

STABILISATION AND ASSOCIATION
BETWEEN
THE EUROPEAN UNION
AND MONTENEGRO

The Stabilisation and Association Council

Brussels, 14 July 2022
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COVER NOTE

Subject: Eleventh meeting of the EU-Montenegro Stabilisation and Association Council (Podgorica, 14 July 2022)

Delegations will find attached the position paper of the European Union tabled on the occasion of the 11th meeting of the Stabilisation and Association Council between the European Union and Montenegro.

**ELEVENTH MEETING OF THE EU-MONTENEGRO
STABILISATION AND ASSOCIATION COUNCIL**

Podgorica, 14 July 2022

POSITION OF THE EUROPEAN UNION

The European Union welcomes the holding of the meeting of the EU–Montenegro Stabilisation and Association (SA) Council. This meeting provides a timely opportunity to review Montenegro’s progress in the preparations for membership, following the SA Sub-committees and the SA Committee held since the last SA Council.

Item 1. Adoption of the Agenda

Item 2. Approval of the Minutes of the tenth meeting of the Stabilisation and Association Council on 27 June 2019

Item 3. Relations under the Stabilisation and Association Process

**3.1. Accession strategy, in particular in the light of the Commission's 2021
Montenegro Report**

The EU reiterates its unequivocal commitment to the European perspective of Montenegro. It welcomes the overall progress made in the accession negotiations so far, with all 33 screened negotiating chapters opened, and three chapters provisionally closed, as well as Montenegro’s acceptance of the enhanced enlargement methodology, which was endorsed by the EU Council on 6 May 2021. Following the holding of a first political inter-governmental conference with Montenegro in June 2021, the EU welcomed the holding of the fourteenth inter-governmental conference with Montenegro on 13 December 2021, which provided a forum for political dialogue on the reform process. The EU welcomes Montenegro’s EU strategic direction and ambition to move forward in the accession negotiations based on continuing reform progress, and reaffirms its commitment to further support Montenegro in its endeavors towards EU membership.

The EU stresses that the next milestone, before moving towards the provisional closure of other chapters or clusters, is meeting the **interim benchmarks for Chapters 23 and 24**. The EU has set 84 interim benchmarks in these two chapters. This ensures a balance between progress on rule of law and the overall progress of negotiations. Once Montenegro addresses all remaining gaps in the areas of freedom of expression and media freedom, the fight against corruption and organised crime, and accelerates and deepens reforms on the independence, professionalism and accountability of the judiciary, Montenegro will be able to take further steps forward in the accession. The pace of this work will be determined by Montenegro.

The EU notes Montenegro's commitment in the field of rule of law and encourages Montenegro to continue working on implementation of all relevant aspects of the fundamentals cluster and to provide due political attention and visibility on key reforms, whether rule of law, public administration reform, functioning of democratic institutions or the economic criteria, as well as chapters 5 (Public procurement), 18 (Statistics) and 32 (Financial control). In this respect, the EU underlines the need for Montenegro to follow-up in a timely and convincing manner the recommendations issued in the Commission's Montenegro 2021 report.

The EU strongly commends Montenegro's full alignment with the EU's Foreign and Security Policy, including EU restrictive measures following Russia's unprovoked aggression against Ukraine. The EU also welcomes Montenegro's vocal support to the EU initiatives at the UN in response to this aggression, to international law and to a rules-based international order. This is a strong signal of the country's strategic orientation and commitment to the goal of EU accession. The EU looks forward to continued 100% alignment. It welcomes the efforts already taken to implement the sanctions and encourages Montenegro to continue with the necessary steps to fully apply the restrictive measures adopted. The EU's Economic and Investment Plan for the Western Balkans provides a major stimulus to the region with EUR 9 billion in grants and guarantees to leverage investments of up to EUR 20 billion in the next decade. The plan can spur the region's long-term, socio-economic recovery and competitiveness, support its green and digital transition, foster sustainable transport and connectivity, regional integration and trade, thereby also strengthening cooperation and convergence with the EU. Maximising the potential impact of the Plan requires the Western Balkans partners to decisively undertake economic and social reforms as well as to strengthen the rule of law and capacity of the Public Administration.

The EU is the largest provider of financial assistance to Montenegro. Following the adoption of the legal framework for the Instrument for Pre-accession Assistance (IPA) III, which is the main funding source, the EU invites Montenegro to accelerate the preparation of mature and sustainable projects. For IPA III 2021 Montenegro will benefit from an annual programme of EUR 34.21 million. This amount, compared to the small size of the country's population, makes Montenegro one of the beneficiaries with the highest EU financial assistance per capita in the world.

