



Montenegro

Ministry of Foreign Affairs and European Integration

CONTRIBUTION

**for the participation of the Montenegrin delegation at the fifth meeting of the
Stabilisation and Association Committee**

Podgorica, 9 December 2015

The Stabilisation and Association Agreement between the European Communities and their Member States, on the one side, and the Republic of Montenegro on the other side (hereinafter referred to as: SAA), was signed on 15 October 2007 and entered into force on 1 May 2010, after completion of the ratification process.

In order to inform the European Commission about the most important results of the current reform process in Montenegro, the Stabilisation and Association Committee was established, composed of representatives of the European Council and representatives of the European Commission, on the one hand, and representatives of the Government of Montenegro, as the key body dealing with the implementation of the Stabilisation and Association Agreement, through seven sectoral Sub-Committees formed and the Special Group on Public Administration Reform, which deals with the reform of state administration in the context of the accession process.

The fifth meeting of the Stabilisation and Association Committee will be held in Podgorica, on 9 December 2015. The meeting will discuss the results of the activities from previously held joint subcommittees – which reviewed in detail the status and progress made in the alignment with the EU acquis – and operational conclusions of these meetings and the related action plan, concerning the progress Montenegro had made in the field of institutional, legal, political and economic reforms.

1. POLITICAL CRITERIA AND PUBLIC ADMINISTRATION REFORM

The Parliament, in July 2015, adopted a Decision on the establishment of the Committee for monitoring the application of laws and other regulations of importance for building trust in the electoral process. The Committee will be established as a temporary working body, to monitor the application of the laws and regulations of the relevant authorities, in order to build confidence in the electoral process. The Committee, in carrying out its

responsibilities, will monitor the application of the provisions of laws and regulations relating to: the election of councillors and MPs; President of Montenegro; Voters' List; financing of political parties and election campaigns; registers of permanent and temporary residence; Montenegrin citizenship; ID card; as well as the provisions of the Criminal Code of Montenegro regarding the provisions relating to offenses against the election law.

The Parliament, in October 2015, adopted a Decision amending the Decision on the establishment of the Committee for monitoring the application of laws and other regulations of importance for building trust in the electoral process. This amendment is contributing to the process of constituting the Committee, and thus the start of its operations.

The first contingent of 300 devices for electronic identification of voters arrived to Montenegro on 26 November 2015, and the delivery of the remaining 900 devices is expected to take place in three phases – in December and January.

Bilateral Cooperation

Regular political dialogue with **Serbia** continued through regional and multilateral forums and initiatives. The program of cooperation between the Ministry of Science of Montenegro and the Ministry of Education, Science and Technological Development of Republic of Serbia was signed on 18 September 2015.

In the last four months activities were intensified to strengthen the contractual-legal cooperation with **Kosovo***: the Cooperation Agreement between the Commission for Missing Persons of the Government of Montenegro and the Commission for Missing Persons of the Republic of Kosovo* was signed on 22 October 2015 in Pristina. When it comes to cooperation with **Croatia**, a Memorandum of Understanding was signed in the field of sports between the Ministry of Education of Montenegro and the Ministry of Science, Education and Sports of Croatia on 23 October 2015. The agreement on the opening of the Regional Centre for Research and Innovation, based in Split, was signed on 18 September 2015, and Albania, Bosnia and Herzegovina, Kosovo*, Serbia and the former Yugoslav Republic of Macedonia will participate in its activities, in addition to Croatia and Montenegro.

The contractual and legal basis with **Albania** was improved by the Agreement signed between the Government of Montenegro and the Republic of Albania in the context of EU accession, as well as the Agreement between the Ministry of Sustainable Development of Montenegro and the Ministry of Urban Development of the Republic of Albania on cooperation in the field of spatial planning (30 October 2015). Political consultations between Montenegro and Bosnia and Herzegovina in the field of international security were held in Podgorica on 9 November 2015. Meeting of the State Commission for Integrated Border Management of B&H and the State Commission of Montenegro was held in Podgorica on 24 November 2015.

* 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

With regard to cooperation with Turkey, the Memorandum of Understanding was signed for cooperation in the field of hydropower development in Montenegro between the Ministry of Economy of Montenegro, the Ministry of Forestry and Water Management of the Republic of Turkey and the Ministry of Foreign Affairs of Slovenia on 26 October 2015. The Cooperation Agreement between the Chamber of Commerce of Montenegro and the Union of Turkish Business and Chambers of Commerce (TOBB) was signed on 3 September 2015.

As a reminder, Joint Committees resulting from Article 15 of the SAA with the former Yugoslav Republic of Macedonia and the Republic of Serbia were held.

Regional Cooperation

Montenegro continues to actively participate in regional initiatives.

At the summit of the Visegrad Group and Western Balkan sextet on 13 November 2015, the Western Balkans Fund was established. The Fund was created on the model of the International Visegrad Fund, in order to develop cooperation in the field of culture, science and research projects, student exchanges, cross-border cooperation and tourism promotion.

In June 2015, Montenegro took over the chairmanship of the Migration, Asylum, and Refugees Regional Initiative (MARRI).

Public Administration Reform

Public Administration Reform Strategy in Montenegro (AURUM)

In June 2015, the Government adopted a Report on the implementation of the Action Plan for the Implementation of Public Administration Reform Strategy in Montenegro for the period 2011-2016 "AURUM" for the third and fourth quarter of 2014.

Acting on the conclusion of the Government, the Ministry of the Interior prepared, and in June 2015 **the Government adopted the Analysis of the effects of implementation of the PAR Strategy (AURUM) realized in the period 2011-2014**, stating that some significant activities were realized in achieving the objectives defined under AURUM, but with limited effects achieved.

The drafting of the **Public Administration Reform Strategy in Montenegro for the period 2016-2020** is ongoing, which was scheduled for the fourth quarter of 2015 by the Agenda of the Government of Montenegro.

In accordance with the conclusions of the **third meeting of the Special Group on Public Administration Reform of the European Commission and Montenegro**, Montenegro undertook, when drafting the new Public Administration Reform Strategy, to use the experience gained during the implementation of AURUM, as well as to review the objectives and concrete actions identified by other strategic documents, especially the **Public Sector Internal Reorganization Plan** for the period 2013-2017¹ and

¹ **The Government of Montenegro, in July 2015, adopted a Report on the implementation of the Public Sector Internal Reorganization Plan in 2014.** Implementation of activities from the Public

Programme of Montenegro's accession to the European Union for the period 2015 - 2018.

Civil service system at central and local levels

In July 2015, the Government adopted the Information on the application of the Law on Civil Servants and State Employees. The data indicate a general assessment that the Law, in the first two years of application, was implemented in practice, but there are some shortcomings in the implementation of certain legal solutions. Consequently, in accordance with the conclusions of the Government adopted on that occasion, the Working Group was appointed and drafting of amendments to the Law on Civil Servants and State Employees started.

Also, in order to improve the functioning of the local government system and quality and efficient exercise of the rights of citizens and authorities at the local level, especially in view of the deficiencies identified in the application of the Law on Civil Servants and State Employees at the local level, the Work Programme of the Government of Montenegro for 2015 provides for the adoption of the **Law on Amendments to the Law on Local Self-Government**. This activity has not yet been implemented because, among other, in accordance with the conclusions of the **third meeting of the Special Group on Public Administration Reform of the European Commission and Montenegro**, it was necessary to harmonize the text of the Proposal for the Law with the views of the European Commission. Given that the EC gave a positive opinion on the Proposal for the Law, its adoption by the Government will follow.

In addition, one of the objectives of the new strategy document is to have an **established clear separation of political positions from those of the state civil service and reduced discretion in deciding on the selection.**

Law on Administrative Procedure

The **new Law on Administrative Procedure** (Official Gazette of Montenegro 56/14 and 20/15), the implementation of which will begin on 1 July 2016, is a service-oriented to users of legal services, and through a number of novelties² aligned with the best comparative practices. Successful implementation of the new legal provisions will

Sector Internal Reorganization Plan is not satisfactory, and additional efforts of implementers are needed for such a situation to change and in order to achieve the main objective of the Plan - reducing the number of employees in the public sector. In the area of human resources, the Plan will be included in the Public Administration Reform Strategy in Montenegro 2016-2020.

² Expanding the field of application of the Law on Administrative Procedure, in addition to an administrative act, to other administrative activities; definition of administrative matters; introduction of administrative contracts; introduction of a "one stop shop"; establishment of the delegation of jurisdiction as a rule, so that the person conducting the administrative procedure will also issue an administrative act (authorized officer); enabling electronic communication; introduction of duties of appellate body in a way that, when the first instance decision is annulled, it will resolve an administrative matter alone - without sending the case back to the first instance body, which novelty focuses on the suppression of the largest problem in the practice of administrative resolution in Montenegro - the so-called. „ping-pong" effect.

depend on the fulfilment of certain preconditions, which relate primarily to the training of officials for administrative proceedings, the conformity of the Law on Administrative Procedure with the Law on General Administrative Procedure, as well as the harmonization of rules of procedures in specific laws with new solutions from the Law on Administrative Procedure. On this occasion, the Government, at its session in November, adopted the **Information on the harmonization of special laws with the new Law on Administrative Procedure** and the line ministries were tasked, to the end of the first quarter of 2016, to submit proposals for amendments to the Law that needed to be harmonized with the new Law on Administrative Procedure. In addition, raising awareness among citizens about the scope of rights provided for them under the new Law on Administrative Procedure will be important for its successful implementation and measurement of citizen satisfaction with the services provided.

2. JUSTICE, FREEDOM AND SECURITY

The state of play – Chapters 23 and 24 – report on the activities after the publication of the European Commission's Report on Montenegro for 2015.

Judiciary

After the entry into force of a new set of organizational laws, a number of activities were undertaken for the adoption of the relevant by-laws necessary for its full implementation, including:

- The Judicial Council adopted the Rules of Procedure of the Judicial Council on 20 October 2015.
- Normative Committee of the Judicial Council has prepared a draft of the rules of evaluation, which is expected to be adopted as soon as possible.
- Prosecutors Council, at its session on 12 November 2015, adopted the Rules of Procedure of the Prosecutors Council, while the development of rules for the evaluation of public prosecutors and heads of the Public Prosecutor's Offices is ongoing.
- Rulebook on the internal organization and job classification of the Special Public Prosecutor's Office was adopted on 24 September 2015.

Law on the Judicial Training Centre and the Public Prosecutor's Office was adopted on 23 September 2015 (Official Gazette of Montenegro 58/15). The Minister of Justice, on 16 November 2015, issued an act to declare the composition of the Management Board of the Centre. It is stipulated by the Law on the Judicial Training Centre and the Public Prosecutor's Office that the funds necessary for the efficient and effective functioning of the Centre will be provided in the budget of Montenegro, as a separate budget allocation, amounting to 2% of the budget allocated to the judiciary and Public Prosecutor's Office.

The second semi-annual report on the implementation of the Action Plan for the implementation of the Judicial Reform Strategy (2014-2016) for the period February 1 -

July 31, 2015, was adopted by the Government on 22 October 2015. In the reporting period, out of a total of 168 planned activities, 39 activities (23%) were implemented, 92 activities (55%) are implemented continuously, 22 activities (13%) have been partially implemented, and 15 (9%) activities remained unrealized.

The fight against corruption

Preventive measures

After implementing a public announcement for the Director of the Agency, Director of the Agency was selected by the Agency Council on October 1. Rules of Procedure of the Council of the Agency were adopted on 13 November 2015, and the Agency's Statute and the draft budget for 2016 were adopted on 20 November 2015. Drafting of the Rulebook on the internal organization and job classification that will be adopted at the next session is in progress. After the adoption of the Rulebook, in early December, filling vacancies through a process of internal advertising will be initiated.

Aiming at high quality implementation of jurisdiction, the Agency's operations will be supported by a unique software solution which is being prepared. In fact, with the support of the Kingdom of Norway's project, the *source code* of the information system of the Anti-Corruption Agency of Serbia has been taken over, and funds have been provided for the development of specific modules and establishing the basic hardware resources of the Agency, including, *inter alia*, development of a software solution for the control of financing during the electoral process, submitting and checking property records, gifts and integrity plans of public officials. Data migration and automatic connection to databases of relevant institutions will also be supported.

Repression of Corruption

Rulebook on internal organization and job classification of the Special Public Prosecutor's Office entered into force on 12 October 2015. Internal organization of the Special Public Prosecutor's Office, closely defined under the foregoing Rulebook, includes civil servant and state employee positions with 43 officers, which are deployed in 7 organizational units.

The Public Prosecutor's Office, on 24 September 2015, was presented the Pilot Case Management System by representatives of IBM and with the participation and support of the European Commission in the framework of EUROL project which was attended by 13 heads of Public Prosecutor's Offices. The Public Prosecution plans, to the end of December 2015, to establish the information system, i.e. the so-called special Prosecutorial module for preliminary investigations, investigations and the Special Public Prosecutor's Office, which will be an integral part of the future unified information system of justice, but also to support the specifics and needs in the operations of the Public Prosecution. Installation of the system is planned for 9 December 2015, which may possibly be delayed only for unforeseen reasons - delay of network reconstruction in the building of the Supreme Public Prosecutor's Office - which is not expected given that the public procurement procedure has been completed and the contractor selected.

Also, the Ministry of the Interior has agreed to allow the Special Public Prosecutor's Office to use the application to search for the personal status of citizens and establish safe email communications for the exchange of information and messages.

