding is awarded in a transparent and objective manner.

2.1.2. Public administration reform

Strategic framework for public administration reform

The strategic framework for public administration is in place. The quality and effectiveness of public administration reform (PAR) strategy still needs to be improved. The implementation rate of the **PAR Strategy** for 2022-2026 was low. Political instability and cyberattacks were reported as the main reasons for this. Political support for PAR was ensured through the PAR Council, chaired by the Prime Minister, although at administrative level coordination is lacking. Dialogue with the non-governmental stakeholders on the PAR agenda is underdeveloped, and Montenegro does not have a central online platform that would allow public and non-governmental stakeholders to regularly monitor progress achieved.

Policy development and coordination

The policy development and coordination aspects still need to be developed. The **legal framework** is in place. In April 2024, the government adopted its annual work programme for 2024 and its mid-term work programme (2024-2027). Coordination between governmental bodies could be improved. Montenegro's programme for accession does not include information on costing. There is no central, publicly accessible depository of government planning documents or reports.

Evidence-based policymaking is only partially implemented. The government report from August 2023 indicates that ministries do not regularly conduct public consultations, and wide use is made of exemptions. Moreover, the state administration falls short of its obligation to publish an annual list of laws and strategies scheduled for public consultation, and the e-participation portal is not used by citizens and stakeholders. The Ministry of Finance had an active role in promoting regulatory impact assessments (RIA) and it made the reports available on its website. However, the quality of legal drafts proposed by Members of Parliament is low, without any RIA or public consultations and almost non-existent quality control. The capacity of line ministries to integrate evaluations into the policymaking cycle is underdeveloped.

Public financial management

Public financial management is broadly in place but needs to be improved. The **Fiscal Council**, established by law, is not yet functional, as Parliament has yet to appoint its members. Fiscal targets (public debt) do not comply with fiscal rules. In February 2024 the government published an official

list of 50 state-owned enterprises (SOE) at central level, with basic data about their financial performance. There has been no debt management strategy in place since 2020.

The government made efforts to improve the management of the **capital budget**. In January 2024, it set up its first Public Investments Council to improve planning and implementation of public infrastructure projects. And in March 2024 it adopted a decision to improve procedures and define conditions for preparing capital budget projects. However, no independent appraisal of large capital investment projects is in place.

Due to the late formation of the government after the elections, the government breached the legal deadline for delivering the **budget** proposal for 2024 to Parliament. The draft mid-term government agenda published in February 2024 has no clear links to the annual programme budget framework. Reporting on the accomplishment of non-financial targets from the programme budget framework is yet to be established. The credibility of medium-term revenue and expenditure forecasts remains low. Montenegro continued to make progress on introducing gender-responsive budgeting but it is not embedded in the legal framework and the efforts have yet to yield tangible results. Accounting reforms have been delayed. Commitment control is not fully operational due to limitations in the accounting system and there are no accounting standards in place.

The Open Budget Survey published in May 2024 gives Montenegro a transparency score of 48 (out of 100), indicating insufficient **budget transparency**. Significant issues remain in the availability and content of the key budget documents. The amount of information in the annual budget seems excessive and poses difficulties for efficient scrutiny in Parliament.

Public service and human resources management

The management of public service and human resources still needs to be improved. The **legal framework** only partially ensures that the civil service is professional, de-politicised and merit-based. The administration does not have a complete overview of all public employees under different types of public employment contracts, and the salary system continues to lack clarity and transparency. As concerns gender parity in the public administration, 315 women were employed in 2023 which is 19.8% fewer than in 2022, while in the same year 424 men were employed, an increase of 73% compared to 2022.

Modern **human resources management** capacity within the Human Resource Management Authority (HRMA) and public administration bodies remains limited, with no significant progress on the human resources management information system. As concerns recruitment, testing is insufficiently standardised and the skills framework only exists for senior management staff. The selection processes for managerial positions are subject to political influence, and in non-managerial recruitment the heads of authorities have ample discretion to appoint candidates who are not the best ranked. The legal framework also leaves wide discretion for easily triggered dismissals without objective grounds.

Human resources plans are not aligned with the budget process, and the government has adopted only a partial personnel plan for 2024. HRMA continues to perform well as the central coordinating body for civil service training. There was no improvement in defining job descriptions and requirements, while the high concentration of performance appraisal in the highest rating categories undermines the usefulness of the system for rewarding good performance.

Although **rightsizing (optimising) public administration** is one of the main objectives of the PAR strategy, in November 2023 there was a total staff increase of 3.9% at the central level and 7% at local level as compared to 2 years earlier.

Accountability of administration

The accountability of administration still needs to be improved. The **legislative framework** is in place, but the Law on state administration does not cover all administrative bodies. Internal management of the ministries remains centralised in the hands of minister. Since the establishment of the new government in October 2023, major reorganisation of some state administration bodies took place without prior analysis, leading to significant staff turnover.

Adoption of amendments to the **Law on access to information** has been pending for years.

The legal basis is in place to ensure the **citizens' right to good administration** in administrative procedures, but cases of administrative disputes are not treated in a reasonable time. The Administrative Court has a very large number of administrative disputes from the area of access to information, which results in a significant backlog.

As regards the strategic framework for **anti-corruption and integrity**, the existing legislation on asset declarations, whistleblowers and lobbying does not provide effective measures for eliminating irregularities in public administration.

Service delivery to people and businesses

This still needs to be improved. The process of modernising **public service delivery** is slow. The Law on administrative procedures was not consistently implemented, notably concerning the 'once only' principle and electronic communication. Services in general remain bureaucratic and are not user-friendly. Currently there is no user-friendly central public service catalogue or standards for public service. Moreover, there is no adequate institutional set-up or capacity for steering administrative simplification across the public administration.

There was some progress in **digital governance**, particularly regarding the interoperability framework and the electronic exchange of data among various government bodies. Also, the e-Payment portal became fully operational in 2023, allowing citizens to electronically pay administrative fees. Regarding cross-border interoperability, Montenegro is aligning with the European Interoperability Framework (EIF), but in practice interoperability for cross-border services needs to be substantively increased.

The government should work towards full deployment of **transactional public electronic services** under the e-government platform and interoperability of registers through the Reform Agenda. At the end of 2023, the number of e-government services was 389, down from 403, due to internal reorganisation and work on launching the new eGovernment Portal, expected by the end of 2024. A small number of new services came into operation, including applications for student loans and scholarships. Since the 2022 cyber-attack, the Open Data Portal has been operating with limited functionality and the government has been working on a new solution, with EU assistance.

2.2.1 Chapter 23: Judiciary and fundamental rights

The EU's founding values include the rule of law and respect for human rights. An effective (independent, high-quality and efficient) judicial system and an effective fight against corruption are of paramount importance, as is respect of fundamental rights, in law and in practice.

Functioning of the judiciary

Strategic documents

A new strategic framework for the reform of the justice system is now in place.

A new Judicial Reform Strategy 2024-2027 and its action plan were adopted in May 2024 in line with European standards, and the Government established a new council for monitoring its implementation, including representatives of the main stakeholders in the executive, judiciary and state prosecution service.

Overall, the planning, monitoring and timely implementation of the strategic framework remains to be improved, and a holistic approach should be followed, involving all concerned stakeholders.

Management bodies

The management bodies are in place, but further efforts are needed to improve their performance and restore public trust in the judicial system.

In June 2024, Montenegro adopted amendments to the Law on Judicial Council and Judges and the Law on the State Prosecution Service, further aligning them with the EU *acquis* and EU standards.

The main bodies managing the judicial system and the careers of judges and prosecutors are the Judicial and Prosecutorial Councils. Their composition and appointment procedures are broadly in line with European standards. The role of the Minister of Justice as *ex officio* member of the Judicial Council remains to be further limited and a long-term legal solution found, to align with the European standards in this regard, which specify that in such cases the Minister shall not vote on decisions on transfer and disciplinary proceedings for judges, as a minimum safeguard. The Council of Europe Group of States against Corruption (GRECO) recommends abolishing the *ex-officio* membership altogether.

Pending the legislative and constitutional changes needed to bring the constitution into line with these recommendations, in May 2024 the Minister of Justice issued a decision recusing himself from participating in the work of the Judicial Council, which was supported by the Government as the Prime Minister informed the Commission. He did not participate in the work of the Judicial Council since February 2024. In August, a new Minister of Justice was appointed.

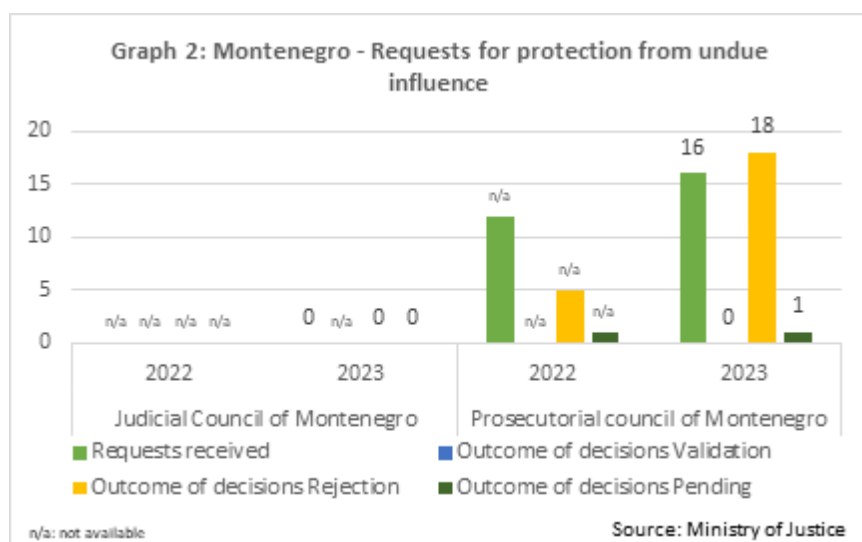
Another relevant standard on the composition of the Judicial Council is that judges chosen by their peers must make up at least half of its members and *ex-officio* judge members do not count in this regard. The present composition of the Council in Montenegro, it appears that judges selected by their peers are in a minority. This situation will also need to be addressed through legal amendments.

In addition, the Venice Commission has noted the need to find a more sustainable solution to the regulation of the composition of the Prosecutorial Council and the method of election of its members, which could require adding a constitutional provision.

Both Councils have yet to consolidate their regular work and practices, and to improve their strategic approach to addressing deficiencies in the operation of the courts and prosecution offices. The working premises and conditions of both Councils are inadequate. The administrative capacity of both Council secretariats needs to be further strengthened. Overall, transparency is ensured, as the sessions of both Councils are public.

Independence and impartiality

The legal framework guaranteeing judicial independence and impartiality is in place. The June 2024 substantial amendments to the Law on Judicial Council and Judges and to the Law on State Prosecution Service ensured further alignment with the EU *acquis* and European standards regarding the independence, impartiality, accountability and integrity of the judiciary.



Therefore, Montenegro must focus its efforts in ensuring full and effective implementation of the legal framework to address existing challenges, and continue its alignment to further improve it by addressing the remaining recommendations from the European Commission, the Venice Commission and the Council of Europe Group of States against Corruption (GRECO), as, overall, the judiciary and the prosecution remain perceived as vulnerable to political interference, which may contribute to undermining the

public trust in the judiciary.

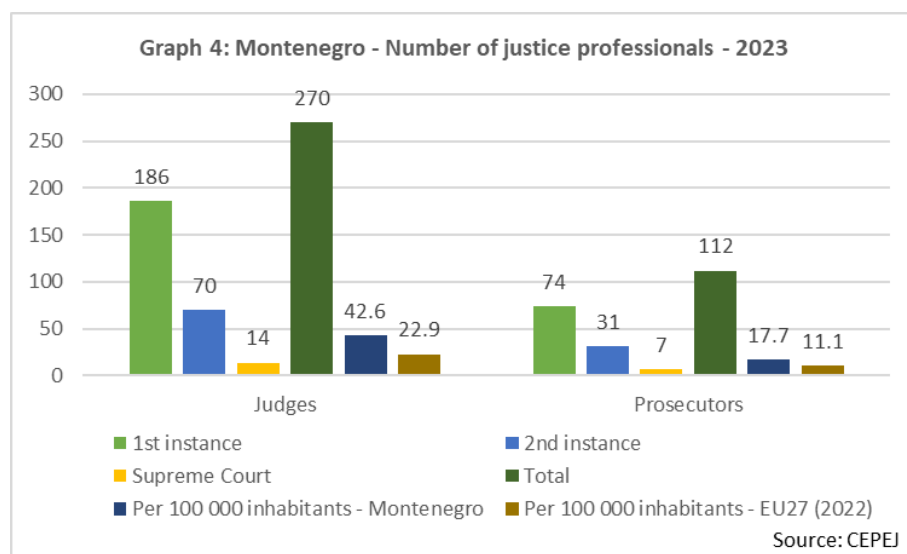
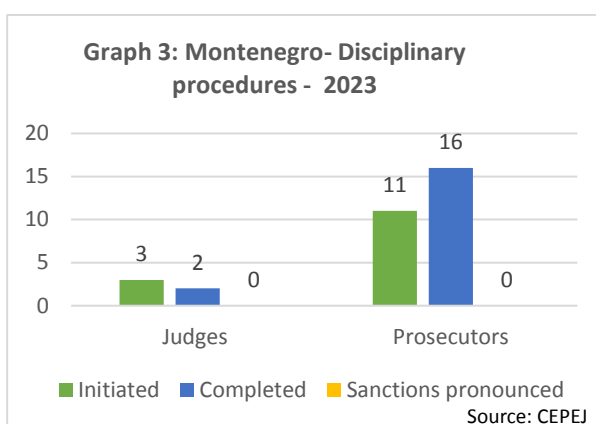
After years of deadlock, in November, December 2023 and January 2024 Parliament appointed, by qualified majority, a new permanent Supreme State Prosecutor, three lay members of the Judicial Council and one judge of the Constitutional Court, through a transparent and merit-based selection procedure. However, the appointment of a permanent President of the Supreme Court has failed eight consecutive times and is still pending. A new appointment procedure is currently ongoing.

The random allocation of cases is provided for by the Law on courts and implemented automatically through the judicial information system. However, limitations remain in very small courts, where the system is not functional due to the lack of judges. The system of random allocation of cases is yet to be introduced in the misdemeanour courts.

Accountability

The legal framework ensuring the accountability of the judiciary is largely in place and was further improved through the June 2024 legal amendments. Its full and effective enforcement must be ensured to improve the accountability of the judiciary in practice. The promotion and enforcement of ethics and standards of professional behaviour of judges and prosecutors, and the implementation of disciplinary rules and ethics for judges and prosecutors remain challenging. There is an initial track record of reported and established violations of the Codes of Ethics and of the enforcement of disciplinary accountability of judges and prosecutors. However, the Judicial and Prosecutorial Councils must improve their practice and proactiveness, since disciplinary proceedings, when substantiated, tend to result in relatively minor sanctions and dismissals remain rare. The Ethical Commission of the Judicial Council did not perform its duties between August 2022 and March 2024, and there are no disciplinary violations by judges established in 2023.

In December 2023, the Agency for the Prevention of Corruption adopted a step-by-step methodology for the in-depth verification of assets and income declarations for judges and prosecutors based on European best practice, which introduces a risk-based approach for initiating cases *ex-officio*, thus improving the accuracy, quality, efficiency, and impartiality of the Agency's work in this area. However, there have been no convictions of judges and prosecutors based on criminal proceedings arising from checks of asset declarations. The verification of asset declarations can be improved by providing for substantive checks by the Agency, as well as the effective disciplinary action by the two Councils for failure to submit assets and income declarations to the Agency.



There was no progress in implementing ethical codes for notaries, public bailiffs, and court interpreters, and there is no code of ethics for lawyers. The Ministry of Justice established a special Directorate for judicial supervision and increased the number of officials (General Director and eight judicial

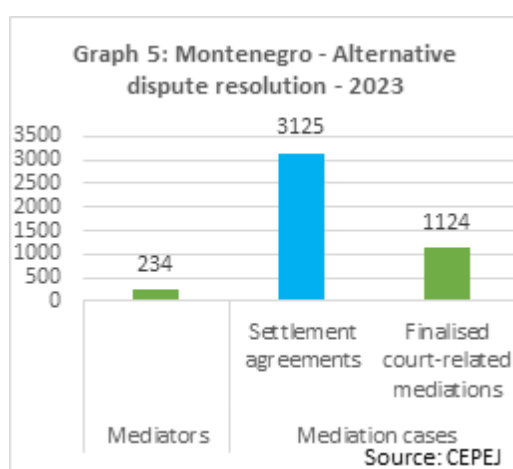
inspectors). The positions of three judicial inspectors remain vacant. In 2023, judicial inspectors performed supervision on the work of 21 courts, 16 state prosecution offices, 44 notaries and 21 public bailiffs' offices.

Quality of justice

The quality of justice needs to be improved. The Judicial and Prosecutorial Councils regularly adopt plans for filling vacant judicial and prosecutorial positions through single nationwide competitions. However, a significant portion of vacancies exists in both the judiciary and prosecution. Specifically, 17.6% of judicial positions and 39.7% of prosecutorial positions need to be filled. Only a small number of candidates applied for the competition for trainees in courts published in January 2024.

Rules on the evaluation of judges and prosecutors were revised, introducing a system of evaluation for judges of the Supreme Court for the first time.

While judges and prosecutors are occasionally evaluated (84 in 2023), both Councils still do not carry out systematic regular professional appraisals.



Furthermore, the quality of appraisals needs to improve with a detailed assessment of individual performance and capacity, including quality and quantity of the completed tasks. The effectiveness of the judiciary is hampered by the lack of strategic investment in human resources, ICT and infrastructure. The 2023 annual budget for the judiciary was EUR 30.6 million, which stakeholders considered insufficient. Furthermore, at all levels of the judiciary, the allocated working spaces and working conditions including equipment, are considered inadequate.

The functioning of the Judicial Training Centre continues to improve, and its 2023 budget was in accordance with the amount prescribed by law.

The positive trend in alternative dispute resolution continued and the system continued to expand.

In 2023, Montenegro spent EUR 42.2 million on the implemented judicial system budget (EUR 66.5 per inhabitant, significantly above Western Balkans average of EUR 45.2 per inhabitant).

Efficiency

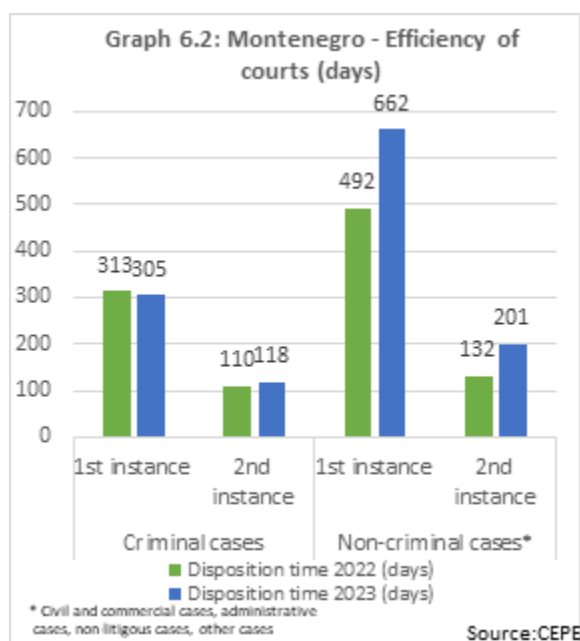
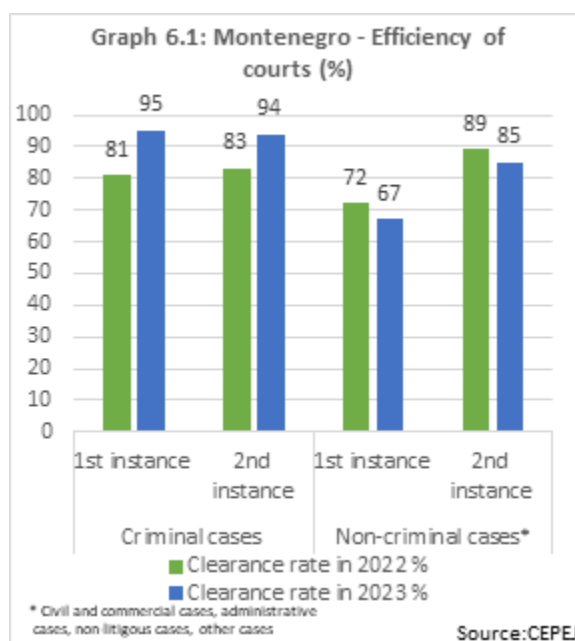
The efficiency of justice needs to be significantly improved.

The backlog of cases pending before courts is significant. At the end of 2023, the number of cases older than 3 years increased by 20%. The average disposition time in 2023 increased to 309 days (2022: 238 days). It is of particular concern that the disposition time of Administrative Court cases further increased to 1 411 days (2022: 1 158).

The clearance rate in 2023 remained at 82.49%.

The judicial system suffers from inadequate human resources and courtrooms. In May 2024, the Ministry of Justice adopted a new 2024-2027 Plan for the Rationalisation of the Judicial Network. Montenegro must complete the rationalisation of the judicial network based on the existing analyses and the adopted plan. More efforts are needed to digitalise justice system, in particular in relation to communication with courts. A new Directorate for judicial infrastructure was formed within the

Ministry of Justice. As regards the digitalisation of the judicial system, in September 2023 the Secretariat of the Judicial Council adopted alternative solutions to improve the existing Judicial Informative System (PRIS). Once the new Strategy for the digitalisation of the judiciary is adopted, these measures will be applied, to enable advanced reporting through IT tools.



Domestic handling of war crimes

Montenegro's track record in the domestic handling of war crimes must continue improving, by applying a proactive approach to effectively investigate, prosecute, try, and punish war crimes in line with international law and standards, including full cooperation with the International Residual Mechanism for Criminal Tribunals, and to ensure access to justice and reparations for victims.

In June 2024, the Supreme State Prosecution Office adopted a new War Crimes Investigation Strategy for 2024-2027. To ensure effective implementation, Montenegro needs to improve its proactive investigation and prosecution of war crimes, in line with international humanitarian law.

In May 2024, the Criminal Procedure Code (CPC) was amended to address the legal and practical obstacles to effectively investigating, prosecuting, trying and punishing war crimes, in line with the recommendations of the International Residual Mechanism for Criminal Tribunals (IRMCT).

The Special State Prosecutor's Office (SSPO) is currently investigating 12 cases. In June 2024, SSPO launched an investigation against the former Chief Special Prosecutor for alleged war crimes against civilians during the 1990s war in Croatia. In 2023, 10 requests for legal assistance were received (five from Bosnia and Herzegovina, three from Serbia, one from Kosovo*, and one from Croatia). Responses were provided to eight requests, while the process is ongoing in two cases.

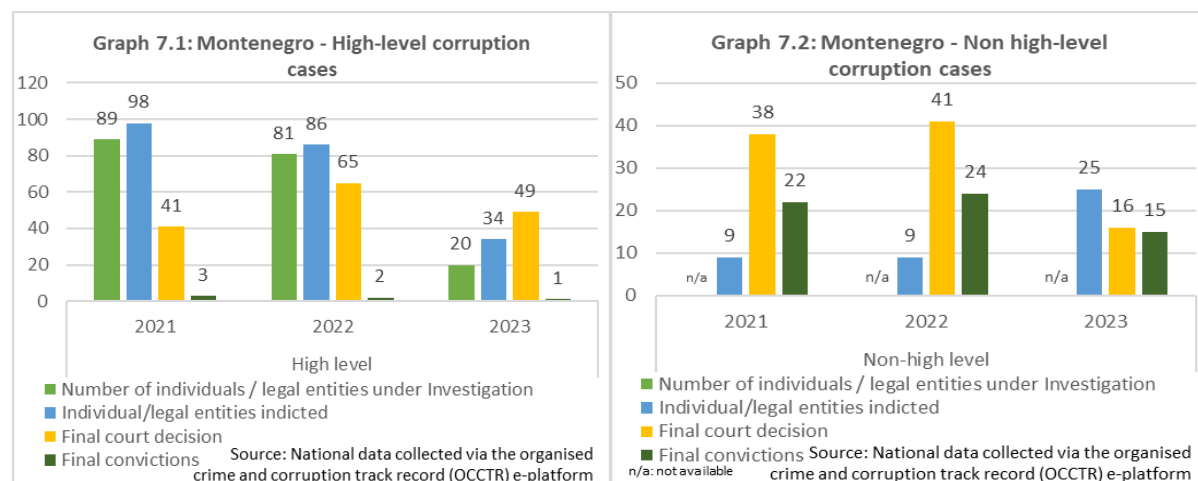
Six requests for international legal assistance were sent (two to Serbia, two to Bosnia and Herzegovina and two to Croatia). The SSPO made progress on the proactive investigation and prosecution of war crimes. Cooperation with the IRMCT has intensified, resulting in the transmission of material from the IRMCT Office, indicating the involvement of Montenegrin citizens in wartime events in Bosnia and Herzegovina. Based on this material, in December 2023, the SSPO in cooperation with the competent authorities of Bosnia and Herzegovina issued an order for investigation against one individual for the crimes against humanity as per the Criminal Code. In June 2024, following the investigation, the SSPO issued an indictment in this case.

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

Montenegro participates in the regional Missing Persons Group and is implementing the framework plan signed in 2018. There is cooperation with neighbouring countries under bilateral cooperation protocols. The Commission on Missing Persons of Montenegro has compiled a list of missing persons that includes 51 active cases of Montenegrin citizens or people whose families reside in Montenegro.

Fight against corruption

Track record



The track record on fighting corruption remained stable. The track record regarding investigations and prosecutions in cases of high-level corruption remained stable and needs to be further consolidated.

The track record on preventing corruption improved in quantitative terms. In 2023, the Agency for the Prevention of Corruption (ACA) received the highest number of income and assets declarations compared to previous years, an increase of 11.5%. The growth is due to an increased number of newly appointed public officials, as well as a higher number of declarations submitted on termination of office.

On incompatibility of functions and conflict of interest, the ACA issued in 2023 the highest number of opinions in a year since it was established – 227. The impact of controls on funding of political parties and electoral campaigns remains limited, due to the unclear provisions in the legislation, namely regarding the exemption of some categories of political subjects from the ACA's scrutiny.

As regards whistleblower's reports, in 2023 the ACA received the highest number of cases since its establishment (190), of which 45% were submitted anonymously. In the same period, it forwarded 17 cases to the competent prosecutor's offices and 21 reports to other competent institutions. Two of these resulted in irregularities being found. The ACA initiated its highest ever number of misdemeanour proceedings with the misdemeanour courts for violations of anti-corruption laws (a 29.7% increase over 2022). In 2023, of the total number of whistleblower reports, 4.8% related to the private sector.

The ACA developed a pre-appointment integrity checklist, to be applied to the Agency's future employees, thus partly fulfilling one recommendation in the 5th GRECO evaluation round. Following the election of the new Council in August 2024, a Code of Ethics and new Rules of Procedure for ACA's employees were adopted.

Further work is needed to effectively address the 2021 EU peer review recommendations on the ACA's mandate and functioning, including in dealing with conflicts of interest.