Political Criteria

The EU notes that Montenegro has continued to sufficiently meet the **Political Criteria**.

The EU notes that the public political commitment of the authorities to Montenegro's EU strategic direction and their commitment to the accession process is regularly and consistently stated as the key priority for the country and is generally reflected in relevant policy decisions.

When it comes to the **functioning of democratic institutions**, the EU underlines its expectations of strong political commitment, genuine engagement and consensus building by all relevant institutions and actors in carrying out Montenegro's EU reform agenda.

The EU welcomes the formation of a new government in April 2022. The EU looks forward to working with all political actors and institutions taking forward EU related reforms, in a constructive spirit. The EU expects the government to address the citizens' expectations to advance in the EU accession process and welcomes the new government's strategic priority to accelerate the country's EU accession negotiations. The EU reiterates the importance of political debate in Parliament and engaging in constructive coordination on all relevant legislative initiatives. This is the responsibility of all political actors.

The EU recalls that the OSCE/ODIHR recommendation for a comprehensive reform to harmonise the electoral legal framework and regulate all key aspects of elections, through an inclusive process, well in advance of the next elections, remains pending. It urges the parliament to engage in a transparent, decisive and inclusive dialogue on the implementation of OSCE/ODIHR outstanding recommendations.

The EU welcomes that the role of **civil society organisations** in the accession process is recognised and promoted at political level, but underlines that it remains to be further strengthened in practice.

The EU recalls that the priority for further overall progress in the accession negotiations is the fulfilment of the interim benchmarks under **chapters 23 and 24**. It notes that Montenegro continued to implement the action plans for chapters 23 and 24 and other strategic documents in the area of rule of law. It welcomes that Montenegro is working towards addressing the issues highlighted by the European Commission's 2021 Montenegro Report, and the intergovernmental conference held in December 2021, including in the critical areas of freedom of expression and media freedom, the fight against corruption and organised crime, and the need to preserve earlier achievements in the judicial reform. The EU encourages intensifying reform work, with a clear focus on well-known critical gaps, and to plan this work thoroughly, and remains committed to assisting.

As regards the **judiciary**, the EU welcomes that some long-pending high-level judicial appointments have taken place, bringing more stability to the judiciary and moving closer to a fully functional justice system able to act independently and free from vested interests and external influence. This includes the appointment by the Parliament of five non-prosecutorial members of the Prosecutorial Council in December 2021, – which allowed the Council to restart its functioning and to unanimously appoint a new acting Supreme State Prosecutor. The EU also positively acknowledges the appointment of eleven judges to the Supreme Court by the Judicial Council. Furthermore, the EU welcomes the appointment of a new Chief Special Prosecutor, which brings stability to the Special Prosecutor's Office, a key judiciary and law enforcement body. Finally, the EU notes that four judges were elected to the Judicial Council and will take office once the mandate of the current judicial members of the Council runs out.

However, the EU recalls that a number of key judicial appointments, which require a qualified majority in Parliament, remain pending, including four non-judicial members of the Judicial Council, a permanent Supreme State Prosecutor and three judges of the Constitutional Court. The EU urges the parliament to engage in a transparent, decisive and inclusive dialogue in this respect. The EU calls on Montenegro to ensure the merit-based appointment of individuals able to act independently without undue political influence.

The EU regrets that the implementation of key judicial reforms has not made progress. There is limited progress on establishing a track record on *independence*, *professionalism* and *accountability* in the judiciary, which need to be further strengthened, including by implementing the relevant constitutional and legal framework and by adopting legislative changes in line with European standards and best practices. In order not to reverse the good progress achieved in the past, the EU calls on Montenegro to address in substance all outstanding recommendations from the Venice Commission and the Group of States against Corruption (GRECO), following a broad and inclusive consultation process.

The *efficiency of the judiciary* must be strengthened. The EU expects Montenegro to improve the human, financial, ICT and infrastructure management systems, to adopt a new strategy for the rationalisation of the judicial network, as well as to implement the ICT strategy for the judiciary.

In the area of the **domestic handling of war crimes**, the EU welcomes the continued implementation of the *war crime* prosecution strategy, as well as the good cooperation with neighbouring countries and the International Residual Mechanism for Criminal Tribunals (IRMCT). However, the EU recalls that the investigation and adjudication of war crime cases continue to face certain legal and practical obstacles to effectively investigate, prosecute, try and punish war crimes in line with international standards, and calls on Montenegro to overcome these hurdles.