In the past, a number of criminal procedures have been initiated specifically for high crimes of corruption, and the conduct financial investigations in these cases is in progress, in order to confiscate any illegally gained property and for extended confiscation of property whose legal origin has not been proven. It is worth noting that in November of the current year the Law on Confiscation of Proceeds of Crime came into force, which will facilitate future actions of financial investigations.

Human rights

Protector of Human Rights and Freedoms (Ombudsman)

The Ombudsman drew up the Report of the Ombudsman as the NPM in 2014 (Special Report), which was discussed in October 2015 in the Parliament of Montenegro, together with the Annual Report of the Ombudsman for 2015. It was published on the web portal of the Ombudsman. During 2015, the Ombudsman's Office has been strengthened in terms of human resources as follows: Deputy Ombudsman for the area of protection against discrimination and two new officers in the area of anti-discrimination. It is planned, by the end of 2016, for the Ombudsman to employ in addition 4 new officers. As of 1 September 2015, an officer has been employed in the field of protection of children's rights at the Institution of Protector of Human Rights and Fundamental Freedoms. Overall, from January 1 to September 30, 2015, the Ombudsman (in addition to the appointment of two Deputies of the Ombudsman who started to work), hired 5 new employees.

CPT's recommendations and the prison system

In accordance with the Action Plan for meeting the recommendations of the CPT recommendations, adopted on 14 April 2015, the provision of video surveillance in detention facilities is planned to be provided by the end of 2015.

The objectives of the Cooperation Agreement which was signed in November 2015 by the Ministry of Interior – Police Administration, Supreme Public Prosecution and the Nongovernmental Foundation (NF) "Civic Alliance", include the improvement of protection from torture, inhuman and degrading treatment or punishment in Montenegro, contributing to faster and more efficient implementation of recommendations of international expert bodies, and the enhancement of cooperation between state institutions and civil society in order to increase the level of respect for human rights of persons residing in the closed-type institutions".

There was one round of negotiations with the Development Bank of the Council of Europe in terms of building the prison in Bijelo Polje. By the end of 2015, a technical mission will follow to draft the feasibility study to define the scope and cost of the investment.

On the basis of the Law on execution of the suspended sentence and the sentence of community service and the Law on execution of prison sentences, fines and security

measures, by-laws and rulebook have been adopted, as follows: Rulebook on the detailed procedure for implementing probation, suspended sentence, suspended sentence with supervision and punishment by work in the public interest; Rulebook on the official identity card of the Directorate for Parole officers; Rulebook on the official identity card of security guards for detainees and convicts and Rulebook on detailed method of execution of sentences of imprisonment to be served in premises where the convicted lives. By the end of 2015, the Rulebook on keeping the registers and personal records of persons convicted, sentenced for misdemeanour and detainees is expected to be adopted.

In relation to the improvement of rehabilitation treatment (program), in 2015, Institution for Execution of Criminal Sanctions started with the implementation of two significant treatment forms of work with prisoners, namely: since May 2015, the literacy program for prisoners has been implemented; since November 2015, the model to prevent juvenile delinquency and reintegration of prisoners has been implemented - Incentives for the implementation of cooperation between the Institution for Execution of Criminal Sanctions and PI Centre "Ljubovic".

The Rulebook on systematization of the PI "Komanski most" has been adopted, providing for a general practitioner, therapists and nurse.

Bearing in mind that the process of expert consultations with the European Commission has been completed, the phase of mandatory inter-ministerial consultations with the national authorities regarding the text of the Proposal for the Law Amending the Law on Electronic Media is in progress. After this procedure, the Ministry of Culture will send the Proposal to the Government for adoption. The reason for the amendment of the Law on Electronic Media is the need to harmonize the legal text which, *inter alia*, regulates the operations of the national public broadcaster and local public broadcasters, with the state aid rules in the field of public broadcasting services, because Montenegro, in the context of harmonizing its legislation with the EU acquis, *inter alia*, committed to implement, under the *Negotiating Chapter 8 – Competition Policy*, rules on State aid for public broadcasters in accordance with the Communication from the European Commission on the application of State aid rules to public service broadcasting (2009/C 257/1).

Anti-discrimination

In order to monitor compliance of regulations in Montenegro with the **Law on Prohibition of Discrimination of Persons with Disabilities**, the Ministry for Human and Minority Rights has established a team of experts, made up of representatives of the state administration bodies responsible for their implementation and representatives of civil society, in the presence of the OSCE Mission and Delegation of the UN, which carried out a detailed analysis of 52 regulations and defined recommendations for harmonization.

Some progress has been made in the area of **integration of persons with disabilities**. To provide accessibility to persons with disabilities, for the Faculty of Economics building, there was a tender for the best contractor, which was cancelled because of

certain irregularities. After that, a meeting was held with all the users of buildings as provided by AP23 and a decision was made that the funds earmarked in the Budget for the current year for ensuring the accessibility to the Faculty of Economics had to be redirected to provide accessibility to facilities of the Health Centre "Dr Niko Labovic" in Berane - service of chosen doctor for women, and Health Centre in Pljevlja, laboratory and X-ray building. Works on adapting the building of the Parliament of Montenegro have been fully completed. Handover of the building will follow and, after that, user training to operate the ramp. Works on adapting the building of the Health Centre "Dr Niko Labovic" in Berane- service of chosen doctor for women, have been completely finished. Works on the facilities of the Centre for Social Work Podgorica, Tax Administration-Regional Office Podgorica, and the Health Centre in Pljevlja, laboratory and X-ray building are being finalized, and it is realistic to expect that they will be completed in full by the end of 2015.

According to the latest available data, all cases in the field of protection against discrimination based on sexual orientation of LGBT members – acted upon by the Ombudsman in 2015 were completed (5 cases). In the second half of 2015, the Ombudsman received 3 complaints of discrimination based on sexual orientation (before and after the temporary ban of Pride parade on 18 September 2015), of which two cases were completed, one complaint is being processed, which relates the work of the Police Administration due to the Pride Parade ban, and it is not yet complete in the full sense as discussed above.

Pride parade that was scheduled for October in Podgorica was postponed by the Organizing Committee on own initiative, due to the protest by part of the opposition in the capital city which took place at the time scheduled for organization of the Parade.

The request for the Pride Parade in Podgorica on 13 December 2015 was submitted to the Security Centre Podgorica on 25 November 2015. In accordance with the law and in consultation with the organizer, the Police will take all necessary measures and actions within its competence, with the aim of safe conduct of the upcoming Pride Parade in Podgorica.

When it comes to **gender equality**, pursuant to the APAGE Implementation Programme for 2015-2016, adopted by the Government in March 2015, the establishment of the National Council for Gender Equality is planned in the first quarter of 2016, which will among others be composed of Coordinators for gender equal treatment of relevant institutions and from the local level, representatives of NGOs and the academic community.

The Ministry for Human and Minority Rights has prepared a **Proposal for the guidelines for strengthening inter-institutional cooperation, non-governmental organizations and local communities to prevent and combat violence against women and domestic violence**, which will be considered by the Government by the end of the year.

With regard to the prevention of domestic violence, MLSW implemented activities for the establishment of a **unified database for victims of domestic violence**, as part of

social welfare information system (SWIS), and through the network of Centres for Social Work (CSW). Entering data on domestic violence in the SWIS began in January 2015. Computer linking with other institutions began in late September, in a way that the Police Administration established a web service putting information on the violence kept by the police at the disposal of CSW. In this way, the data on violence will be integrated into the newly created database within SWIS. In December 2015, the judiciary will provide the electronic exchange of data in order to further the integration of institutions in the SWIS. We expect base to be operational as of 1 January 2016.

On 9 September 2015, the Ministry of Labour and Social Welfare (MLSW) established a single hotline for victims of domestic violence, in collaboration with UNDP and Hotline for women and children victims of violence from Niksic. Funding for the hotline establishment was provided from the fund of the project "Continuation of Reform of the Social and Child Protection System", and the funds for the next year will be provided through the newly established Directorate for the development of services within the MLSW. Also, in order to raise awareness about the problem of domestic violence, a brochure containing legislation relating to the issue was printed and published on the website of MLSW.

The capacity of the Ministry for Human and Minority Rights has been strengthened in a way that one person was employed in the Directorate for the Promotion and Protection of Human Rights, and it is planned to employ another person by the end of 2015. Also, in the Department for the promotion and protection of Roma and Egyptians, two officers were employed, one in 2014 and the other in 2015, and one person works as a volunteer. All employees of the Directorate for the promotion and protection of rights of minorities and other minority communities and the Department of improvement and protection of rights of the Roma and Egyptians regularly attend training organized by the Human Resources Administration and other national and international organizations.

Children's Rights

The seventh session of the Children's Parliament was opened on 27 September 2015. The session was attended by children from 23 Montenegrin municipalities, who were informed by representatives of the Government of Montenegro about actions taken by their ministries on questions asked by children at previous sessions. In addition to representatives of MPs Groups in the Parliament, representatives of national institutions and international organizations dealing with children's rights were invited to attend the session, as well as members of the diplomatic corps. The seventh Children's Parliament was organized by the Parliament of Montenegro in cooperation with the Centre for the Rights of the Child, on the occasion of 20 November – the day of adoption of the UN Convention on the Rights of the Child.

Minorities

Proposal for the Law on Amendments to the Law on Minority Rights and Freedoms is in parliamentary procedure and the Parliament of Montenegro is expected to review it

once again by the end of the current year. Also, the proposal for the Law was analyzed at the 104th plenary session of the Venice Commission. Proposal for the Law on Amendments to the Law on Minority Rights sets the main directions of the reform of the Fund for minorities that are focused on preventing objectively possible conflict of interest, and the future Board of Directors. Councils of minority nations will not be represented in the Board of Directors of the Fund, and a two-instance decision making is introduced for projects financed from the Fund, in addition to the separation of the control and management positions in the Fund. Funds for financing of minority councils or other minority communities are provided in the budget of Montenegro. The Ministry drafted a uniform form with regard to narrative and financial reporting by minority councils and other minority ethnic groups.

In the period January 1 – September 30, 2015, the active employment policy programs involved 34 members of the population of Roma and Egyptians.

Chapter 24

Migrations

Between January 1 and November 1, 2015, illegal border crossings by 222 persons were prevented, mostly nationals from the Republic of Albania (95), Republic of Kosovo* (21), Republic of Serbia (14). There was a total of 310 foreign nationals who have been staying illegally in the territory of Montenegro. For 962 foreign nationals a decision on the cancellation of stay up to 90 days was issued, with a ban on returning. For 250 foreign nationals a decision to leave the territory of Montenegro was issued with the prohibition of return. 104 persons were accepted under the readmission agreements in summary proceedings, and 26 persons were handed over in regular procedure. Five persons were handed over under the readmission agreements in summary proceedings.

From its opening until 1 November 2015, freedom of movement of 114 irregular migrants was limited by placement in the Shelter. From 1 January to 1 November 2015, 69 persons were placed in the Shelter for Foreigners.

Asylum

As part of the project "Improvement of the system of asylum and migration in Montenegro", which is implemented with the EU Delegation to Montenegro, and the offices of IOM and UNHCR, funding was provided for strengthening the technical support and equipment for new premises intended for the Directorate for asylum. In the period from January 1 to 19 November 2015, 1,566 applications for asylum were submitted in Montenegro. Of these, five protections were approved (three for refugee status and two for additional protection), four decisions to reject applications for asylum were adopted, and the 1536 conclusions on the suspension of the proceedings. 21 applications are in

* 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

the decision-making process. Ten approved protections are currently in force in Montenegro (three for refugee status and seven for additional protection). In the period January-October 2015, Administration for Refugees carried out activities to provide care for a total of 983 persons. In the Centre for asylum seekers, care for 972 persons was provided, and in alternative accommodation for 11 persons. Software for electronic records of persons in the asylum system was developed. The Government, at the meeting of 23 July 2015, adopted the Feasibility Study for capacity building for the accommodation, care and rehabilitation of juvenile unaccompanied migrants and other vulnerable groups. By the study, PI "Ljubovic" was designated as accommodation for the juvenile unaccompanied migrants and members of other vulnerable groups.

Visa Policy

The trend of reducing the number of visas issued at border crossings has continued. In the period of January 1 – November 18, 2015, 1 type "C" visa and 21 type "B" visas were issued at the border to sailors.

External Borders and Schengen

Closing alternative routes for crossing the border:

- Joint activities of the Ministry of Interior of Montenegro and the Ministry of Security of Bosnia and Herzegovina, resulted in preparing a joint study for closing side roads between the two countries, after which 44 secondary roads between the two countries were closed.
- Expert Groups of the Ministry of Interior of Montenegro and the Ministry of Interior of the Republic of Albania agreed and signed a joint feasibility study for closing side roads between the two countries, after which of the eight roads seven were closed.

In the context of the establishment of the Trilateral Centre for Law Enforcement Cooperation in Plav between the Ministry of Interior of Montenegro, Ministry of Interior of the Republic of Albania and the Ministry of Interior of the Republic of Kosovo*, in principle, the draft Protocol was agreed between the Ministry of Interior of Montenegro, the Ministry of Interior of Albania and the Ministry of Interior of Kosovo* on the establishment and operation of the Joint Centre for Law Enforcement Cooperation, the draft Rules of Procedure of the Joint Centre in Plav and application form for the exchange of information.