Institutional framework

The institutional framework on preventing corruption is in place but needs to be strengthened, both as regards prevention and law enforcement capacities. As regard prevention, the key institution for promoting integrity and preventing corruption, through investigations related to asset declarations and verifications, is the ACA. In performing its activities, the ACA cooperates with several public bodies,

including the prosecution services and the State Audit Institution (SAI).

While overall the ACA's results further improved in quantitative terms, its working methods and governance have been criticised, regarding a formalistic approach that impedes the effectiveness of its work. Since July 2023 the ACA worked in an incomplete institutional set up, due to the one-year vacancy of the Agency's Council, which ended with the election of a new Council by the Parliament on 31 July 2024. In April 2024, the Agency's Director was arrested for alleged abuse of office and damaging the state budget by over EUR 100 000. An investigation led by the SSPO is ongoing. In the meantime, as of 15 August 2024, the new ACA's Council dismissed the former Agency's Director and appointed as Acting Director a former head of ACA's section for implementation of control measures in financing of political entities and election campaigns. The appointment of a full-term director will be done through a public call. The ACA's independence, impartiality and accountability need to continue strengthening.

In 2023, the SAI performed audit reports on both financial and regularity audits from 2022 for 10 political entities and submitted them to Parliament in line with the Protocol on cooperation between the SAI and Parliament.

As regard tackling corruption, the Special State Prosecution Office (SSPO) leads prosecutions in cases of high-level corruption. The Chief Special State Prosecutor also leads the Special Police Department (SPU). As in previous years, the SSPO's human resources remain insufficient to cope with its workload. Also worrying is the shortage of police officers assigned to the SPU: currently only 30 out of 50 positions are filled.

The office conditions are well below the minimum required European standards. This prevents SSPO and SPU from performing their duties appropriately, efficiently and independently. The High Court of Podgorica, whose remit covers organised crime, corruption, terrorism and war crimes, is understaffed.

Strategic documents

A new upgraded strategic framework for preventing and fighting corruption is now in place.

In February 2024, the government established a new National Council for the Fight against Corruption, headed by the Deputy Prime Minister for the Political System, Justice and Anti-Corruption. In May 2024, Montenegro adopted a new 2024-2028 anticorruption strategy and its action plan, aiming to align with European and international standards, by addressing prevention and repression of corruption, as well as international cooperation. The National Council will monitor its implementation, and ensure an integrated approach to the prevention and fight against corruption, where different entities should work in coordination.

Legal framework

The legal framework on the prevention and fight against corruption is largely in place. The prosecution service and courts must substantially improve the effective enforcement of criminal legislation, including preventive measures.

In this regard, good progress was achieved with the adoption in June 2024 of a new Law on prevention of corruption with the aim to align it with European standards. It includes new provisions to improve the protection of whistleblowers, pending the adoption of a specific law. In addition, amendments to the Criminal Code and the Law on games of chance, and a new Law on prevention of money laundering and financing of terrorism, were adopted.

Montenegro adopted in May a new Law on lobbying in line with the EU *acquis* and European standards. It must now be complemented by the timely adoption of nine pieces of implementing legislation, drafted in line with EU and Council of Europe experts' recommendations.

In May 2024, Montenegro adopted amendments to the Law on seizure and confiscation of material benefit derived from criminal activity to address existing loopholes in the legal framework and practice on assets confiscation. The changes aim to address relevant EU *acquis* and European standards. While seizure and confiscation of illicit assets is adequately prioritised, financial investigations should also always trace the financial flows behind criminal activities.

There is scope to improve the legal framework by further aligning it with existing EU acquis, international standards, and Venice Commission recommendations. Montenegro has yet to address several recommendations made by the EU peer review missions conducted in 2021 and 2022, and the GRECO evaluation reports, including the fourth and fifth evaluation rounds. In 2023, the ACA issued 13 opinions for improving the legal framework related to corruption. Likewise, several of the Venice Commission and European Commission's recommendations remain to be addressed.

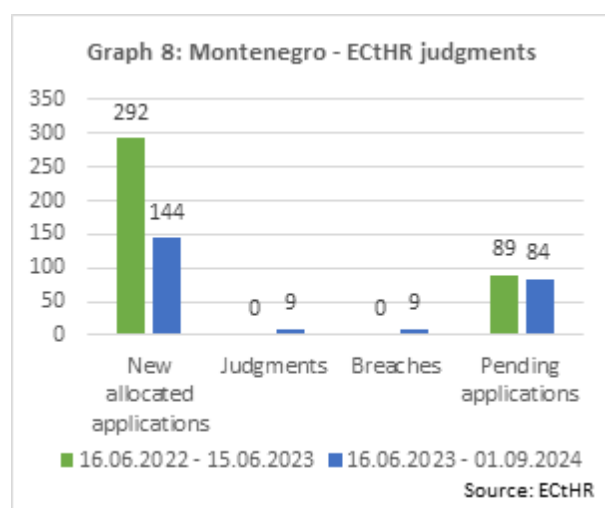
The Law on financing of political entities and election campaign (LFPEEC) has not yet been amended to bring it fully in line with European standards, notably through complying with GRECO and ODIHR recommendations to substantially increase transparency, control of the spending of political parties and prevent abuse of state resources, including dissuasive sanctions. Montenegro has to ensure that it treats the LFPEEC separately from the comprehensive electoral reform legislative package, in view of accelerating the work to amend the Law by the end of 2024.

Fundamental rights

General framework

The general framework for fundamental rights is satisfactory.

International human rights instruments



Montenegro has yet to ratify the International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families, the 2014 Protocol to the ILO 1930 Forced Labour Convention, and the 2019 Framework Convention on Tourism Ethics of the UN World Tourism Organization.

Montenegro needs to improve its mechanisms for reporting to the UN human rights mechanisms and following up on their recommendations, as highlighted during the universal periodic review in 2018.

European Court of Human Rights

Montenegro continues to ensure good cooperation with the European Court of Human Rights (ECtHR). During the reporting period, the Court found breaches of European Convention on Human Rights in nine cases, all related to the right to a fair trial and the protection of property. Currently, there are three cases under enhanced supervision by the Committee of Ministers relating to non-enforcement of domestic decisions against socially/State-owned companies (no cases last year). Montenegro needs to find a solution to the systemic problems in relation to these cases and to ensure systematic enforcement of ECtHR judgements.

Promotion and enforcement of human rights

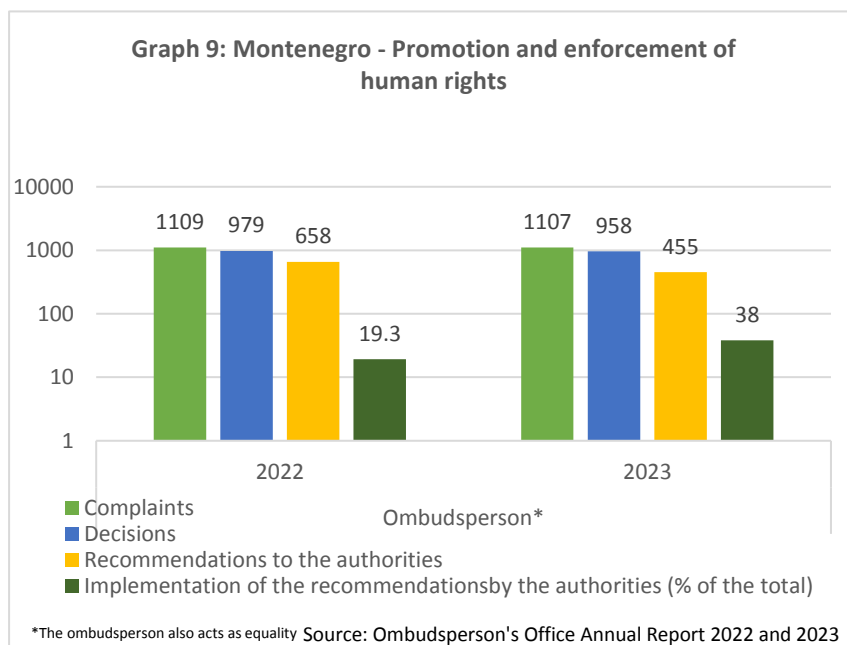
There are shortcomings regarding access to justice and enforcement of rights in administrative and judicial proceedings, in particular for vulnerable groups. By 31 July 2024, the backlog of cases pending before the Constitutional Court stood at 2 440, of which 2 107 are related to the protection of human rights. The duration of proceedings before the Constitutional Court needs to be reduced to

comply with the ECtHR case law on the effectiveness of the constitutional complaint as a domestic legal remedy.

Although the revision of the criminal legislation (Criminal Code and Procedural Criminal Code) is ongoing, further efforts are needed to align it with the EU *acquis*, and European and international standards on victims' rights and procedural safeguards.

The Ministry of Human and Minority Rights (MHMR) was reinforced, with staff increases and a reorganisation. Montenegro has yet to adopt a comprehensive monitoring and data collection system to assess the level of implementation of human rights legislation, policies, and strategies.

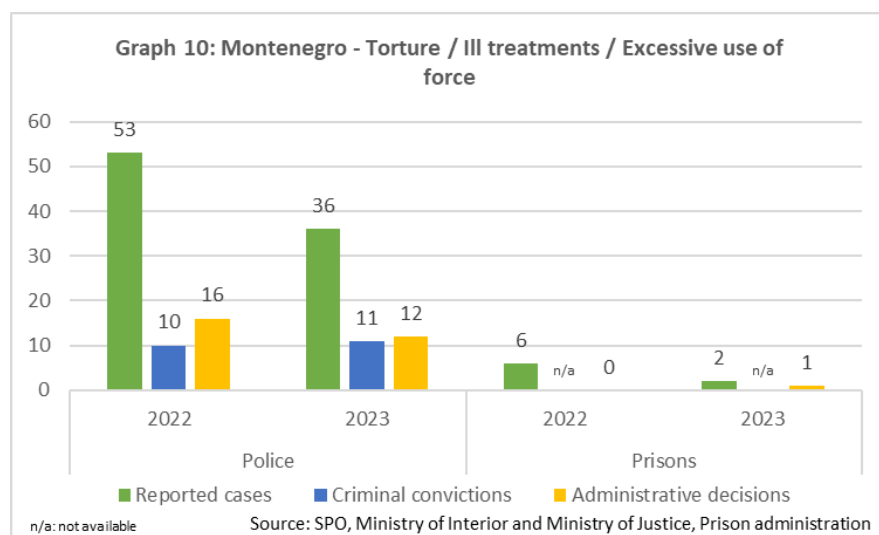
The regulatory and institutional framework of the Ombudsperson's Office is not fully aligned with the Paris principles. The decisions and recommendations of the Office are non-mandatory, and Montenegro needs to improve their systematic follow-up across all public institutions. The 2024 budget for the Office increased by 1% compared with the 2023 budget and is adequate and sustainable. The Office's staff is satisfactory (35 in 2023). The Ombudsperson's office also functions as Equality Body.



Main themes: children's rights, youth and social protection; economic, social and cultural rights

Prevention of torture and ill treatment

Montenegro made limited progress in addressing the recommendations of the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment (CPT) and the UN Committee Against Torture (CAT). The December 2023 amendments to the Criminal Code removed the statute of limitations regarding the crime of torture but did not abolish it concerning the extortion of testimony and ill treatment. The amendments increased the penalties for torture, but the definition of torture is not aligned with CAT's recommendation. There are systemic shortcomings and delays in investigating and prosecuting cases of alleged violence by law-enforcement officers, as well as cases of violence in prisons.



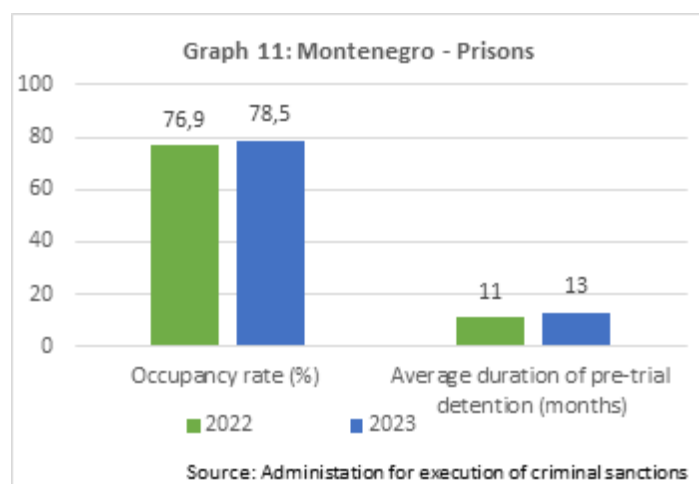
In 2023, the Ombudsperson's Office received 57 complaints about the conduct of the police, with the majority concerning allegations of potential inhumane or degrading treatment. In February 2024, the Cetinje Basic Prosecutor's Office suspended the investigation against police officers suspected

of tampering with reports on the use of tear gas during the September 2021 protests against the enthronement of the Metropolitan of Montenegro, due to lack of evidence.

In February 2024, the Niksic Basic Court ruled that the police used excessive force to dismantle the peaceful civic protest and that the state failed to prove the legality and proportionality of the police action.

In 2023, the National Prevention Mechanisms (NPM) received 76 complaints, from individuals deprived of liberty, against the Administration for Execution of Criminal Sanctions and 52 against the Police Administration. The NPM issued 63 recommendations to institutions and relevant ministries.

Execution of sentences with imprisonment



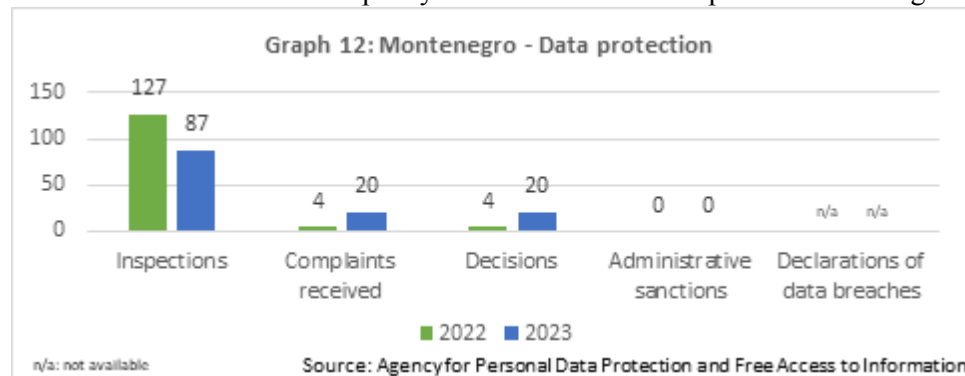
In June 2023, the government adopted the 2023-2024 action plan for the 2023-2026 strategy for the execution of criminal penalties. Parts of the existing prison and remand facilities underwent adaptation and modernisation. Preparations for constructing the new prison facility in Mojkovac and four facilities in Spuz are ongoing.

Despite some improvement, the material conditions in prisons, pre-trial detention facilities and psychiatric hospitals are still below international standards. Poor conditions and severe overcrowding in remand prisons in Podgorica and Bijelo Polje and the living conditions and hygiene in the overcrowded Dobrota psychiatric hospital remain issues of concern.

Protection of personal data

The Law on personal data protection remains to be aligned with the EU *acquis*. Montenegro has not yet ratified the 2018 Council of Europe Protocol amending the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data (CETS 223).

The human and financial capacity as well as the IT expertise of the Agency for Personal Data



Protection and Free Access to Information does not match the agency's legal responsibilities. In January 2024, a new Director of the Agency was appointed.

Freedom of religion or belief

The rights to freedom of religion or belief are broadly respected. In April 2024, the Constitutional Court rejected the pending requests to assess the constitutionality of the Law on the amendments to the Law on freedom of religion or belief and the legal status of religious communities, and the Fundamental Agreement between the State of Montenegro and the Serbian Orthodox Church.

Freedom of expression

Protection of journalists

The authorities provided a generally prompt and effective institutional and law enforcement response to new cases of violence against journalists. In April 2024, the Supreme State Prosecutor (SSP) issued a binding instruction to all state prosecutor's offices, mandating urgent intensification of investigations into cases involving violence against journalists, and attacks on media property.

The SSP also instructed the prosecution to provide prompt feedback on all the recommendations made by the ad hoc commission for monitoring cases of violence against media. In December 2023, the Special State Prosecutor's Office (SSPO) filed an indictment in the case of the 2018 shooting of an investigative journalist. The Podgorica High Court confirmed the indictment in August 2024

The authorities reported, and independent sources confirmed, a notable decrease in the number of cases of violence against media in 2023, with 11 cases registered by the police (in 2022: 22 cases). However, concerns remain about the several incidents of harassment by senior public officials reported by journalists in 2024.

Legislative environment

The new media legislation, which was enacted in June 2024, provided a number of legislative improvements, including the alignment with the EU's Audiovisual Media Services Directive. In October 2023, the government adopted its 2023-2027 Media Strategy, with the accompanying action plan for 2023-2024.

It is the first government strategy in the field of media policy, designed through extensive engagement with civil society and the media, and it aims to promote an environment conducive to free and professional journalism.

Implementation of legislation/institutions

The legal provisions regulating the transparency of public funding allocations for media are yet to be fully implemented. Only 37% of active media and 9% of public sector entities complied with the legal requirement to disclose the public funding received and allocated to media, respectively. The new media legislation addresses the issue of registration for online media, which remains to be implemented in practice in line with applicable international standards.

Public service broadcaster

In December 2023, Parliament adopted an amendment to the Law on Radio and Television of Montenegro (RTCG), providing for continuity of predictable funding for RTCG. The new Law on RTCG was enacted in June 2024.

First-instance courts delivered two rulings overturning as unlawful the RTCG Council's re-appointment of its Director-General in June 2023. In April and May 2024 two first instance rulings found the June 2023 re-appointment of the RTCG Director General as unlawful. Both rulings were appealed. A preliminary criminal investigation into the case is ongoing. The RTCG Director-General resigned in July 2024, but continued to serve as acting Director-General. In August 2024, the RTCG Council appointed the same person to a full-term position, raising questions about lack of transparency and possible breach of legal procedure. The competent national authorities need to effectively address any situations of possible unlawful conduct at the RTCG, in line with the national legislation and relevant international and European standards.

Economic factors

The economic viability of commercial media remained constrained by a relatively small audience base and limited advertising market. The new Media Law introduced a major increase in state funding for content of public interest in broadcast, print and online media, raising the Media Pluralism and Diversity Fund from 0.09% to 0.2% of the current national budget. This made public funding an increasingly significant source of income for the commercial media.

Internet

Internet provision functioned without undue restrictions.

Freedom of artistic expression

In May 2024, a manager of a public theatre in Niksic refused to allow the staging of a theatrical play addressing the issue of gender equality and violence against women. The decision was condemned by public authorities, including the Ombudsperson's Office.

Professional organisations and working conditions

The media landscape is pluralistic, but highly polarised, with the media community divided along political lines. Only around 10% of media outlets were involved in some form of self-regulation. The rare existing self-regulation instruments are fragmented, with the public largely unaware of the complaint mechanisms available to them.

Overall, media professionals continued to report poor working conditions, including salaries below the national average, self-censorship and various forms of pressure and undue influence, both external and within their editorial offices. No progress was made towards the signing of the long-overdue sectoral collective agreement for the media industry.

Freedom of assembly and association

The rights to freedom of assembly and association are broadly respected.

Labour and trade union rights are covered in *Chapter 19 - Social policy and employment*.

Property rights

The process of restoring properties expropriated in the past remained slow. In December 2023, the Council of Europe Committee of Ministers adopted a Resolution on the closure of the case *Nesic v. Montenegro* concerning expropriation of coastal land, assessing that Montenegro has taken all measures to execute the ECtHR decision. Montenegro needs to ensure fair restitution proceedings within a reasonable time and the full independence of the three Regional Restitution Commissions.

Non-discrimination

Social polarisation continued during the reporting period. The most vulnerable groups in society (including Roma and Egyptians, people with disabilities, LGBTIQ people) continued to be subjected to discrimination, hate speech and hate crime. Significant progress on the criminalisation of racism and hate speech has been made with the amendments to the Criminal Code adopted in December 2023, aiming to align it with relevant EU *acquis*.

There is scope to increase the number of prosecuted cases based on the amended Code, and ensure appropriate institutional follow-up, including by law enforcement. A new Law on Prohibition of Discrimination is being finalised with the support of the European Commission, aiming to fully align with the EU *acquis* and European standards on anti-discrimination.

In 2023, the Ombudsperson's Office worked on 243 complaints of discrimination (2022: 256). As in previous years, most complaints were related to labour and employment. In 2023, the Ombudsperson processed 12 cases of hate speech and 7 cases in the field of public discourse / media (2022: 16 and 14, respectively).

Gender equality

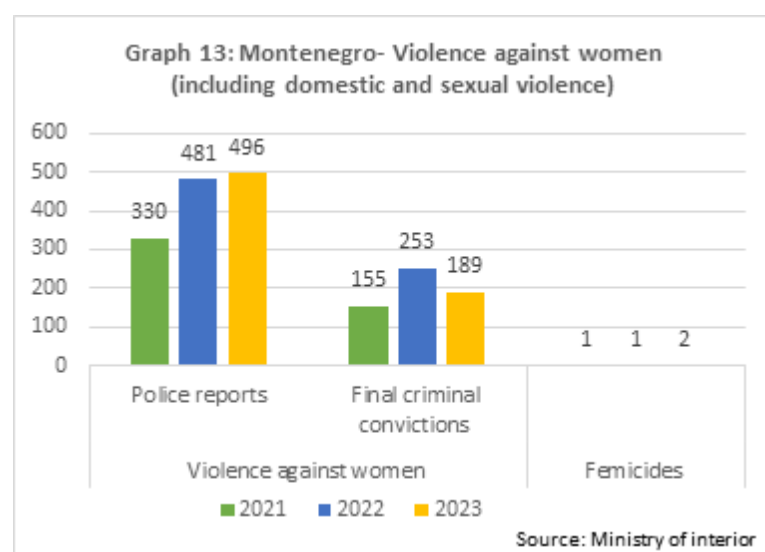
The Ministry of Human and Minority Rights' mid-term evaluation of implementation of the 2021-2025 National Gender Equality Strategy and its 2023-2024 action plan showed a strong downward trend of budget allocations for gender equality and the marginalisation of gender equality on the political agenda.

The Law on gender equality is not sufficiently aligned with the EU *acquis* and international standards. Policy measures for achieving and improving gender equality, the obligation to perform gender analysis in different sectors and the institutional framework for achieving gender equality are not defined. A new law on legal gender recognition on the basis of self-determination remains to be adopted.

In July 2023, the second Gender Equality Index in Montenegro was published, with a score of 59.3, an improvement of 4.3 index value points compared to 2019, but it is still 9.3 index points below the EU-27 average. The index shows the highest gap in gender equality in the area of power, and the lowest gap in the area of health, compared to the EU-27 average.

In May 2024, the UN Committee on the Elimination of Discrimination Against Women (CEDAW) published its concluding observations on the third periodic report on Montenegro. It welcomed the progress achieved since 2017 on legislative reforms, but noted with concern the lack of penalties for non-compliance with the Gender Equality Law, the only law that provides clear and legally binding requirements for incorporating gender into all aspects of policymaking and carrying out gender-related analysis.

It also noted that women's access to justice and the national institutions for promoting women's advancement still need to be improved and it called for an end to harmful practices such as sex-selective abortions and patriarchal attitudes and gender stereotypes regarding the roles of women and men in the family and in society.



Gender-based violence remains a matter of serious concern. In July 2023, the National plan for the implementation of the 2023-2027 Istanbul Convention was adopted. The December 2023 amendments to the Criminal Code were adopted, defining sexual harassment and 'violence in a family or family community' as new criminal offences. This will bring more operational clarity as to when domestic violence qualifies as a misdemeanour or a criminal offence.

However, it does not address femicide, digital violence and gender-based hate speech. The definitions of gender-based violence and domestic violence across legislation need to be further aligned with the Istanbul Convention and the recommendations by the Group of Experts on Action against Violence against Women and Domestic Violence (GREVIO). The effective implementation of the legislative framework also needs to be improved.

Rape crisis and/or sexual violence referral centres have still not been set up. Measures to ensure wider levels of awareness of the harmful effects of domestic violence on children are missing, as well as

adequate resources for psycho-social counselling for the children affected. Protection orders need be available for immediate protection to all victims of domestic violence as well as access to free legal aid for all victims, in particular through active measures to ensure victims are aware of this right. The database for domestic violence as part of the Integrated Social Welfare Information System (SWIS) covers cases of domestic and non-gender-based violence.

In 2023, of all imposed misdemeanour penalties, the most frequent were fines (29%), and 20% of cases ended with an acquittal. Prison sentences were imposed in only around 10% of all cases. Restraining orders were issued in only 18% and evictions of perpetrators from the apartment in only 8% of completed cases. The range of available emergency measures to protect victims during ongoing proceedings is rarely used. 80% of misdemeanour cases last up to 6 months.

Rights of the child

The legislative and institutional framework is largely aligned with the EU *acquis*, international human rights instruments, including all areas covered by the UN Convention on the Rights of the Child and its optional protocols. Challenges remain in effectively implementing the legislative and institutional framework, due to a poor accountability framework, inappropriate and insufficient capacity, lack of systematic monitoring and sufficient funding, and lack of quality assurance for existing laws, strategies and action plans.

In 2023, the Children's Rights Council did not meet regularly. On 29 December 2023, the government adopted a decision on the new composition of the Council, chaired by the Vice Prime Minister for Demography and Youth, but it held only three thematic sessions. The recent amendments to the Criminal Code aligned the definition of a child with the recommendations of Committee on the Rights of the Child (CRC), significantly tightened the penal policy regarding child sexual abuse and introduced specific surveillance measures for perpetrators after they are released from prison.

There was no follow-up on UN monitoring bodies' recommendations and Resolution 1468 of the Council of Europe Parliamentary Assembly, recommending that Montenegro amend its family law and raise the minimum age for entering a marriage to 18 years, without exception. Montenegro is late in submitting its fourth periodic report to the UN CRC (it was due in November 2023).

Violence against children remains a matter of serious concern. In August, Montenegro established a paedophiles register with currently 98 registered individuals. Access to justice for children, in particular in vulnerable groups, still needs to be improved. Child-friendly proceedings are implemented only sporadically in criminal court cases for children in conflict with the law, child victims and witnesses of crime, while in civil and family law-related and misdemeanour proceedings children are often invisible. The amendments to the law on the Treatment of Juveniles in Criminal Proceedings – which should guarantee better protection for children in criminal proceedings and which define 'child' as recommended by the CRC – are pending adoption. An updated Strategy on prevention and protection of children from violence is not in place.

In 2023, the Ombudsperson received 240 complaints related to children's rights (2022: 237)

Persons with disabilities

Persons with disabilities cannot fully exercise their rights and continue facing multiple forms of discrimination. There was no progress in this area except the re-establishment of the Directorate for Persons with Disabilities at the Ministry of Human and Minority Rights (MHMR) and the establishment the Council for the Rights of Persons with Disabilities in April 2024, which had its constitutive session on 19 July 2024. Montenegro needs to ensure implementation of the provisions of the UN Convention on the Rights of Persons with Disabilities.