On **media freedom and freedom of expression**, the EU welcomes the strengthening of the legal framework for the effective protection of journalists and other media workers against threats and attacks, following the amendments to the Criminal Code, and recent efforts to look into old cases. The EU expects Montenegro to ensure full and effective judicial follow-up of attacks and threats, including the old cases. The EU notes that the public broadcaster RTCG has introduced a more pluralistic editorial policy and recalls that sustained efforts are needed to ensure it complies with the highest standards of independence and professionalism. The EU encourages Montenegro to finalise the revision of the legal and policy framework in the area of media, including the preparation of a draft media strategy, which has the potential to facilitate broad and inclusive dialogue with media stakeholders.

As regards **prevention of corruption**, the EU encourages Montenegro to continue with the positive trend in the results of the Agency for the Prevention of Corruption and expects sustained efforts to ensure its integrity, impartiality and accountability, in line with the recommendations of the peer review missions conducted in 2019 and 2021.

In the area of the **fight against corruption**, the EU expects an improvement in the track record of investigations, indictments, and court decisions in the fight against corruption and high-level corruption, including financial investigations, seizure and confiscation of assets, in view of establishing a credible criminal justice response. The EU takes note of the investigations launched in 2022 by the Special Prosecutor's Office into new cases of high-level corruption and welcomes all efforts to act forthrightly against misconduct.

On **fundamental rights**, the EU welcomes Montenegro's implementation of its obligations stemming from international human rights instruments and legislation but notes that challenges remain in effective implementation. The efficiency of investigations into excessive use of force by law-enforcement and into hate crimes needs to further improve. We urge Montenegro to redress recent incidents of ethnically and religiously motivated attacks, hate crimes and hate speech, which has continued to rise.

Recall that gender-based violence, in particular domestic violence remains a serious and persistent criminal, societal and public health issue. Encourage Montenegro to improve substantially its legal framework, including by stepping up its implementation of the Istanbul Convention in line with the 2018 Group of Experts on Action against Violence against Women and Domestic Violence (GREVIO) report, including by providing for effective multidisciplinary cooperation in this area and adequate victim support.

The EU recalls that Montenegro needs to ensure better access to justice for victims of human rights violations and crimes. The EU takes positive note of the strengthening of the institutional and legal framework to further protect the rights of lesbian, gay, bisexual, transgender and intersex (LGBTI) persons, including when it comes to same-sex partnerships. It recalls however that the rights of the child and the rights and non-discriminatory treatment of persons belonging to minorities and persons in vulnerable situations, such as the Roma, persons with disabilities, and LGBTI persons need to be further promoted. The EU underlines the importance to further increase efforts to promote gender equality, the rights of women and girls in all areas as well as diversity.

The EU remains committed to the promotion, protection and fulfilment of all human rights and to the full and effective implementation of the Beijing Platform for Action and the Programme of Action of the International Conference on Population and Development (ICPD) and the outcomes of their review conferences and remains committed to sexual and reproductive health and rights (SRHR), in this context. Having that in mind, the EU reaffirms its commitment to the promotion, protection and fulfilment of the right of every individual to have full control over, and decide freely and responsibly on matters related to their sexuality and sexual and reproductive health, free from discrimination, coercion and violence. The EU further stresses the need for universal access to quality and affordable comprehensive sexual and reproductive health information, education, including comprehensive sexuality education, and health-care services.

In the field of **citizenship rights**, the EU regrets that, despite the previously announced decision to end the economic citizenship programme in 2021, the Government prolonged it for an additional 12 months and had recently lowered the requirements for acquisition of such citizenship. The EU recalls that this scheme poses risks such as money laundering, tax evasion, terrorism financing, corruption and infiltration of organised crime. The EU urges Montenegro to definitively phase out the scheme as quickly as possible. The EU will closely monitor this process.

In the area of **Justice, Freedom and Security**, the EU welcomes Montenegro's continued efforts to align with the EU *acquis* and to improve the efficiency of criminal investigations into organised crime. Some of the recommendations from the 2021 Montenegro Report have been addressed.