Judicial Cooperation in Civil and Criminal Matters

In September 2015, the Law on Ratification of the Hague Convention on the International Recovery of Child Support and Other Forms of Family Maintenance of 2007 was adopted (Official Gazette of Montenegro 11/15).

* 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

In the period 12-14 October 2015, in Prishtina, the third round of bilateral negotiations with the Republic of Kosovo* was held, during which the Agreement on Mutual Legal Assistance in Criminal Matters was initialled between Montenegro and the Republic of Kosovo*, and Extradition Agreement between Montenegro and the Republic of Kosovo*.

In September and October 2015, EU expert missions were carried out, which presented models for transposition of EU legal instruments in the Montenegrin legal system, in the field of international legal assistance in criminal matters.

Police Cooperation and the Fight against Organized Crime

The Law on Confiscation of Proceeds of Crime (Official Gazette of Montenegro 58/15), the Law on the Judicial Training Centre, and the Law on Public Prosecutor's Office (Official Gazette of Montenegro 58/15) were adopted.

The Special Public Prosecutor's Office employed two expert consultants in the field of financial investigations and money laundering.

Aiming to implement the information system for the prosecution, the Prosecutorial Council, on 2 October 2015, decided on the introduction of the IBM Case Management System as a separate module for preliminary investigation and investigation, including the Special Public Prosecutor's Office. An agreement was reached with the Ministry of Interior to enable the Special Prosecutor's Office to use the application to search for the personal status of citizens and establish a safe email communications for the exchange of information and messages. In addition, activities began on the development of a software system for the Administration to combat money laundering and terrorist financing.

Additional funds were approved for the purchase of technical resources required to develop reintegration programs aimed at residents during their stay in the Shelter for victims of human trafficking. Coordinating Team for monitoring the implementation of the Agreement on cooperation in the fight against human trafficking placed in the Shelter four underage victims of trafficking - potential victims of trafficking for the purpose of entering into illegal marriage.

The officials of the Customs Administration, during a detailed inspection of the container, which arrived in May 2015 by boat to the Free Zone Port of Bar, found cigarettes that were not reported to the competent customs authority (the amount of 2,850,000 cigarettes, whose invoiced value was EUR 21,263.00).

Cooperation with EUROPOL

After the entry into force of the Agreement on Operational Cooperation with EUROPOL, a liaison officer, on 1 November 2015, was seconded to work in the headquarters of the European Police Association in The Hague. The Agreement on experts from Montenegro joining the activities of the analytical group of EUROPOL COLA (smuggling of narcotic drug "cocaine") entered into force on 14 November 2015. In the period January 1 - November 1, 2015, a total of 742 communications were exchanged with EUROPOL, of

* 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

which 44 communications relating to international search and extradition, and 698 communications related to international operational police cooperation.

Track record

Officials of the Department for Combating Organized Crime implemented police operations "Camp," "Pink 3", "Doll" and "Mermaid", where four criminal charges were filed against six people on suspicion that they committed an offense of prostitution mediation under Article 210 of the Criminal Code of Montenegro. In the case of "Kolosjek" (*track*), a criminal complaint was lodged against 18 persons for a reasonable suspicion that, in a longer period, in order to obtain financial benefits, in an organized manner, they perform smuggling of 138 persons, so-called asylum seekers, who were mostly native to Syria, and through the territory of Montenegro to Serbia, and they thus committed the criminal offense of illegal border crossing and smuggling of persons committed in an organized manner, under Article 405 paragraph 3 of the Criminal Code of Montenegro.

Law enforcement officials, within the intelligence project "Loan", implemented 11 police operations: "Owl", "Percentage", "Earnest", "Tornado", "Green Five", "Deposit", "Koko", "Bruni" "Lira", "Bubac" and "Installment", where criminal charges were filed against 14 persons - 12 persons on suspicion of having committed a criminal offense of loansharking under Article 252 of the Criminal Code of Montenegro.

Officials of the Department for the fight against economic crime, in the period 1 January – 1 November 2015, filed nine criminal charges against 10 persons, out of which six criminal charges were filed against seven people for the crime of smuggling under Article 265 of the Criminal Code of Montenegro and three criminal charges against three persons for the criminal offense of Illegal trade under Article 284 of the Criminal Code of Montenegro. The total amount of the seized cigarettes amounted to 6334.8 cartons, and the total value of the seized cigarettes amounted to EUR 75,365.00.

Special Public Prosecutor's Office, in the period January-November 2015, launched three investigations of organized crime, for criminal offenses: the creation of a criminal organization, Article 401a of the Criminal Code of Montenegro; unauthorized production, possession and distribution of narcotic drugs under Article 300 of the Criminal Code of Montenegro, and Abuse of Office under Article 416 of the Criminal Code of Montenegro. One financial investigation was launched in the area of organized crime. On the basis of information on suspicious transactions for money laundering, 11 cases were initiated, which are currently in the pre-trial investigation.

In the case of "Pigeons", one of the accused for the crime of unauthorized production, possession and distribution of narcotics and crime of criminal association, by verdict of 20 October 2014, was sentenced to a term of imprisonment, and the verdict was final on 9 April 2015. In the "Tanker" case, the accused of criminal offense of unauthorized production, possession and distribution of narcotic drugs and criminal offense of criminal association, under verdict of 30 December 2014, were sentenced to a prison

sentence, and the verdict was final on 10 March 2015. In the case of "Thunder", the accused of criminal offense of unauthorized production, possession and distribution of narcotic drugs and criminal offense of criminal conspiracy, were sentenced to a prison sentence (verdict was final on 29 April 2015 and 5 May 2015). In the "Line" case, the accused of criminal offense of unauthorized production, possession and distribution of narcotic drugs and criminal offense of criminal association, by verdict of 6 August 2015, were sentenced to a single sentence in prison (the appeal procedure is in progress). In the case of "Caravan", the accused for the criminal offense of smuggling, abuse of office and criminal offense of criminal association, by verdict of 6 November 2015, were sentenced to a prison sentence (the appeal procedure is in progress).

The Fight against Terrorism

Since the beginning of implementation of the Weapons Law (Official Gazette of Montenegro 10/15), citizens have voluntarily turned in 422 firearms, 213 parts of weapons, 110 pieces of grenades and explosives and 7,052 rounds of ammunition of various calibres.

Cooperation in the Field of Drugs

Two new synthetic substances are listed in the checklist of synthetic substances (EMCDDA and EUROPOL were notified of the above). "Guidelines for preparation of the Action Plan to establish a national system for data and information on drugs" (NAPDIS) were developed.

Between January 1 and November 1, 2015, in the territory of Montenegro 186.63 kg of narcotic drugs was seized, namely: 180.24 kg of marijuana; 4.55 kg of heroin; 0.458 kg of cocaine; 1.29 kg of synthetic drugs. In terms of cutting the chains of street drug distribution, operations "Cleaner" and "Klok" were carried out. In terms of production and cultivation of drugs, 920 marijuana plants were seized and one person was detained on suspicion of having committed the criminal offense of unauthorized production, possession and distribution of narcotics.

A joint team for inspection of containers in the Port of Bar has continuously conducted detailed inspections of container shipments on the basis of previously prepared risk analyses. Between January 1 and November 1, 2015, 476 ships sailed into the Port of Bar, of which 81 container ships. 1,264 detailed inspections were carried out at 9,539 containers, of which 562 by scanner.

Customs Cooperation

Between January 1 and November 1, 2015, officials of the Customs Administration conducted 57 080 detailed inspections of vehicles and goods, as well as 1,627 inspections of firms. 499 irregularities were found. 445 misdemeanour orders were issued and fines imposed in the amount of EUR 223,850.00. 12 criminal charges were filed to the competent Public Prosecutor. Smuggled goods worth EUR 432,669.79 were seized. Inspections were carried out resulting in the confiscation of 6,660,500 pieces of cigarettes, value: EUR 249,305.95; 2413.5 kg of cut tobacco, value: EUR 21,292.30; 1,167 litres of alcohol, value: EUR 9,001.13.

Counterfeiting Euro

The Parliament of Montenegro, on 13 October 2015, passed the Law on Ratification of the International Convention for the Suppression of Counterfeiting.

EUROPOL, on 8 September 2015, submitted quarterly report integrating the data of the Police Administration and the Central Bank related to the counterfeiting of the Euro.

During 2015, officers of the Department for fight against economic crime filed six criminal charges against seven people who put counterfeit euro banknotes in the system of payments.

3. ECONOMIC CRITERIA, FINANCE AND STATISTICS

Follow up to the Report for Montenegro 2015 and SubCom 17th November 2015

Tourism and Investments

In times of economic crisis, which Montenegro is faced with, it is necessary to advance the economic growth and development, ensure new jobs and employment, increase investments and export and create basis for higher incomes and growth of citizens' living standard together with increased competitiveness of the Montenegrin economy. The Government will achieve this goal through combination of economic-fiscal measures, structural reforms and upgraded business environment. The priority will be to significantly eliminate barriers for new investments. The Government shall, *inter alia*, particularly encourage new investments. A form of incentives for investments is surely privatization of the remaining not privatized companies, as well as valorization of tourism locations. Decree on fostering direct investment defines financial incentives for new investments in Montenegro and aims to improve the business environment of the state and increase the competitiveness of the economy. The mentioned act strives at attracting new investors, increasing employment, especially in less developed regions of Montenegro, as well as balancing regional differences. Provision of adequate incentives will directly affect the investment decisions of potential investors who are considering positioning themselves in the market of Montenegro. Along with the already proposed amendments to the Law on investments, it is envisaged to propose a new legal framework in order to define a programme of support to investors.

Bar-Boljare.

Before the official start of works on the construction of the motorway Bar-Boljare on 11 May 2015, intensive activities were carried out regarding the fulfillment of all legal and contract preconditions. This date was the start of the deadline period of 48 months for projecting and construction of the priority section Smokovac-Uvač-Mateševo of the motorway Bar-Boljare, according to the concluded Contract on projecting and construction.

Financial sector development, NPL, Podgorica approach

Montenegro's banking system is sound, solvent and liquid. Banks recorded growth in assets, deposits and capital over the observed period. Banks' deposits reached their maximum in 2015. Credit risk is still substantially present although asset quality indicators improved to a certain extent. Financial result at the system level is positive.

Two new banks were licensed in 2015 and now 14 banks operate in the banking market of Montenegro. Banks' lending activity, although unsatisfactory considering their liquidity and available funds, recorded a significant increase compared to 2014. Gross **non-performing loans** and receivables amounted to 14.65% at end-September 2015, while they stood at 17.32% at the end of September 2014. Gross loans and receivables over 30 days past due amounted to 17.55% at the system level, while they were 20.04% at the end of September 2014. Banks maintained a significant level of restructured loans and receivables in the observed period. Total non-performing loans and receivables amounted to 5.3 million euros as at 30.09.2015, and they declined y-o-y by 5.24%, yet they grew by 11.71% compared to December 2015. Total capital of MFIs amounted to EUR 20.9 million or 44.75% of total liabilities and capital as at 30 September 2015. MFIs reported aggregate positive financial result of EUR 1.1 million.

With regard to resolving **insolvency**, Law on Consensual Financial Restructuring has been developed, aimed at encouraging the recovery of the debtor, or the mortgage loan beneficiary in financial difficulties by restructuring debts, preserving financial system stability and the providing access to the new financing options for the purpose of boosting the economic recovery and growth. Law has been adopted by the Parliament on April 24th, 2015 and implementation of third phase of **Podgorica approach**, which refers to implementation of financial restructuring, is ongoing.

Public debt management: During 2015, the internal debt was decreased by around EUR 52.01 million when compared to the end of 2014 and amounts to EUR 329.2 million (Table 3 and Figure 4). Internal debt decrease is primarily caused by new methodology for reporting government debt stock, while on one hand debt of local self-governments is not included in the government debt stock, on the other hand a debt of legal entities and business organizations with majority state-ownership and those under the state management control, which are mostly financed from the government budget, is included in the government debt stock. Reduction of the internal debt is also result of net repayment of EUR 25.04 million of loans from the national commercial banks.

Fiscal notifications to Eurostat and ESA 2010: Montenegro has taken part in the process of fiscal reporting via fiscal notification, which was submitted to Eurostat in October 2014, under the first (October) reporting on EDP, and then in May 2015 under the second (April) reporting of EDP. Work on October reporting is ongoing. Upon visit of Eurostat, in early March 2015, an agreement was reached as regards dynamics of improving fiscal notification and increase quality of the data submitted on this occasion. In order to harmonize with EU standards and to produce internationally comparable data, the Statistical Office made great advances with the introduction of ESA 2010 in accounting annual gross domestic product. In September 2015, the Statistical Office published data on GDP for 2014 and revised data for the period 2010 – 2013 in accordance with ESA 2010 methodology. Two most important ESA 2010 methodological

changes that have an impact on the level of GDP were implemented - "capitalization costs of research and development" and "capitalization costs of military weapons.

Current account and trade deficit: According to preliminary data, in the first half of 2015, the current account deficit amounted to EUR 490.4³ million, recording an increase of 9.6% compared to the same period in 2014. The increase in the current account deficit is the result of higher imbalances at the goods account, decrease in exports and increase in imports of goods, and reduction of the surplus at the secondary income account. By reducing the export of goods by 5.7% and increasing imports by 3.5%, external **trade deficit** amounted to EUR 686.7 million. The increase of 5.7% in the deficit at the goods account compared to the same period of the previous year was mitigated by a surplus at the services and income accounts.