Montenegro has yet to adopt the draft law on a unified disability assessment body, which will be the basis for reforming the system to bring about more just, more equal and easier access to rights, enabling a shift from a medical to a human rights-based model. Montenegro has yet to adopt the law on professional rehabilitation and employment of persons with disabilities, which would also regulate the location and management of the corresponding fund. The National Council for the rights of persons with disabilities, the entity in charge of monitoring the implementation of all laws and

strategies to promote rights and to support better coordination on disability, remains unable to exercise its functions. The recommendations of the UN Committee on the Rights of Persons with Disabilities from 2017 are not fulfilled, especially regarding the necessary reform of guardianship and decision-making on behalf of persons with disabilities. Montenegro has not adopted an action plan to implement the Committee's recommendations. Some definitions of disability in Montenegrin legislation use derogatory terminology.

Likewise, Montenegro has yet to adopt a strategy on deinstitutionalisation, with the meaningful involvement of relevant civil society stakeholders.

LGBTIQ persons

On 27 June 2024, Montenegro adopted the 2024-2028 Strategy for improving the quality of life of LGBTIQ persons together with its action plan for 2024-2025. The previous strategy for 2019-2023 did not achieve its objective of improving social acceptance of LGBTIQ people and their access to labour, services and support services.

Although the revised Criminal Code was aligned with the 2020 same-sex partnership law, by including crimes directed at civil partnerships as criminal acts against marriage and family, further efforts are needed to align all other relevant implementing legislation. Anti-LGBTIQ and misogynistic hate speech and political rhetoric continued to be a serious issue. During 2023, the Police Directorate received 264 reports against 264 people for hate speech against LGBTIQ people.

Procedural rights and victims' rights

The 2023 amendments to the Criminal Procedure Code are not yet fully aligned with the EU *acquis* and European and international standards on victims' rights and procedural safeguards. Montenegro still needs to further align the criminal legislation with the Victims' Rights Directive, to ensure that all provisions are implemented, and that the rights provided therein apply to all victims of all crimes. Amendments to the Law on free legal aid remain to be adopted. Comprehensive data on free legal aid is lacking as it depends on the new judicial information system. In 2023, the amount spent on free legal aid was EUR 106 476 (2021: EUR 108 776).

Protection of minorities

The Law on minority rights and freedoms ensures the protection of human rights and freedoms for all citizens, including the right to publicly manifest national, ethnic, cultural, religious and linguistic identity. Montenegro adopted its 2024-2028 Minority Policy Strategy and its 2024-2025 action plan on 11 July 2024. The threshold for political representation of Roma in Parliament, which would ensure equal treatment of minorities, has still not been reduced.

Roma

The level of discrimination against Roma remains high. Since October 2023, the Assembly of the capital city of Podgorica has one Roma representative, for the first time. There has been limited progress in implementing the Poznan Declaration commitments, due to the lack of coordination and political will to prioritise Roma inclusion. In June 2024, the report on the implementation of the 2023 action plan and the 2024-2025 action plan for the Implementation of the Strategy for the social inclusion of Roma and Egyptians were adopted by the government.

School attendance among the Roma population is very low. The constant poor quality of education negatively affects learning outcomes and transition to higher levels of education. The practice of arranged child marriages in Roma communities remains a concern. Roma children still face significant barriers and inequalities in their access to basic services such as healthcare, nutrition and housing.

The state employs and pays Roma education mediators and Roma mediators in the area of employment, social care and healthcare. A significant number of Roma are employed in the informal economy. 96% of Roma registered with the Employment Agency have either no qualifications or the lowest level of qualifications. There are limited results regarding re-skilling or upskilling of Roma and no progress on formalising their informal employment. There are no social housing quotas for Roma.

Refugees and internally displaced persons

Regarding displaced and **internally displaced persons**, from 7 November 2009 to 31 March 2024, there were 15 274 requests for permanent or temporary residence. Of these, 15 172 requests were resolved, and 102 cases are still pending. A total of 12 422 people received permanent or temporary residence of up to 3 years, 297 requests were refused, and 2 453 cases were suspended due to incomplete or duplicated requests.

Since the entry into force of the new Law on foreigners in 2018 and April 2024, 10 people were recognised as **stateless**, out of 29 submitting the request. Montenegro has yet to adopt amendments to the Law on foreigners to strengthen the statelessness determination procedure, as regards procedural guarantees and rights during the procedure and on recognition of stateless status.

Citizenship rights

The investor citizenship scheme expired on 31 December 2022. Montenegro introduced procedures in the screening of pending applications, to check whether applicants are on the sanctions list or recognised as entities whose funds come from illegal sources. Montenegro should refrain from operating an investor citizenship scheme, as such schemes pose risks as regards security, money laundering, tax evasion, terrorist financing, corruption and infiltration by organised crime, and are incompatible with the EU *acquis*.

2.2.2 Chapter 24: Justice, freedom and security

The EU has common rules for border control, visas, external migration and asylum. Schengen cooperation entails the lifting of border controls inside the EU. There is also cooperation in the fight against organised crime and terrorism, and judicial, police and customs cooperation, all with the support of the EU Justice and Home Affairs agencies.

Fight against organised crime

Montenegro has continued to work on aligning its legal framework on organised crime with the EU *acquis*.

Institutional set-up and legal alignment

Progress was made in the reporting period on aligning national legislation further with the EU *acquis* regarding the **legal framework** on police cooperation and organised crime.

In December 2023, Parliament adopted amendments to the Criminal Code, including its alignment with the UN Firearms Protocol, by explicitly criminalising illicit firearms trafficking, carrying firearms and tampering with firearms markings. However, Montenegro needs to amend the Law on weapons to become aligned with the EU *acquis* including in relation to the technical standards of marking of firearms, deactivation of firearms, as well as alarm and signal weapons.

The amendments to the Criminal Code also introduced an explicit provision on non-punishment of victims of trafficking in human beings in line with the EU *acquis*. Furthermore, changing the term ‘minor’ to ‘child’ raised the age at which children can be considered to have been trafficked from 14 to 18 years. It also introduced a new criminal offence for the sale of children.

In December 2023, Parliament adopted the Law on prevention of money laundering and financing of terrorism and the Law on games of chance. As a consequence, Montenegro was not made one of the Financial Action Taskforce (FATF) jurisdictions under increased monitoring (the ‘grey list’). In May 2024, Parliament adopted amendments to the Law on seizure and confiscation of material benefit derived from criminal activity, to address legal obstacles to confiscating criminal assets, including setting strict deadlines for the prosecution and the courts in finalising investigations and applying provisional measures.

The Central Bank of Montenegro does not have a central register of non-resident accounts, a crucial tool for investigations. Montenegro did not address the problem of its incomplete land cadastre, which hampers the conduct of financial investigations and the confiscation of assets.

There was significant progress in setting up a fully functional interoperable system with a single search feature. The Division for international Police Operative Cooperation is the single point of contact (SPOC) centre and has adequate capacity. In the reporting period a clear needs assessment was drafted and procurement and work to construct a new operational centre started.

The police Department of Internal control and the Ministry of Interior's anti-corruption unit have overlapping competences and should be urgently reorganised. Further effort needs to be made to combat corruption within law enforcement agencies.

In September 2024, Parliament adopted amendments to the Law on internal affairs concerning the recruitment of police officers. The preparation of these amendments was carried out without a public consultation and without the participation of non-governmental organisations. Montenegro needs to ensure that appointments in law enforcement authorities are merit-based and procedural safeguards against undue political interference in law enforcement authorities are in place.

Implementation and enforcement capacity

Montenegro established good cooperation with CEPOL, Eurojust, Europol and Interpol. In 2023, Montenegro participated in 54 operational actions across 14 operational action plans (OAPs) and in several joint action days (JAD) under the European Multidisciplinary Platform against Criminal Threats (EMPACT).

Regarding **organised crime**, in 2023, the High Court in Podgorica had a total of 97 cases pending against 761 defendants (690 individuals and 71 legal entities).

In relation to **money laundering**, in 2023 the High Court in Podgorica had a total of 11 cases pending against 86 people (70 natural persons and 16 legal entities), of which five cases were related to organised crime in conjunction with money laundering. In 2023, three new cases were received. One case of money laundering, which took the form of an independent criminal offence against a single defendant, was resolved by an acquittal, which has not yet become final.

In 2023, the SSPO issued five investigations for the criminal offence of money laundering against 13 people and one extension of an investigation against one person. The estimated total amount of funds acquired through criminal activities and placed in legal channels amounts to EUR 8 132 822. The data shows an increase (compared with 2022) in investigation and prosecution, but also shows that the capacity to address money laundering is limited. There is a lack of cases of stand-alone money laundering.

In 2023, the courts determined **temporary security measures** in 17 cases of organised crime against 67 defendants (56 individuals and 11 legal entities) including bans on the disposal and use of immovable property and the freezing of assets.

The data shows an improvement compared with 2022, the Financial Investigation Unit (FIU) is very proactive and the SSPO has initiated more investigations. However, there is a limited capacity to conduct financial investigations.

Prosecutors, financial forensic experts and the FIU frequently rely on open-source databases such as the land registry and tax administration. Despite the increase in the number of financial investigations opened, the number of confiscations has remained low.

Extended confiscation is not consistently applied and the disproportionality in assets of the convicted people is not consistently taken into account by judges and prosecutors when deciding if extended confiscation should be applied. The capacity to manage seized assets and avoid the loss of their commercial value should also be strengthened.

In **cybercrime**, the police submitted 23 cases to the relevant prosecution offices, of which eight (involving 11 people) were related to online child sexual abuse. Regarding this crime, significant progress was made during the reporting period both in prevention and repression. The SPO issued two indictments concerning cybercrime. Montenegro's legal framework is aligned with the Budapest Convention.

In the field of **people smuggling**, in 2023 criminal charges were brought against 16 people for

smuggling 44 migrants. The SPO indicted one person.

In 2023, the track record of prosecutions and convictions for **trafficking in human beings** continued to improve. During 2023, the Police Directorate submitted 16 criminal charges to the prosecution (2022: 9; 2021: 5) which resulted in seven indictments (2022: 5; 2021: 4) following investigations conducted by the prosecution services. And, for the first time in 2 years, the courts made two final convictions with enforceable decisions. Montenegro needs to improve victims' access to information about their rights and trafficking-related trials.

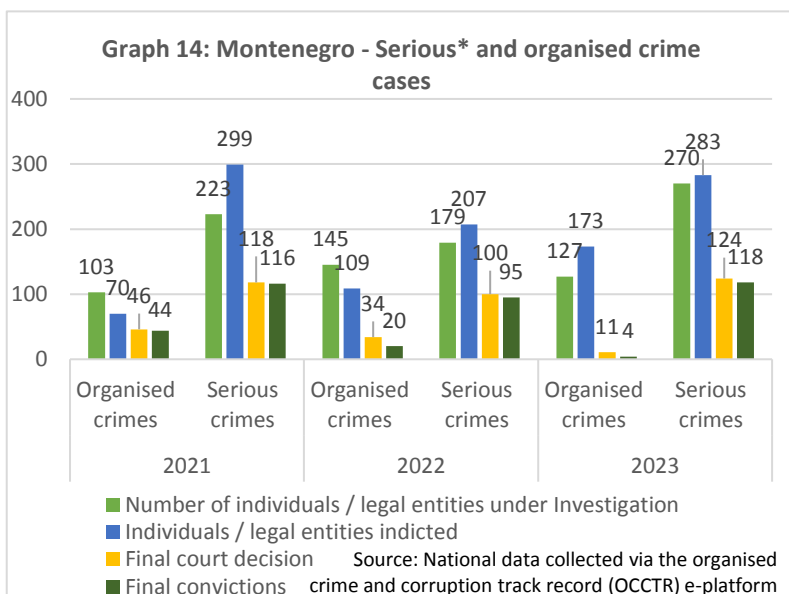
In 2023, the multidisciplinary team for the formal identification of victims of trafficking in human beings identified 18 victims. In the context of increased online recruitment, there is a great need to support the process of victim identification. The capacity of labour inspectors and law enforcement agencies to combat trafficking for the purpose of labour exploitation needs to be strengthened, including for seasonal workers. Training on trafficking should be provided to prosecutors and judges.

In January 2024, the Ministry of Labour and Social Welfare issued a 3-year licence to the NGO 'SOS Hotline for women and children, victims of violence Niksic', for a shelter which can accommodate up to three female victims of trafficking. In April 2024, a temporary state shelter for 10 child victims opened within the 'Ljubovic' complex in Podgorica. The support and assistance services for victims of trafficking should be improved, in particular for child victims and victims from vulnerable groups.

Intersectoral cooperation was further strengthened in May 2024 with the signing of the revised Agreement on Mutual Cooperation in the Field of Combating Trafficking in Human Beings between judicial institutions, ministries and non-governmental organisations (NGOs).

In the area of **firearms**, 261 criminal offences of unlawful possession of weapons and explosive substances were registered in 2023. A total of 724 weapons were seized in 2023 (2022: 729).

The number of users of the 'Traffic' application increased. 'Traffic' connects the Firearms Focal Point (FFP) to the ballistics laboratory and to the police unit in charge of international cooperation, enabling the secure exchange of data.



*Data on serious crime cases stem from the aggregation of cases of money laundering, cybercrime, production and trafficking of drugs, firearms related offenses, terrorism, trafficking in human beings and smuggling of persons. Corruption cases are showcased in Chapter 23. In addition, Montenegro also reported 3 convictions for tobacco smuggling in 2023 (compared with 3 in 2022 and 10 in 2021).

Police officers were trained to use the iARMS database. Montenegro's data collection and reporting system on firearms needs to be standardised. During the reporting period, standard operating procedures were developed for the FFP. Border police capacities to prevent and counter illicit arms trafficking were increased through the delivery of detection equipment and through the Firearms Detection Training conducted jointly with the European Border and Coast Guard Agency (Frontex) in Croatia.

The Forensic Centre made significant progress in its procedures and processes, in

line with the relevant international standards ISO 17020 and ISO 17025, and it approved all documents for the accreditation of a method of the Arson and Explosives Laboratory. In 2023, Montenegrin authorities destroyed 798 firearms by melting down.

Despite the existence of a storage facility for small arms, light weapons and ammunition in Rogame,

until the end of the legal proceedings seized weapons are stored in inappropriate storage and safety conditions in the SPO premises.

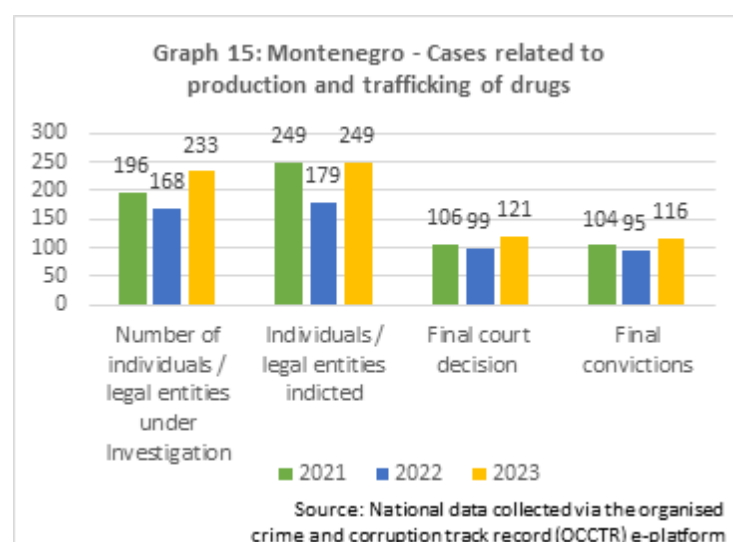
Montenegro needs to increase efforts on awareness raising, outreach and education on the dangers and risks related to the misuse, illicit possession and trafficking of firearms. Measures aimed at reducing illicit firearms through legalisation, voluntary surrender, de-activation and destruction should be implemented, in line with the EU action plan on firearms trafficking.

As regards **tobacco smuggling**, 21 criminal charges were filed against five legal entities and 39 people. Among those, six are Customs Administration officials, four of whom are members of the Commission for the Destruction of Confiscated Cigarettes. The ban on storage of tobacco products in the free zone of the port of Bar led to the seizure of an unprecedented number of cigarettes. Despite assistance offered by the EU and the United Kingdom, the process of destruction has not yet taken place. In 2023, there was no final court decision on tobacco smuggling. Montenegro needs to make stronger efforts to address the illicit trade of cigarettes. This would involve strengthening the capacity of all institutions involved, further strengthening the work of the whole judicial chain, dismantling criminal networks, and improving the track record in final convictions and confiscations of the proceeds of crime.

Cooperation in the field of drugs

Cooperation in the field of drugs needs to be improved.

Institutional set-up and legal alignment



Montenegro's strategic and regulatory framework in this area is not fully aligned with the EU *acquis*. The national drug information system does not fully meet European standards. Montenegro has had no drug strategy in place since the previous strategy came to an end in 2020. The capacity of the Directorate for the prevention of drug abuse in the Ministry of Health, which embeds the National Drug Observatory, was further strengthened. The involvement of the National Drug Observatory in the activities of the EU Drugs Agency (EUDA) is satisfactory and the national early warning system is operational and considered ready to be linked to the EU early warning system. Preparations are ongoing between the EUDA and Montenegro on a Working Arrangement.

Implementation and enforcement capacity

Montenegro continued to be a transit country for drugs as a part of the Balkan route. In 2023, a total of 960 kg of drugs were seized.

In the reporting period, the courts were working on 19 cases against 131 individuals and resolved one case against one defendant, with a final conviction.

Montenegro did not address the insufficient storage capacity for seized drugs and has yet to make legislative changes to keep only a sample of drugs as evidence for court proceedings.

Montenegro has sufficient operational capacity allowing it to actively engage in international police cooperation on drugs related cases, including *via* Europol and Interpol.

Fight against terrorism

Fight against terrorism is satisfactory.

Institutional set-up and legal alignment

Montenegro's legal framework on the fight against terrorism is largely in line with the EU *acquis* and international instruments on anti-terrorism. Montenegro continues to implement measures in the EU-Montenegro Implementing Arrangement of the Joint Action Plan on Counter-Terrorism for the Western Balkans. In the light of the progress made, in November 2023, Montenegro and the EU signed a revised bilateral arrangement and the country submitted its sixth implementing report in June 2024. Montenegro should continue to implement the actions agreed under the Joint Action Plan on Counter Terrorism for the Western Balkans and keep its strategic and legislative framework up to date and aligned to the EU legislative *acquis* and policy priorities.

In December 2023, the government appointed the third National Coordinator in 2 years. In December 2023, the Ministry of Interior established a new National Operational Team (NOT) for the prevention and suppression of radicalisation, violent extremism, terrorism, money laundering and terrorism financing. In February 2024, the Bureau for Operational Coordination of Intelligence-Security Sector Bodies created an interdepartmental working group to establish a national 'watch list' in line with UN Security Council resolution 2396. In December 2023, the Passenger Data Collection Group commenced the pilot phase of data collection from airlines.

Implementation and enforcement capacity

During 2023, no individual was convicted of a terrorism offence. A cause for concern is the growing right-wing extremist content online, hate speech and disinformation, exacerbated by Russia's war of aggression in Ukraine and the war in Gaza.

An investigation against nine suspects indicted for criminal offences (for creating a criminal organisation) has been ongoing since 2020. The retrial of 13 defendants (including two Russian and eight Serbian citizens) found guilty of terrorism in the 2016 coup attempt case ended in July 2024 with the acquittal of all defendants. The prosecutor can still appeal this judgement.

In 2023, due to the change of the National Coordinator and the NOT, implementation was limited for the two National Strategies on 'Prevention of Terrorism, Money Laundering and Terrorism Financing 2022-2025' and on 'Prevention and Suppression of Radicalisation and Violent Extremism 2020-2024' and their action plans.

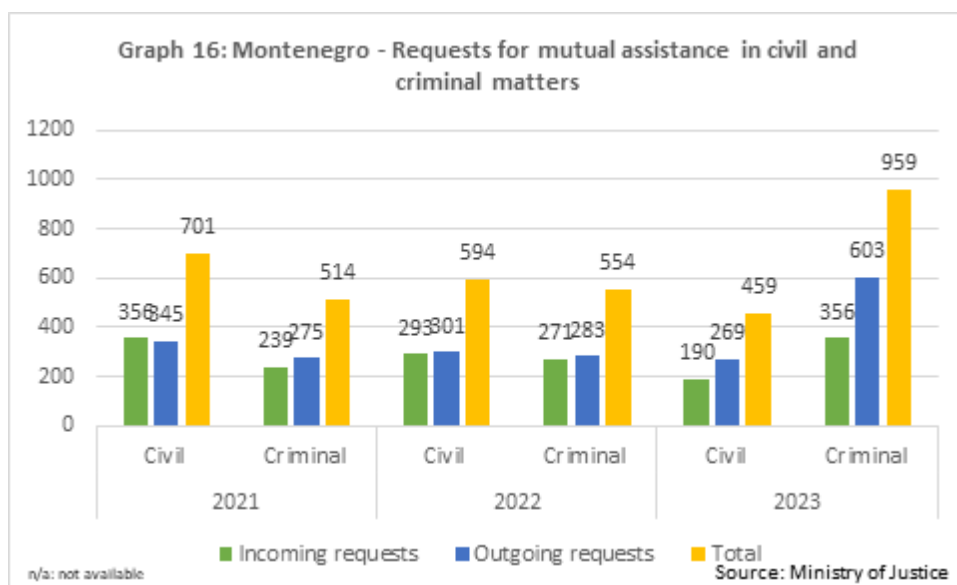
Montenegro actively participated in the EU Radicalisation Awareness Network (RAN). It continued its good cooperation with Europol on foreign terrorist fighters. In 2023, the number of messages exchanged with foreign counterterrorism units through Europol's Secure Information Exchange Network Application (SIENA) communication link rose to 480 (from 342 in 2022).

The problem of foreign terrorist fighters is limited in Montenegro. There is currently no intent to repatriate the 14 foreign terrorist fighters and family members reported to be in Syria and Iraq.

Judicial cooperation in civil and criminal matters is satisfactory.

Montenegro should further improve the speed and efficiency of international judicial cooperation by increasing its use of judicial cooperation instruments, such as joint investigations teams and direct court-to-court cooperation. In February 2024, Montenegro signed the Ljubljana-Hague Convention on International Cooperation in the Investigation and Prosecution of the Crime of Genocide, Crimes against Humanity, War Crimes and Other International Crimes.

The LURIS database, an electronic system for monitoring cases of judicial cooperation, is functional. In 2023, there were 959 cases (117 with EU Member States of judicial cooperation in criminal cases, while in judicial cooperation in civil matters there were 459 cases (171 with EU Member States).



In 2023, there was intense cooperation between Montenegro and Eurojust, with 76 cases of judicial cooperation processed by Montenegro with the support of Eurojust, including 58 cases initiated by Montenegro. Montenegro continued to participate in the Eurojust regional project 'Increasing cross-border cooperation in criminal justice in the Western Balkans' (WB CRIM JUST).

To date Montenegro has not engaged in any joint investigation teams (JITs) with an EU Member State.

The working arrangement signed between the Montenegrin Supreme State Prosecution Office and the European Public Prosecutor's Office (EPPO) in September 2022 has had limited effects in practice.

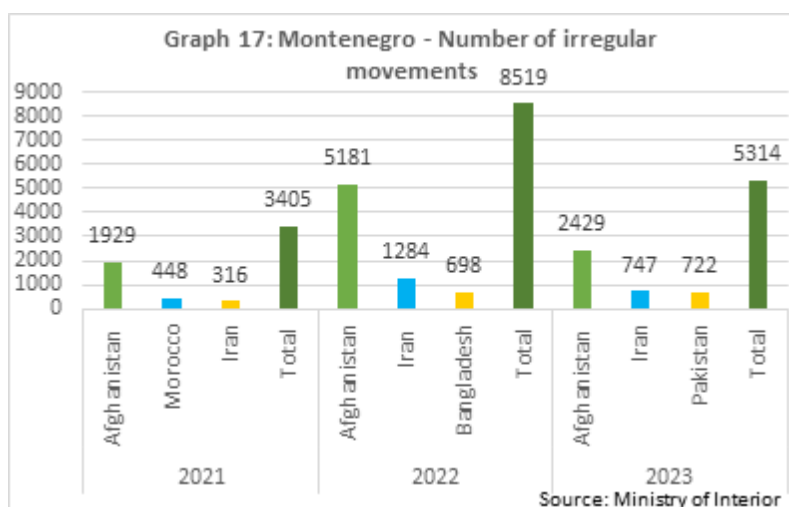
Legal and irregular migration

Institutional set-up and legal alignment

The management of legal and irregular migration is satisfactory, and the legal framework is largely aligned with the EU *acquis*. The 2021-2025 strategy on migration and reintegration of returnees regulates best practice on legal migration, asylum, prevention of irregular migration, readmission, return, integration, internally displaced persons and statelessness.

Implementation and enforcement capacity

Montenegro is in the initial stages of implementing a modern migrant fingerprinting identification and registration system, connected to a central biometric database.



In 2023, 5 314 migrants were apprehended crossing the borders illegally, a 37% decline compared with 2022 (8 519), reflecting

regional trends. The majority of these migrants register an intention to seek asylum, therefore benefiting from the two reception centres' accommodation and provision of healthcare.

In 2023, 83 migrants were detained in the detention centre for foreigners in Spuz (2022: 78). Montenegro is actively engaged in the EU regional project EU4FAST 'Support to Strengthen the Fight against Migrant Smuggling and Trafficking in Human Beings in the Western Balkans' and takes part in the Global Alliance against Migrant Smuggling, launched in November 2023.

The **readmission agreement with the EU** continues to be implemented smoothly. As of 2023, Montenegro concluded implementing protocols with 15 EU Member States. The number of readmission requests from EU Member States continued to decline. In 2023, Montenegro processed 156 readmission requests from EU Member States. Of these, 85 requests were accepted. In 2023, Montenegro accepted 43 returnees (2022: 71) and drew up readmission plans on their return to Montenegro.

Montenegro has 11 **readmission agreements with non-EU countries**, including all Western Balkan partners and Türkiye but none with any of the main countries of origin of migrants coming to Montenegro. The quality of implementation of these readmission agreements continues to improve. Readmission from Montenegro to neighbouring countries (including Croatia) fell to 70 people in 2023 (from 87 in 2022). Readmissions of non-EU nationals from neighbouring countries to Montenegro also continued to decline, with 50 readmissions in 2023, mainly from Croatia (36). In 2023, 31 voluntary returns were carried out (2022: 37). The border police carried out 19 returns to neighbouring countries and the International Organisation for Migration carried out 12 returns.

Montenegro must continue to develop its international cooperation on readmission, increase its capacity to prosecute migrant smuggling networks, establish a modern data collection system for screening migrants and refugees and improve the coordinated approach by all actors responsible for managing mixed migration flows.

Asylum

The management of asylum is good.

Institutional set-up and legal alignment

Montenegro's legal framework is largely aligned with the EU *acquis*. Cooperation with the EU Agency for Asylum is very good and continued to reinforce Montenegro's overall asylum system.