In the area of **migration and asylum**, the EU welcomes the early adoption and implementation of a temporary protection mechanism for Ukrainian citizens having fled the war and notes the efforts made by Montenegro to host a high number of Ukrainian refugees. The EU notes that the processing time of international protection requests has been reduced. It welcomes the adoption of a new strategy on migration and reintegration of returnees and Montenegro's strengthened cooperation with the European Migration Network and the European Agency for Asylum. The EU calls on Montenegro to continue its efforts to strengthen its capacity in this area, by modernising its migrant registration system, increasing human and material resources devoted to border management, asylum, and reception.

The EU notes that Montenegro's visa policy is still not fully aligned with the EU list of countries whose nationals require a visa and calls on Montenegro to take concrete steps to ensure further alignment, in particular as regards those third countries which present irregular migration or security risks for the EU.

The EU welcomes the continuous progress of Montenegro in the **fight against organised crime**, in particular with the creation of a centralised bank account register, the strengthened capacity and professionalism of the police, and the launch of the first Joint Investigation Team with a third country. The EU notes that some key figures of organised crime groups were arrested and another record number of drug seizures took place. The EU welcomes the increased number of final convictions in organised crime cases, including in the area of trafficking in human beings. The EU notes however, that the track record on tobacco smuggling and money laundering, cooperation with the European Monitoring Centre for Drugs and Drug Addiction, the use of financial investigations and the capacity to confiscate the proceeds of crime need to be strengthened. The EU urges Montenegro to address some horizontal systemic deficiencies in its criminal justice system, including the way organised crime cases are handled in courts. This will require a more deterrent sentencing policy and a revision of the use of plea bargains in organised and serious crime cases.

The EU welcomes the strengthening of the strategic and institutional framework on **preventing and countering violent extremism**. The EU encourages Montenegro to continue to make progress on the implementation of the Joint Action Plan on Counter Terrorism for the Western Balkans.

In the field of **Public Administration**, the EU welcomes progress made in public finance management as well as budget transparency. The EU welcomes the adoption of the new Public Administration Reform strategy and stresses the importance for Montenegro to adopt a new Public Financial Management strategy. The EU regrets that amendments to the Law on Civil Servants and State Employees, adopted in January 2021 at the initiative of the Parliament, lowered the requirements for merit-based recruitment, competence and independence of civil servants. The EU encourages Montenegro to rapidly move forward with new appointments to the negotiating structures and to retain experienced staff in EU-accession process related matters in many sectors. Strong political will is needed to adhere to the principle of merit and to effectively depoliticise the public service, optimise the state administration and effectively implement managerial accountability. The situation of state-owned enterprises is also relevant in this respect. The EU urges Montenegro to ensure that inclusive public consultations are properly conducted in order to improve citizens' and civil society's participation in policy-making, and to effectively address the delegation of decision-making and managerial accountability. The EU recalls that ensuring access to information is crucial for ensuring more transparency and accountability of public service and underlines the need for the adoption and implementation of the new legal framework on access to information in accordance with the Principles of Public Administration.

The EU welcomes Montenegro's constructive commitment to **good neighbourly relations and regional cooperation**, which form an essential part of Montenegro's European integration process and contribute to stability, reconciliation and a climate conducive to addressing open bilateral issues and the legacies of the past. The EU notes that Montenegro has signed a bilateral convention on regional cooperation under Article 15 of the Stabilisation and Association Agreement (SAA) with all partners with an SAA in force. The EU supports the Common Regional Market that was launched by the leaders of the Western Balkans at the Sofia Summit in November 2020 and recalls that fully inclusive regional cooperation as identified in the Common Regional Market action plan will remain crucial for taking full advantage of the potential of the region and of the Economic and Investment Plan.

The EU strongly commends Montenegro for its consistent cooperation on foreign policy issues, and in particular its continued full alignment with the EU's **Common Foreign and Security Policy**. The EU welcomes Montenegro's contribution to EU CSDP missions and operations.

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

Economic criteria

The EU welcomes the submission by Montenegro, on 31 January 2022, of its Economic Reform Programme (ERP). The EU notes in this context that the economic consequences of Russia's war of aggression against Ukraine may render the macro-fiscal scenarios presented in the ERP obsolete. The EU draws attention to the joint conclusions of the Economic and Financial Dialogue, adopted on 24 May 2022, between the EU ECOFIN Council and the Western Balkans and Turkey. The EU invites Montenegro to follow up on the policy guidance given in these conclusions in a full and timely manner.