Unemployment, Labor market: In **annual terms, employment** in the period January-July 2015 was higher by 0.1% y-o-y. Employment growth was recorded in the construction sector (1.6%), real estate (11.1%), administrative and auxiliary service activities (1.5%), transportation and storage (1.5%). The decrease in employment was recorded in agriculture, forestry and fisheries (5.9%) and manufacturing (5.8%), electricity, gas, steam and air conditioning supply (3.5%).

Registered unemployment as at 30 September 2015 amounted to 33,773 unemployed (female 49.42%), while on the same day last year, there were 31,584 unemployed. The number of unemployed persons has increased by 6.93%. Such a trend is conditioned somewhat by the transfer of a certain number of inactive population to active, as evidenced by data from the Labor Force Survey for the second quarter of 2015, compared to the same quarter of the previous year. The number of active population increased from 268.2 thousand to 274.8 thousand, or 1.02%, while the number of inactive population decreased from 232.8 thousand to 225.6 thousand or 0.4%. Notwithstanding a certain recovery of the economy in 2015, when compared with the previous year, the labor market is characterized by challenges that are inherent to wider regional markets. **The most important are the low employment rate, causing a high long-term unemployment, as well as high youth unemployment.**

Regulatory activities

In 2015, regulatory activities relating to the banking sector were predominantly aimed at preparing and beginning harmonization of banking regulations with the CRD4 package (Directive 2013/36 EC on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms) and Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (CRRD).

In accordance with the plan defined for the adoption of laws and by-laws, the drafting of the Law on Banks started in September 2015 and its adoption is planned for the end of 2016. In addition, preparations for the drafting of the law which will regulate the

³Balance of payment data of Montenegro are published in accordance with the new IMF methodology (Balance of Payments Manual, sixth edition-BPM6, 2009).

conditions for establishment, operation and supervision of certain financial institutions (business entities dealing with the activities of financial leasing, factoring, micro-lending and credit and guarantee activities) are underway, and the adoption of this law is also planned for the end of 2016.

Status of the 2015 guidelines of ECOFIN Council and ERP

At the session held on 15 October 2015, the Government of Montenegro adopted the Information on the preparation of the Economic Reform Programme (ERP) for the period 2016–2018 and the Decision to establish a working team for its preparation.

Fulfillment status of the ERP recommendations to Montenegro

During the nine months of 2015, the flexibility of the labor market was improved through: **Amendments to the Law on the Peaceful Settlement of Labor Disputes**. The main reason for the amendment to the Law on the peaceful settlement of labor disputes is that the Innovated Action Plan for implementation of recommendations under the "Guillotine of Regulations" prescribed the amendments to the Law on peaceful settlement of labor disputes. The Law on Amendments to the Law on the Peaceful Settlement of Labor Disputes was published in the Official Gazette of Montenegro 42/15 of 29 July 2015.

Amendments to the Law on Volunteerism: The main reason for the amendment to the Law on Volunteerism is the Innovated Action Plan for implementation of recommendations under the "Guillotine of Regulations" stipulating the obligation to amend the Law on Voluntarism, in compliance with the Regulation on the organization and functioning of public administration, as well as to provide for harmonization with the *acquis*. Law on Amendments to the Law on Voluntarism was published in the Official Gazette of Montenegro 48/15 of 21 August 2015.

The adoption of the **new Labor Law** is foreseen until 2017, in the Action Plan for Chapter 19 -Social Policy and Employment Program and Montenegro's Programme of Accession to the European Union. The Ministry of Education prepared and Government adopted **Study on labor market needs in the field of higher education**, based on the Employers' Perception of Higher Education Relevance in Montenegro. Employers' Perception is done within the Project "Higher Education and Research for Innovation and Competitiveness". Also, the Ministry prepared **Information about a survey conducted among employers concerning Professional training programme of persons with acquired higher education conducted in the period 2012-2015**. This information provides data related to the number of Programme users and number of professional training positions announced by employers in 2013, 2014 and 2015. The goal of the survey was to receive data on the number of users who, after the nine-month professional training received in the previous years, continued their work engagement with the employers they had selected, as well as data on a potential number of new engagements of current Programme users by the employer they had selected.

Statistics

The need for additional (human and financial) resources for the purpose of fulfilling the obligations under negotiating Chapter 18 – Statistics is defined in Montenegro's Programme of Accession to the European Union (2014–2018) and joint negotiating position for Chapter 18. The current number of employees in the Office is 105, whereas the Rulebook on Internal Organization and Job Descriptions of the Statistical Office of Montenegro envisages 200 civil servant and state employee positions. The management structure of the Statistical Office is reinforced by two assistant positions, where the assistants were appointed for: the Department of Macroeconomic Statistics and the Department of Social Statistics and Demography.

ESA 2010

For the purpose of harmonization with the EU standards and production of internationally comparable data, the Statistical Office has made considerable progress by introducing the ESA 2010 methodology into the annual calculation of Gross Domestic Product. In September 2015, the Statistical Office published the GDP data for 2014 and revised data series for the period 2010–2013 in accordance with the ESA 2010 methodology. Two most important ESA 2010 methodological changes affecting the GDP level were implemented: “capitalization of research and development costs” and “capitalization of the military equipment costs”. The review also included additional statistical improvements related to: the improvement of FISIM calculation, government expenditure and imputed rents, implemented in view of harmonization with the European Union standards.

In the area of quarterly GDP, in 2015, the Statistical Office made great progress by introducing a new method of quarterly GDP calculation by expenditure approach at current and constant prices by applying direct method. The results of this calculation were published at the end of April 2015 for four quarters of 2014; the results for the first quarter of 2015 were published in June 2015; and the results for the second quarter of 2015 were published in September 2015.

The Statistical Office prepared the Action Plan for the production and submission of data on national accounts for the time series 2006–2009, which was transmitted to Eurostat. The activities to be carried out for the transition of available data on annual national accounts for the period 2006–2009 from NACE Rev. 1 to NACE Rev. 2 were defined, as well as data production for quarterly national accounts for the time series 2006–2009, according to the NACE Rev. 2 classification.

The Statistical Office is currently working to define operating plans for two pilot projects: PP1: Methodology of National Accounts and Supply and Use Tables and PP2: ESA 2010 Data Transmission and Quarterly National Accounts, covered by IPA 2014 multi-beneficiary project, all aimed at making efforts to fulfill the closing benchmarks for Chapter 18.

Montenegro took part in the process of fiscal reporting through Fiscal Notification, which was submitted to Eurostat in October 2014 within the first (October) EDP reporting, and in May 2015, within the second (April) EDP reporting. The work on October reporting is underway.

After the Eurostat visit at the beginning of March 2015, the timeframe for the improvement of fiscal notification was agreed, together with the higher quality of data submitted thereby. During the Eurostat mission, the data submitted to Eurostat in the first EDP reporting were discussed and guidelines were given for further improvement of their calculation. The conclusions of Eurostat regarding the activities to be taken in the next period concerning the data details and availability and the deadlines to carry out the necessary reconciliations were adopted by all three institutions of the statistical system (Ministry of Finance, Central Bank of Montenegro and Statistical Office), and the mission report was published on the Eurostat website.

Financial control

CHU within the technical assistance project "Strengthening the capacity of EU funds management and general administrative procedures" in order to establish and strengthen the financial management and control at the local level held the FMC Conference "Managerial Accountability" on 3 December 2014. Montenegro is committed to ensuring full implementation of managerial accountability principle, further strengthening of internal audit and the implementation of the new Anti-Fraud Strategy.

When it comes to the **State Audit Institution**, with the aim to ensuring audit quality in line with the International standards of supreme audit institutions and international audit practice, the State audit institution in the first quarter of 2015 adopted the Guidelines on audit quality control with the check lists for financial audit, regularity audit and performance audit. The State Audit Institution started to apply the Guidelines on audit quality control in 2015 to ensure standardization of the audit process in line with the Law on State Audit Institution, internal acts and III level of International standards of supreme audit institutions.

In the reporting period, the State Audit Institution improved the internal procedures by adopting relevant internal acts.

In October 2015, the Senate of the State Audit Institution adopted the Code of Ethics for state auditors and other employees in the SAI. The Code of Ethics was prepared in line with the ISSAI standard 30 – INTOSAI Code of Ethics. In July 2015, the Parliamentary Committee on economy, finance and budget approved the draft budget of the State Audit Institution for 2016. In the draft budget, the State Audit Institution planned funds for solving the issue of providing the necessary premises for the work of the SAI aimed to employ additional number of the audit staff.

6. INTERNAL MARKET AND COMPETITION

Public procurement

Normative framework

The amendments to the Law on Public Procurement improved the provisions relating to the introduction of the **anti-corruption clause** in all public procurement contracts and the **risk assessment methodology** in the public procurement procedures (Article 15),

prevention of conflict of interest in public procurement procedure (Articles 16 and 17), the composition of the Bid Opening and Valuation Commission (Article 59) and authorizations of public procurement inspectors as regards the control over the implementation of anti-corruption measures and conflict of interest prevention measures in public procurement procedure (Article 148). In line with the Law Amending the Law on Public Procurement, inspection control now includes the authorization of the “public procurement inspector to carry out inspection control, **among other, over the conclusion and realization of public procurement contracts**”.

In the preparation of the new Strategic document for 2016–2020, a number of key gaps and priority issues relating to the Strategy were identified by the key stakeholders. The issues raised were discussed, ratified and verified prior to the development of this Strategy.

It is important to emphasize that Montenegro has to accomplish the task of full alignment with the *acquis*, which will then be followed by transposition of the new public procurement rules passed within the new directives package, with special focus on concessions. Montenegro will draft the new Law on Public Procurement, which is expected to be passed by the Government at the first quarter of 2017, in line with Montenegro’s Programme of Accession to the EU and the conclusions of the Government tasking the institutions with fulfilment of the activities relating to the closing benchmarks for this chapter. This new Law will fully align the public procurement system with the rest of the rules provided for in the directives. Furthermore, the new Strategy for the Development of the Public Procurement System by 2020 will be adopted by the Government by the end of December 2015, and transmitted to the EC for review at the beginning of 2016.

The most relevant element is the function of control over the contract execution which is, pursuant to the LPP, assigned to the Administration for Inspection Affairs. The statistical data on the performance of this function are reported by the AIA to the Government every six months, and the AIA reports the data to the EC through its regular semi-annual Report on the Functioning of the Public Procurement System. Through this system, Montenegro has shown readiness to cooperate and further improve the system of control over contracts. Finally, the Montenegrin public procurement system has made progress in the reforms, as stated by the EC in its last Report on Montenegro, and therefore the system that once might have been considered formalistic is now based on valuation of the technical part of the bids as well, not only the financial one. Further alignment with the *acquis* and transposing of the public procurement rules will bring the Montenegrin system, by the end of 2018, into the position where it is identical to the one functioning in the EU.

Consumer and health protection: legal alignment and administrative capacity

Consumer protection

Legal alignment

Consumer legislation

By adopting the Law on Consumer Protection (Official Gazette of Montenegro 2/14, 6/14, 43/15), a large number of consumer directives were transposed into the national legislation. However, in order to achieve full alignment with the EU regulations, it is planned to pass the Law Amending the Law on Consumer Protection and thereby fully transpose Directive 2011/83/EU on consumer rights.

The following bylaws for the Law on Consumer Protection were passed in the reporting period:

- Decree on the conditions for outsourcing and performing the tasks laid down by the national consumer protection programme and the detailed criteria, method and procedure of consumer organization financing (Official Gazette of Montenegro 40/15);
- Decision on the authorities competent for inspection control over the implementation of the laws containing consumer protection provisions (Official Gazette of Montenegro 50/15);
- Rulebook on products that do not have to carry unit prices (Official Gazette of Montenegro 41/14 and 14/15);
- Rulebook on Arbitration Committee for extrajudicial settlement of consumer disputes (Official Gazette of Montenegro 14/15);
- Rulebook on consumer organization records (Official Gazette of Montenegro 16/15);
- Rulebook on the contents of records on information based on controls and records on consumer complaints and their settlement (Official Gazette of Montenegro 34/15);
- Rulebook on the contents and the method of keeping a register of lawsuits for the protection of collective interests of consumers and the register of decisions (Official Gazette of Montenegro 16/15);
- Rulebook on the contents of the standard information form for tourist service contracts (Official Gazette of Montenegro 30/15);
- Rulebook on the contents of the standard information form for unilateral termination of tourist service contracts (Official Gazette of Montenegro 30/15).

General product safety

The following bylaws for the Law on General Product Safety were passed in the reporting period:

- Decree on the method of sharing information on products that pose a risk (Official Gazette of Montenegro 57/15);
- Rulebook on the contents of the dangerous product notification (Official Gazette of Montenegro 32/15);
- Rulebook on the list of standards in the field of general product safety (Official Gazette of Montenegro 32/15).

Strengthening of administrative capacity

Based on the Law on Control of Products in the Market, the Decree specifying the groups of products subject to market control (Official Gazette of Montenegro 20/15) was passed, defining specific competences of the inspectorates in charge of market control. Furthermore, the above mentioned Decision on the authorities competent for inspection control over the implementation of laws containing consumer protection provisions was also passed on the basis of the Law on Consumer Protection. Such division of competences will provide the basis to achieve higher level of administrative and legal protection of consumers, both regarding the protection against dangerous products in the market, and regarding the protection of the economic interests of consumers.