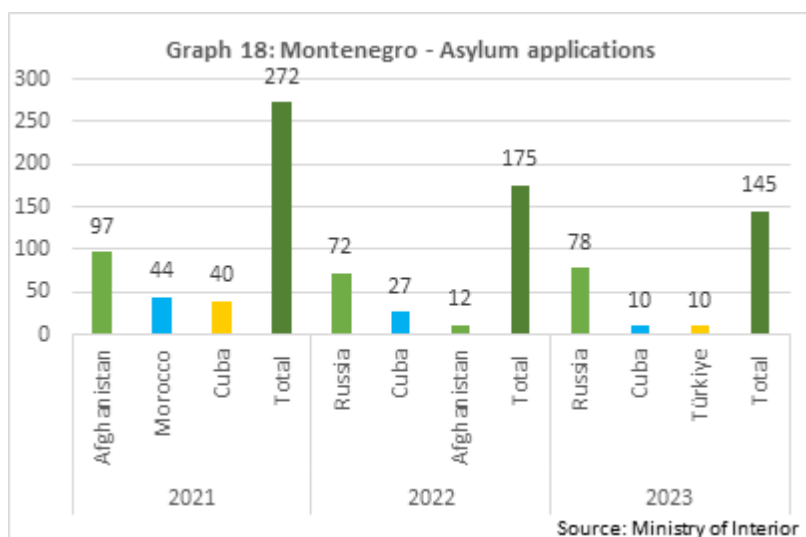
In 2023, 4 998 people registered an intention to request asylum (2022: 8 320), reflecting a downward trend in irregular entries. In 2023, equipment was installed in Bozaj for the electronic acquisition of biometric data from migrants who expressed their intention to apply for asylum.

The Directorate for Asylum continued to reduce the backlog for handling asylum applications and decides on requests for international protection within 6 months, except in complex cases.

In 2023, the Directorate overturned fewer decisions at second instance, reflecting a better quality determination process. The quality of the status determination procedure for refugees was improved (113 interviews in 2023, compared to 63 in 2022), resulting in an increase in positive decisions of 56%.

In 2023, the Directorate for Asylum improved its staffing by two more officials, including the head of the procedure. Montenegro needs to continue increasing staffing levels for the status determination procedure.

Implementation and enforcement capacity



In 2023, the number of asylum seekers accommodated in reception centres was 3 093, a 50% decline compared with 2022 (6 202). Montenegro has two reception centres with 164 beds, however, the reception capacities must be further expanded to cope with possible increased migration flows, especially in view of future EU membership. In March 2024, Montenegro signed contracts for preparing and coordinating construction and reconstruction projects to expand and improve accommodation capacities in the Spuz and Bozaj centres.

Montenegro is the Western Balkan partner hosting the highest number of Ukrainian nationals having fled Russia's war of aggression, both in absolute figures and proportionally to its population (1%). It continued to grant Ukrainian citizens with 'temporary protection' status, access to health services and accommodation beyond the minimum European standards, although it relied largely on ad hoc solutions. In March 2024, the Decision on granting temporary protection was prolonged for one year.

Administrative barriers hinder access for these Ukrainians to healthcare, bank accounts and financial services, and several laws need to be aligned with the Law on asylum to ensure that temporary protection holders are entitled to their social rights. Written procedures for the approval and denial of requests for accommodation, including appeal procedures, are not in place.

Visa policy

The national visa regime continues not to be aligned with that of the EU. Progress is needed on the alignment of Montenegro's visa policy with the EU's list of visa-required countries, in particular as regards countries presenting irregular migration or security risks to the EU. The only progress made in 2024, was the government adoption in April of a decision on seasonal visa waivers, including the removal of seasonal visa waivers for citizens of Uzbekistan.

Montenegro still has a visa-free regime with 11 countries that are on the EU list of visa-required countries, of which seven enjoy permanent visa exemption (and four have a seasonal visa waiver to enter Montenegro for tourism between April and October 2024). Seasonal visa exemption measures are not in line with the EU *acquis*. As part of its Reform Agenda under the Growth Plan, Montenegro committed to further align with the EU-list of visa-required countries, reach interoperability between its systems and databases used in the current visa approval system, start working on collecting biometric data as well as introduce additional security measures.

Montenegro is gradually rolling out its Visa Information System (VIS). Currently, 31 of its diplomatic and consular missions are connected to the VIS.

According to Eurostat, 360 Montenegro nationals applied for asylum in the EU27 in 2023 (decrease by 11% compared to 410 in 2022).

Schengen and external borders

Institutional set-up and legal alignment

The legislative framework for the management of external borders is largely aligned with the EU *acquis*. On 1 November 2023, the status agreement between Montenegro and the EU entered into force⁵.

Electronic sea surveillance enables real-time image transmission to Montenegro's Centre and the Frontex Coordinating Centre in Warsaw, a key mechanism for border control in the Adriatic Sea and rapid interception of suspicious vessels.

On 31 December 2023, 1 075 out of 1 514 posts in the Border Police were filled (71%).

Implementation and enforcement capacity

In 2023, Montenegro conducted 647 joint border patrols with neighbouring countries (2022: 500, 2021: 437). The activity of the joint police cooperation centres increased, with a higher volume of exchanged information. A total of 94 forged documents were seized.

Border management equipment continued to be progressively upgraded in accordance with the Schengen action plan, but reliance on support from the EU and other donors remained high. The border police still lack proper capacity to monitor the purchase of equipment, set priorities and draw up a purchase plan, linked with the Schengen action plan.

The Border Police established the Group for Suppression of Human Smuggling and Cross-Border Crime to develop analytics and intelligence on smuggling networks. The Border police now have direct access to Europol's SIENA channel. In 2023, they started operational-investigative measures, in cooperation with the competent prosecutors and the criminal police, leading to the opening of several new SIENA cases to investigate groups of migrant smugglers operating throughout Montenegro.

From 1 August 2023 onwards, border passes have been issued for inhabitants of cross-border areas of Montenegro and Bosnia and Herzegovina. During 2023, the Montenegrin authorities demolished alternative roads towards Bosnia and Herzegovina in six locations and towards Kosovo in six locations.

Euro counterfeiting (criminal law aspect)

The relevant legislation is broadly in line with the EU *acquis* on the suppression of counterfeit currency. The Criminal Code provides for the criminal offence of 'counterfeiting money'.

In 2023, six reports were received for the criminal offence of counterfeiting money, four indictments were filed and confirmed, and 10 indictments were pending before the court, one of which ended in a conviction.

All aspects of customs cooperation are covered in Chapter 29 – Customs Union.

⁵ Official Journal L 140, 30.5.2023

2.3. ECONOMIC CRITERIA

Table 6.1:	2015-20	2021	2022	2023
Montenegro - Key economic figures	average			
GDP per capita (% of EU-27 in PPS) ¹⁾	46	47	50	52
Real GDP growth	0.8	13.0	6.4	6.0
Activity rate of the population aged 15-64 (%), total	63.7	59.2	67.7	71.7
female	56.8	52.9	61.4	66.3
male	70.5	65.5	73.9	77.0
Unemployment rate of the population aged 15-64 (%), total	16.9	16.8	15.0	13.4
female	17.0	16.1	13.1	14.3
male	16.7	17.3	16.6	12.6
Employment of the population aged 15-64 (annual growth %)	0.1	-2.4	17.2	10.5
Nominal wages (annual growth %)	1.3	1.4	11.2	11.8
Consumer price index (annual growth %)	1.1	2.5	11.9	8.7
Exchange rate against EUR	1.0	1.0	1.0	1.0
Current account balance (% of GDP)	-16.8	-9.2	-12.9	-11.6
Net foreign direct investment, FDI (% of GDP)	10.3	11.7	13.2	6.3
General government balance (% of GDP)	-5.7	-1.9	-4.2	0.6
General government debt (% of GDP)	74.0	82.5	68.0	59.3

Notes :

1) Eurostat

Source: national sources

2.3.1. The existence of a functioning market economy

Economic governance

The new coalition government adopted several major reforms. The government increased the minimum pension by 52% to EUR 450 from 2024 onwards. In September 2024 the government adopted the work programme, called Europe Now 2.0 and the related Medium-Term Fiscal Strategy. Key reforms relate to increasing average minimum wage from EUR 450 to EUR 700 and halving pension contributions. These measures pose a considerable risk to the sustainability of public finance, despite some compensatory measures and accelerated investment programme.

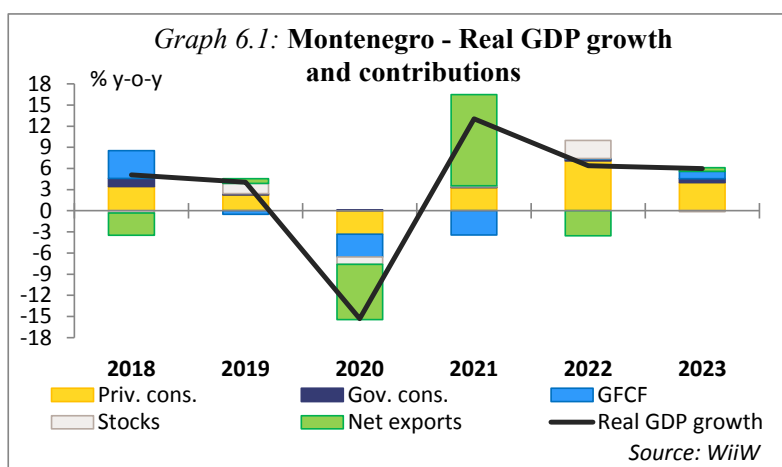
The policy guidance set out in the conclusions of the Economic and Financial Dialogue of May 2023 was partially implemented.

Progress was made in improving the budget balance and creating the legal basis for setting up a Fiscal Council, but structural reforms aiming to address informality and improve SOE governance saw only limited implementation.

Macroeconomic stability

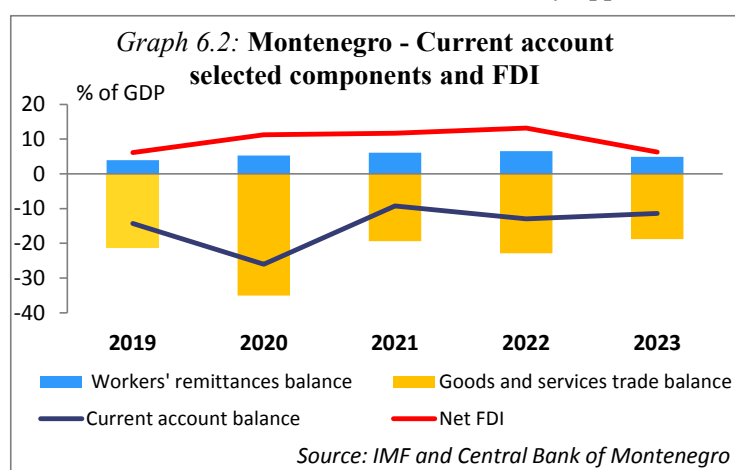
Economic growth in 2023 continued to be robust and broad-based. GDP growth is estimated to be 6.0%, somewhat below the 2022 growth rate of 6.4%. Economic expansion was

mainly driven by exports of services and private consumption, underpinned by growing disposable income and a large inflow of Russian, Ukrainian and Turkish nationals. Further support came from recovering investment and government consumption. Strong growth in exports, which benefited from



a good tourism season, together with a considerable slowdown in import growth, resulted in a positive contribution of net exports to GDP growth. In the first quarter of 2024 the economy expanded by 4.4% y-o-y on the back of domestic demand. Overall, 3 years of strong growth brought Montenegro's per capita GDP in purchasing power standards to 52% of the EU-27 average in 2023.

The current account deficit narrowed to 11.6% of GDP in 2023, owing to a strong tourism season and slower import growth. Surging services exports (+21%) offset a decline in merchandise exports caused by weaker performance in metal products. The growth in overall imports, which are much larger than exports, decelerated to 8.3% in 2023, following an exceptional 43% expansion a year before. The overall trade deficit declined by 3pps to 18.8% of GDP in 2023. The surpluses in the



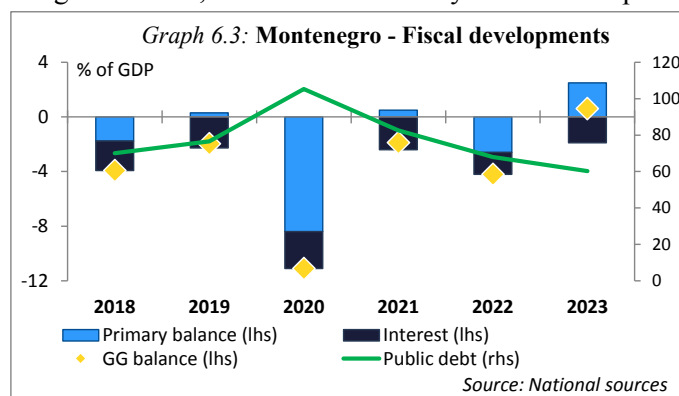
primary and secondary accounts declined marginally and stood at 1% and 6.4% of GDP in 2023, respectively, the latter on the back of lower remittances. In the first quarter of 2024 the four-quarter moving average current account deficit widened to 13.8% of GDP due to a slump of merchandise exports and lower surpluses in primary and secondary income surpluses. More than half of the current account deficit was financed by net foreign direct investment (FDI) inflows in 2023,

while the remainder was covered by reserves.⁶ Net FDI inflows declined by 45% year on year and amounted to 6.3% of GDP in 2023, with a large share traditionally going into real estate. The drop in FDI was driven by a combination of lower inflows of equity investment and inter-company debt, together with higher outflows (mainly the withdrawal of funds by non-residents). In the four quarters to March 2024, net FDI inflows remained broadly stable amounting to 6.2% of GDP. International reserves fell to EUR 1.4 billion in 2023, covering 3.4 months of imports of goods and services but improved to 4.7 months in early 2024 due to a decline in imports.

Following the inflation easing throughout 2023, the downward trend continued in 2024. Throughout 2023, consumer price inflation was on a declining trend from 16.2% y-o-y in January to 4.3% in December and averaged 8.9% for the year as a whole. The decline was driven by abating pressures from global energy and food prices as well as monetary policy tightening in the euro area, albeit limited by domestic policy-induced increases in wages and pensions. In March-April 2024 inflation bounced back to 5.5% y-o-y, but moderated to 3.5% in July. In March 2024 the government launched a programme to limit price increases for some basic food commodities.

⁶ In 2023 there was a large increase in errors and omissions which stood at 10.7% of GDP as compared to 9.6% in 2022 and 5.6% in 2022. The surge in errors and omissions is likely due to the recovery of tourism and large inflows of foreign nationals.

Due to extraordinary revenues, 2023 budget achieved a surplus of 0.6% of GDP, while 2024 budget projection was revised in line with new developments. The 2023 outcome significantly overshot the revised deficit target of 3.4%, adopted in November. The key driver was a much higher budget revenue, which increased by 26.3% compared to 2022 and outweighed the increase in



spending, which rose by 12.8%. Public revenue growth was driven by high consumer spending fuelled by a large inflow of foreign nationals and increasing wages, high inflation, a successful tourism season, improved tax discipline and one-off items.⁷ The main drivers on the spending side were higher social transfers, an increased wage bill and a surge in interest payments, while there was a decline in capital spending, worsening the quality of public spending. At the end of

December 2023, the parliament of Montenegro adopted the 2024 Budget Law, which envisages a significant deterioration in the budget balance, with a projected deficit of 3.4% of GDP, driven by expected strong growth in social transfers and capital spending and the absence of one-off revenue. The 2024 budget was revised due to better than planned revenue performance and measures related to Europe Now 2 programme, which are set to enter into force in October 2024.

The public debt ratio declined in 2023, but large upcoming debt service obligations, coupled with newly adopted measures, point to vulnerabilities and require offsetting actions. At the end of 2023, the general government debt ratio decreased to 59.3% of GDP, down from 68% of GDP a year earlier. The marked reduction was driven by high nominal GDP growth and some use of government deposits to repay maturing debt. Due to good fiscal performance in 2023, the stock of government deposits increased to 2.3% of GDP at the end of 2023, up from 1.9% a year earlier. Large repayments of public debt, amounting to 7.6% and 11% of GDP, are due in 2024 and 2025, respectively, and will require substantial new borrowing. In March 2024, Montenegro successfully issued Eurobonds of EUR 687 million⁸ at an effective rate of 5.88%. Fiscal projections, including new measures adopted in September 2024, set public debt at 63.3% at the end of 2024 with a rising trend to 65.2% in 2027.

Montenegro's macroeconomic policy mix is constrained by the lack of an autonomous monetary policy. Fiscal policy is the main tool for managing aggregate demand. In view of debt-related vulnerabilities, large upcoming financing needs and measures adopted within the Europe Now 2 programme, a careful fiscal management with offsetting measures and an overall tighter fiscal stance appear appropriate.

Functioning of product markets

Business environment

Efforts to improve the regulatory business environment have resumed. In March 2024, the Competitiveness Council adopted an action plan aiming to eliminate 11 key barriers to business by 2026. The dynamic development of local and foreign companies is hindered by the informal economy, inefficiencies and delays in dealings with the administration, excessive complexity of the legal framework and the administrative burden related to para-fiscal charges as well as insufficient quality of e-services. Further obstacles are related to insufficient transparency in decision-making, arbitrary law interpretation and enforcement by public authorities and access to finance for small and medium-sized enterprises (SMEs).

⁷ Sources of one-off revenues included the economic citizenship programme, the termination of a hedging arrangement and the energy-related budget support from the EU.

⁸ Montenegro issued Eurobonds in the amount of USD 750 million, with a maturity of 7 years and at an effective interest rate of 7.25%. Following a cross-currency transaction, the debt amounts to EUR 687 million, with a more favourable interest rate of 5.88%.

The informal economy constitutes a major obstacle to Montenegro's competitiveness. Deficiencies in the institutional and regulatory environment, weaknesses in the labour market, insufficient enforcement capacity on the part of the public authorities, corruption and tax non-compliance are all conducive to undeclared work, which is especially harmful to legally operating SMEs and microenterprises in the service sector. At the end of 2023, the government adopted a programme and action plan to address the informal economy, including measures to tackle tax avoidance and evasion, but it lacks a monitoring mechanism for reviewing its implementation.

State influence on product markets

While the government undertook measures to contain price increases, the transparency and efficiency of State aid in Montenegro remains weak. In March 2024, the government launched a price cap programme, in cooperation with the country's largest supermarket chains, in an effort to prevent anti-competitive measures and address surging prices for basic food products, such as flour, sugar, oil and salt. The initiative was later expanded to include a broader range of products and support domestic producers. The Agency for Protection of Competition (APC) issued two decisions on unlawful State aid, which should be repaid. While Montenegro made progress towards ensuring better transparency of State aid decisions, further work is needed to increase awareness of State aid rules among aid grantors and to increase staff at the Agency for Protection of Competition (APC). The APC issued two decisions on unlawful State aid, which should be repaid.

Privatisation and restructuring

The privatisation of state-owned enterprises (SOEs) did not advance, but initial steps were undertaken to create a framework for improving SOE governance and profitability. The financial performance of Montenegro's SOEs⁹, including those at the local level, should be improved by transforming their management structures and eliminating political patronage. This would also reduce SOE-related fiscal risks. While improvement of SOE governance featured prominently in Montenegro's Economic Reform Programme in the last years, the progress was very slow. The Ministry of Finance continued the preparatory work on analysing the legal and regulatory framework for SOE reform and has received IMF technical assistance for assessing the SOE-related fiscal risks.

Functioning of the financial market

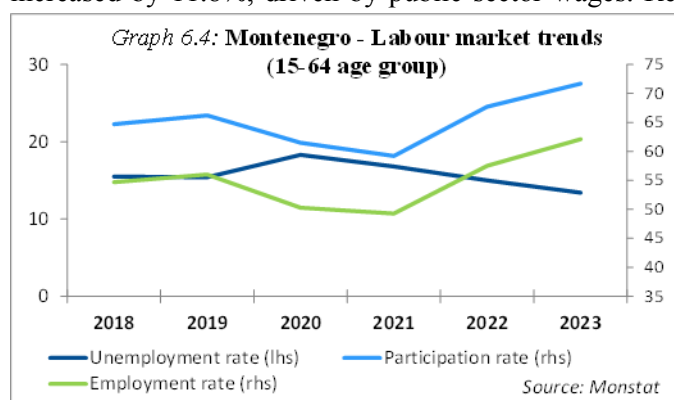
The banking system remained stable with adequate levels of liquidity and profitability. Most of the temporary measures aimed at preserving the liquidity and solvency of domestic banks expired during 2023. The central bank of Montenegro (CBM) strengthened the supervisory process in November 2023, by requiring credit institutions to pass the conformity check before paying dividends. The sector-wide capital adequacy ratio stood at 19.5% in June 2024, well above the statutory minimum of 8%. Banks continued to fund themselves mainly through domestic deposits which increased by 15.5% in 2023, but growth decelerated to some 3% in the first half of 2024. Non-performing loans made up 4.3% of total loans in mid-2024, down from 5.2% in mid-2022. Increasing net interest margins led to a surge in banking sector profits (+75.3%) in 2023.

Credit activity continued to grow despite higher lending rates. Credit growth accelerated to 10.8% in 2023, from 6.6% in the previous year and continued to expand in the first months of 2024, mainly on the back of inter-bank lending and lending to households. Corporate sector loans recorded a slowdown in an environment of higher interest rates in 2023, but accelerated in May-July 2024. Borrowing costs increased in 2023 and remained high, with the nominal weighted averaged lending rate reaching 6.6% in July 2024 compared to 5.92% at the end of 2022.

Functioning of the labour market

⁹ The central government is the majority or full owner of some 50 SOEs in Montenegro. (OECD 2024)

The economic recovery led to strong job growth and a fall in unemployment, but structural challenges in the labour market remain. According to the labour force survey (LFS), the average unemployment rate declined to 13.4% in 2023 from 15.1% in 2022. The number of employed increased strongly, by 10.8%, and the rate of employment stood at 55.6%. The average gross wage increased by 11.8%, driven by public sector wages. Regional disparities persisted in 2023, with the



unemployment rate varying from 3.1% in the coastal region to 10.1% in the centre and 31.9% in the poorer northern region. The gender gap narrowed, but the activity rate of women (66.3%) remained significantly below that of men (77%). Remaining major structural challenges are youth unemployment (those aged 15-24), which stood at 23.3% in 2023¹⁰ and long-term unemployment: 72.1% of all the unemployed have been looking for a job for more than 12 months. Ongoing reform

efforts, aimed at improving administrative capacities and the digitalisation of the Employment Agency, are expected to result in more targeted and effective employment activation measures. Reforming the Employment Agency is instrumental for both the implementation of the Youth Guarantee and a well-functioning labour market.

2.3.2. The capacity to cope with competitive pressure and market forces within the EU

Education and innovation

The latest PISA results confirmed significant gaps in education quality. The 2022 PISA¹¹ average scores were below the results in 2018, and below the OECD average. Skills mismatches persist for those with vocational education and training and those with a higher education qualification, despite existing efforts to improve the transition from education and training to the labour market.

Albeit underfunded, public and private investment in research, development and innovation increased in 2023.¹² The Innovation Fund continued to play a vital role in implementing the national innovation policy, through eight innovation support programmes implemented in 2023, aiming to encourage cooperation on developing innovative projects and products between private sector and research institutions. The links between academia, research institutes and business need to be further reinforced. Research staff are employed almost exclusively by the government or in the higher education sector.

Physical capital and quality of infrastructure

Some progress was made in improving energy infrastructure. While the use of renewable energy sources is high, there is a lack of diversification in renewable sources (electricity production relies mainly on hydropower and biomass) and insufficient focus on environmental standards in energy infrastructure projects. In 2023, the national electric power company implemented two solar projects and some progress was made in preparing the construction of a new wind power plant. In August 2024, Montenegro adopted the Law on the use of energy from renewable sources, but the implementing legislation is missing. Montenegro has not yet taken a strategic decision on how to replace the thermal (lignite) power plant in Plevlja, which currently produces approximately 50% of Montenegro's electricity and is vital for security of supply and the stability of the country's power system, but remains its main polluter.

Investment in digital infrastructure continued. After a series of large-scale cyberattacks on the

¹⁰ NEET rate declined to 20.3% in 2023 from 23.2 in 2022.

¹¹ Released in December 2023.

¹² In 2023, the government allocated nearly EUR 10 million to implement R&D activities, which represent a sharp increase compared to EUR 4.1 million in 2022. (OECD 2024)

state IT infrastructure in 2022, the government progressed with the digital transformation reforms. Cybersecurity was made a priority in 2023, through the establishment of an advanced cybersecurity defence ecosystem. After auctioning and awarding the 5G spectrum in 2022, all three operators continued to work on 5G activation in all municipalities by the end of 2024. At end of 2023, around 85.4% of the population of Montenegro was covered by the 5G network signal. Rural broadband development is however lagging behind, thereby widening the connectivity gap between urban and rural populations.

Modernising the transport sector requires broad action and close partnership with the EU Progress on improving and modernising short sections of the road and rail networks was slow. Montenegro is yet to adjust its strategy for developing the transport sector in line with its Transport Community Treaty commitments on sustainable and smart mobility. Improving road transport connections, in particular the rail and road corridor linking the port of Bar to Boljare, at the border with Serbia, is a national priority for Montenegro. The government has reached an agreement with the EBRD and the EC for a favourable loan to continue construction on the Bar-Boljare highway, however rail corridor part (Bar-Vrbnica) faces significant delays, due to limited absorption and management capacity of the responsible administrative bodies. Montenegro did not engage with the European Commission on the latest investment planning projects until 2030, except for the Bar-Boljare corridor. A number of recently announced road development projects, such as a new inland route for the Adriatic-Ionian Highway, in addition to the previously planned coastal route expressway, depart significantly from the plans agreed under TEN-T network and the country's Transport Community commitments and makes EU-funded feasibility and design studies partially obsolete.

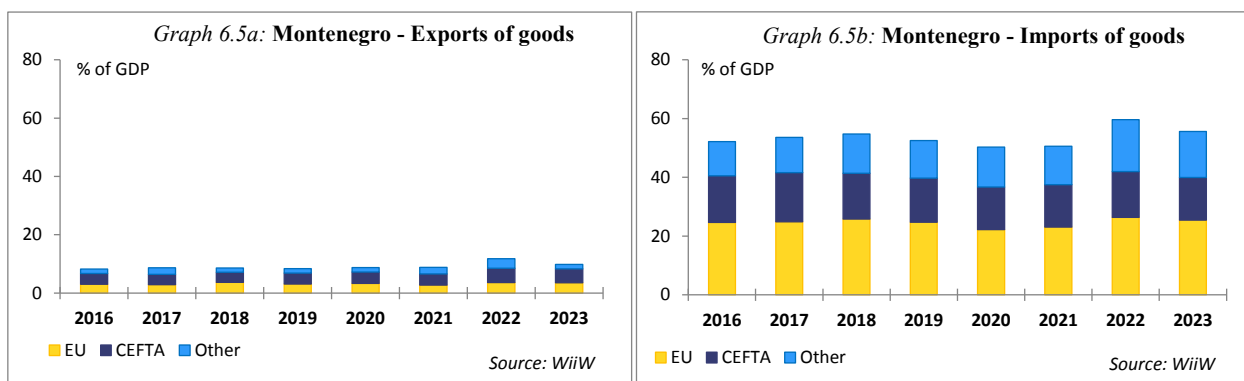
Sectoral and enterprise structure

The structure of the economy remains broadly unchanged. Micro, small and medium-sized enterprises (MSMEs) accounted for 50.4% of total employees in 2023. Micro enterprises accounted for 95% of all MSMEs. Across sectors, the distribution of employment remained broadly stable in 2023, with the services sector absorbing 77% of total employment, while the shares of industry and construction (18.4%) and agriculture (4.5%) were much lower. The share of agriculture in gross value added declined to 5.9% in 2022, compared with an average of 7.4% in the previous 10 years, while the share of industry was roughly stable at some 10%. The share of construction fell to 3.8% in 2022, from its 10-year average of 5.1%.