The EU notes that, after suffering the deepest recession in Europe in 2020, the Montenegrin economy recorded very strong, double-digit growth in 2021 (12,4%), however without fully recovering to its pre-pandemic level. The revival of tourism in 2021, helped by the reopening of country's borders, had positive effects on all related services. The increase in the number of visitors to around 70-80% of the pre-pandemic levels led also to the partial recovery of private consumption and increase in imports. However, labour market conditions still suffered from the negative effects of the pandemic, despite state-support measures to preserve jobs. As a result, employment kept contracting year-on-year, from the outbreak of the pandemic in March 2020 until June 2021.

The EU commends the authorities for their timely and targeted policy response to the crisis, which was adjusted as the situation evolved. It also compliments the government on the economic recovery observed from the second quarter of 2021. The EU underlines, at the same time, that the post-COVID-19 recovery will depend on continuous government efforts to contain public spending, bring down the deficit and put public finances (and the economy at large) on a sustainable path. These efforts will become even more central as the economic effects of the Russia's war against Ukraine hit Montenegro's economy, too.

The EU encourages Montenegro to address the key medium-term challenges to competitiveness and long-term growth by diversifying the economy, improving the regulatory environment, taking effective action to tackle the informal economy and increasing employment, in particular of the long-term unemployed, women and young people. The EU underlines the importance of the digitalisation of the public sector to improve its efficiency, including ensuring interoperability of relevant databases in the context of employment creation and taxation, the rightsizing and reforms of the public administration and the green transformation in this context.

The EU underlines that the rule of law is key for ensuring sustainable economic growth. Effective and independent judicial systems providing for legal certainty for companies and investors, timely contract enforcement and transparency in the law making are prerequisites for an environment that is investment- and business-friendly.

The EU further invites Montenegro to ensure the adherence of any foreign-financed economic activity to EU values, norms and standards, notably in key areas such as rule of law, public procurement, environment, energy, infrastructure and competition.

EU acquis

The EU welcomes the progress made by Montenegro in aligning its legislation with the EU *acquis* and implementing its commitments under the trade and trade-related provisions of the SAA.

The EU notes that Montenegro continues to address its priorities related to the **internal market**. The EU notes that progress on alignment with the *acquis* in the area of **free movement of goods** was limited, as some important legislative acts were not adopted. The EU reiterates the importance for Montenegro to ensure the provision of sufficient human and financial resources to its market surveillance, standardisation and accreditation bodies and for Montenegro's Institute for Standardisation to become a full member of the relevant European Committees (CEN/CENELEC). It also encourages Montenegro to ensure the implementation and enforcement of chemicals management legislation with the EU regulatory framework.

Regarding the **right of establishment and freedom to provide services**, good progress was made in electronic company registration, while preparations continued to establish the Point of Single Contact. Montenegro should continue to implement the national plan on developing qualifications for regulated professions. On postal services, full alignment with the EU *acquis* is yet to be achieved. Montenegro adopted the 2021-2022 action plan for the implementation of the postal development strategy.

The EU welcomes good progress achieved in the area of **public procurement**, with improvements in the remedy system, implementation of the laws on public-private partnerships and public procurement and regulation of procurement rules in the area of defence and security. The implementation of the new, electronic public procurement system in 2021 is a big step forward on transparency and efficiency of the public procurement processes. The EU encourages Montenegro to further develop the electronic public procurement system and to fully respect the EU public procurement principles when awarding the concession to operate Airports of Montenegro. In the field of **intellectual property rights**, the cooperation of concerned authorities was reduced due to the COVID-19 pandemic and should now be stepped up again. Progress in alignment with the *acquis* was made on patents, trade secrets and in the area of copyright and related rights, which however remains to be completed. The strengthening of administrative capacities needs to continue. A new national intellectual property strategy is pending adoption.

The EU notes that Montenegro continued to make progress in the area of **competition**. As regards antitrust and mergers, the independent competition and State Aid authority (APC APC – Agency for the Protection of Competition) needs to fully use its enforcement powers, carry out more on-site inspections, and further promote the use of its leniency policy as a means to uncover cartels. The courts’ capacity to handle complex competition cases remains to be significantly strengthened, which would eventually have positive repercussions on leniency applications. On State aid, levels of implementation and enforcement of legislation improved and need to stay high on the agenda, as enforcement capacity remains insufficient. The APC should undertake significant efforts towards new recruitments and related capacity building. The Parliament of Montenegro, following the recommendation of the APC, adopted a Temporary Framework for State aid measures to support the economy in the context of the COVID-19 outbreak, which is aligned to the one of the EU. General as well as specific State aid registers, for *de minimis* aid and COVID-19 measures, have been set up, increasing transparency. Montenegro needs to ensure that granting authorities ask the State aid authority for approval of possible State aid before such aid is granted. Where State aid has been granted without such prior approval, the APC progressed on reviewing the aid afterwards, assessing its compatibility. It issued three negative opinions on aid to Montenegro Airlines, which was closed in December 2020, and demonstrated an improved track record. Montenegro needs to ensure that the APC has access to all the necessary information to implement the State aid *acquis*. This includes large projects undertaken in cooperation with third countries such as the Bar-Boljare highway, which need to comply with the State aid provisions of the Stabilisation and Association Agreement.