Education

Protection of economic interests of consumers

Representatives of the Administration for Inspection Affairs had a study visit to the Directorate for Consumer Protection in Lisbon (Portugal), which was organized by TAIEX in the period 11–15 May 2015. During the visit, they were introduced to the work of their institutions in charge of consumer protection and implementation of regulations in this field.

The Delegation of the European Union to Montenegro, in cooperation with the Ministry of Economy, Administration for Inspection Affairs and the consumer protection NGO, organized a round table on 11 June 2015 on the topic of: “Consumer protection in Montenegro – towards EU standards”.

Within the bilateral assistance of Slovenia to the accession negotiations of Montenegro, coordinated by the Ministry of Foreign Affairs and European Integration of Montenegro and the Ministry of Foreign Affairs of Slovenia, organized in the period from 22 to 24 September 2015, several meetings were held on the topic of “Administrative and legal protection of consumers in accordance with the law on consumer protection” (*Negotiating Chapter 28 – Consumer and Health Protection*).

Health protection

Control over the use of tobacco products

The Proposal for the Law Amending the Law on Restriction of Use of Tobacco Products, setting forth the alignment of the text health warnings on tobacco product packaging with the EU regulations, is in the adoption procedure before the Parliament. The Law on Fees for Access to Certain Services of Public Interest and the Use of Tobacco Products and Electro-Acoustic and Acoustic Devices suspended the application of the Law on the Restriction of Use of Tobacco Products until 1 January 2017, by setting forth the obligation charging and payment of the fee for entities dealing with hospitality activities. The reason for the adoption of this Law lies in the need to stabilize public finances and at the same time to ensure fiscal consolidation, i.e. financial and macroeconomic stability. Montenegro will make additional efforts to overcome this situation.

Blood, tissues, cells and organs

The construction of the building of the Blood Transfusion Institute was completed and officially opened on 14 September 2015. Realization of the procedure of preparing blood components in one place is underway, in order to store them in Podgorica and distribute the final product into the organizational units of the Institute according to the needs of the health institution to which blood transfusion services are provided.

The Law on Removal and Transplantation of Human Tissues and Cells for the Purposes of Medical Treatment (Official Gazette of Montenegro 57/2015) has been adopted. The following rulebooks have been adopted based on this Law:

- 1) Rulebook on detailed requirements regarding the space, staff and equipment to be met by authorized health institutions and legal entities performing certain tasks related to the removal and transplantation of tissues and cells, and on the measures and activities to establish and maintain the quality system (Official Gazette of Montenegro 64/2015);
- 2) Rulebook on the method and conditions for the assessment of eligibility and selection of donors, scope and type of laboratory tests for live donors and the method of monitoring the health condition of donors (Official Gazette of Montenegro 64/2015);
- 3) Rulebook on the method, procedure and medical criteria for determining donor death, and the detailed composition of the commission determining donor death (Official Gazette of Montenegro 64/2015);
- 4) Rulebook on detailed requirements to ensure tissue and cell traceability, and the method and procedure of monitoring serious adverse events and serious adverse reactions (Official Gazette of Montenegro 65/2015).

The Proposal for the Law on Removal and Transplantation of Human Tissues and Cells for the Purposes of Medical Treatment is in the procedure of finalizing the opinion on the alignment level with the European Commission.

Finalizing of the opinion on the Action Plan for the fulfilment of the closing benchmarks for Chapter 28 relating to substances of human origin is underway.

Rights of patients in cross-border health care

The Proposal for the Law on Mandatory Health Insurance is in the adoption procedure before the Parliament. After the adoption, this law will provide the basis for further normative regulation of the exercise of the rights of patients in cross-border health care in line with Directive 2011/24/EU.

Communicable diseases

A technical methodological guide was adopted containing “Definitions of communicable diseases” and “Definitions of specific cases of importance for the control of communicable diseases”, i.e. definitions of hospital infections and antimicrobial resistance aligned with Decision 2002/253/EC and its amendments. This technical methodological guide was published on the website of the Ministry of Health and the Institute of Public Health.

Implementation of applications for the electronic system of control over communicable diseases for hygienic-epidemiological services in primary health care has been continued. Part of the hygienic-epidemiological services began the electronic monitoring of contracting communicable diseases in the territories covered.

Two doctors undergoing specialization in epidemiology from the Institute of Public Health began training in intervention epidemiology within the EU MEDIPIET project.

In accordance with the requirements of the ECDC, the national correspondent for ECDC in Montenegro nominated national contact points for monitoring certain categories of communicable diseases as well as representatives for the required meetings for 2015.

In order to overcome the lack of capacity in Montenegro for identification and further characterization of pathogens/diseases, agreements on scientific and technical cooperation were signed with institutions outside of Montenegro (*Istituto Nazionale per le malattie infettive* “Lazzaro Spallanzani” in Rome and the Institute of Public Health of Serbia “Milan Jovanovic Batut” in Belgrade), and it is planned to sign new contracts with several institutions with appropriate laboratory capacity.

Finalizing of the opinion on the Action Plan for the fulfilment of the closing benchmarks for Chapter 28 relating to communicable diseases is underway.

Mental health

The Action Plan for 2015–2016, setting forth a number of measures and activities to promote mental health in Montenegro, based on the Strategy for the Improvement of Mental Health in the Republic of Montenegro of 2004, has been adopted. The main issues to be solved through implementation of these measures are: lack and insufficient education of the existing professional staff; stigmatization of the mentally ill; poor inter-sectoral cooperation in this field; lack of a national register of psychoses; lack of national diagnostic and treatment guidelines for treating depression and addictions; weaknesses in the organization of the treatment of certain entities; lack of systematized programs of prevention and promotion of mental health, as well as limited financial resources.

Prevention of drug abuse

The Rulebook supplementing the Rulebook establishing the list of drugs, psychotropic substances and plants that may be used in drug manufacturing (Official Gazette of Montenegro 54/2015) expanding the list of synthetic drugs, has been adopted.

Health inequalities

Prevention programs and health promotion programs have been implemented continuously, with the aim of preserving and improving the health of the Roma population, as well as the introduction of female Roma health mediators and establishing occupational standards for female Roma health mediators.

Nutrition

The Action Plan for Nutrition 2015–2016 has been adopted, providing for a number of measures to reduce the number of persons that are overweight and suffer from obesity

and to reduce salt intake, which contribute to a significant number of non-communicable diseases, including cardiovascular diseases and tumours.

Reduction of the harmful effects of alcohol

The Action Plan 2015–2016 for the implementation of the National Strategy for the Prevention of Harmful Use of Alcohol and Alcohol-Related Disorders in Montenegro 2013–2020 has been adopted, providing for a number of measures to reduce alcohol consumption, and the damaging consequences of its use, and in particular contracting diseases, mortality and other social consequences resulting from such use. The realization of the activities defined will, among other, raise awareness of the citizens of the harmful use of alcohol, which will ultimately lead to a reduction in its use.

Preventive examinations for cancer detection

This is now the third year of implementation of the National Programme for Early Detection of Colon Cancer which covers all municipalities in Montenegro (23). The development of the software for the implementation of early detection programs for breast and uterine cancer is underway.

Promotion of safety and the European action on rare diseases

Implementation of the National Strategy for Rare Diseases in Montenegro 2013–2020, adopted by the Government of Montenegro, has been continued through continuous screening programs for congenital metabolic disorders (hypothyroidism) and screening to determine the karyotype from amniotic fluid in pregnant women over 35 years of age.

E-health

Activities relating to further development of the health information and health statistics information system have been continued. Activities relating to the implementation of information support to breast and ovarian cancer screening and the screening programme for early detection of harmful use of alcohol at the primary health care level are underway.

Activities have been initiated to improve the system of health statistics reporting. The strategic document for planning further development and improvement of the integral health information system is being drafted. Activities aimed at linking the primary and the secondary health care levels have begun by introducing and implementing the module of central appointment system within the integral health information system.

Development of administrative capacity in Montenegro in the field of health care

A number of trainings in the Blood Transfusion Institute for health care workers have been carried out regarding the work in blood transfusion establishments and in health care institutions using blood in medical treatment.

A study visit and a two-day workshop of the participants from Montenegro on the topic of “Implementation of the EU legislation in accordance with the standards of quality and safety of testing, storing and distribution of blood and blood components” have been realized, organized in cooperation with Bank de Sang i Teixits in Barcelona.

Current projects under the assistance provided to Montenegro by other national and international institutions and finalization of the future EU assistance

Implementation of two projects is underway: IPA Adriatic Health Mob and Optimal use of energy and natural resources and mitigation of consequences of natural disasters.

Competition: KAP

Opening of bankruptcy proceeding

Pursuant to decision No. 199/13 of 8 July 2013 of the Commercial Court in Podgorica, the bankruptcy proceeding was opened the JSC Aluminium Production Plant from Podgorica. The bankruptcy proceeding is carried out by the Commercial Court of Montenegro. The Court carries out the bankruptcy proceeding ex officio, in accordance with the Law on Bankruptcy which complies with all directives of the European Union, European Convention on Certain International Aspects of Bankruptcy adopted in Istanbul in 1990, and the Model Law on Cross-Border Bankruptcy, UNICITRAL from 1997.

During the bankruptcy proceedings, the bankruptcy receiver as the representative of the bankrupt, having rights and obligations of the bankrupt's body as a legal entity according to the Law on Bankruptcy, has taken all necessary actions in accordance with the law in a timely manner, as follows:

- Closure of the existing accounts and opening of a special bankruptcy account;
- Making inventory of all property, as well as claims and liabilities of the bankrupt;
- Ensuring adequate physical protection of the bankrupt's property;
- Preparation of the initial bankruptcy balance sheet with the report on the economic and financial status of the debtor and the assessment of the reorganization possibilities;
- Determination of the grounds, scope, and the payment priority of the creditors' claims and preparation of a list of recognized and contested claims;
- Taking over and continuation of the legal disputes in which the bankrupt is a party in the proceedings;
- Ensuring the bankrupt's production continuation until the completion of the sale of the bankrupt's property.

On the day of the bankruptcy proceedings opening, there were no funds in the accounts of the debtor, which is why the KAP production could not be stopped systematically, because the shutdown of the electrolysis cells requires at least 12 to 15 days, and an emergency shutdown of production would cause material damage exceeding EUR 15 million. Unplanned shutdown of the cells would also cause serious environmental consequences which could occur due to the explosion and evaporation of resin steam and other harmful gases dangerous for the health and life of people, and the environment. In addition, the emergency arresting of the production would result in a drastic decrease of the bankrupt's property value.

Maintaining the production

For the above mentioned reasons, the continuation of the aluminium production was maintained during the bankruptcy proceedings, which not only prevented decrease of the bankrupt's property value, but it caused achieving other objectives as well, such as:

- Functionality of the plant was maintained;
- The property was protected from inevitable deterioration;
- Better market position of the bankrupt was ensured in order to obtain easier and favourable liquidation of its property;
- The conditions have been created for more favourable settlement of bankruptcy creditors;
- The conditions have been created for achieving social and economic objectives.

In order to ensure the production continuation, the Agreement on Business and Technical Cooperation was concluded with the L.L.C. "Montenegro Bonus" from Cetinje, which organized and managed the production of the KAP from the bankruptcy proceedings opening until 18 July 2014. Upon termination of the business-technical cooperation, in order to continue production until the finalization of the bankrupt's property sale procedure, a new Agreement on Business and Technical Cooperation was concluded with the L.L.C. "Uniprom" from Nikšić. Under the Agreement, "Uniprom" took over the management of the KAP production under its own name, with the obligation to finance the production process and all liabilities arising from the process (procurement of raw materials, electricity, payment of VAT, salaries, taxes, and contributions on salaries etc.), to bear any losses in the production, to protect the value of the assumed property – as on the day of the production management takeover, to compensate any reduction on any basis, and to secure the property against the risk of harm with an insurance company.

From 8 July 2013 when the bankruptcy proceeding was opened, until 31 August 2015, KAP produced over 95.6 thousand tons of cast aluminium.

Social programme

On the day of the bankruptcy proceedings opening in the Aluminium Plant Podgorica, there were 1,143 workers. During the bankruptcy proceedings, 706 persons terminated their employment, exercising one of the rights on the basis of the Social Programme – the right to receive severance pay or the right to receive pension in accordance with the law. The Aluminium Plant Podgorica currently has 531 employees. The number of employees in the upcoming period will depend on the production program, and on the scope and dynamics of the planned investment activities.

Bankruptcy

Since no plan of reorganization of the bankrupt was submitted within the 90-day period prescribed by law, the KAP bankruptcy was declared in accordance with the Law on Bankruptcy.

Following the adoption of the decision on the bankruptcy, the bankruptcy receiver, in accordance with his authorizations, started the sale of the property of the bankrupt. The

first public tender for the sale of the bankrupt's property was announced on 7 December 2013. The announced tender received four bids submitted by the following companies: L.L.C. "Uniprom" from Niksic, L.L.C. "Politropus Alternative" from Tivat, L.L.C. "Getsales" from London and the L.L.C. "Alemani Trade" from Belgrade. The bankruptcy receiver decided to accept solely the offer of the L.L.C. "Politropus Alternative" - Tivat for the purchase of a part of the KAP property, and to announce another tender for the sale of the rest of the property.