Economic integration with the EU and price competitiveness

Growth of merchandise trade was supported by higher imports. Montenegro's foreign trade expanded by 5.8% year on year, with exports of goods shrinking by 3.7%, and imports increasing by 7.8% in 2023. Bilateral trade with the EU grew by 12% and the EU remained Montenegro's main trade partner, accounting for 36.1% and 45.8% of merchandise exports and imports, respectively. The share of countries in the CEFTA (Central European Free Trade Agreement) accounted for 48.4% and 26% of Montenegro's total exports and imports of goods. The EU also remains the main source of FDI inflows, accounting for 29.8% of total FDI inflows in 2023, followed by Russia, Türkiye and Serbia. Montenegro's price competitiveness was negatively affected by the appreciation of the real effective exchange rate due to a positive inflation differential with the euro area.¹³

¹³ The IMF (2024) estimates the differential between the Montenegrin and euro area inflation narrowing to 1.7 percentage points in early 2024.



2.4 PUBLIC PROCUREMENT, STATISTICS, FINANCIAL CONTROL

Chapter 5 - Public procurement

EU rules ensure that public procurement of goods, services and works in any Member State is transparent and open to all EU companies on the basis of non-discrimination and equal treatment.

Institutional set-up and legal alignment

The **legal framework** on public procurement is well aligned with the EU *acquis*.

In December 2023, the World Bank Methodology for the Assessment of the Procurement System (MAPS) project ended with a comprehensive evaluation of the public procurement system in Montenegro, with a special focus on electronic public procurement. The results will serve as a basis for further improvements in the fields of contract management, introduction of green and sustainable public procurement and enhancement of the electronic public procurement system. In June 2024, secondary legislation was changed to reduce the number and value of negotiated procedures for which no contract notice is published.

In April 2024, the government decided to continue with the second stage of the tender procedure for airports concession, with advisory support of the International Finance Corporation.

Implementation and enforcement capacity

The implementation and enforcement capacity in the area of public procurement is adequate and remains stable. Training sessions on public procurement rules and courses for procurement officers are organised systematically. A framework on integrity and conflict of interest in public procurement is in place. In January 2024, Montenegro introduced a monitoring mechanism for procurement procedures without a publication of the contract notice (simple procurements), aimed at preventing irregularities in these types of procedures.

Continuous improvements to the electronic public procurement system, implemented in 2023-2024, facilitate the exchange of data between the public institutions and are aimed at detecting and limiting possible irregularities and corrupt practices in the public procurement. Improved functionalities of the system facilitate the monitoring of contract award and implementation and appeals.

Efficient remedy system

Appeal procedures are in line with the EU standards and practice. At the end of 2023, a new president and members of the Commission for the Protection of Rights in Public Procurement Procedures were appointed, alleviating staff shortage issues. There are no significant delays in treating and resolving complaints and the remedy system works efficiently.

Chapter 18 - Statistics

European statistics are developed, produced and disseminated by EU Member States, guided by the principles and quality criteria elaborated in the Regulation on European statistics, such as professional independence, impartiality, reliability, transparency and confidentiality. Common rules

are in place for the methodology, production and dissemination of statistical information, which are further specified in sectoral legislation that constitute the EU acquis on statistics.

The legal framework for **statistical infrastructure** remains broadly in line with the European standards and integrates the principles of the European Statistics Code of Practice. In 2024, the management structure of the Statistical Office of Montenegro (MONSTAT) was reinforced, but the number of employees remains at about 60% of the number of posts envisaged in the organisation chart. The lack of proper premises remains a serious issue, without any viable solution being implemented. In December 2023, the Development Strategy of Official Statistics 2024-2028 and the Programme of Official Statistics 2024-2028 were adopted.

On **classifications and registers**, Montenegro has to undertake the necessary preparations to introduce the new versions of the nomenclature of economic activities (NACE) and the classification of products by activity (CPA), entering into force in 2025. As regards the nomenclature of territorial units for statistics (NUTS), the calculation, evaluation and agreement of some territorial typologies are still pending. In terms of business registers, 94% of the mandatory variables are available, but overall compliance still needs to improve significantly.

In the area of **macroeconomic statistics**, and especially implementation of the European System of Accounts (ESA) 2010, Montenegro still needs to achieve significant progress, both in terms of quality and completeness. On quarterly and annual national accounts main aggregates, Montenegro extended the length of time series on several datasets, but it needs to continue its efforts to close remaining gaps, further improve time series and timeliness and remove flags preventing publication of a large part of the data. Good progress was made towards regular production of supply, use and input-output tables, even though gaps remain. Only some limited preliminary government finance statistics (GFS) data were sent to Eurostat, while regular production is not in place. Therefore, significant efforts are needed to start sending regular GFS data which can be published, as well as properly completed excessive deficit procedure (EDP) tables.

In the area of **business and trade statistics**, Montenegro increased its compliance with short-term business statistics (STS) datasets, of which nine are now fully compliant. Data should be provided on sales volume in wholesale trade, and data on services producer prices are also missing. For structural business statistics, Montenegro did not transmit data due to using the old format of transmission and is therefore invited to use the new format and transmit data for the relevant reference years. For business demography, no data is received, and Montenegro is encouraged to prepare the data collection in the medium term. As regards trade by invoicing currency (TIC), the required data was transmitted for the first time in the new required format. Equally, the new data transmission format was successfully implemented for international trade in services statistics (ITSS). For trade by enterprise characteristics (TEC), gaps remain, and no data was transmitted in 2023. Montenegro is therefore encouraged to step up efforts to transmit data for the most recent reference periods as soon as possible.

In the area of **social statistics**, the enumeration phase of the census of population, households, and dwellings took place in December 2023 and data entering and processing was completed. The publication of census results is expected during 2024. In social protection statistics (ESSPROS), there is full compliance. In general, MONSTAT should improve the collection of sex disaggregated data.

In the area of **agriculture statistics**, the Law on agricultural census was adopted on in July 2024, and the census is to take place between October and December 2024. Improvements should be achieved in several agriculture-related areas, such as crop products statistics, where most of the data is marked as provisional since years. On the other hand, good efforts were made in organic farming statistics.

In **transport statistics**, Montenegro used to provide good quality road freight transport data on a regular basis. However, there were delays in recent transmissions and some tables are not transmitted, for which reason the compliance has decreased. **Energy statistics** are highly compliant.

Chapter 32 - Financial control

The EU promotes the reform of national governance systems to improve managerial accountability, sound financial management of income and expenditure, and external audit of public funds. The

financial control rules further protect the EU's financial interests against fraud in the management of EU funds and the euro against counterfeiting.

Public internal financial control (PIFC)

Montenegro's **strategic framework for public internal financial control (PIFC)** is in place. The government has adopted annual reports on the implementation of relevant strategies and on governance and internal control in the public sector. Even though the development of managerial accountability in public administration is one of the key strategic objectives, its application remains limited, notably regarding the delegation of authority in the field of financial management and internal control.

The legislative and operational framework for **internal control** and internal audit is in place. However, low implementation in various aspects of internal control indicates insufficient understanding and non-appreciation of the system.

In December 2023, a new methodology on **internal reporting** was adopted. However, many central government organisations bypass the parent ministries and submit their budget proposals directly to the Ministry of Finance. The **centralised budget inspection** within the Ministry of Finance started working and, in January 2024, published for the first time its annual oversight plan with a list of institutions and processes it intends to tackle during the year. However, it needs to be substantially strengthened with appropriate human resources.

Internal audit establishment and quality is improving, with consistent planning and reporting practices as well as internal quality assurance process. However, communication between internal auditors and senior management is limited, and frequently internal audit recommendations do not get implemented.

The **Central Harmonisation Unit (CHU)** made efforts to increase the functionality of the PIFC system, especially in the state-owned enterprises. The government endorsed the conclusions of CHU's annual report, but their implementation needs strengthening. CHU and the Human Resources Management Authority established a well-functioning continuous development programme as well as a certification programme for auditors.

At the level of PIFC, an **anti-corruption** system exists. All public entities are obliged to inform the CHU on suspicions of irregularities and fraud through the reporting system. CHU keeps the register on these cases and monitors the mitigation measures and actions undertaken. However, very few bodies have reported any irregularities.

External audit

Parliament appointed the fifth member of the Senate in July 2024 (the position was vacant since January 2021) of the **State Audit Institution (SAI)**, but it has still not appointed the President of SAI (the position is vacant since July 2022). An assessment by the International Organisation of Supreme Audit Institutions (INTOSAI) concluded that the delay in these appointments represents an infringement to the SAI independence. While several SAI reports have been discussed in parliamentary committees during 2023, Parliament does not yet have an institutionalised follow-up system of audit findings and recommendations of the SAI. Public control hearings are not taking place.

SAI adopted and implemented its **annual audit plan** based on risk assessment and on clearly stated criteria. SAI conducted the audit of the year end budget report and 24 other audits as well as three audits of the State-owned enterprises, representing a significant increase compared to previous period. SAI also published 47 reports on the implementation of the audit recommendations.

Protection of the EU's financial interests

Amendments to the **Criminal Code** are yet to be adopted in order to further align with the EU *acquis* on fight against fraud to the EU's financial interests by means of criminal law. The preparation of a new national anti-fraud strategy 2024-2027 is at an early stage. The Anti-Fraud Coordination Service (AFCOS) strengthened its knowledge and skills through EU-funded training activities.

Montenegro is **cooperating with the European Anti-Fraud Office (OLAF)**. Twelve cases of irregularities were reported in the Irregularity Management System in 2023, building a track record of reporting of irregularities. Montenegro should continue building a track record of cooperation on investigation involving EU funds.

Protection of the Euro against counterfeiting

Montenegro's legislation on protecting the euro against counterfeiting is in line with the EU *acquis*. The Central Bank of Montenegro carried out activities in accordance with the European Central Bank (ECB) and the EU standards regulating the integrity of the euro and cash handling standards including trainings and exchange of information.

3. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION

Good neighbourly relations and regional cooperation form an essential part of Montenegro's European integration process. They contribute to stability, reconciliation and a climate conducive to addressing open bilateral issues and the legacies of the past.

Montenegro maintained its engagement in a number of regional cooperation initiatives, such as the Central European Free Trade Agreement (CEFTA), the Energy Community, the Transport Community, the South East European Cooperation Process (SEECP) and the Regional Cooperation Council (RCC). Montenegro also actively participates in initiatives such as the Central European Initiative (CEI) and the Centre for Security Co-operation (RACVIAC).

On 7 December 2023, Montenegro ended its 2023 chairmanship of the Central European Free Trade Agreement (CEFTA).

The fourth annual **EU-Western Balkans Summit** took place in Brussels in December 2023, reaffirming the EU membership perspective of the Western Balkans and exploring measures aimed at further advancing gradual integration.

Montenegro has actively engaged in the regional dimension of the **Growth Plan for the Western Balkans**, actively participating in both ministerial and leaders' meetings, and it hosted the May leaders meeting in Kotor.

On the **Common Regional Market (CRM)**, in October 2023 the Berlin Process summit took place for the first time in the region, in Tirana, adopting an additional agreement on the recognition of professional qualifications, concerning nurses, veterinary surgeons, pharmacists, and midwives. The **roadmap for roaming** between the Western Balkans and the EU entered into the first phase of implementation. Montenegro has ratified all four mobility agreements and has deposited the related notification instruments. Twelve major decisions were agreed by the CEFTA Joint Committee in October 2024. On the sidelines of the Berlin Process summit, Montenegro, Slovenia and France signed the agreement on establishing the Western Balkans Cyber Capacity Centre (WB3C), with headquarters in Podgorica.

Montenegro continued to closely cooperate with Croatia, Bosnia and Herzegovina and Serbia under the **Sarajevo Declaration Process**. By the end of November 2023, 681 refugee families were selected to benefit from the Regional Housing Programme. In 2024 a total of 646 refugee families benefited from this project, covering an estimated 2 000 individuals.

The Commission on **Missing Persons** of Montenegro continued cooperating with neighbouring countries under bilateral cooperation protocols. There are 51 active cases of missing persons who are Montenegrin citizens or whose families reside in Montenegro.

Montenegro generally maintains **good bilateral relations** with other enlargement countries in the region and with neighbouring EU Member States.

Relations with *Albania* remained good, with occasional high-level bilateral visits and consultations, and continued work on improving bilateral cooperation in fields of mutual interest.

Relations with *Bosnia and Herzegovina* remained good overall. The agreed border demarcation is yet

to be physically marked. Political tensions in Montenegro were sparked by a visit by the leader of the *Republika Srpska* entity in February 2024 and the UN Resolution on Srebrenica.

Relations with **Kosovo** remained good, with several ministerial level consultations, confirming the common European and Euro-Atlantic perspective, however with occasional inter-party tensions within the parliamentary majority, specifically regarding the admission of Kosovo to the Council of Europe. The coalition agreement includes support for Kosovo's independence and sovereignty.

Relations with **North Macedonia** remained good with no pending bilateral issues. High-level meetings between representatives of both countries took place during the reporting period, including in the context of the Western Balkans heads of states meeting and the NATO Secretary General meeting with the heads of states from the region in Skopje.

Relations with **Serbia** are generally stable, albeit with occasional mutual accusations. High-level visits took place and cooperation agreements were signed between the two countries. After a long delay, diplomatic relations were restored. A new Serbian Ambassador to Montenegro was accredited in February 2024, whereas the appointment of an Ambassador to Serbia is still pending.

Bilateral relations with **Türkiye** remained stable, with stated intentions to further develop bilateral cooperation. Montenegro's Parliament Speaker paid an official visit to Türkiye in December 2023. Following the government reshuffle, the newly appointed Minister of Foreign Affairs visited Türkiye as his first official visit abroad.

Montenegro continued to provide unequivocal support to **Ukraine** in light of Russia's war of aggression including humanitarian and military aid. In February 2024, the President participated in the Ukraine – South-East Europe Summit in Tirana.

Relations with the **Republic of Moldova** are good overall. The Presidents of Montenegro and Moldova met on the margins of the European Political Community in Chisinau in June 2023 and at the Ukraine – South East Europe Summit in Tirana in February 2024. Montenegro and Moldova also maintain relations through the South-East European Cooperation Process (SEECP).

Relations with **Georgia** are generally friendly. In October 2023, the Prime Minister attended the Silk Road Forum held in Tbilisi.

Despite regular bilateral meetings, relations with **Croatia** have been souring, with tensions arising from pending bilateral issues among other things. There was no progress regarding the pending border demarcation between the two countries or the ownership of the "Jadran" vessel. The Montenegrin Parliament adoption in June of a resolution focusing on the historical events of Jasenovac, Mauthausen and Dachau sparked a strong diplomatic reaction from Croatia, including three top Montenegrin officials being declared personae non gratae.

Relations with **Italy** remained good. In September 2023, the President paid an official visit to Italy, and several cooperation protocols were signed.

4. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

CLUSTER 2: INTERNAL MARKET

This cluster covers: free movement of goods (Chapter 1); freedom of movement for workers (Chapter 2); right of establishment and freedom to provide services (Chapter 3); free movement of capital (Chapter 4); company law (Chapter 6); intellectual property law (Chapter 7); competition policy (Chapter 8); financial services (Chapter 9) and consumer and health protection (Chapter 28).

Chapter 1: Free movement of goods

The free movement of goods ensures that many products can be traded freely across the EU based on common rules and procedures. Where products are governed by national rules, the principle of the free movement of goods prevents these rules from creating unjustified barriers to trade.

General principles

In April 2024, Montenegro adopted its EU accession programme 2024-2027, which includes **planning for legislative alignment** on free movement of goods.

Non-harmonised areas

Montenegro continued to implement its action plan for compliance with Articles 34-36 of the Treaty on the Functioning of the European Union (TFEU) on the **prohibition of quantitative restrictions**.

Harmonised area: quality infrastructure

On **standardisation**, the Institute for Standardisation of Montenegro (ISME) is continuing to address the recommendations of the European Committee for Standardisation (CEN) and the European Committee for Electrotechnical Standardisation (CENELEC) ensure its full membership of these bodies. From June 2023 until June 2024, ISME published 2 486 Montenegrin standards aligned with EU standards.

On **metrology**, Montenegro's Bureau of Metrology is a full member of the International Organization of Legal Metrology since January 2023. Improvements were made to the capacity of the laboratories for temperature and pressure and for testing precious metal articles.

The **Accreditation** Body of Montenegro (ATCG) accredited 42 conformity assessment bodies and terminated four accredited conformity assessment bodies. In December 2023, the European co-operation for Accreditation (EA) signed a multilateral agreement putting ATCG on an equivalent position to that of national accreditation bodies of the EU Member States.

Montenegro is yet to align to the latest EU *acquis* on **market surveillance**. 1 278 market surveillance inspections were ensured, which identified 618 dangerous and non-compliant products (32 258 items). New market surveillance inspectors were hired.

Harmonised area: sectoral legislation

Regarding '**new and global approach product legislation**', Montenegro adopted implementing legislation on medicines for human and veterinary use, medical devices, and construction products, designed to ensure partial alignment with the EU *acquis*.

On '**old approach product legislation**', Montenegro adopted implementing legislation, designed to ensure high level of alignment with the EU *acquis* on chemicals, notably certain annexes and an implementing regulation of the EU Regulations on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and Classification, Labelling and Packaging (CLP).

On **procedural measures**, there were no new developments to report.

On **anti-corruption** measures under this chapter, the integrity plan of the Administration for Inspection Affairs (covering market surveillance) is in place.

Chapter 2 - Freedom of movement for workers

Citizens of one Member State have the right to work in another Member State and must be given the same working and social conditions as other workers.

There were no legislative developments concerning **access to the labour market**. In 2023, a total of 38 943 permits for temporary residence and work were issued, 32.83% more than in 2022. The government set at 28 988 the annual number of permits for temporary residence and work of foreigners in 2024.

Montenegro is preparing to join the European network of employment services (**EURES**) upon accession to the EU and developed a practical guide for the Agency to improve labour force mobility and a roadmap to join the EURES portal. Training was provided to Agency staff. Business and IT solutions to fulfil requirements for EURES Interoperability are being developed.

Montenegro has 24 bilateral agreements in force for the **coordination of social security systems**, of which 16 are with the EU Member States. Further effort is required to ratify the agreement on social

insurance with Albania , to sign a draft agreement with Bosnia and Herzegovina and to strengthen administrative capacity.

The **European Health Insurance Card (EHIC)** is recognised under the Law on compulsory health insurance but will only be introduced after EU accession. No new agreement on the use of the card was signed with EU Member States. In line with the 2023 Health Insurance Fund staffing plan, three executors were hired for the positions of senior adviser for international health insurance.

Chapter 3 - Right of establishment and freedom to provide services

EU natural and legal persons have the right to establish themselves in any Member State and to provide cross-border services. For certain regulated professions, there are rules on mutual recognition of qualifications. EU rules on postal services focus on improving the quality of universal service, gradual market opening to competition, and the establishment of an independent regulator.

On the **right of establishment and freedom to provide cross-border services**, the horizontal law on services needs to be amended to ensure full compliance with the EU Services Directive. Sectoral legislative alignment with the EU Services Directive continued, namely through the adoption of the Law on Waste Management in April 2024. Efforts however should step up to increase sectoral legislative alignment. In July 2024, the Point of Single Contact for services portal was established and is operational. Activities on electronic company registration continued as part of the ongoing efforts to increase number of e-services in state administration.

On **postal services**, the national legislation is aligned with the EU postal acquis, including the Postal Services Directive and the Regulation on cross-border parcel delivery services. There is one universal service provider and 23 other postal operators. In October 2023, the government adopted the final report on the implementation of the Strategy for the development of postal services 2019-2023. In December 2023, the government adopted the new strategy for the Development of the Postal Services 2024-2028 and its action plan for 2024-2025. Montenegro should continue monitoring and ensuring compliance with the established postal market rules.

On **mutual recognition of professional qualifications**, Montenegro should continue its alignment with the *acquis*. In December 2023, Parliament adopted the Law on confirmation of the agreement on the recognition of professional qualifications for doctors of medicine, dentists and architects under the Common European Free Trade Agreement (CEFTA) signed within the framework of the Berlin Process. It entered into force in February 2024 and the Montenegrin institutions have 18 months to align sectoral legislation with this agreement. Additionally, in December 2023, Parliament adopted the Law on confirmation of the agreement on the recognition of professional qualification of the general care nurses, doctors of veterinary medicine, pharmacists and midwives under CEFTA. This agreement is yet to enter into force for Montenegro. Efforts to align with the Proportionality Test Directive and the minimum training requirements of all sectoral professions need to accelerate.

Chapter 4 - Free movement of capital

In the EU, capital and investments must be able to move without restriction, with common rules for cross-border payments. Banks and other economic operators apply certain rules to support the fight against money laundering and terrorist financing.

There were no developments in the area of capital movements . Montenegro has yet to implement its obligations under the Stabilisation and Association Agreement as regards amending the Law on ownership rights, removing preferential treatments and ensuring that EU nationals can buy real estate or farming land under the same conditions as Montenegro nationals.

In the area of **payment systems**, the legal framework on payment systems was further aligned with the EU *acquis* . The Law on interchange fees and business rules concerning payment cards came into force. Subsequently, the Central Bank of Montenegro adopted implementing legislation on payment systems as well as the Decision on the method and time limits for submitting data on interchange fees.

The Central Bank continued to check the compliance of operations with the regulations in the field of payment transactions. The Central Bank has completed the implementation and system-wide thematic

control of payment service providers' business compliance with certain provisions of the Law on payment transactions, imposed appropriate measures on six banks, as a result of which it initiated five misdemeanour proceedings and carried out two targeted extraordinary controls and four regular controls of payment service providers (banks). In July 2024 Montenegro submitted its formal application to join the Single Euro Payments Area (SEPA).

In the area of **fight against money laundering and terrorism financing**, Montenegro made some progress aiming to align with the *acquis* on the prevention of money laundering and terrorism financing, as well as international instruments. The new Law on prevention of money laundering and financing of terrorism was adopted, aiming to further align the legal framework with relevant EU directives and to comply with the Financial Action Task Force's (FATF) recommendations. Amendments were also adopted to the Law on games of chance. Further efforts are needed to fully meet FATF recommendations.

The Central Bank continued to carry out regular controls of business compliance with regulations in the field of preventing money laundering and terrorist financing. During 2023, the Central Bank imposed five measures and two misdemeanour proceedings against two banks were initiated before the Court for Misdemeanours. In 2023, five controls were carried out in connection with the verification of the execution of the imposed supervisory measures.

During 2023, the Capital Market Authority (CMA) carried out 12 direct controls of investment companies and companies for the management of investment funds. The CMA took adequate measures within its powers to eliminate irregularities and remedy non-compliance.

Chapter 6 - Company law

The EU has common rules on the formation, registration and disclosure requirements of a company, with complementary rules for accounting and financial reporting, and statutory audit.

In the area of **company law**, Montenegro is preparing a new company law and a law on business organisations to further align national legislation with the EU *acquis* in this area. Montenegro needs to align with the directives on certain aspects of company law (Directive 2017/1132) on the use of digital tools and processes (Directive 2019/1151), on cross-border conversions, mergers and divisions (Directive 2019/2121), on gender balance among directors of listed companies (Directive 2022/2381) and on the encouragement of long-term shareholder engagement ('SRD II' Directive). No progress was registered on the finalisation of the revision of the Corporate Governance Code. Montenegro should ensure that the national business register is technically ready to interconnect with the Business Registers Interconnection System (BRIS).

In the area of **company reporting**, legislative work to achieve full alignment with the EU *acquis* on transparency requirements for listed companies is ongoing through the Law on Amendments to the Law on Capital Market. Concerning accounting, it is important that Montenegro completes its alignment with the accounting directive concerning financial reporting regime for micro and small companies, and dividend distribution. The World Bank is currently conducting an assessment of financial reporting on the observance of standards and codes concerning accounting and auditing ('ROSC').

The capacity of both the Department for Audit Oversight with two quality assurance inspectors and the Department for Accounting with two employees is operational, but needs to be further strengthened in the coming period.

Chapter 7 - Intellectual property law

The EU has to a large extent harmonised rules for the legal protection and enforcement of intellectual property rights (IPR), covering notably patents, trade mark and designs, biotechnological inventions and pharmaceuticals, trade secrets, (craft and industrial) geographical indications, supplementary protection certificates, copyright and related rights.

Montenegro made significant progress on **copyright and related rights**. In May 2024 Parliament adopted the Law on Amendments to the Law on copyright and related rights, to align national

legislation with (i) the Directive on certain permitted uses of works and other subject matter protected by copyright and related rights for the benefit of persons who are blind, visually impaired or otherwise print-disabled, and (ii) the Directive on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission. Furthermore, in October 2024, Montenegro adopted further amendments to the Law on copyright and related rights to align with the Directive on the exercise of copyright and related rights applicable to certain online transmissions of broadcasting organisations and retransmissions of television and radio programmes, (SatCab II); and the Directive on copyright and related rights in the Digital Single Market.

On **industrial property rights**, in May 2024 Parliament adopted the Law on ratification of the Geneva Act of the Lisbon Agreement on Appellations of Origin and Geographical Indications, which reinforces cultural contributions and reward the creativity of authentic know-how.

On **enforcement**, in December 2023, a guide for enforcement of intellectual property rights and an improved reporting methodology were adopted. A number, but not all, of activities in the 2023 action plan were completed, including to strengthen administrative capacities, IT tools and databases and to raise public awareness. In May 2024, the government adopted the action plan for the implementation of intellectual property strategy for 2024. In October 2024, the Parliament finalised the legislative alignment with the enforcement Directive by adopting the necessary amendments through the Law on copyright and related rights.

The performance of the Market Inspectorate and Customs Administration notably improved and the number of misdemeanour orders increased as did the value of fines and the number of items confiscated by the Customs Authority. Joint actions of the authorities responsible for protection of intellectual property rights took place in July and November 2023. It is important to step up efforts in securing disposal facilities for seized goods and strengthening joint actions with the Police Administration. In August 2024 the government adopted the decision on disassembling the Administration of Inspection Affairs, effective as of 1 October 2024. In that regard, Montenegro is to ensure transitional provisions and continuity of operations of market inspectors and inspection regarding intellectual property rights by swift implementation of the new personnel plan and job systematisation of the Ministry of Economic Development, to which they will be attached.