Regarding **financial services**, the EU acknowledges the alignment work already achieved, but notes that substantial further efforts are required to align with and implement the existing *acquis* in this area. It welcomes the finalisation of the independent review of the asset quality in the banking system and notes that the banking system in the country remains stable.

In the area of **information society and media**, progress was achieved in particular on electronic communications and information technologies including towards a future 5G network and further reduction of roaming charges in the region as of 1 July 2021. A new strategic framework on Digital Transformation was adopted. Montenegro needs to strengthen its administrative capacity to enforce the EU *acquis*, complete legislative alignment in particular on audiovisual media, ensure operational independence of the media regulators and the public service broadcaster, and progress in granting the regulatory agency for electronic media powers to impose sanctions. The consistency of the legislative framework on media will need to be ensured and the legislative process conducted in an inclusive and transparent manner, in dialogue with all relevant stakeholders.

The EU encourages Montenegro to continue to implement its action plan for the alignment, implementation and enforcement of the *acquis* in the area of **agriculture and rural development** and to adopt a new strategy for the next period integrating the elements of the sustainable food systems pillar of the Green Agenda. Montenegro progressed in implementing the EU's pre-accession programme for rural development (IPARD II), through further calls and entrustment of IPARD measures and should step up implementation. The EU will continue to provide financial assistance and expertise under IPARD III.

The EU notes continuous good progress in the area of **food safety, veterinary and phyto-sanitary policy**. The revised strategy for aligning with and implementing the EU *acquis* was implemented on schedule. Implementation of the national programmes for improving raw milk quality and for upgrading food-processing establishments to EU standards continued, with more than 50% of food establishments now compliant. Vaccinations were successfully concluded, thus contributing to the eradication of Bluetongue Disease and Rabies in the region and in the EU.

In the area of **fisheries**, the EU notes that Montenegro continued to implement its action plan on aligning with, implementing, and enforcing the EU *acquis* and encourages Montenegro to finalise the preparation of the new fisheries and aquaculture strategy and related action plan. Important framework legislation is pending adoption by the parliament. Activities in inspection and control continued, including towards stopping all forms of illegal fishing. A new state-of-the-art inspection vessel was put into full operation. Montenegro continued its active role at international level, such as in the General Fisheries Commission for the Mediterranean (GFCM) and the implementation of the European Strategy for the Adriatic-Ionian Region (EUSAIR).

In the **transport** sector, the EU regrets that no progress was achieved and that key reforms remain outstanding. This concerns, inter alia, efforts to create an independent regulatory and safety authority in the railway sector and to obtain full membership of the Paris Memorandum of Understanding on port State control.

As regards **energy**, the EU notes that, notwithstanding the overall progress achieved so far, reforms have been delayed in recent years and many legal initiatives are pending. Some of the pending proposals go back to 2015, such as the law on security of supply of oil products and the setting up of the stockholding body for the mandatory oil reserves, both essential pieces of legislation in the current economic context. Progress in this area is conditional on the adoption and implementation of these and other pending legal acts. Furthermore, important decisions, such as those concerning the plans for a future phase-out of the thermal power plant in Pljevlja, remain to be taken as a matter of priority.

As regards **taxation**, the EU welcomes substantial progress made on implementing the WHO Framework convention on Tobacco Control on marking tobacco products and alcoholic beverages with excise control stamp. However, it notes limited implementation of the action plan to address the issues highlighted by the tax administration diagnostic assessment tool analysis. The EU also encourages Montenegro to make further progress on removing VAT and other tax exemptions that are not aligned to the EU *acquis* as well as to further develop capacities of the Revenue and Customs Administration and to prevent the outflow of qualified and trained staff.