Under this tender, the red mud pond, a building of former Institution for Research and Development, and land with a dilapidated facility outside Podgorica was sold to the company L.L.C. "Politropus Alternative". The property was sold for the price of EUR 450,000, with planned investments. The buyer paid the full purchase price, after which a transfer of the property was carried out.

Sale of the property

The second public tender for the sale of the bankrupt's remaining property was announced on 18 January 2014. The tender announcement for written bids received solely one bid submitted by the company "Uniprom doo" Niksic. The bankruptcy receiver accepted the bid, and the bankrupt's entire remaining property was sold to the company "Uniprom doo" from Niksic, for the price of EUR 28 million and planned investments in the amount of EUR 76 million. The Sales Contract was signed with the buyer on 10 June, after which the buyer made the down payment in the amount of EUR 4,000,000.

After the Sale Contract signing, the Central European Aluminium Company (CEAC), the former KAP owner, initiated legal disputes in Nicosia and before the Commercial Court in Podgorica, wishing to contest the validity of the Contract. For this reason, on 10 September, the bankruptcy receiver approved the extension of the deadline for the Uniprom for the payment of the remaining EUR 24 million until the finalization of the legal disputes.

Since none of the legal proceedings, as it was assumed, was completed within a period of 6 months, Annex II to the Sales Contract was concluded on 11 March 2015, after which Uniprom paid another EUR 10,020,000, and on 7 August 2015 the remaining amount of the price of EUR 13,980,000 was paid, thus ending the procedure of selling the property of the Aluminium Plant in bankruptcy.

After the payment of the entire amount, the ownership right over the property which was the subject of sale was transferred to the buyer. As the buyer fully met the requirements of the Sales Contract, KAP in bankruptcy, as the seller, had to fulfil the contractual obligations, in order to carry out the handover of the property.

Closing the bankruptcy

Out of the funds realized from the sale of the KAP property in bankruptcy the bankruptcy estate of the bankrupt will be established, out of which the costs of the bankruptcy proceedings and liabilities of bankruptcy estate will be primarily settled, and then the claims of creditors will be settled in accordance with the procedure

prescribed by the Law on Bankruptcy and in accordance with the payment priority provided in the Article 55 of the same Law.

Regarding a short analysis concerning the "Montenegro Bonus" cost payments while maintaining KAP, we will use this opportunity to briefly cover that question as well:

In accordance with the Law on Budget for 2014, the funds were allocated to cover the losses of "Montenegro Bonus" (MB), on the basis of the Agreement on Business and Technical Cooperation, which was signed between the MB and the KAP bankruptcy receiver. The funds were spent for this purpose because the MB could not cover all the costs out of its own income while managing KAP. These costs were, therefore, settled by the owner of the MB –and that is, as it already known, the Government of Montenegro – and the purpose of these funds was only to cover the losses incurred in the implementation of the Agreement on Business and Technical Cooperation, which could not have been influenced by the MB, acting diligently.

Since there was an interest of the KAP and the bankruptcy receiver, as the person appointed to manage the KAP, to maintain the production process, i.e. to prevent reduction of the bankruptcy estate, to protect better and preserve the property from theft, deterioration, and decrease in value and to ensure a better position of the KAP for the purpose of easier and more favourable sale of its property during the bankruptcy proceeding, and in order to settle the creditors' claims to the largest extent possible, the receiver transferred the business organization of the KAP during the bankruptcy to the MB under the Agreement on Business and Technical Cooperation with Montenegro Bonus.

State aid

Pursuant to the Decree Supplementing the Decree on detailed criteria, conditions and manner of granting State aid (Official Gazette of Montenegro 27/10, 34/11, 16/14), the Ministry of Finance adopted three Rulebooks on the list of rules concerning the State aid (Official Gazette of Montenegro 35/14, 02/15 and 38/15), covering **20 EU acts** in this area.

In the forthcoming period, the Ministry of Finance is planning to regularly update the law amendments plan, and to publish relevant soft law acts in the field of State aid, following the dynamics of the institutions of the European Union in adopting State aid rules.

Implementation

In accordance with the minutes of the meeting of the Subcommittee on Internal Market and Competition, held on 28 and 29 May 2015 in Podgorica, the first draft of the Law on State Aid Control was prepared and sent to the European Commission for comments. For the purpose of adequate implementation of the State aid rules, as to incorporate the comments of the European Commission in the draft Law on State Aid Control, the

Ministry of Finance has hired expert assistance through the Technical Assistance and Information Exchange Instruments of the European Commission (TAIEX).

In the reporting period, in order to create conditions for balanced regional development, the progress was made in terms of harmonization of the Proposal for the Decree on Business Areas with State aid rules, as well as the finalization of the Law on Free Zones. We note that it is expected to have amendments to the tax laws aligned with *de minimis* rules on State aid in the forthcoming period, but not in the domain of state aid.

When it comes to the activities realized concerning the creation of a comprehensive inventory of all state aid measures covered by the Stabilisation and Association Agreement, the list includes the following laws:

- Law on Public Broadcasting Services;
- Law on Electronic Media;
- Law on Communal Services;
- Law on Regional Water Supply;
- Law on National Parks;
- Law on Higher Education;
- General Law on Education;
- Law on Concessions;
- Law on Exploration and Production of Hydrocarbons;
- Energy Law;
- Law on Postal Services;
- Law on Write-off of Interest on Tax and Customs Duties;
- Law on Real Estate Tax.

In the part of the laws that are on the list of acts to comply with the state aid rules: the Law on Public Broadcasting Services, Law on Electronic Media, Proposal for the Law on Postal Services, and the Proposal for the Energy Law are aligned with the state aid rules. The procedure ex-officio of the Law on Communal Services has been initiated.

Regarding the aforementioned, amendments to the Law on Regional Water Supply and the Law on Real Estate Tax are planned. Drafting of the Law on Public-Private Partnership is also planned, which will replace the current Law on Concessions. In addition, when it comes to the Law on National Parks, it is sufficient to amend the Statute of the public enterprise "National Parks".

After the Commission for State Aid Control learned from media that the owner of the "Uniprom" paid the total price during the sale process of the KAP property through the bankruptcy proceedings, the Commission sent a letter to the relevant Minister (act no. 01-82/1 of 14 September 2015), requesting from the Ministry to provide all relevant

information and documentation, in order to prepare an opinion, in accordance with the agreement with the European Commission, whether there was economic continuity in the sale of KAP property, in order to create conditions for the fulfilment of the relevant benchmark.

The Ministry of Finance has prepared the Annual report on State aid granted in 2014. Furthermore, the Commission for State Aid Control adopted the Annual report and submitted it for consideration to the Government of Montenegro. The Government also adopted the Report in June and it was forwarded to the Parliament for further procedure. In this regard, in September, the report was discussed by the Committee in the Parliament.

Considering that the Government of Montenegro adopted the Decision Amending the Rules of Procedure of the Government of Montenegro (Official Gazette of Montenegro 31/15), introducing a novelty in terms of the obligations of all authorities submitting materials to the Government for decision-making, to accompany those with an opinion of the Commission for State aid control, the amendments to the Rulebook on internal organization and job systematization of the Ministry of Finance was proposed in the reporting period. For that purpose, and because of the increased workload, three new employees were employed in the Division for State Aid.

In May this year, the EU project “Strengthening administrative capacity in the area of State aid in Montenegro – SAM Project” was completed, which was significant support to the Division for State Aid during the process of legal acts harmonization with the State aid rules.

In the previous period, with the support of the EU experts who were involved in the IPA project for the State aid, the fourth manual planned under the Project, Manual on Awarding and Monitoring of the State Aid, was finalized.

A new Law on State Aid Control is being drafted, for which we received expert assistance from the EU via TAIEX. The first draft version has been prepared and will be sent to the EC for reading, and then for further harmonization. The Law also covers the issue of an operationally independent body for the control of State aid, since it is one of the EC requirements for the opening of *Chapter 8*. Consensus has been reached that a special body within the state administration for State aid control will most likely be established, and in the provisions of the law that would address this issue are being prepared.

7. TRADE, INDUSTRY, CUSTOMS AND TAXES

Free movement of goods

1. Strategy of Montenegro for the Implementation of the Acquis in the Area of Free Movements of Goods

In terms of implementation of the **Strategy of Montenegro for the Implementation of the Acquis in the Area of Free Movements of Goods and fulfilment of the**

commitments envisaged by the Action Plan for its implementation, 13 pieces of legislation were adopted from June 2015 to date in compliance with the above plans:

- Biocide Products Act;
- Decree Amending the Decree on Measurement Units;
- Decree on Retail Prices of Medicines;
- Rulebook on Requirements for Efficiency Levels of New Hot Water Boilers on Liquid and Gas Fuel;
- Rulebook on Safety Requirements to be Fulfilled by Pyrotechnic Devices;
- Rulebook on Technical Requirements and Procedures for the Assessment of Compliance, Signs and Manner of Labelling Explosive Substances;
- Rulebook on Amount of Costs for Issuance of Approval for Plant Nutrition Products;
- Rulebook on the Manner of Storage and Handling of Ammonium-Nitrate Fertilisers with High Concentration of Nitrogen;
- Rulebook on Closer Conditions for Registration, Contents and Manner of Keeping of the List of Plant Nutrition Products;
- Rulebook on the Manner of Prescription and Dispense of Medicines;
- Rulebook on the Contents and Manner of Keeping Records of Legal Persons Dealing with Production and/or Trade in Precursors;
- Rulebook on the Form and Contents of the Report of a Legal Entity which Imported or Exported Precursors;
- Rulebook on the Data and Contents of the Report on Production and Trade in Precursors.

It is expected that the commitments will be completely fulfilled (100%) by the end of the year. Additionally, the revision of the Action Plan is planned to take place by the end of the year in order to take into consideration the new *acquis* and to determine deadlines for its transposition. Concurrently, the second Semi-Annual Report on Implementation of the Action Plan for Implementation of the Strategy for the period inclusive of December 2015 will be prepared. It will be submitted to the Government for adoption and subsequently to the EC.

Presently, Montenegro is working on the fulfilment of the commitments related to the third opening benchmark for Chapter 1, relating to the development of the Action Plan for alignment with Articles 34-36 of the Treaty on the Functioning of the European Union. It is expected that this Action Plan will be adopted by the end of 2015.

Concerning the activities of quality infrastructure and market surveillance institutions, below is an updated review for the period from June 2015.

2. Activities of quality infrastructure and market surveillance institutions

2.1 Key activities of the Accreditation Body of Montenegro in the period June – December 2015

In August, the Accreditation Body of Montenegro accredited a new body for assessment of compliance that belongs to the group of testing laboratories:

- Testing Laboratory of the Institute for Development and Research in the Field of Occupational Safety – Podgorica (field/scope of research: electrical research – level of exposure of people to electric and magnetic fields of low frequency in an open/closed space).

In October 2015, the Accreditation Body of Montenegro accredited the first body for the assessment of compliance that belongs to the group of certifying bodies for management systems:

- Institute for Certification of Systems, Expertise, Training and Services D.O.O. Podgorica (field/scope of certification: certification of management system of food safety).

Importantly, the scope of accreditation of the national Bureau of Metrology, which falls within the group of calibration laboratories, was extended in October 2015 so as to include the fields of pressure, electric quantities, frequency and time intervals.

Inclusive of the beginning of December 2015, the national system of accreditation includes 26 bodies for assessment of compliance accredited by the Accreditation Body of Montenegro. Out of this number, 18 bodies belong to the group of testing laboratories, 2 belong to calibration laboratories, 4 belong to controlling bodies, 1 belongs to the group of certifying bodies for certification of products, and 1 belongs to the group of certifying bodies for certification of management system.

In the reporting period, the Accreditation Body of Montenegro performed 3 initial assessments in order to award accreditation to the bodies for assessment of compliance. Pursuant to the Schedule of Supervisory Visits and Re-assessment of Accredited Organisations, the Accreditation Body of Montenegro made 12 supervisory visits and 3 re-assessments aimed at monitoring of competence and maintenance of accreditation of the bodies for assessment of compliance.

Pursuant to the commitments resulting from the full membership of the European Co-operation for Accreditation (EA), the representative of the Accreditation Body of Montenegro attended the session and took part in the work of the General Assembly of the European Co-operation for Accreditation (GA EA) held in November 2015 in Budapest. The representative of the Accreditation Body of Montenegro attended the session and took part in the work of the EA MAC Committee held in October 2015 in Berlin. The representative of the Accreditation Body of Montenegro attended the session and took part in the work of EA LC Committee (Laboratory Committee) held in September 2015 in Belgrade. Additionally, pursuant to the commitments resulting from the full membership of EA, the Accreditation Body of Montenegro continued contributing to the work of EA in the reporting period through regular exchange of relevant information and taking part in the development of the procedures and rules of EA by providing comments on the draft documents and voting, with the purpose of their adoption.

Pursuant to the commitments resulting from the associate membership of the International Laboratory Accreditation Cooperation (ILAC), the representative of the Accreditation Body of Montenegro attended the session and took part in the work of the General Assembly of ILAC/IAF held in November in Milan. Additionally, pursuant to the commitments resulting from the associate membership of ILAC, the Accreditation Body of Montenegro continued contributing to the work of ILAC in the reporting period through regular exchange of relevant information and taking part in the development of the procedures and rules of ILAC/IAF by providing comments on the draft documents and voting, with the purpose of their adoption.