In October 2023, Montenegro amended the Decree on detailed implementation of customs procedures and customs formalities to improve the handling by customs authorities of goods for which there is a reasonable suspicion that they infringe intellectual property rights. This decree includes all provisions of the relevant EU regulations governing the actions of the customs authority for the protection of intellectual property rights at the border.

Montenegro Intellectual Property Office has signed with the European Union Intellectual Property Office an MoU, which mainly focuses on convergency of common practices, technical and operational support with harmonisation of *acquis* and examination guidelines, as well as integration into EUIPO data bases and networks.

Chapter 8 - Competition policy

EU rules protect free competition. They include antitrust rules against restrictive agreements between companies and abuse of a dominant position, and rules on concentrations between companies which would significantly impede effective competition. EU rules also set out a system of State aid control. Governments are only allowed to grant State aid if restrictive conditions are met, with a view to preventing distortion of competition.

Antitrust and mergers

The **legislative framework** is broadly aligned with the EU *acquis* and the Stabilisation and Association Agreement. Limited cooperation with the Court and regulators is hampering the performance of the Agency for Protection of the Competition (APC). Montenegro should finalise and adopt without further delay the Action Plan, with realistic timelines, for achieving the closing benchmarks in Chapter 8.

As regards the **institutional framework**, the management structure was further improved through the appointment of an acting Deputy Director in October 2023. The organisational structure, however, requires further modifications and additional personnel to function properly.

In the area of enforcement capacity, the APC's operational and financial capacity needs to be strengthened.

As regards **implementation**, in December 2023, the APC adopted a decision regarding the prohibition of cartel practices. This is a significant development considering that in the past 8 years there were no procedures initiated and no decisions taken regarding potential abuse of a dominant position. The APC is still committed to issue decisions on individual exemptions, a category that is obsolete in the EU but still present in the Montenegrin Competition Act

State aid

The **legislative framework** is mostly in line with the EU *acquis*. Montenegro adopted secondary legislation on State aid rules. The 2018 Law on State aid control sets out the notion of aid as well as procedural State aid rules but further alignment with the EU *acquis* is needed.

On **implementation**, the APC adopted 40 decisions and opinions in *ex ante* and *ex post* procedures. The APC started to deal with cases in the energy sector.

The APC continues ongoing investigations, including on whether the agreement concluded between the National Tourist Organisation of Montenegro and Montenegro Airlines was a basis for granting illegal State aid. The APC also continued examining financial support for To Montenegro and the Bar-Boljare highway cases. In September 2023, the APC initiated an examination procedure concerning a purchase made by Elektroprivreda Crne Gore EPCG. The APC issued an opinion on the state guarantee for the loan to the Montenegrin Electric Transmission System (CGES) for financing electricity transmission system infrastructure with funding by the European Bank for Reconstruction and Development (EBRD). There are no final outcomes from the ongoing State aid investigations, including for the recovery of potentially illegal aid regarding Montenegro airlines.

The APC conducted outreach activities and awareness raising in the field of State aid addressed to aid grantors and judges. The cooperation between APC and State aid grantors from public administration at central and local level intensified; yet public administration guidelines on State aid, to ensure that there is systematic consultation of the APC when new policies with potential impact on competition or qualifying as State aid are being designed, are still missing.

The APC regularly participates in legislative processes to ensure the compliance of new legislation with State aid rules.

Liberalisation

There are no significant developments in this area.

Chapter 9 - Financial services

EU rules aim to ensure fair competition among, and the stability of, financial institutions, namely banking, insurance, supplementary pensions, investment services and securities markets. They include rules on authorisation, operation and supervision of these institutions.

On **banks and financial conglomerates**, work continued on further implementation and alignment of the banking legislation with *acquis*, notably in the areas of capital requirements and recovery and resolution of credit institutions, with several secondary legislation acts adopted by the central bank.

There were no relevant developments in the area of **insurances and occupational pensions**. Work continued on alignment with Solvency II Directive, Insurance Distribution Directive and accompanying secondary legislation.

Regarding **financial market infrastructure**, there were no relevant developments.

On **securities markets and investment services**, there were no relevant developments. Work continued on alignment with the Directive on Alternative Investment Fund Managers and the Directive on undertakings for collective investment in transferable securities.

There were no relevant developments in the area of **sustainable and digital finance**. Alignment with two Regulations in this area should be achieved upon the EU accession. In 2024, the Central Bank of Montenegro joined the Sustainable Banking and Finance Network, a global platform on sustainable finance for regulators, coordinated by the World Bank Group.

Chapter 28 - Consumer and health protection

EU rules protect consumers' economic interests and also ensure product safety, prevent dangerous imitations, and establish liability for defective products. The EU also ensures high common standards for tobacco control, blood, tissues, cells and organs, and medicines for human and veterinary use. The EU also has rules for upholding patients' rights in cross-border healthcare and in preparing for and responding to cross-border health threats, including communicable diseases.

Consumer protection

On **horizontal aspects**, Montenegro continued to implement the recommendations of the EU peer review on consumer protection, including training and capacity building. The composition of the Consumer Protection Council was expanded, and remuneration for participation in this body was introduced to encourage the members to further engage in the work of the Council. The low level of activity by local governments on consumer protection remains a persistent challenge. Montenegro's Law on Consumer Protection is yet to be further aligned with the EU *acquis*.

Concerning **enforcement and redress**, the composition of the Committee for out-of-court settlement of consumer disputes was improved. In early 2024, the High Court of Podgorica confirmed that a processing fee for loans as percentage of the approved loan amount was declared unlawful, following a collective proceeding initiated by a consumer organisation. It demonstrates the readiness of the Montenegrin judiciary to interpret legislation in line with EU *acquis* and judgments of the CJEU. A total of 596 complaints were registered in the central consumer information system, with more than 96% resolved, of which more than 58% were fully or partially in favour of the consumer. As for the complaints that could not be resolved, the consumer was informed that they can exercise their rights in court / out-of-court proceedings. Controls by the Central Bank of Montenegro led to warning measures to creditors whose level of consumer protection was determined to be unsatisfactory. Montenegro is yet to complete its planned reorganisation of the inspection services and to establish a coordination body for the harmonisation and monitoring of inspection supervision. It also needs to align its legislation with the EU *acquis* on representative actions.

On **product safety**, national legislation was aligned with the EU *acquis* on the Safety Gate Rapid Alert system for dangerous non-food consumer products (*See also Chapter 1 on market surveillance*). However, Montenegro is yet to further align its legislation with the EU *acquis* on general product safety.

Public health

On **public health**, in October 2023 the 2023-2027 healthcare development strategy and its 2023-2024 action plan were adopted. Health accounts for 12.5% of the total 2024 state budget (compared to 14% in 2023). In January 2024, Montenegro signed an association agreement to join the EU4Health programme. Regarding eHealth, in July 2023 a new IT system of the Clinical Centre of Montenegro (which provides two thirds of all medical services in Montenegro) was put into operation to improve the accessibility and quality of healthcare services to patients. However, the system is not fully functional and certain aspects cause challenges for both doctors and patients. Following the call for interest to join the Critical Medicines Alliance, one entity from Montenegro is now participant.

There were no developments to report on **tobacco control**.

On **communicable diseases**, Montenegro adopted implementing legislation designed to further align to the EU *acquis*. The level of immunisation of children with the measles, mumps and rubella (MMR) vaccines has declined. Progress was made on the construction of the new infectious diseases centre.

There were no developments to report on **blood, tissues, cells and organs** nor **patients' rights in cross-border health care**.

On **preventive measures**, a new clinic for **mental health** is being built and is expected to provide comprehensive treatments to both adults and children in respective psychiatric departments.

There were no developments to report on **nutrition and physical activity**, on **alcohol-related harm reduction** or on **drug abuse prevention and harm reduction**.

On **health inequalities**, there were no developments to report.

On **corruption**, several public opinion surveys and reports by CSOs report that many citizens are not satisfied with the public healthcare system, citing corruption as one of the most common challenges.

CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

This cluster covers: digital transformation and media (Chapter 10); taxation (Chapter 16); economic and monetary policy (Chapter 17); social policy and employment (Chapter 19); industrial policy (Chapter 20); science and research (Chapter 25); education and culture (Chapter 26); and customs union (Chapter 29).

Chapter 10 - Digital transformation and media

The EU supports the smooth functioning of the internal market for electronic communications, electronic commerce and audiovisual services. The rules protect consumers and support the universal availability of modern services.

Significant progress was made regarding **electronic communications**. In October 2024, the Parliament adopted national legislation aligning with the European Electronics Communication Code. Through this Law, Montenegro brought its legislation in line with the EU *acquis* as regards the provisions on the independence of the national regulatory authority for electronic communications i.e. the Agency for Electronic Communications and Postal Services (EKIP). The government should adopt the National Plan for the development of broadband infrastructure and work towards alignment with the Gigabit Infrastructure Act. New Council members of EKIP were appointed in April 2024. This has enabled the regulator to resume its normal functions: an important step for Montenegro in building up a track record ensuring the independence of the media and telecommunications regulators.

Regarding **digital trust and cybersecurity**, Montenegro has strengthened its cybersecurity infrastructure, improved the capacities of the government's Computer Incident Response Team, and established an online portal to raise awareness of cybersecurity issues. Montenegro formally committed to achieve full alignment of national legislation with the Network and Information Security Directive (NIS 2) by December 2024 and the Open Data Directive by December 2026 and to establish a Cybersecurity Agency and meet cybersecurity requirements for critical infrastructure. Montenegro is not yet aligned with the e-Privacy Directive and needs to continue the implementation of the 5G Cybersecurity Toolbox measures, including assessing the risk profile of suppliers and putting in place appropriate restrictions and/or exclusions for high-risk suppliers. Regarding electronic identification and trust services, Montenegro is encouraged to swiftly align its national legislation with the new EU Digital Identity and Trust Services framework.

Concerning **digital services**, alignment with the Digital Services Acts (DSA) and Digital Markets Act (DMA) needs to be stepped up to provide predictability for business.

The Ministry of Public Administration (MPA) continued implementing the National System for Electronic Collection and Control of Collection of Administrative Fees (NS NAT) project to facilitate the process of paying state fees and services. Montenegro started implementing activities related to public calls under the Digital Europe Programme.

Concerning **media**, in June 2024, Parliament adopted the Law on audiovisual media services, the amendments to the Law on media, and the Law on the national public broadcaster following consultations with the Commission. This paved the way for the reactivation of Montenegro's participation in the media and cultural strands of Creative Europe Programme in July 2024. The Regulatory Agency for Electronic Media (AEM) which became the Agency for Audiovisual Media Services (AMU), was accorded the authority to effectively monitor and impose fines in case of violations of the law. The AMU has taken steps to strengthen its operational capacity in order to use its newly acquired powers to effectively monitor the functioning of the audiovisual market and promote media literacy.

Chapter 16 - Taxation

EU rules on taxation cover value-added tax, excise duties and aspects of corporate taxation. They also cover cooperation between tax administrations, including the exchange of information to prevent tax evasion.

In the area of **indirect taxation**, VAT related implementing legislation was adopted.

Excise taxation is partially aligned with the EU *acquis*. Minimum excise duty rates for alcohol and alcoholic beverages mostly comply with the EU law (except beer). Amendments to the Law on excise taxes introduced excise duty calendar for cigarettes to ensure full compliance with the EU minimum requirements by 1 January 2025 and aligned the excise duty applied to other manufactured tobacco to the EU *acquis*. Further alignment is needed with the general rules for the production, keeping, storage, movement, and controls on products that are subject to excise duties according to the EU *acquis*.

In the area of **direct taxation**, amendments to the Law on corporate income tax aligned the legislation further with the EU *acquis*, by introducing a special tax status for certain transactions between income taxpayers and non-resident legal entities, modifying taxation applicable to mergers, divisions and transfers of assets and exchanges of shares concerning companies of different Member States, as well as transfers of the headquarters of European companies from one Member State to another.

The EU cooperates with Montenegro through an **enhanced dialogue on tax good governance** within the framework of the EU list of non-cooperative jurisdictions for tax purposes.

On **administrative cooperation and mutual assistance**, in December 2023, the OECD conducted a peer review in the area of exchange of information on request, but the report is not yet issued. Work continued to procure software for the automatic exchange of information.

As concerns the **operational capacity and computerisation**, the Revenue and Customs Administration was separated into two separate bodies in January 2024 and the Tax Administration was created. The tax inspection and VAT refunds were centralised in 2023 based on recommendations of the IMF. Work continued to implement the integrated information system which paved the way for future interconnectivity with the EU IT systems on VAT and excise as well as tax cooperation and exchange of information.

On **anti-corruption measures**, joint inspection controls were carried out by the Tax Inspectorate, the Police Administration and the Prosecutor's Office to detect tax fraud and evasion, resulting in criminal reports.

Chapter 17 - Economic and monetary policy

EU rules require the independence of central banks and prohibit them from directly financing the public sector. Member States coordinate their economic policies and are subject to fiscal, economic and financial surveillance.

Montenegro does not have standard **monetary policy** tools at its disposal, as it uses the euro as legal tender, leaving fiscal policy as the main macroeconomic policy instrument. Montenegro's use of the euro is based on a decision that the authorities made under exceptional circumstances and is fully distinct from membership of the euro area. A new Governor was appointed at end-2023, further challenge relates to codifying the selection procedures for Vice-Governors which would be

transparent, focused on candidates' technical competence, and free from political influence.

In December 2023, following the action plan for alignment with the EU *acquis*, Montenegro adopted amendments to the Law on the Central Bank of Montenegro (CBM) aimed at strengthening its functional, institutional, personal and financial independence.

In the area of **economic policy**, there were no significant progress in terms of alignment with Council Directive on requirements for budgetary frameworks of the Member States, or introduction of European System of Accounts (ESA 2010) standards. . Ministry of Finance, Central Bank of Montenegro and Monstat should undertake concrete efforts to ensure practical cooperation and to develop the appropriate capacity to produce government finance statistics and fiscal notifications in line with the EU *acquis*.

The government adopted and submitted its 2024-2026 Economic Reform Programme on 12 January 2024. The programme integrates macroeconomic, fiscal and structural reform plans into a single strategic document. Core reforms under the ERP continue from the previous programme and are in line with key reforms presented in the Reform Agenda. In September 2024 the government adopted a medium-term fiscal consolidation strategy . The implementation of the policy guidance set out in the conclusions of the Economic and Financial Dialogue of May 2023 has been partial.

Chapter 19 - Social policy and employment

EU rules in the social field include minimum standards for labour law, equality, health and safety at work and non-discrimination. They also promote social inclusion and social protection, and social dialogue at EU level.

Concerning the **Law on Labour**, amendments are under preparation, including the transposition of the Directive on work-life balance for parents and carers and repealing Directive on transparent and predictable working conditions as well as with the EU Framework Agreement on Telework.

The enforcement of the Labour Law remains weak and inspection services understaffed. The appointment of inspectors for a certain period is not in accordance with Art. 6 of the ILO Labour Inspection Convention No. 81.

Between 15 June 2023 and 1 April 2024, the labour inspectorate carried out 5 149 inspections (3 478 regular and 1 671 per initiative) and 2 306 irregularities were identified. Most irregularities concerned work without an employment contract and a declaration to compulsory social security cover, as well as provisions concerning working time.

The annual action plan for **Health and Safety at Work 2024** was adopted in May 2024.

Monitoring and enforcement mechanisms of the Law on Occupational Safety and Health (OSH) as well as data availability, accuracy and analysis are weak. There is no supervision of licensed OSH coordinators in place. SMEs face challenges in implementing comprehensive OSH measures due to resource constraints and a lack of awareness. The OSH inspectorate carried out 267 inspections. 419 irregularities were identified, 397 were remedied. One death (in the construction sector) and two serious injuries (one in the construction sector and one in the woodworking industry) were reported.

Concerning **social dialogue**, a number of branch collective agreements have been concluded or amended. Collective bargaining primarily occurs at the sector and national level, with agreements primarily regulating employees' salaries and working hours. Some important sectors remain without collective agreements, such as the banking sector or the media.

The tripartite Social Council met three times. The working group within the Social Council dealing with occupational health and safety is not functional. The involvement and impact of social partners in relevant policy making processes remains weak. The Law on Strikes and the Labour Law lack coherence concerning minimum work processes. Following the creation of a Directorate for Social Dialogue under the new Ministry of Labor, Employment and Social Dialogue the enhancement of capacity building of social partners and efforts to strengthen social dialogue need to continue.

Regarding **labour force participation and unemployment rate** see the statistical annex and the section on the functioning of the labour market under 2.3 Economic criteria.

As concerns **employment policy**, the Annual Action Plan for 2024 under the National Employment Strategy was adopted in early 2024. While at the level of strategies equal opportunity and the inclusion of vulnerable groups is well targeted, their employment rates remain limited. The implementation of Active Labour Market Measures by the Employment Agency lacks flexibility and is underfunded. The level of informal employment remained high, estimated to constitute 26-31% of national GDP. This is addressed in the Programme for Suppressing of informal economy (2024-2026) the government adopted at the end of 2023.

The Employment Agency continued implementing an ambitious digitalisation process. It is planned to be in place by the end of 2024. A revised Youth Guarantee Implementation Plan for 2024-2026 was adopted in July 2024, but a reform of the graduate programme and a strengthening of the capacities of the Employment Agency are crucial for its effective implementation.

MONSTAT produces labour strategic documents to ensure equal opportunities and inclusion for vulnerable groups (Roma and Egyptian minorities and persons with disabilities). The National employment strategy (2021-2025) and the National strategy for gender equality (2021-2025) aim at increasing the employment of women.

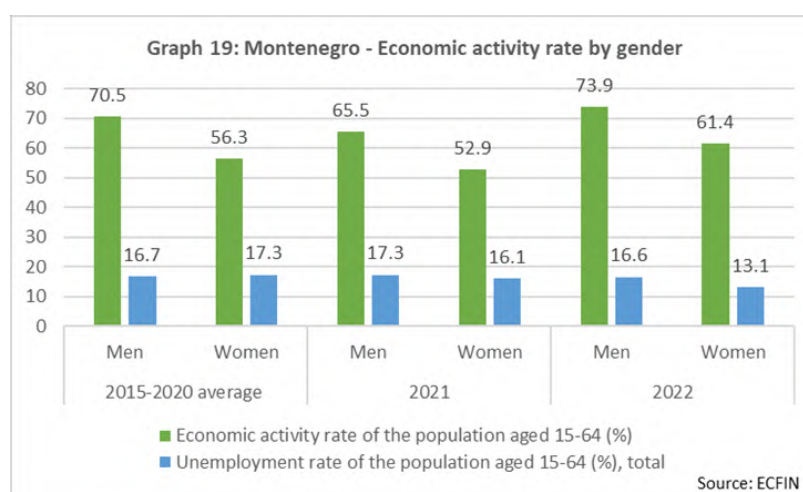
Concerning **social protection and social inclusion**, the risk of poverty rate in Montenegro is 20.3% with children being the most exposed compared to other age groups. Income inequality persists, with the Northern region at a higher risk of poverty. 40.4% of children are 'at the risk of poverty or social exclusion' as per the at risk of poverty or social exclusion (AROPE) indicator, down from 45.5% in 2022.

The policy framework for social and child protection is outdated and the adoption of the social protection reform is delayed facing challenges it terms of sequencing, costing of measures. A new social and child protection strategy has been prepared and is pending adoption. A serious lack of child, family and victim support services persists. Social assistance spending is relatively high but remains untargeted with a limited impact on the risk of poverty. An outdated disability identification model leads to unfair and ineffective provision of disability based benefits and services. The draft law on a unified disability determination system passed through public consultation and legal harmonisation, but is pending adoption. An IT system for tracking and calculating social benefits is in place. Upgrading and upscaling of the system is envisaged. Individual activation plans aim at including beneficiaries of social assistance into the labour market.

With regard to **de-institutionalisation**, insufficient progress has been made to continue the transition from institutional to community and family-based services. A Strategy for Deinstitutionalisation has been developed but is pending adoption. Centres for Social Work continue to lack adequate staffing, organisation and capacities. The Institute for Social and Child Protection does not have sufficient human capacities to ensure quality assurance and professional supervision.

As concerns **non-discrimination in employment and social policy**, in 2023 the largest number of complaints presented to the Ombudsman were filed in the field of labour and employment (122).

With regard to **equality between women and men in employment and social policy**, the labour force participation rate of women in Montenegro remains with 66.3% lower than the EU average (79.4%). The gender employment gap persists. Men make up 53.9% of all employed persons, compared to 46.1% of women despite the fact that women make up a better-educated part of the population. Efforts continued to expand



access to childcare, but structural barriers affecting female labour force participation remain. Legislation exists in Montenegro to promote equal pay for work of equal value but weaknesses in policy mean that wage gaps persist.

Chapter 20 - Enterprise and industrial policy

EU industrial policy strengthens competitiveness, facilitates structural change and encourages a business-friendly environment that stimulates small and medium-sized enterprises (SMEs).

In the area of **enterprise and industrial policy principles**, the 2023-2026 strategy for the development of micro, small and medium enterprises (MSMEs) was adopted in June 2023. Following up on the Joint Conclusions of the Economic and Financial Dialogue between the EU and Montenegro from May 2023, the government adopted 2024-2026 Programme for the Suppression of the Informal Economy in December 2023. In August 2024, the government adopted the 2024-2028 industrial policy, aligned with the current EU industrial policy.

In the area of **enterprise and industrial policy instruments**, in 2023, the government supported 380 MSMEs through financial support programmes, which amounted to a support of EUR 2.4 million, 18% above the figure registered in 2022. The agreement for participation of Montenegro in the Single Market Programme (SMP) 2021-2027 came into force in September 2023.

In the area of **sectoral** policies, the report on the implementation of Montenegro's 2019-2023 Industrial Policy was published in April 2024. Overall, from the 61 planned activities, 41 were fully implemented, 16 partially implemented and 4 were not implemented, while the financial implementation reached 86% of the target or EUR 1.28 billion in the period 2019-2023.

In March 2024, the Competitiveness Council adopted an action plan on barriers for doing business. The plan identifies 11 key barriers and 37 actions, classified into 4 areas: suppressing the grey economy; improving the business environment; improving the legislative framework and improving the efficiency of public administration.

A first version of the register of state-owned enterprises (SOEs) was set up by the Ministry of Finance in February 2024. The register is intended to collect data and help in monitoring and reporting on fiscal risks of SOEs. As data will be publicly available, it should also improve transparency of information in the public domain.

The Law on Deadlines for Settlement of Financial Obligations (aligned with the Directive on combating late payment in commercial transactions) is expected to be adopted in Q4 2024.

Chapter 25 - Science and research

The EU provides significant support for research and innovation. All EU Member States, associated countries and third countries participate in the EU's research and innovation programmes, and can benefit from them, especially where there is a scientific excellence and solid investment in research and innovation.

Concerning **research and innovation policy**, the implementation of the smart specialisation strategy has delivered on expected objectives. In March 2024, Montenegro adopted a roadmap for the new smart specialisation strategy.

Several projects, partially funded by the EU, helped strengthening the academia-business cooperation and raising the interest of young people as well as representatives of vulnerable groups to be involved, especially in new social entrepreneurship projects.

The government adopted the Programme for Innovation 2023-2027, the Programme for encouraging innovation in the function of energy efficiency in industry, and the Action Plan for the implementation of the operational programme for the Smart Specialisation Strategy for the period 2023/2024.

In January 2024 the government adopted the decision on forming the Council of Science and Research Activities which held several sessions. In July 2024, the government adopted the Strategy of

Scientific Research Activity of Montenegro 2024-2028 along with the Action Plan for the period 2024-2025. Concerning the funding allocated to research and development for the year 2024, approximately EUR 15 million has been allocated which represents an increase of 19% compared to the previous year.

The Innovation Centre continues to provide grants and support to innovative start-ups and companies on a regular basis, while Tehnopolis keeps increasing its own technical capacities and opening new programmes for interested citizens and businesses. The Science and Technology Park of Montenegro opened on 11 June 2024 to further promote and support the scientific community and innovations in the country.

22 national scientific research projects are being implemented based on the co-financing call of the Ministry of Education, Science and Innovation in 2023, with a total funding of EUR 2.3 million.

Collaboration with the European Innovation Council remains strong, with the Innovation Fund's collaborative grants programme being implemented based on the certification for integration into the European Innovation Council Accelerator's Plug-In scheme, received in 2023. In the 2024 European Innovation Scoreboard Montenegro is an Emerging Innovator with performance at 47.5% of the EU average. Its performance is slightly below the average of the Emerging Innovators. The performance gap with the EU has increased.

Montenegro's performance in the Horizon Europe programme dropped in 2023 to only four projects receiving total funding of EUR 0.9 million.

Chapter 26 - Education and culture

The EU supports cooperation in education and culture through funding programmes and the coordination of Member State policies through the 'open method of coordination'. The EU and the Member States must also prevent discrimination and ensure quality education for children of migrant workers, including those from disadvantaged backgrounds.

Education and training

A working group is operational for the development of a 10-year comprehensive and costed education sector strategy (2025-2035). Montenegro has also included various measures relating to education sector reform in its Growth Plan Reform Agenda.

Around 9% of the state budget for 2024 is dedicated to education, science, culture and sports. The 2024 public budget for education was increased by approximately 20% for non-salary items, including an almost eight times higher allocation for teachers professional development compared to 2023.

The **enrolment in preschool education** (3-6 years old) went up to 78% (EU average in 2022 was 92.5%). Montenegro is working on the construction of new buildings, and reconstruction of existing buildings in order to increase the spatial capacity. The number of Roma children in preschool education increased by 11% and the coverage of the children with disabilities increased by less than 1%.

Regarding international assessments of **secondary education**, the PISA 2022 results published end 2023 show declining results for Montenegrin students in all areas (mathematics, reading and science). The results show a high proportion of students of 15-year-olds failing to demonstrate basic proficiency (level 2) in reading (53%), in maths (60%) and in science (55%). The relative underperformance of Montenegrin students in reading is confirmed also by the findings of the latest Progress in International Reading Literacy Study (PIRLS 2021), which show that Montenegro's performance in reading is below the international median. Montenegro is taking part in the ongoing Trends in International Mathematics and Science Study (TIMSS 2023) and Teaching and Learning International Survey (TALIS 2024).

Regarding vocational education and training (**VET**), the Ministry of Education continued to be committed to the Osnabruck Declaration and reforms to address skills mismatches. More focus should be put on work-based learning at both VET and higher education levels. On 1 August 2024 the

government adopted the Action plan related to the strategy on national vocational education and training for 2020-2024.

In April 2024, Parliament adopted the Law on amendments to the Law on **higher education**, which will enable students to complete their studies under the same conditions that were valid at the time of their enrolment in the first year of the studies. In July 2024 the government adopted a new strategy for the development of higher education in Montenegro 2024-2027 with the action plan for 2024-2025. Montenegro is a member of the European Higher Education Area (Bologna process).

As for **inclusive education**, the number of Roma children in primary and secondary education dropped by 4% and 9% respectively. For children with disabilities the number continued to rise in primary and secondary schools, by 6% and 9%, respectively. The low take-up is still evident in the north and overall more efforts are needed to provide accessible and quality education for vulnerable groups. The support of mediators to Roma and Egyptian children continued.

In terms of **gender balance**, participation in education is relatively even between boys and girls up to and throughout secondary school level. Instead, at higher education level in 2023 38.2% of graduates were boys and 61.8% were girls.