As regards **customs**, the EU encourages Montenegro to finalise preparations for its accession to the Convention on a common transit procedure by establishing an EU-compatible computerised transit system. It also invites Montenegro to carefully monitor the impact of the reorganisation in the customs administration on the timelines of ongoing customs programmes and capacity building in this field. Further delays are to be avoided. Challenges remain in reducing illicit tobacco trade through the free zone of the port of Bar. The 2021 decision to prohibit storage of tobacco products in the free zone is a step in the right direction, but is not sufficient in itself. For example, existing transit arrangements for tobacco products remain a significant challenge. The EU welcomes Montenegro's continued efforts to develop its international cooperation in this regard.

In the area of **statistics**, the EU notes that work continued on harmonising the statistical methodology with EU standards and increasing transmission of data to Eurostat, but notes the lack of transmission of some fundamental datasets on government finance. In this area, but also more generally, cooperation between the main statistical producers is a key precondition to Montenegro's successful alignment with the EU *acquis*. The EU also notes that insufficient financial and human resources of the Statistical office of Montenegro (Monstat) and that lack of expertise in some areas remains to be addressed. The EU therefore encourages Montenegro to strengthen the human and financial resources of Monstat and to further align with the European System of Accounts (ESA) 2010, including providing data on government finance statistics and excessive deficit procedure. The EU stresses the importance of respecting the professional independence of Monstat and recalls Montenegro's commitment to political non-interference in official statistics. The EU underlines the need for Montenegro to organize the national population and housing census in line with EU requirements and recommendations.

The EU notes that the pandemic continues to have an important effect on the labour market. In the area of **social policy and employment**, the EU encourages Montenegro to implement the labour law effectively and to further align with the *acquis*, in particular regarding anti-discrimination.. The EU welcomes efforts made thus far in introducing the Youth Guarantee in Montenegro and encourages further efforts in its implementation. Evidence-based, well-designed active labour market policies remain a priority, particularly those targeted at women, youth, people with disabilities, minorities and vulnerable persons impacted by the pandemic, including Roma and Egyptians. In this regard, The EU encourages Montenegro to continue its reform of the social protection system to ensure it targets and protects those most vulnerable, while also keeping in mind the labour-market activation properties of the social protection system, and to address the issue of de-institutionalisation.

Concerning **science and research**, the EU encourages Montenegro to continue building on its participation in the Horizon Europe programme so to bring about greater cooperation between industry and the public research sector. The EU restates the importance of efforts on increasing research investment (with a particular focus on increasing private sector investment) while improving the statistical data collection on research and development and innovation. The EU encourages Montenegro to ensure that the smart specialisation strategy will start to play a more active role to support competitiveness and growth throughout the country.

The EU notes that the COVID-19 pandemic severely impacted the **education** sector, whose response focused on maintaining continuity through distance learning, and encourages Montenegro to continue reform efforts across all levels and strengthen sector governance aimed at delivering more effective education services. The EU underlines that reform measures must also be accompanied by a functioning system of monitoring and evaluation. Along with curricula reform and as a means to address labour market needs, the EU welcomes continued practical training at higher level education and the increased participation of students and employers alike in the dual education programme for VET. The EU encourages further initiatives to reinforce quality-assured basic and transversal skills, entrepreneurship and career guidance and reiterates the importance of teacher training and development to contribute to student attainment. The EU recalls the need to strengthen access to and the quality of early childhood education and care services and the importance of inclusive education for all girls and boys. The EU encourages Montenegro to promote EU values throughout its educational system, especially pluralism, non-discrimination, tolerance, justice, solidarity and gender equality.

The EU notes that Montenegro has achieved some level of preparation in the area of **environment and climate change**. Limited progress was made in further alignment with the EU acquis on nature protection or to develop the National Energy and Climate Plan in line with the Energy Community recommendations. The lack of administrative capacity and financial resources at national and local levels and insufficient inter-institutional coordination remain to be urgently addressed. The EU encourages Montenegro to speed up progress, in particular in the areas of water, waste, nature and climate change. In the coming years, Montenegro should step up ambitions towards a green transition, ensure effective public participation in decision-making and integrate environment and climate change considerations systematically into other sectors, including tourism and energy.