In the reporting period, and pursuant to the previously signed bilateral Cooperation Agreements, the Accreditation Body of Montenegro continued to cooperate with national accreditation bodies from the countries in the region (Serbia, the former Yugoslav Republic of Macedonia, Bosnia and Herzegovina, Croatia and Albania). The cooperation included the exchange of information, experience, assessments, organisation of joint sessions, trainings etc.

2.2 Metrology

The Metrology Office has been continuously implementing the activities in the field of scientific, legal and industrial metrology, and control of items made of precious metals.

On 16 July 2015, the Government developed the Rulebook Amending the Rulebook on Internal Organisation and Job Descriptions of the Metrology Office, envisaging job classification for 52 employees in total, inclusive of the Head of the Office. Presently, the Metrology Office has 36 employees with permanent employment.

In November 2015, the Croatian Accreditation Agency and Accreditation Body of Montenegro ascertained that the Metrology Office was competent under MEST EN ISO/IEC 17025:2011 for calibration of manometers, calibration of standards and instruments for measurement of electrical quantities, frequency and time. Therefore, calibration services to the customers from Montenegro and abroad could be provided by the Laboratory for Pressure, Laboratory for Mass, Laboratory for Length, Laboratory for Temperature, Laboratory for Electrical Quantities, and Laboratory for Time and Frequency.

The first CMC relating to thermometry was published in the CMC published in BIPM KCDB on 10 November 2015.

The Draft Strategy for Development of Metrology 2016 – 2018 has been developed in compliance with the Action Plan for Implementation of the Strategy for Free Movement of Goods 2014 – 2018. Its adoption is expected by the end of December. In addition to the full compliance with the Strategy for Free Movement of Goods in terms of transposition of *acquis*, the Strategy for Metrology recognises legal and scientific metrology as its main goal.

2.3 Standardisation

In the field of standardisation, the key activity in the reporting period referred to the adoption of the new Law on Standardisation with the view to aligning it with the Regulation (EU) No 1025/2012.

In the second half of 2015, the Institute for Standardisation of Montenegro (ISME) adopted 1,400 Montenegrin standards (MEST) and related documents, fully compliant with European and international standards, 99 of which are harmonised standards.

The fourth Balkan Conference on Standardisation was held from 21 to 23 October in Zagreb. Hosted by the Croatian Standards Institute, the Conference was attended by the representatives of national bodies for standardisation of Bosnia and Herzegovina, Montenegro, the former Yugoslav Republic of Macedonia, Serbia, Turkey and Kosovo* (acting as an observer).

The workshop on the development of maps for climatic and seismic activities in designing constructions in the Balkan region was held in Zagreb in October under the patronage of the EC and organised by the DG Joint Research Centre (JRC Enlargement and Integration Action). The workshop as aimed at Balkan non-EU countries.

2.4 Supervision of market products

Harmonisation of legislation

The following by-laws have been adopted pursuant to the Law on Supervision of Market Products:

- Decision Establishing the Coordination Body for Market Surveillance,
- Decree on Groups of Products Supervised by Supervision Bodies in the Market.

The Government of Montenegro adopted the Decision Establishing the Coordination Body for Market Supervision comprised of the representatives of the Administration for Inspection Affairs, Customs Administration, Ministry of Economy, Ministry of Transport and Maritime Affairs, and the Ministry of Interior. On 23 June, the Coordination Body held a meeting dedicated to planning of performance of inspection of a certain group of products.

The members of the Coordination Body are preparing the Draft General Programme of Supervision of Market Products for 2016. The Draft will be discussed in the next meeting of this body and adopted after its completion.

Within proactive supervision, the Inspectorates in charge controlled the following products in the given period under the Annual Programme of Market Supervision:

- Footwear, general-purpose electric lamps, textile, crystal glass, electric drilling machines, room heaters (Market Inspectorate);
- SRD devices, baby alarms, tablets (Inspectorate for Electronic Communications and Postal Services and Information Society Services);
- Plant protection products, plant nutrition products (Phytosanitary Inspectorate);

* 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.

- Fuel (Environmental Inspectorate).

Within the reactive supervision, the Market Inspectorate, Health-Sanitary Inspectorate, and Inspectorate for Electronic Communications and Postal Services and Information Society Services monitored hazardous products based on the data taken over from RAPEX, information from other sources, notifications of supervision inspectors.

In this period, 943 inspections in total were performed, out of which 302 inspections within proactive supervision (according to the programme) and 641 inspections within reactive supervision (540 upon RAPEX notifications, 81 upon information from other sources, 19 upon notifications from supervision inspectors, 1 upon consumer reports).

In the Montenegrin market, within proactive and reactive supervision, a total of 105 types of hazardous products were found, in the total quantity of 4,295 pieces. Out of this number, 32 types of products in the quantity of 1,332 pieces (plastic chairs - 3 types in the quantity of 875 pieces, hair dryer - 1 type in the quantity of 4 pieces, portable children's lamp - 2 types in quantity of 14 pieces, swimming equipment - float - 1 type in the quantity of 2 pieces, sunglasses - 1 type in the quantity of 40 pieces, suntan oil - 1 type in the quantity of 7 pieces, hair colour - 1 type in the quantity of 33 pieces, children's clothes - 21 types in the quantity of 286 pieces, quartz electric heater - 1 type in the quantity of 71 pieces) represent hazardous products with serious risk. There were 73 types in the total quantity of 2,963 pieces of hazardous products without serious risk (footwear - 31 types in the quantity of 590 pieces, general-purpose electric lamp - 6 types in the quantity of 16 pieces, strollers - 5 types in the quantity of 5 pieces, textile - 14 types in the quantity of 547 pieces, crystal glass - 13 types in the quantity of 1,734 pieces, hair drier - 1 type in the quantity of 6 pieces, electric drilling machines - 3 types in the quantity of 65 pieces).

Inspectors imposed the measure of permanent prohibition of trade for 32 types in the quantity of 1,332 pieces of hazardous products posing a serious risk, while the measure of a temporary prohibition of trade was imposed for 73 types in the quantity of 2,963 pieces of hazardous products without a serious risk.

The recall measure was imposed for 3 types of hazardous products in the quantity of 925 pieces. During this period, following the Decisions of inspectors, 8 types of dangerous products with a serious risk were destroyed in the quantity of 1,089 pieces.

Note: Statistical data on hazardous products found in the Montenegrin market in the period from June to December 2015 are to be submitted on 1 December 2015.

Taxation

Legislation and institutional/administrative capacities (latest update on the progress made since the last meeting of the Subcommittee)

In order to align tax legislation with the EU Directives in the field of indirect taxation, the *Proposal for the Law Amending the Law on Excise Taxes* has been prepared (it is in the parliamentary procedure), proposing further harmonisation of excise legislation with the European Union legislation in terms of taxation of energy products, as well as an increase in excise rates for certain types of mineral oils. Additionally, the *Proposal for the*

Law Amending the Law on Value Added Tax, which will be submitted to the Government by the end of the current year, proposes harmonisation with the Council Directive 2006/112/ EC, particularly in terms of defining the place of taxation. In the area of direct taxation, amendments to the *Law on Profit Tax of Legal Entities* were prepared (planned to be submitted to the Government by the end of the year), while the amendments to the *Law on Personal Income Tax* propose the extension of the higher rate of tax on personal income in the gross amount above EUR 720 in 2016 as well, where the higher rate would be 11% instead of current of 13%.

Institutional/administrative capacities

- A Working Group has been established, consisting of the representatives of the Ministry of Finance, Tax Administration and experts from the University of Montenegro, working on the stabilisation of the system of Tax Administration and its unification into a single software solution, as well as on the development of the strategy and plan for the establishment of an efficient information system.
- As for the automatic exchange of data between the Tax Administration and other institutions, a comprehensive analysis and documentation of the system in the area of interoperability has been made, as well as a form for specification of data exchange with institutions, and the requests have been systematised and the proposal of the interoperability solution architecture has been created on the basis of which the system was implemented.
- In order to strengthen cooperation between the Tax Administration and Customs Administration and unify the registers, the Tax Administration made the General Register of Taxpayers available to the Customs Administration (February 2015). The two Administrations agreed that, if a person is not in the register of taxpayers taken over, the Tax Administration will submit the data about the person at the request of the Customs Administration.
- In order to continue the work on improving services to taxpayers, in particular the "Call Centre" and employee trainings, the Tax Administration continues to improve services to taxpayers through activities aimed at providing complete and comprehensive information and education of taxpayers regarding their rights, but also obligations resulting from the legislation in force. The services are provided in direct contact, by phone, through written correspondence, email, and the free distribution of all types of tax returns, reports, forms, newsletters, publications and brochures.

Customs

In accordance with the Conclusions from the VIII meeting of the Subcommittee for Trade, Industry, Customs, Taxation and Cooperation with other candidate countries held on 16 June 2015, the Customs Administration submitted the official position of Montenegro on these amendments on 15 September 2015 (document UC 01/02 No. D-10823/2 of 15 September 2015) to the Directorate General for Taxation and Customs Union of the European Commission (DG TAXUD).

The abovementioned letter of the Customs Administration reiterated the commitment of Montenegro and all CEFTA parties to the Regional Convention on Pan-Euro-Mediterranean preferential rules on the origin of goods and its revision process, with the aim of ensuring simplification and transparency of the rules of origin. Accordingly, Montenegro and all CEFTA parties supported the introduction of full cumulation, the elimination of the prohibition of return, uniform certification and retention of Annex II.

They also highlighted plans and reasons to amend the Protocol on Rules of Origin of the CEFTA 2006 Agreement in the same way, and the intention that all CEFTA parties, in this regard, initiate amendments to the Protocol on Rules of Origin in their Free Trade Agreements with the European Union, EFTA countries and Turkey.

The European Commission (DG TAXUD) replied in (2015) 4426644 of 22 October 2015, and Montenegro accepted the position of DG TAXUD in bilateral relations with EU, EFTA countries and Turkey, while the draft Decision on Amendments to the CEFTA Protocol on Rules of Origin envisaged that the same will not be implemented before 26 November 2016 in order to introduce full cumulation and elimination of the prohibition of return. This is a contribution to the expected completion of the revision process of the Convention in the near future.

Trade

Pursuant to Article 6 of the Law on Export Control of Dual-Use Goods (Official Gazette of Montenegro 30/12), the Government of Montenegro, in its session held on 9 July 2015, adopted the Decision Establishing the National Control List of Dual-Use Goods (Official Gazette 50/15). The abovementioned Decision is in compliance with the Commission Delegated Regulation (EU) No 1382/2014 of 22 October 2014. The Amendments to the Law on Export Control of Dual-Use Goods are planned by the Government Work Programme for the second quarter of 2016. The Draft Proposal for the Law has already been prepared in cooperation with EU – BAFA experts and it will be aligned with the EU legislation to the largest extent possible.

Montenegro has been continuously working to improve the administrative capacity with the assistance of representatives of the EU BAFA, EXBS and OPCW and will be ready to implement pieces of legislation in this area. However, given the complexity of the list of dual-use goods, the competent authorities will need technical assistance of the abovementioned institutions in the forthcoming period.

8. TRANSPORT, ENVIRONMENT, ENERGY AND REGIONAL DEVELOPMENT

Environment and climate change

At the end of July 2015, two new Directorates have become operational under the Ministry of Sustainable Development and Tourism: Directorate for Climate Changes and the Directorate for European Integrations and International Cooperation, by appointing of directors general and hiring of employees planned by the Rulebook on Internal Organisation and Job Descriptions.

In the reporting period, Montenegro's representatives have participated actively and regularly in workshops organized under the ECRAN (Environment and Climate Regional Accession Network) project.

Information on the process of development of the National Approximation Strategy and the Action Plan for Chapter 27

Montenegro is undergoing the phase of preparation the National Strategy, along with the Action Plan, for the transposition, implementation and enforcement of the *acquis* in the area of environment and climate change. Ten separate documents were prepared for each of the sub-sectors under the Chapter 27, which resulted in unequal quality of the materials produced, which could not have been compiled into a single strategic document of a good quality. After the latest comments and guidelines provided by the EC in June 2015, the approach taken was changed and activities aimed at improving the quality of the document have been intensified.

The Ministry of Sustainable Development and Tourism established a working group that, in addition to representatives of this Ministry, includes also the representatives of the Ministry of Agriculture and Rural Development, the Ministry of Foreign Affairs and European Integration, the Ministry of Transport and Maritime Affairs, the Ministry of Interior, the Ministry of Economy, the Environmental Protection Agency, the Centre for Ecotoxicological Researches, the Hydrometeorological and Seismological Office, the Water Administration, the Statistical Office. Activities of the working group are coordinated by the newly established Directorate for EU Integration and International Cooperation in the Ministry of Sustainable Development and Tourism. Experts hired under the IPA funded project Development of National Environmental Approximation Strategy, launched in September 2015, provide support to the WG in drafting of the strategy.

The document is being developed in two phases: 1. Collecting of all data available, legal status, the list of relevant EU legislation and national legislation in force, as well as updating of existing ones, drawing up of new tables of concordance as well as questionnaires on implementation; 2. Preparation of documents that consists of the legal, institutional and economic-financial component. The first phase has already been completed and the working group is working, together with the experts, on the second phase. Legal, institutional and economic deficiencies have been identified and current activities are focused on identification of challenges, setting of strategic objectives and planning of concrete measures and activities as regards harmonisation of legislation, institutional organisation, capacity building and financing of the entire process in a realistic time framework in which the country can achieve full alignment with the *acquis* in the field of environment.