Montenegro remains committed to progress in the area of **digital education**, emphasising the development of digital competencies, based on quality standards for digital content creation and aligning with the EU Digital Education Action Plan 2021-2027.

There is no specific strategy focusing on **green skills** development. However, the issues of climate change, green economy, environmental protection, sustainable cities and settlements, biodiversity, and health education are included under all school subjects.

Some civil society organisations reported on politicisation of education, especially in relation to the employment of teachers and professors, and the selection of directors and heads of educational institutions. Montenegro should, therefore, take measures to secure an effective and merit-based system of appointing and electing school staff and management.

Montenegro benefits from the international dimension of the 2021–2027 **Erasmus+ Programme**. As part of the enhanced partnership with the region, Montenegro can apply for the European Universities Initiative calls and one Montenegrin university has been selected as a partner in a funded alliance. Montenegro is not taking part to the European Education Area working groups 2021-2025.

Youth

The Youth Strategy 2023-2027, adopted in 2023, is under implementation. The Law on youth is under revision to address some key issues related to youth policy implementation. Support should be provided for all youth centres and clubs to operate with and for adolescents and young people, with adequate space and human resources, alongside budget, and with more efforts to collaborate with schools, school parliaments, municipalities and the private sector. The National Youth Council is not in place and inter-ministerial and cross-sectoral cooperation remains a challenge.

Sport

The draft Strategy for the Development of Sport for the period 2024-2028, along with the Action Plan 2024-2025 was publicly consulted and is awaiting adoption by the government.

Culture

The National Cultural Development Programme 2023-2027 is being implemented and the procedures for the amendment of the new Laws on culture and in the field of cultural heritage are under revision. The revision is linked to amendments to the Law on the protection of cultural properties, the Law on library field and the Law on museum field that need alignment with international standards. Despite a temporary suspension from the MEDIA strand between January and July 2024, Montenegro continues to participate fully in the Creative Europe Programme. Efforts could be intensified to implement protection measures for the preservation of Kotor's UNESCO World Heritage status.

Chapter 29 - Customs union

All Member States are part of the EU customs union and follow the same customs rules and procedures. This requires legislative alignment as well as adequate implementing and enforcement capacity and access to the common computerised customs systems.

On **customs legislation**, in December 2023, the government adopted the Customs Tariff for 2024, aligned with the Combined Nomenclature of the European Union for 2024. The Law on accession to the Convention on a common transit procedure is still not adopted.

In October 2023, Montenegro aligned its secondary legislation on customs procedures and formalities in relation to goods with reasonable suspicion of infringing intellectual property rights. In March 2024, the government adopted secondary legislation on temporary export of cultural goods, antiques and works of art. Legislation to control the production of and trade in drug precursors and psychotropic substances is not yet adopted.

Concerning **operational and administrative capacity**, in December 2023, the government reversed the merger of the Customs Administration and Tax Administration, accomplished in 2021. A new personnel plan for the Customs Administration was adopted in August 2024.

Work on the severely delayed implementation of the New Computerised Transit System (NCTS) continued. The implementation of the NCTS at national level was delayed again. Several projects funded by the EU and its Member States are under way to upgrade various customs IT systems or build capacity in different areas of the customs service operation.

Ten operators are currently licensed in the Authorised Economic Operator (AEO) programme. In October 2023, Montenegro submitted a formal request to the CEFTA Secretariat for validation of the AEO programme, which took place in June 2024. The validation mission concluded that Montenegro is fully compliant with CEFTA Additional Protocol 5 AEO standards.

In 2023, the Customs Administration collected EUR 2.54 billion, 22.5% more than in 2022. In the first semester of 2024, revenue collection amounted to EUR 592,87 million, which is 7.15% higher than in the comparative period in 2023.

The implementation of the cargo targeting system in the Port of Bar is in its trial phase. The initial results show that it has improved the risk analysis and enabled the exchange of electronic records of containers and ships entering and exiting the port. Once fully operational, the system should reinforce Custom's capacity to enforce customs legislation at this critical border crossing point.

In March 2024, the government established a coordination body for the stock inventory in the Free Zone of the Port of Bar, which adopted the action plan for the destruction of seized cigarettes. However, surveillance and control of all port operations, including on shipments of tobacco products, still remains an issue. In December 2023, the Revenue and Customs Administration seized cigarettes worth EUR 1.6 million without excise stamps in the free zone of the port.

CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

This cluster covers: transport (Chapter 14); energy (Chapter 15); trans-European networks (Chapter 21); and environment and climate change (Chapter 27).

Chapter 14 - Transport policy

The EU has common rules on technical and safety standards, security, social standards, State aid and market liberalisation in road transport, railways, inland waterways, multimodal transport, aviation and maritime transport.

As regards **general transport**, there was no progress on the update of the national transport strategy (Transport Development Strategy 2019-2035) to align it with the European Smart and Sustainable Mobility Strategy. Montenegro actively participates in the Transport Community work and structures, but progress on the implementation of the action plans endorsed by the organisation remains slow to

moderate.

There is an urgent need to increase the number and the level of expertise of staff working in regulatory and policy implementation functions in the recently divided Ministries of Transport and Maritime Affairs. The inter-ministerial coordination of transport and maritime policies needs to be ensured. For larger transport agglomerations, sustainable urban mobility plans that respect environmental and social standards should be developed, following EU practice.

In the area of **road transport**, Montenegro adopted its new, 2024-2030 road safety strategy in July 2024. Good institutional governance with a shared responsibility amongst stakeholders is essential for its full implementation and swift reduction of the current, high number of fatalities and serious injuries. A new mid-term road maintenance and rehabilitation programme is not yet adopted and Montenegro continues to rely on annual planning. The implementation of the Intelligent Transport Systems programme 2022 – 2026 for national roads is lagging behind schedule and the allocation of capacities and resources remains unclear. Further efforts are needed to fully align with the EU *acquis* on social and market rules in road transport.

On **rail transport** legislation, there was no progress on alignment with the EU *acquis*. In December 2023, the government agreed on remedy measures to address a number of systematic and sustainability issues in the railways sector. One of the actions is a merger of the railway transport company with the rolling-stock maintenance company, to avoid the imminent insolvency of the latter. In a first step, in May 2024, the government purchased shares of minority stakeholders in both companies, becoming their sole owner.

In the area of **maritime transport**, full implementation of the Vessels Traffic and Monitoring System (second phase) was delayed, which complicates the enforcement of maritime safety policies in Boka Kotorska Bay. National maritime Single Window was launched in August 2024.

In the area of **inland waterway transport**, there were no developments.

As regards **aviation**, Montenegro achieved a good level of alignment with the EU *acquis*. Before transition to the second phase of the European Common Aviation Area Agreement (ECAA) is possible, competition and State aid requirements need to be fulfilled. In April 2024, the government decided to continue with the second stage of the tender procedure for airports concession, with advisory support of the International Finance Corporation.

There were no relevant developments on **multimodal transport**, neither on **passenger rights**. Montenegro is encouraged to improve them for all modes of transport.

Chapter 15 - Energy

EU energy policy covers energy supply, infrastructure, the internal energy market, consumers, renewable energy, energy efficiency, nuclear energy and nuclear safety, radiation protection and nuclear safeguards.

The heavily delayed work on the National Energy and Climate Plan, a strategic document for the development of the energy sector until 2030, is still ongoing. The document is yet to be submitted for opinion to the Energy Community Secretariat.

In the area of **security of supply**, another long-delayed document, the Law on security of supply of petroleum products was sent to Parliament, but is yet to be adopted.

The construction of the electricity interconnection with Serbia, a crucial section for the completion of the trans-Balkan electricity transmission network, did not start yet. The connection to the state border with Serbia (from Pljevlja) is planned for completion by 2028. Another section in Montenegro (Lastva – Pljevlja) is still not finished due to property issues and environmental concerns.

Concerning the **internal energy market**, Montenegro is delayed in the alignment with and implementation of the Electricity Integration Package, which is a precondition for market integration. The day-ahead market registered 26 participants; the launch of the intraday market is still pending. The designation of the Nominated Electricity Market Operator in May 2024 paves the way for energy

market coupling with neighbouring countries. The national energy regulatory authority's (REAGEN) institutional independence should be enhanced by aligning its staff regulations with those applicable to other independent bodies.

In the area of **hydrocarbons**, Parliament is yet to adopt the Law on safety measures in offshore exploration and production of hydrocarbons. The construction of Montenegro's section of the Ionian-Adriatic Gas Pipeline (IAP) did not progress as a consensus on the preferred alignment is yet to be achieved.

On **renewable energy**, in August 2024, Parliament adopted the Law on the use of energy from renewable sources. However, the adoption of secondary legislation is still needed for the practical implementation. The registry of Guarantees of Origins is operational since July 2024. The government of Montenegro, together with the Electrical Power Company of Montenegro (EPCG), implemented two programmes of installing solar panels in households, leading to the installation of 29.3 MW in 3 200 households by the end of 2023. It remains essential that all new renewable energy projects are developed in conformity with the *acquis* on concessions, State aid and the environment.

In the area of **energy efficiency**, a localised support to the Pljevlja coal region was achieved with the support of international partners. The implementation of 2023 Energy Support package funds earmarked for energy efficiency (EUR 13 million) started in July 2024, focusing on households, tourism sector and energy efficiency innovation projects. The application of new rules for minimum energy performance requirements and certification of buildings started in July 2024. However, further alignment with the Energy Performance of Buildings Directive needs to be accelerated.

Regarding **nuclear energy, nuclear safety and radiation protection**, Law on Ionising Radiation Protection, Radiation and Nuclear Safety and Security was adopted in May 2024, aligning the legal framework with numerous EU legal acts. However, the implementation will start in July 2027.

Chapter 21 - Trans-European networks

The EU promotes trans-European networks in transport, telecommunications and energy to strengthen the internal market and contribute to growth and employment.

In the area of **transport networks**, the revised TEN-T regulation is setting up a new Western Balkans-Eastern Mediterranean European Transport Corridor, which includes Montenegro.

In the area of **transport-infrastructure development**, the TEN-T rail corridor Bar-Vrbnica faced significant delay, due to limited absorption and management capacity of the responsible administrative bodies.

On road network, the EU-financed update to the Bar-Boljare highway's feasibility study and detailed design of the next section of the highway (Matesevo – Andrijevica) started in September 2023, with significant delays. However, in January 2024, Montenegro decided to fast-track the construction of this section under a design and built works contract. Partial funding should come from the state budget, with co-financing from the EBRD and the EU (EUR 200 million). The prequalification tender procedure started in April 2024, following EBRD procurement policies and rules.

In March 2024, Montenegro ratified an agreement with Bosnia and Herzegovina for the construction of a cross-border bridge over the Tara river on the TEN-T comprehensive Route 2b. A number of recently announced road development projects, such as a new inland route for the Adriatic-Ionian Highway, in addition to the previously planned coastal route expressway, depart significantly from the plans agreed under TEN-T network and the country's Transport Community commitments, making EU-funded feasibility and design studies obsolete and potentially undermining the progress of Montenegro under this chapter.

In the area of **energy networks**, work continued slowly on the electricity interconnection between the systems of Serbia, Bosnia and Herzegovina, Italy and Montenegro. There was no progress on the Ionian-Adriatic Gas Pipeline (IAP) project.

Overall, infrastructure investments need to comply fully with EU standards on public procurement, State aid and environmental impact assessment. New investment needs to address changing strategic

priorities, decarbonisation, digitalisation and resilience of transport and energy networks, including prior cost-benefit analyses carried out in line with EU best practice.

Montenegro did not engage with the European Commission on the latest investment planning projects until 2030, except for the Bar-Boljare corridor. The country is yet to align its legislation with the EU *acquis* on TEN-T and TEN-E, including the recent revisions.

Chapter 27 - Environment and climate change

The EU promotes strong climate action, sustainable development and protection of the environment. EU rules contain provisions addressing climate change, water and air quality, waste management, nature protection, industrial pollution, chemicals, noise and civil protection.

In November 2023, the government adopted the fifth semi-annual report on the implementation of the action plan for fulfilling the closing benchmarks in Chapter 27. The report showed that out of 116 planned activities only nine were implemented (8%).

In the fields of environment and climate change, Montenegro needs to significantly strengthen the **administrative capacities** at central and local level by urgently addressing staff shortages and hiring personnel, address the issue of insufficient inspection services at both levels, and address the insufficient interinstitutional coordination and the lack of sustainable financial framework. The lack of administrative capacities significantly hinders the progress in Chapter 27 and fulfilling its closing benchmarks. Montenegro should ensure that there is an institutional structure in place to deliver coordinated, strategic planning for environmental and climate investments, including the quality of the preparation and implementation of investments.

Environment

As regards **horizontal legislation**, Montenegro completed one Strategic Environmental Assessment and 73 Environmental Impact Assessments. Montenegro is encouraged to increase synergies, coordination between Strategic Environment Assessments and Environmental Impact Assessments to make better use of such documents in its planning and implementation. Montenegro should also ensure that environmental monitoring meets EU standards and that all infrastructure investments comply with the EU environmental and climate *acquis* and ensure public participation.

On **air quality**, Montenegro did not make progress and the adoption of the Air Quality Management Strategy was once again postponed.

In April 2024, Parliament adopted the Law on **waste management**. Efforts should now be directed towards its implementation and the adoption of the long-awaited state waste management plan for 2024-2029. When it comes to single-use plastic products, Montenegro announced that a ban on the use of plastic bags with a wall thickness of 5 to 15 microns will be applied as of October 2024 whereas the use of light plastic bags with a wall thickness of less than 5 microns will be allowed with the introduction of an environmental tax. As part of the implementation of the new law on waste management, it was planned that from July 2024, consumers of all plastic bags, except for biodegradable ones, will be obliged to pay an environmental fee. Cooperation of local authorities and municipalities on waste management is paramount. Infrastructure for separate waste collection and recycling exists, but it is however not used properly by citizens, and the issue of illegal and temporary waste disposal has yet to be resolved. Educational campaigns including in school curricula and media for awareness raising and proper enforcement rules, targeting citizens including children and local authorities, about separating waste disposal and recycling, are needed.

Concerning **water quality**, in February 2024, the government adopted the 2024 programme for monitoring surface and ground water. In December 2023, the Water Administration presented a new water information system (VIS), a unique database on surface and underground water, providing a solid basis for the sustainable management of water resources. This should enable the establishment of a cadastre of water polluters. Four new inspectors were recruited. Montenegro should adopt a sewage sludge management plan that would define the matter and handling and treatment of generated sewage sludge at both the state and local self-government levels.

Work is still ongoing on the draft law on **nature protection** and the National Strategy for biodiversity and its action plan is still pending. Work on Natura 2000 network continued and about 60% of habitat territory is mapped – that work should further continue to identify and pre-designate all the sites that will be covered by the Natura 2000 network. Montenegro still needs to address the recommendations of the Bern Convention related to Skadar lake. The management issue in Ulcinj Salina is not yet resolved and the management plan is still pending; more active involvement from both central and local level including the municipality, is needed to address these issues and to ensure that Ulcinj Salina remains ecologically sustainable. Montenegro should find an adequate solution for the military training polygon at Sinjajevina Natural Park.

Concerning **industrial pollution and risk management**, the Agency for Environmental protection issued one new integrated permit and reissued another one, and two more permits were revised. The ecological reconstruction for the Pljevlja coal power plant will not address the core issues and Montenegro needs to step up efforts to permanently close the plant to meet EU emission standards. the Agency for Environmental protection issued one new integrated permit and re-issued another one, and two more permits were revised.

On **chemicals**, in January 2024, the government adopted amendments to the Law on biocidal products. In line with the Law on chemicals, a number of implementing acts were adopted. Work is also ongoing on amending the Law on flammable liquids and gases.

In December 2023, Montenegro adopted the rulebook on the methods of calculations and measurement of **noise** in the environment. The revision of strategic noise maps started for Podgorica. No public awareness raising campaigns were held on noise protection.

Significant progress was made in the area of **civil protection**. In February 2024, Montenegro's Rescue and Protection Directorate's Operational Center (OKC 112) successfully completed its connection to the Common Emergency Communication and Information System (CECIS) network thus strengthening the operational capacity of Montenegro and coordination with the Union's Civil Protection Mechanism.

Climate change

There were no developments on **climate change** nor on legislative alignment with the *acquis* on climate. Montenegro needs to step up its efforts to implement commitments under the Energy Community's Decarbonisation Roadmap, particularly to finalise and adopt the National Energy and Climate Change Plan (NECP) in line with the 2050 climate neutrality target.

Montenegro is urged to fully implement the Monitoring, Reporting, Verification and Accreditation (MRVA) of greenhouse gas emissions by December 2025 as well as take decisive steps for improving its current and/or establishing new carbon pricing mechanisms, to facilitate a future alignment with the EU Emission Trading Scheme.

Montenegro is working on developing a low **emissions development strategy**. **Montenegro is also set to adopt its draft Law on the protection from negative impacts of climate change and ozone layer protection** to align with EU *acquis* on Ozone Depleting substances. The country should set a coal phase out date and prepare and submit new National Determined Contribution under the Paris Agreement. Consideration ought to be given to aligning with major upgrades of the EU climate policy as a result of the Fit for 55 package.

CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

This cluster covers: agriculture and rural development (Chapter 11); food safety, veterinary and phytosanitary policy (Chapter 12); fisheries and aquaculture (Chapter 13); regional policy and coordination of structural instruments (Chapter 22); and financial and budgetary provisions (Chapter 33).

Chapter 11 - Agriculture and rural development

The EU's common agricultural policy supports farmers and ensures Europe's food security. It helps tackle climate change and the sustainable management of national resources; maintains rural areas and landscapes across the EU; and keeps the rural economy alive by promoting jobs in farming, agri-food industries and associated sectors. This requires strong management and control systems. There are also common EU rules for marketing standards, quality policy and organic farming.

On **horizontal issues**, legislative alignment with EU *acquis* on agriculture and rural development still needs to see progress. Montenegro has prepared the first draft of an Implementation plan to set up the paying agency and the integrated administration and control system (IACS) as per the two closing benchmarks in Chapter 11.

Work is ongoing on the register of agricultural holdings. There was progress in establishing IACS by significantly increasing the land area encoded in the land parcel identification system (LPIS). The rolling out of LPIS across the whole territory should be accelerated to advance on the closing benchmark in this chapter. Preparations are still ongoing to secure new orthophotographs to update the system. The development of the farm accountancy data network (FADN), its extension to environmental and social data in line with the EU *acquis*, and the strengthening of farm advisory services should be accelerated.

As regards the **common market organisation** (CMO), Montenegro needs to step up the implementation of activities under the action plan on EU *acquis* alignment. Legislation on oenological practices in the wine sector aligning with the EU *acquis* was adopted in October 2024. The Law on wine will continue to be further updated in line with EU *acquis* developments. Work on developing an electronic vineyard register should be finalised in 2024.

The amendments to the Law on olive growing and olive oil, laying down clearer rules for the production and placing on the market of olive oil and on control provisions are still pending Parliamentary adoption.

In the area of **rural development**, Montenegro received a conditional roll over entrustment for the IPARD III programme, followed by the opening of four calls for applications under the new programme covering four measures. This is a significant development. Spending under the IPARD II has improved in the past year, and with 2024 the last year of implementation of the programme Montenegro is strongly encouraged to put further efforts into ensuring full absorption of the funds this year. Montenegro continued to strengthen the administrative capacity of the IPARD Agency by hiring additional staff. Work on setting up the IPARD Agency's regional offices needs to continue.

As regards **quality policy**, the recommendations of the 2019 EU peer review mission still require follow-up, including activities to strengthen the control system.

For **organic farming** legislation on organic production further aligning with the EU *acquis* is still pending.

Chapter 12 - Food safety, veterinary and phytosanitary policy

The EU food acquis including hygiene rules for foodstuff production ensure a high level of food and feed safety and a high level of protection of consumers' interests. Animal health and welfare and the safety of food of animal origin are safeguarded together with quality of seeds, plant protection material, protection against harmful organisms and animal nutrition.

There was a small reduction in **inspection capacities** in the sectors of food safety and veterinary due to retiring of staff but tenders have been launched for the employment of eight new personnel, which should help reverse this trend. Adequate training should be provided to officials including developing measures to avoid conflict of interest of the authorised veterinarians carrying out official duties which is a basic principle of the Official Controls Regulation.

In the area of **general food safety**, the 2023 programme for food and feed safety quality measures, including the monitoring programme for residues in animals and products of animal origin was implemented and the 2024 programme was prepared.

As regards **veterinary policy** and animal welfare. Montenegro adopted further implementing legislation to align with the EU *acquis*. The first programme for monitoring zoonoses, zoonotic agents and their antimicrobial resistance (AMR) was implemented. The 2023 programme of mandatory animal health protection measures was implemented and the 2024 programme prepared. The disease surveillance programmes were implemented. In January 2024, the presence of the African swine fever virus was confirmed in Montenegro and measures to reduce the risk of spread of the disease as well as awareness raising campaigns were implemented. In March 2024, the government adopted a crisis management plan.

Measures were in place to prevent, detect and control avian influenza and there were no new cases. However, efforts are still necessary to further strengthen the surveillance programme for notifiable avian diseases.

The last EU-financed vaccination campaign against rabies was successfully implemented in autumn 2023. As necessary, Montenegro should continue the campaign autonomously. A robust passive surveillance system of the disease remains to be established. There was no progress in implementing a dog population control programme. Local governments awareness on the importance of establishing such controls remains low and further work in this area is necessary.

In the area of **placing food, feed and animal by-products on the market**, the implementation of the national programme for the upgrading of food establishments dealing with the food of animal origin continued. According to Montenegrin authorities, a total of 75 establishments have now been upgraded and classified as Category I – i.e. compliant with EU requirements. The total number of establishments dealing with food of animal origin regarded as compliant with EU requirements at the moment is 128.

The implementation of activities linked to the management of animal by-products not intended for human consumption progressed slowly due to problems with the location of the facility for processing animal by-products. A new location was found in the Municipality of Niksic and the government approved in April 2024 the information regarding the change in location and construction of the facility. The 5-year Management Plan for animal by-products not intended for human consumption expired in 2023 and a new one is yet to be prepared.

The national programme for improving raw milk quality and handling non-compliant milk was implemented leading to an increase in the percentage of raw milk that meets EU requirements. Measures to improve hygiene in all stages of milk productions have to be developed.

In the area of **food safety rules and specific rules for feed**, Montenegro implemented the 2023 programme of food and feed safety measures and adopted the 2024 programme.

On **phytosanitary policy**, further pieces of implementing legislation were adopted. The 2023 programme of phytosanitary measures was implemented, including the programme of control of production of seed and propagating material and plant genetic resources and the programme for 2024 was prepared. It is important to strengthen actions in the field, and especially with regard to surveys, early detection and eradication of pests. The programme for monitoring pesticide residues in food of plant and animal origin for 2023 was implemented and the results were reported to the European Food Safety Agency. Implementation of the 2021-2026 national plan for sustainable use of pesticides was carried out and awareness was raised.

In the area of **genetically modified organisms (GMOs)**, the programme of control testing of seed and planting material for GMOs for 2024 was adopted.

Chapter 13 - Fisheries and aquaculture

The common fisheries policy lays down rules on fisheries management, protects living resources of the sea and limits the environmental impact of fisheries. This includes setting catch quotas, managing fleet capacity, rules on control and inspection, rules on markets and aquaculture and support for fisheries and coastal communities. Further, it promotes a sustainable aquaculture.

In March 2024, Montenegro adopted a new fisheries and aquaculture strategy 2024-2029 and action plan. In April 2024, the Law on ratification of the Protocol on Amendments to the Marrakesh Agreement on the Establishment of the World Trade Organization - agreement on subsidies in fisheries was adopted. The Law on market organisation in fisheries and aquaculture was adopted by the Parliament in August 2024. There were no significant developments concerning **structural actions, or State aid**. The Law on structural measures and State aid in fisheries and aquaculture has been pending adoption by Parliament since 2019 and work is ongoing on its update. Work is also ongoing on the draft Law on Marine Fisheries and Mariculture.

The administrative capacities of the Directorate for fisheries were strengthened by employing an additional adviser for the market organisation of fishery and aquaculture products.

As regards **resource and fleet management**, the 2023 annual data collection programme on Montenegrin fisheries, for both commercial catches and biological data, was implemented. The management plan for the fishing gear bottom trawls, purse seines and beach seines, aligned with the recommendations of the General Fisheries Commission for the Mediterranean (GFCM), was adopted in October 2023. Efforts were undertaken to modernise the fishing fleet and introduce and apply measures of sustainable, profitable and efficient fishing, increase market competitiveness and meet EU food safety standards and maritime regulation. Eight contracts were signed with fishermen as a result of the second call for grant support for investments in fishing vessels, including fishing equipment and electronic devices (MIDAS 2 project). The value of the grant support was EUR 1.2 million (70% of the investment).

Regarding **inspections and control**, work is ongoing to further update and upgrade the Fisheries Information System (FIS). The equipping of 10 landing places with devices for measuring and registering catches is underway.

There were no developments in the dialogue with Albania to harmonise the management of the joint European eel resources and on control of illegal, unreported and unregulated (IUU) fishing. There was no increase in the number of fisheries inspectors. However, the capacity strengthening of the current inspectors continued through participation in field training conducted by the European Fisheries Control Agency (EFCA), as well as training aimed at familiarisation with CFP legislation and its application.

Concerning **international fora**, Montenegro initiated the process to ratify the agreement for full membership of International Commission for the Conservation of Atlantic Tunas (ICCAT). The implementation of the European Strategy for the Adriatic-Ionian Region and collaboration with the GFCM continued.

Chapter 22 - Regional policy and coordination of structural instruments

Regional policy is the EU's main tool for reducing regional disparities and investing in sustainable and inclusive socio-economic growth. It is operating through 'shared management' between the Commission and EU Member States. The implementation of cohesion policy programmes requires appropriate administrative capacity on programme and project level, the establishment of systems of sound financial management and control and also the fulfilment of other EU acquis elements such as environmental or public procurement legislation.

Regarding the **legislative framework**, as part of the updated action plan for chapter 22, the adoption of the Law on European Structural and Investment Funds, which lays down the institutional framework for the management of investment funds and future European structural funds, is envisaged for 2026.

Concerning the **institutional framework**, the entrustment of budget implementation for managing the IPA 2021 annual programme indirect management parts was approved in April 2024. The process for requesting entrustment for the management of IPA III operational programmes has advanced but needs to be finalised as per agreed timelines. The Working Group for Chapter 22 met twice and engaged into a multi-stakeholders consultation for updating the Chapter 22 Action Plan with a focus on closing benchmarks.

The **administrative capacity** remains a crucial area for reform. The government resumed a retention policy within the public administration. A number of temporary contracts were turned into permanent positions. A competency-based training needs analysis was commissioned with the aim to prepare recommendations on capacity development for IPA structures and the government engaged into a functional review in selected policy areas relevant to regional policy. Funds were set aside throughout IPA financial support to target the preparation and implementation of a merit-based recruitment policy.