Progress was achieved to protect the potential Natura 2000 site and bird habitat Ulcinj Salina, which was granted international importance status in 2019 and the state ownership of which was clarified in July 2021, with sustainable management being implemented in cooperation with Germany. The EU underlines the need to preserve and improve protected areas and potential Natura 2000 sites, in particular the Skadar Lake and the Tara River, damaged by the Bar-Boljare highway construction. Military training was stopped on the Sinjajevina mountain, part of the UNESCO Tara River biosphere reserve. Platamuni, Katič and Stari Ulcinj areas were proclaimed as the first Marine Protected Areas in Montenegro in 2021. The EU underlines that marine species need to be protected for example during seismic surveys for oil and gas exploration. Progress was made in the field of industrial waste management (landfill remediation). The EU notes that a procedure was launched against Montenegro by the Energy Community, as the Pljevlja coal power plant continues to operate despite the fact that it exceeded the authorised number of operating hours under the EU *acquis*.

The EU encourages Montenegro to ensure consistency between the national climate change strategy and the EU 2030 climate and energy policy framework. Further to the adoption of the framework law on climate change in 2019 and establishment of national carbon dioxide emissions trading system in 2020, considerable work is still required to align with the EU *acquis*, including when it comes to the EU Emissions Trading System (ETS) and the Effort Sharing Regulation and the Monitoring and Reporting Mechanism (MMR). In July 2020, the government adopted the third national climate change report in the UN Framework Convention on Climate Change and in December 2021 the third biennial update report on climate change. The June 2021 report for preparing the updated nationally determined contributions (NDC) in the framework of the Paris Agreement sets only a 5% increase from the previous 30% greenhouse gas emission reduction target by 2030 and should be further stepped up. The EU welcomes the adoption of a national climate change adaptation plan in 2021 and looks forward to its effective implementation.

Regarding **consumer and health protection**, the EU notes Montenegro's limited progress on the legislative alignment with the EU *acquis*. On consumer protection, the EU underlines the need for further alignment notably on consumer rights, consumer credit and alternative dispute resolution. Montenegro also needs to ensure further alignment with EU health protection *acquis*, notably on patients' rights in cross-border health care and substances of human origin. The EU urges Montenegro to implement the EU *acquis* related to health protection and to ensure the necessary capacity for it, notably in the area of tobacco control.

As regards **financial control**, the EU notes the progress made on improving capacities and procedures of the State Audit Institution as well as setting the basis for more efficient follow-up of audit recommendations and for more open and transparent communication with the Parliament and with the general public. The EU urges Montenegro to operationalise the centralised budget inspection function in the Ministry of Finance, steer and strengthen the application of managerial accountability in public administration, and to further align the EU *acquis* on the fight against fraud involving the Union's financial interests.

Pre-accession Assistance (IPA)

The EU calls for even closer cooperation with the national authorities in programming and implementing EU funds in particular in the area of fundamentals such as rule of law, while making use of all available implementation modalities, including sector budget support and guarantees. The EU underlines that assistance will be provided to meet the strategic priorities set out in the IPA III Programming Framework and Economic and Investment Plan, in line with the objectives of the enlargement policy.

The EU calls on Montenegro to accelerate the implementation of all EU funds, in particular the programmes entrusted to Montenegro under indirect management. Relevant measures should include addressing staffing gaps and turn-over as well as enhancing monitoring and control. The EU highlights that under IPA III, implementation of EU funds under indirect management with the beneficiary country will be mainly used as a tool to prepare for efficient management of structural funds upon accession. In view of speeding up implementation of IPA III, the EU recalls the need for Montenegro to establish a relevant and mature pipeline of IPA III projects, in particular those addressing the priorities of the Economic and Investment Plan. Twinning and cooperation with the EU Member States remains an important technical assistance tool to strengthen the capacity to adopt and implement EU legislation. As regards investment planning, the EU recalls its offer to assist Montenegro, and stresses that all capital investments should respect EU standards and legislation, regardless of the type of investment or the source of financing, including those under intergovernmental agreements, to ensure the most efficient use of public resources. The EU stresses the importance of donor coordination.

Montenegro continues to benefit from participation in the following EU programmes, with IPA support: Erasmus+, Creative Europe (Culture and Media strands), Employment and Social Innovation, Horizon 2020, Customs 2020, Fiscalis 2020, Competitiveness of Enterprises and Small and Medium-Sized Enterprises Programme (COSME). Montenegro also participates with their own funds in the EU Justice Programme.

3.2. Bilateral relations under the Stabilisation and Association Agreement

The EU reiterates that the Stabilisation and Association Agreement (SAA), within the framework of the Stabilisation and Association Process, remains at the core of the relationship between the EU and Montenegro. The EU welcomes Montenegro's positive track record in implementing its obligations under the SAA.

Item 4. Exchange of views on developments in the Western Balkans

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