In the area of **programming, monitoring and evaluation**, the country completed the design of two IPA III multi-annual operational programmes (2024-2027) and deployed international expertise to strengthen its capacities. Inter-ministerial coordination and structured dialogue with social partners and civil society need to be strengthened. Montenegro continues to participate in the Interreg cooperation programmes, the EU Strategy for the Adriatic and Ionian Region and the EU Strategy for the Danube Region.

On **financial management, control and audit**, the government engaged into a process of strengthening its capacities and of assurance mechanisms for the management of the IPA II and IPA III programmes. The National Authorising Officer approved improved reporting templates and an updated manual of procedures in December 2023.

Chapter 33 - Financial and budgetary provisions

This chapter covers the rules governing the funding of the EU budget ('own resources'). These resources mainly consist of: (i) contributions based on the gross national income of each Member State; (ii) customs duties; (iii) the non-recycled plastic resource; and (iv) a resource based on value-added tax. Member States must have the appropriate administrative capacity to adequately coordinate and ensure the correct calculation, collection, payment and control of own resources.

There was some progress in the **underlying policy areas** indirectly affecting the own-resources system (for progress in these areas, see chapters 16: Taxation, 18: Statistics, 27: Environment and climate change; 29: Customs union, and 32: Financial control).

On **traditional own resources**, the government adopted implementing legislation on the procedure for planning the resources that Montenegro pays to the EU budget in July 2023. In October 2023, the Ministry of Finance adopted the Guidelines for Planning the European Union's Own Resources in Montenegro which set the obligations, procedures, responsible institutions, overview of current EU regulations and reporting forms to the European Commission. In August 2023, the government adopted the final report on the implementation of the action plan for establishing a system of the EU's own resources in Montenegro.

As regards **VAT-based resources**, the Statistical Office has calculated the average weighted VAT rate.

In the area of **gross national income-based resources**, Montenegro's GDP is calculated using the European system of national and regional accounts 2010 methodology, while the informal economy is calculated in accordance with the OECD and Eurostat manuals.

As regards **administrative infrastructure**, the Directorate for Coordination and Management of EU Own Resources in the Ministry of Finance continued to improve its capacity, focusing on planning, coordination, calculation and administrative conditions of own resources.

CLUSTER 6: EXTERNAL RELATIONS

There are two chapters in this cluster: external relations (Chapter 30) and foreign, security and defence policy (Chapter 31).

Chapter 30 - External relations

The EU has a common commercial policy towards non-EU countries, based on multilateral and bilateral agreements and autonomous measures. There are also EU rules in the field of humanitarian aid and development policy.

As regards the **common commercial policy**, Montenegro continued to coordinate its positions with those of the EU, including in the World Trade Organization.

Montenegro continued to actively participate in Central European Free Trade Agreement (CEFTA) working groups, including in the negotiations on CEFTA Additional Protocol 7 on trade dispute settlement. In December 2023, the Parliament ratified the Agreement on the recognition of professional qualification of the general care nurses, doctors of veterinary medicine, pharmacists and midwives under CEFTA. The agreement is yet to enter into force for Montenegro.

In December 2023, the Parliament also ratified three agreements of the Common Regional Market concerning freedom of movement based on identity cards, recognition of professional qualifications for regulated professions (medical doctors, dentists and architects), and recognition of academic qualifications. These agreements entered into force in February 2024.

Given that the country's Trade Facilitation Strategy expired in 2022 and has not been replaced by another trade facilitation programme, in March 2024 the government invited all interested stakeholders to participate in the preparation of a new proposal.

On **dual-use goods**, Montenegro's application for membership in the Australia Group is now in the scrutiny phase. The application process to join the Wassenaar Arrangement is still ongoing.

In accordance with a new draft Law on Montenegro's Development Bank, this newly established entity should become the export credit insurer against non-market risks for the Montenegrin companies.

Regarding **bilateral trade agreements**, negotiations with Ukraine to amend the Free Trade Agreement concerning rules of origin and methods of administrative cooperation are ongoing. Given that the ratification procedure for the Agreement on Economic Cooperation with South Korea was not finalised in 2023 under the previous term of Parliament, the procedure needs to restart. There were no relevant developments in negotiations for an Agreement on Trade, Partnership and Cooperation between Montenegro and the United Kingdom of Great Britain and Northern Ireland.

In the area of **development policy and humanitarian aid**, in April 2024, Parliament adopted the Law on international development cooperation and international humanitarian assistance. The law updates the country's legal and institutional framework by setting up a decentralised system in these areas. A database on donor support projects, to be set under the new law, remains to be developed.

Chapter 31 - Foreign, security and defence policy

Member States must be able to conduct political dialogue under the EU foreign, security and defence policy, align with EU statements, take part in EU actions, and apply agreed sanctions and restrictive measures.

The **political dialogue** between the EU and Montenegro on foreign and security policy issues continued. In February 2024 Montenegro participated in the tenth EU-Western Balkans meeting of Political Directors on CFSP. In June 2024 Montenegro participated in a working lunch with members of the Foreign Affairs Council.

The institutional framework enabling Montenegro's participation in the EU CFSP and CSDP is in place. On **common foreign and security policy (CFSP)**, Montenegro continued its 100% CFSP alignment with statements by the High Representative on behalf of the European Union and Council decisions on sanctions. This included all EU sanction packages against Russia and Belarus. Montenegro also aligned with the EU position in UNGA when voting on resolutions regarding Russia's war of aggression against Ukraine and its humanitarian impact and on initiatives in the UN Human Rights Council with regard to the human rights situation in China, Iran and Gaza. Montenegro participated in the Summit on Peace in Ukraine hosted by Switzerland.

On **restrictive measures** implementation, the Ministry of Foreign Affairs drafted a new law on restrictive measures to improve the national legal framework in line with European Commission and FATF recommendations.

Montenegro continued **cooperating with international organisations** (UN, OSCE and Council of Europe) and remained an active member of NATO. Montenegro needs to update the national action plan on implementation of Women, Peace and Security.

In September 2024 Montenegro has notified the United States of its wish to bring to an end the bilateral immunity agreement with the United States, granting US citizens exemptions from the jurisdiction of the **International Criminal Court**. This brings Montenegro to alignment with the EU common positions on the integrity of the Rome Statute or with the related EU guiding principles on bilateral immunity agreements.

Concerning **conflict prevention**, during the reporting period, Montenegro met all obligations in accordance with the OSCE Conflict Prevention Centre Implementation Calendar in the area of arms control.

Regarding **non-proliferation**, Montenegro remained actively engaged in the implementation of the Western Balkans **Small Arms and Light Weapons** (SALW) Roadmap and implemented its 2019-2025 strategy and action plan for combating illegal possession, misuse, and trafficking of SALW. While Montenegro is not yet a participating state to any of the multilateral export control regimes, a meeting with Australia Group took place in January 2024 for Montenegro to update on its export control processes. Montenegro implements the 2023-2028 Roadmap for the prevention, detection, suppression and protection against chemical, biological, radiological and nuclear threats and risks (CBRN), prevention and suppression of the proliferation of weapons of mass destruction and means of their delivery and preventing them from falling into the hands of non-state actors. Alignment with the EU Common Position 2008/944 on arms export control is advanced, with further work required on inter-state exchange of information. Montenegro is a signatory state to the Arms Trade Treaty since 2013 and should ratify and domesticate the Treaty as soon as possible.

In terms of **security measures**, Montenegro continued to implement its agreement on security of information with the EU on procedures regarding exchange of classified information.

As regards **common security and defence policy (CSDP)**, Montenegro continues to participate in **EU crisis management missions and operations under the CSDP**, currently in the EU NAVFOR ATALANTA. In September 2023, Montenegro submitted an official request to contribute to the EU Military Assistance Mission in support of Ukraine (EUMAM Ukraine) in cooperation with the Armed Forces of Slovenia. Montenegro contributes to regional cooperation in military medicine through the Balkan Medical Task Force (BMTF).

As regards **hybrid threats**, Montenegro aligned with EU Declarations and restrictive measures in reaction to cyber-attacks in 2023 and 2024.

ANNEX I – RELATIONS BETWEEN THE EU AND MONTENEGRO

Within the framework of the **accession negotiations**, by October 2024, all 33 screened chapters, including chapters 23 and 24 on the rule of law, had been opened, three of which – science and research, education and culture, and external relations – have been provisionally closed. In June 2024 the Inter-Governmental Conference on accession negotiations with Montenegro confirmed that Montenegro overall met the interim benchmarks for the rule of law chapters 23 and 24, and set the closing benchmarks for these chapters. This opens a new phase in the accession negotiations to proceed with provisionally closing further chapters.

Montenegro is participating in the **Stabilisation and Association Process**. Montenegro continued to broadly implement its obligations under the **Stabilisation and Association Agreement (SAA)**. Regular political and economic dialogue between the EU and Montenegro has continued through the SAA structures. Regular subcommittee meetings were held throughout the period. The Stabilisation and Association Committee met in February 2024 and the SA Council in July 2022. The Stabilisation and Association Parliamentary Committee met in March 2024.

Montenegro participates in the ministerial dialogue between the economic and finance ministers of the EU and the candidate countries, which aims at helping the latter to gradually meet the economic accession criteria and be better prepared in terms of economic reforms, competitiveness and job creation. The most recent meeting was held on 14 May 2024.

Montenegro has maintained its full **alignment with the EU common foreign and security policy** and has continued contributing to **EU crisis management missions and operations** under the common security and defence policy. The Balkans Medical Task Force, in which Montenegro participates, benefits from a EUR 6 million 2022 support measure under the European Peace Facility.

Visa liberalisation for citizens of Montenegro travelling to the Schengen area has been in force since December 2009. As part of the visa liberalisation monitoring mechanism, the Commission has been regularly assessing the progress made by the country in implementing reforms introduced under the visa roadmap. The Commission's sixth report under the Visa Suspension Mechanism adopted in October 2023 concluded that Montenegro continues to take action to address the recommendations from the previous year's report. A **readmission agreement** between the European Union and Montenegro has been in force since 2008.

The **Instrument for Pre-accession Assistance 2021-2027 (IPA III)**¹⁴ continues to provide financial support to the region and finances the Economic and Investment Plan for the Western Balkans.

The **2024 annual programme** was adopted in May 2024 with a budget of EUR 26.6 million, focuses on (i) support for Montenegro on the rule of law; (ii) further alignment with the *EU acquis* and institutional capacity building; (iii) preparations for the upcoming IPA III operational programmes in the areas of environment and climate change and employment and social inclusion.

Following approvals by the WBIF operational board Montenegro has significant support for upcoming infrastructure investment, notably in the areas of rail transport and environment. Moreover, additional EUR 100 million from IPA III have been mobilised to support the construction of a next section of the Bar-Boljare highway.

The bilateral annual programmes are complemented by a package of multi-country and regional programmes, supporting the environmental sector, dealing with migration, social housing, as well as TAIEX and competitiveness programmes together with IFIs and IOs.

Under the **Reform and Growth Facility**, Montenegro could benefit from an indicative allocation of EUR 383.5 million, to be channelled via a Reform Agenda covering key reforms in four policy areas: business environment and private sector development; digitalisation and energy (green transition); human capital development; fundamental rights and rule of law. Disbursement of Union support will

¹⁴ Official Journal L 330, 20.9.2021

be conditional on compliance with the preconditions and delivery on reforms as set out in the Reform Agenda.

Montenegro is also benefiting from the rural development programme **IPARD III** (in continuation of its support under IPARD II), providing a significant contribution to the implementation of the Economic and Investment Plan for the Western Balkans and the Green Agenda.

Montenegro also continues to participate actively in cross-border cooperation programmes with neighbouring countries and EU Member States (Adriatic and Danube – macro regional strategies), as well as transnational cooperation programmes and EU programmes. To improve the mental health of youth and strengthen capacities in modelling the macroeconomic effects of green policies and investments, Montenegro is participating as an observer in two pilot projects under the Technical Support Instrument.

Measures programmed under IPA III are building on and adding to the previous and ongoing measures from **IPA II (2014-2020)** programmes, which have provided significant support through the EU integration facility, support for participation in EU programmes, the Civil Society Facility and IPARD, aiming at the social and economic development of the country and improving the reform process of the rule of law sector, fundamental rights, public administration reform, and other critical sectors.

The EU provides support via the IPA and the Foreign Policy Instrument to strengthen Western Balkans partners' resilience to face hybrid threats including cyber and foreign information manipulation and interference.

ANNEX II – STATISTICAL DATA

STATISTICAL DATA (as of 5/09/2024)

Montenegro

Basic data	Note	2011	2018	2019	2020	2021	2022
Population (thousand)		620 i	622 i	622 i	622 i	621 i	618 i
Total area of the country (km ²)		13 812 w	13 812 w	:	:	:	:

National accounts	Note	2011	2018	2019	2020	2021	2022
Gross domestic product (GDP) (million national currency)		3 265	4 663	4 951	4 186	4 955	5 924
Gross domestic product (GDP) (million euro)		3 265	4 663	4 951	4 186	4 955	5 924
GDP (euro per capita)		5 270	7 490	7 960	6 740	8 000	9 600
GDP per capita (in purchasing power standards (PPS))		10 783	14 587	15 697	13 417	15 456	17 577
GDP per capita (in PPS), relative to the EU average (EU-27 = 100)		42.0	48.1	50.0	44.5	47.1	49.4
Real GDP growth rate: change on previous year of GDP volume (%)		3.2	5.1	4.1	- 15.3	13.0	6.4
Employment growth (national accounts data), relative to the previous year (%)		:	:	:	:	:	:
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)		:	:	:	:	:	:
Unit labour cost growth, relative to the previous year (%)		:	:	:	:	:	:
**3 year change (T/T-3) in the nominal unit labour cost growth index (2015 = 100)		:	:	:	:	:	:
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)		:	:	:	:	:	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)		9.6	8.2	7.9	9.1	8.0	7.5
Industry (%)		12.1	12.5	11.9	13.5	12.5	11.3
Construction (%)		5.9	7.0	7.9	7.3	5.8	4.8
Services (%)		72.4 i	72.4 i	72.2 i	70.0 i	73.8 i	76.3 i
Final consumption expenditure, as a share of GDP (%)		102.6	91.9	89.2	103.8	92.7	92.5
Gross fixed capital formation, as a share of GDP (%)		19.5	29.2	27.3	27.9	22.1	21.5
Exports of goods and services, relative to GDP (%)		42.3	42.9	43.8	26.0	42.8	51.5
Imports of goods and services, relative to GDP (%)		64.3	66.7	65.0	61.0	62.2	74.4
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)		:	:	:	:	:	:

Business	Note	2011	2018	2019	2020	2021	2022
Industrial production volume index (2015 = 100)		101.8 w	113.8 w	106.6 w	105.6 w	110.8 w	107.2 w
Number of active enterprises (number)		:	:	:	:	:	:
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)		21.4 w	11.2 w	11.2 w	8.5 w	11.4 w	21.6 w

Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)		:	4.8 w	3.3 w	4.7 w	4.9 w	5.6 w
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)		:	:	:	:	:	:
Value added by SMEs (in the non-financial business economy) (EUR million)		:	:	:	:	:	:
Total value added (in the non-financial business economy) (EUR million)		:	2 021 w	2 205 w	1 819 w	2 164 w	2 870 w

Inflation rate	Note	2011	2018	2019	2020	2021	2022
Consumer price index (CPI), change relative to the previous year (%)		:	2.6 d	0.5 d	- 0.5 d	2.5 d	11.9 d

Balance of payments	Note	2011	2018	2019	2020	2021	2022
Balance of payments: current account total (million euro)		:	- 793.0	- 707.0	- 1 091.0	- 457.0	- 766.0
Balance of payments current account: trade balance (million euro)		:	- 2 050.0	- 2 065.0	- 1 643.0	- 1 914.0	- 2 671.0
Balance of payments current account: net services (million euro)		:	935.0	1 019.0	176.0	956.0	1 317.0
Balance of payments current account: net balance for primary income (million euro)		:	55.0	56.0	66.0	103.0	118.0
Balance of payments current account: net balance for secondary income (million euro)		:	265.0	284.0	308.0	401.0	467.0
Net balance for primary and secondary income: of which government transfers (million euro)		:	34.0	49.0	51.0	66.0	41.0
**3 year backward moving average of the current account balance relative to GDP (%)		:	- 16.4	- 15.8	- 19.1	- 16.5	- 16.1
**Five year change in share of world exports of goods and services (%)		:	19.0	26.8	- 31.4	4.6	17.7
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)		389.1 w	323.0 i	345.0 i	470.5 w	581.6 w	782.6 w
Foreign direct investment (FDI) abroad (million euro)		12.3 w	92.0	67.0	- 4.5 w	9.3 w	49.9 w
of which FDI of the reporting economy in the EU-27 countries (million euro)		:	78.0	1.0	- 2.0 w	- 7.8 w	8.3 w
Foreign direct investment (FDI) in the reporting economy (million euro)		401.4 w	415.0	412.0	466.0 w	590.9 w	832.6 w
of which FDI of the EU-27 countries in the reporting economy (million euro)		:	19.0	41.0	90.9 w	172.4 w	223.6 w
**Net international investment position, relative to GDP (%)		:	- 168.5 w	- 166.3 w	- 205.0 w	- 165.4 w	- 130.9 w
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)		5.7 iw	4.9 i	4.8 i	6.3 i	6.8 i	7.4 i

Public finance	Note	2011	2018	2019	2020	2021	2022
General government deficit / surplus, relative to GDP (%)		- 5.4 w	- 4.6 w	- 2.0 w	- 10.7 ew	:	:
General government gross debt relative to GDP (%)		45.4 w	70.1 ew	76.5 w	103.1 w	:	:
Total government revenues, as a percentage of GDP (%)		39.4 w	42.2 w	43.4 w	43.7 ew	:	:
Total government expenditure, as a percentage of GDP (%)		44.8 w	46.2 w	45.4 w	54.4 ew	:	:

Financial indicators	Note	2011	2018	2019	2020	2021	2022
Gross external debt of the whole economy, relative to GDP (%)		145.9 iw	164.7 i	167.4 i	221.6 i	191.7 i	158.4 i
Gross external debt of the whole economy, relative to total exports (%)		346.7 w	381.7 w	381.8 w	852.4 w	447.6 w	307.3 w
Money supply: M1 (banknotes, coins, overnight deposits, million euro)		:	:	:	:	:	:
Total credit by monetary financial institutions to residents (consolidated) (million euro)	1)	1 951.6 w	2 528.0 w	2 727.3 w	2 841.0 w	2 884.2 w	:
**Annual change in financial sector liabilities (%)		:	:	:	:	:	:

**Private debt, consolidated, relative to GDP (%)		:	:	:	:	:	:
Interest rates: day-to-day money rate, per annum (%)		:	:	:	:	:	:
Euro exchange rates: average of period (1 euro = ... national currency)		1 w	1 w	1 w	1 w	1 w	1 w
Trade-weighted effective exchange rate index, 42 countries (2015 = 100)		:	:	:	:	:	:
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2015 = 100)		:	:	:	:	:	:
Value of reserve assets (including gold) (million euro)		303.5 w	202.0	316.0	376.0	8.0	164.0

External trade in goods	Note	2011	2018	2019	2020	2021	2022
Value of imports: all goods, all partners (million euro)		1 823	2 554	2 601	2 105	2 504	3 540
Value of exports: all goods, all partners (million euro)		454	400	416	366	437	700
Trade balance: all goods, all partners (million euro)		- 1 369	- 2 154	- 2 185	- 1 739	- 2 067	- 2 840
Terms of trade (export price index / import price index * 100) (number)		101.5 iw	100.7 iw	99.1 iw	94.4 iw	99.8 iw	110.6 iw
Share of exports to EU-27 countries in value of total exports (%)		59.2 iw	43.1 iw	37.0 iw	37.7 iw	31.1 iw	30.3 iw
Share of imports from EU-27 countries in value of total imports (%)		43.5 iw	47.1 iw	47.0 iw	44.2 iw	45.7 iw	44.3 iw

Demography	Note	2011	2018	2019	2020	2021	2022
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		2.2	1.2	1.0	- 0.3	- 3.4	- 0.1
Infant mortality rate deaths of children under one year of age (per thousand live births)		4.4	1.7	2.4	2.8	1.4	:
Life expectancy at birth: male (years)		73.3	74.5	74.0	73.2	70.8	:
Life expectancy at birth: female (years)		78.8	79.3	79.5	78.8	77.0	:

Labour market	Note	2011	2018	2019	2020	2021	2022
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		63.0	70.5	71.8	67.2	64.7 w	:
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)		50.7	59.8	60.8	55.2	54.2 w	:
Male employment rate for persons aged 20–64 (%)		57.0	66.7	67.5	61.7	59.8 w	:
Female employment rate for persons aged 20–64 (%)		44.4	52.9	54.2	48.8	48.7 w	:
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)		33.8	46.6	50.1	44.2	41.1 w	:
Employment by main sectors							
Agriculture, forestry and fisheries (%)		5.5 i	8.0 i	7.1 i	7.5 i	6.4 w	:
Industry (%)		13.6 i	9.9 i	9.5 i	10.1 i	10.2 w	:
Construction (%)		6.0 i	9.0 i	9.9 i	8.3 i	6.7 w	:
Services (%)		74.9 i	72.5 i	73.1 i	73.5 i	76.7 w	:
People employed in the public sector as a share of total employment, persons aged 20–64 (%)	2)	35.3 w	31.7 w	29.3 w	30.5 w	32.7 w	:
People employed in the private sector as a share of total employment, persons aged 20–64 (%)	2) 3) 4)	48.5 w	63.9 bw	66.5 w	65.6 w	63.7 w	:

Unemployment rate: proportion of the labour force that is unemployed (%)		19.7	15.2	15.2	17.9	16.6 w	:
Male unemployment rate (%)		19.3	15.3	14.7	17.5	17.1 w	:
Female unemployment rate (%)		20.1	15.1	15.7	18.4	15.9 w	:
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)		36.6	29.4	25.2	36.0	37.1 w	:
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)		15.7	11.4	12.0	13.4	11 w	:
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)		30.9	21.0	26.9	35.2	31 w	:
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)		12.1	10.0	11.0	12.0	11.5 w	:

Social cohesion	Note	2011	2018	2019	2020	2021	2022
Average nominal monthly wages and salaries (national currency)		479 w	511 w	515 w	524 w	532 w	712 w
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)		104 w	98 w	98 w	100 w	99 w	117 w
GINI coefficient		:	:	:	:	:	:
Poverty gap		:	35.3	33.1	28.2	29.5	29.5
*Early leavers from education and training: proportion of the population aged 18–24 with at most lower secondary education who are not in further education or training (%)		7.2	4.6	5.0	3.6	6.7 w	:

Standard of living	Note	2011	2018	2019	2020	2021	2022
Number of passenger cars relative to population size (number per thousand population)		277.0	332.0	350.0	338.0	358.0	369.0
Number of mobile phone subscriptions relative to population size (number per thousand population)		1 875.0 bw	1 822.8 w	1 849.9 w	1 736.8 w	1 804.4 w	2 062.6 w
Mobile broadband penetration (per 100 inhabitants)		10.4 w	8.8 w	8.0 w	7.7 w	7.7 w	8.5 w
Fixed broadband penetration (per 100 inhabitants)		13 w	25 w	29 w	30 w	30 w	32 w

Infrastructure	Note	2011	2018	2019	2020	2021	2022
Density of railway network (lines in operation per thousand km ²)		:	18.0 i	18.0 i	18.0 i	18.0 i	18.0 i
Length of motorways (kilometres)		:	m	m	0	0	0

Education, innovation and research	Note	2011	2018	2019	2020	2021	2022
Public expenditure on education relative to GDP (%)		:	:	:	:	:	:
*Gross domestic expenditure on R&D relative to GDP (%)		0.31	0.50	0.36 iw	:	:	:
Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%)		:	:	:	:	:	:
Percentage of households who have internet access at home (%)		:	72.2	74.3	80.3	80.8	81.0

Environment	Note	2011	2018	2019	2020	2021	2022
*Index of greenhouse gas emissions, CO ₂ equivalent (1990 = 100)		85.0 w	76.3 w	78.5 w	75.4 w	75.5 w	:

Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2015 constant prices)		328.9	259.5	258.2	280.3	265.0	241.9
Electricity generated from renewable sources relative to gross electricity consumption (%)		41.6	52.4	53.6	61.5	60.5	63.2
Road share of inland freight transport (based on tonne-km) (%)	5)	43.1 w	55.7 w	45.4 w	41.8 w	65.1 w	47.4 w

Energy	Note	2011	2018	2019	2020	2021	2022
Primary production of all energy products (thousand TOE)		721	728	736	726	749	743
Primary production of crude oil (thousand TOE)		0	0	0	0	0	0
Primary production of solid fuels (thousand TOE)		434	362	396	400	371	416
Primary production of gas (thousand TOE)		0	0	0	0	0	0
Net imports of all energy products (thousand TOE)		411 i	334 i	365 i	280 i	340 i	309 i
Gross inland energy consumption (thousand TOE)		1 134	1 074	1 112	1 023	1 093	1 062
Gross electricity generation (GWh)		2 656	3 811	3 433	3 381	3 777	3 322

Agriculture	Note	2011	2018	2019	2020	2021	2022
Agricultural production volume index of goods and services (at producer prices) (2015 = 100)		:	:	:	:	:	:
Utilised agricultural area (thousand hectares)		222.9	256.8 p	257.5 p	258.0 p	255.6 p	253.7 p
Livestock numbers: live bovine animals (thousand heads, end of period)		:	83.3 p	81.4 p	77.9 p	71.2 p	70.8 p
Livestock numbers: live swine (thousand heads, end of period)		:	23.6 p	23.0 p	25.8 p	24.3 p	24.5 p
Livestock numbers: live sheep and live goats (thousand heads, end of period)		:	216.0 pi	210.8 pi	204.4 pi	195.0 pi	190.5 pi
Raw milk available on farms (thousand tonnes)		:	181.5 p	178.0 p	:	:	:
Harvested crop production: cereals (including rice) (thousand tonnes)		6.6	8.0 p	7.6 p	7.3 p	7.1 p	7.2 p
Harvested crop production: sugar beet (thousand tonnes)		0.0	0.0	0.0	0.0	0.0	0.0
Harvested crop production: vegetables (thousand tonnes)		29.3	42.3 p	40.1 p	39.4 p	40.9 p	40.9 p

Source: Eurostat and/or the statistical authorities in Montenegro

: = not available

b = break in series

d = definition differs

e = estimated value

p = provisional

i = Eurostat estimate

m = missing value / data cannot exist

w= data supplied by and under the responsibility of the national statistical authority and published on an "as is" basis and without any assurance as regards their quality and adherence to EU statistical methodology

* = Europe 2020 indicator

** = Macroeconomic Imbalance Procedure (MIP) indicator

Footnotes:

- 1) Loans include total banks' loans granted to non MFI residents and other claims (factoring and forfeiting, claims on outstanding bills of acceptance, guarantees and bills of exchange).
- 2) Data refer to number of employees in the public sector as a share of the total number of persons employed.
- 3) Comprises data of private companies or enterprises, entrepreneurs, private households and NGO.
- 4) Break in series as previously only employees were answering this question; Since 2018 all employed persons are giving answer to this question.
- 5) Total freight traffic (national territory and international transport).