Furthermore, the Steering Committee of the IPA funded project Development of National Environmental Approximation Strategy was established, chaired – taking into account its significance – by the Minister of Sustainable Development and Tourism, and members of which are high representatives of the Ministry of Sustainable Development and Tourism, the Ministry of Agriculture and Rural Development, the Ministry of Finance, the Ministry of Economy, the Ministry of Transport and Maritime Affairs, the

Ministry of Interior, the Environmental Protection Agency. The role of the Steering Committee is to provide guidance and supervise the process of development of the strategic document, but also to serve as a forum for discussion on important issues and participation in decision-making process. The Steering Committee meets once in three weeks.

According to the plan, the preliminary draft of the strategy should be prepared by 18 December 2015. It will provide a clearer view of the current situation, point out the deficiencies, identify the objectives and key measures and at the same time enable specifying the exact timeline of further development of the document.

Waste management

On 24 September 2015, the Government adopted the Proposal for the Law Amending the Law on Waste Management. The procedure of delivery of this document to the Parliament is underway.

On 30 July 2015, the Government adopted the State Waste Management Plan of Montenegro for the period 2015-2020.

On 9 July 2015, the Government adopted the Waste Management Strategy of Montenegro by 2030.

Water quality

Legislative framework

The Parliament adopted the **Law Amending the Law on Waters** (Official Gazette of Montenegro 48/15) that governs the legal status and the manner of integrated management of waters, river basin lands and riparian land and water facilities, the conditions and manner of carrying out water management activities and other issues of relevance for management of waters and water estate.

The following pieces of legislation are at proposal stage: **the Rulebook on more detailed contents of preliminary flood risk assessment, the Rulebook on criteria for designation of vulnerable areas and criteria for designation of vulnerable areas, manner of implementation of monitoring of concentration of nitrates from agricultural sources in freshwater surface and ground waters and monitoring of eutrophication of freshwater surface waters, estuary waters and coastal waters and the Rulebook on determining an environmentally acceptable flow of waters. The Rulebook on designation of boundaries of sub-basins and small basin areas** is in the phase of a draft document.

In the field of **waste waters management and water supply**, the following activities and projects have been implemented:

- Works on the construction of wastewater treatment facilities in the Municipality of Nikšić were completed.
- The implementation of the project of construction of water supply and sewage network in Tivat has continued, which includes the construction of 17.6 km sewage

and 14.5 km of water supply network and 12 sewage pumping stations. The contract is worth EUR 9.49 million. The project consists of several segments. The works have been completed and handover procedure is underway.

- Works have been continued on the construction of water supply and sewage network and wastewaters treatment facility in the Municipality of Herceg Novi. Around 89% of works contracted on the construction of sewage network have been completed as well as around 66.7% of works concerning the construction of pump stations, as well as 90% of the works contracted on building the wastewater treatment plant (of the capacity of 63,500 PE) It is expected that the works on construction of the plant would be completed by the end of 2015.
- On the basis of the contract concluded with the selected contractor, company WTE Wassertechnik, works on the construction of a joint wastewater treatment plan for municipalities of Kotor and Tivat have been continued (72,000 PE). The contract value is EUR 10.247 million. The project is being implemented in accordance with the FIDIC Yellow Book. The works on construction of the facility officially started on 23 January 2015 and it is expected that the facility would be put in operation in June 2016.
- In the reporting period, significant progress has been made as regards, administrative requirements for the project of construction of water supply and sewage network in the Municipality of Bar. Ten out of twelve building permits were issued in relation to the reduced package of mandatory measures.
- The project in Danilovgrad includes resolving the issue of wastewaters and construction of new and rehabilitation of the existing water supply network. A part of the project concerning the water supply worth EUR 760,000 in total was completed.
- In the Municipality of Pljevlja, works on construction of the main sewage effluent collector and the sewage network worth EUR 1,021,000 are ongoing and will be completed by the end of the year. A contractor for construction of the wastewater treatment plant was selected (FIDIC – Yellow Book). The Main Design was prepared and preparatory works have begun. The capacity of the facility is 28,000 PE (EUR 6 million) in the first phase.
- In the Municipality of Rožaje, the preliminary design for the construction of the wastewater treatment plant has to be prepared again, because the location for the facility has been changed. The new location is more favourable. Construction of the primary water supply pipeline 7.4 km long was completed as well as construction of a reservoir of 2,000 m³. Preparation of the project fiche for the sewage network is underway.
- In the Municipality of Berane, activities concerning the construction of the sewage network and wastewater treatment facility have been continued. The evaluation of bids for construction works for the facility and the sewage network is ongoing.
- In the Municipality of Plav, the main design for construction of the sewage network is being developed.
- In the Municipality of Bijelo Polje, there have been no significant activities regarding the implementation of the wastewater management project since the previous

reporting period – tender documents for construction of the wastewater treatment facility were prepared and works contracted for construction of the sewage network according to the “design & build” system (EUR 3.1 million). Development of the Main Design for the sewage network is underway. Also, supervision over the works executed was contracted (EUR 440,000).

- In the Municipality of Cetinje, a contract was signed for construction of the sewage network financed from IPA 2011 and the IPF MW programme (EUR 3.1 million). The Main Design for the first phase was developed. The works will be completed by the end of 2015.
- Tender procedure for the selection of the contractor for works on reconstruction of the water supply main in the Municipality of Andrijevica (EUR 600,000) is underway. The tender procedure for supervision over the works has been completed as well as construction of a chlorination station and reconstruction of the water intake structure Krkori.
- For construction of a part of a sewerage network in the Municipality of Ulcinj, the tender documents for selection of the contractor have been prepared and announcement of the tender is expected in December 2015.
- In the Municipality of Šavnik, development of the main Design for construction of a wastewater treatment facility and a part of the sewage network is underway. Construction works are expected to begin in December 2015.
- In the Municipality of Mojkovac, a project of construction of the system for sewage sludge treatment is underway, worth EUR 250,000. Project fiche has been prepared so far, the Main Design has been revised and building permit was obtained. Construction works are underway.

Ulcinj Saline

As regards the current situation in the Saline, which triggered a reaction of domestic and international public, on 28 May 2015, the Government adopted the Briefing Note on Significance of the Saline as an Emerald Area in Montenegro of particular biological and natural value and in its conclusions, it earmarked the lacking funds amounting to EUR 80,000 in order to remedy the situation as regards infrastructure and thus prevent biodiversity degradation in this area. As a reminder, in addition to the funds earmarked by the Government, the funds necessary were provided also by the Commercial Court EUR 25,000, while UNDP provided a donation of EUR 35,000.

So far, a complete reconstruction was provided at the pump facility Djerane, as well as introduction of completely new electrical equipment and transformer station, as well as construction works aimed at providing facilities for all electrical systems.

At the sitting of the Coordination Team for the Ulcinj Saline, held on 27 June 2015, it was concluded that pumps could be put into operation as soon as 1 July 2015. However, during the rehabilitation of a transformer failure that occurred in the meantime, the pumps were put in operation on 10 July 2015.

In July 2015, a competition was announced for the lease of the Saline that the Public Enterprise National Parks of Montenegro applied to.

At the end of August (24 August 2015) the one-year Lease Agreement was signed between the AD Saltworks Bajo Sekulić in bankruptcy and the Public Enterprise National Parks of Montenegro. With this Agreement, the Public Enterprise committed to undertake, with the care of a diligent owner, to undertake the measures and activities necessary in order to maintain and improve further the eco-system in place in the entire area. As planned by the agreement, the protection measures would concern 2/3 of the Saline area, while additional valorisation of the property leased would be made possible through promotion and development of the tourist offer based on natural potential (health tourism, wellness centres, recreational tourism – bird watching, hiking, etc.). Furthermore, the Agreement states that in case the PE National Parks identifies a partner for the production of salt or development of other complementary activities in accordance with the spatial planning documents, a part of the Saline may be ceded for the salt production processes under a separate agreement.

At the end of August 2015, the Government adopted the Briefing Note on further activities in the Saline and committed to provide, from the current budget reserves, the funds of EUR 317,000 for further activities in the Saline (for rent and management, and rehabilitation of the remaining pumps by the PE National Parks).

So far, from the budget available, a sum of EUR 10,000 was disbursed for electricity debt accumulated in the bankruptcy procedure (of the total debt of EUR 22,064), EUR 15,000 for supply of pump facilities and electricity installations, EUR 35,000 for their assembling and EUR 7,000 for construction works.

On 17 July 2015, the PE National Parks **established an Advisory Body**, with seven members of whom two are representatives of non-governmental sector (Centre for Protection and Research of birds of Montenegro and NGO Green Step from Ulcinj). The remaining members are representatives of the following: the Ministry of Sustainable Development and Tourism, the Environmental Protection Agency, the Municipality of Ulcinj, PE National Parks of Montenegro and the Tourism Organisation of the Municipality of Ulcinj. The objective of Advisory Body is to exchange opinion and information concerning the Saltworks Bajo Sekulić, in order to ensure its sustainable development and protection. The Body will provide timely information to all interested parties on activities planned or implemented in the Saline. So far, the Advisory Body organised two sessions, with presence of representatives of the European Union Delegation in Montenegro.

In further efforts for the preservation of the Saline, the Ministry **addressed a proposal for cooperation to KfW** as regards support for renovation of the remaining infrastructure in the Saline and implementation of the Management Plan for the protected area that includes the following:

1. Repair of the remaining two pumps in locations 16 and 31 in order to enable further pumping of salt water into the Saline pools, which was a precondition not only for the preservation of the biodiversity, but also for salt harvesting.

2. Construction of new and reconstruction of the existing infrastructure (reconstruction of the old building into the salt museum with exhibit items of flora and fauna from the Saline area), construction of an Info Centre with the Souvenir Shop at the entry of the Saline, construction of birdwatching stations, towers and paths, 3.9 to 17.6 km in length, with excellent views on numerous bird flocks.

Therefore, the Government will, as it has done so far, continuously work on the protection of the Ulcinj Saline as an eco-system of particular importance in Europe, located on the territory of our state. In that regard, we expect soon also the following: provision of formal protection of the Saline at the international level as a Ramsar area, adoption of the Protection Study and Spatial Urban Plan for the Municipality of Ulcinj.

And finally, the entire process concerning this issue will continue to be managed in a transparent manner and all the relevant information will be provided in a timely manner to the public of Montenegro, the European Commission as well as the European Parliament.

Climate change

On 17 September 2015, the Government adopted the National Strategy on Climate Change by 2030. Under this document, the so-called intended nationally determined contribution (INDC) of Montenegro to reduction of GHG gasses emissions was developed and adopted. Montenegro submitted the INDC to the UNFCCC Secretariat at the end of September 2015. With this document, Montenegro committed to reduce GHG emissions by 30% compared to the baseline year 1990 and clearly expressed its commitment to the accomplishment of objectives of the Convention.

Transport

Maritime transport

On 16 July 2015, the Parliament adopted the Law ratifying the Athens Convention relating to the Carriage of Passengers and their Luggage by Sea, adopted in 1974 and the Protocol from 2002 (Official Gazette of Montenegro – International Treaties 8/15). Furthermore, on 31 July 2015, the Parliament adopted the Law ratifying the Paris Memorandum of Understanding on Port State Control (Paris MoU) published in the Official Gazette of Montenegro – International Treaties 10/15.

On 30 October 2015, the system for supervision and control of maritime transport VTMIS Centre was opened and put in operation, thus fulfilling in entirety the obligation from the Directive 2002/59/EC.

The Ministry of Transport and Maritime Affairs published the Rulebook on the manner of carrying out the information supervision and management of maritime transport in the Official Gazette of Montenegro 34/15 which, together with the Law on Maritime Navigation Safety (Official Gazette of Montenegro 62/13), implements fully the provisions of the Directive 2002/59/EC. Furthermore, the Ministry of Transport and Maritime Affairs adopted the Rulebook on professional titles and certificates, conditions for acquiring the professional titles and issuing of certificates for crew members (Official Gazette of Montenegro 51/15). The Decree on more detailed procedure and manner of investigation of maritime incidents and accidents was published in the Official Gazette of

Montenegro 52/2015. This Decree transposes in entirety the Directive 2009/18/EC amending the Directive 1999/35/EC and the Directive 2002/59/EC.

Road transport

Within the scope of authority of the Ministry of Interior, Directorate for Emergency Situations, the following pieces of legislation were adopted: the Rulebook on more detailed manner of organization and implementation of knowledge tests for persons taking part in loading and unloading of dangerous substances (Official Gazette of Montenegro 31/15), Rulebook on more detailed manner of organization and implementation of knowledge tests for persons in charge of safety of transport of dangerous substances (Official Gazette of Montenegro 31/15) and the Rulebook on more detailed manner of organization and implementation of knowledge tests for drivers in transport of dangerous substances (Official Gazette of Montenegro 31/15). Furthermore, within the scope of authority of the Ministry of Interior, Directorate for Emergency Situations, the Rulebook on conditions in terms of premises, equipment and tools for the tachograph workshop (Official Gazette of Montenegro 32/15) was adopted.

Railway transport

Pursuant to the Law on Safety, Organization and Efficiency of Railway Transport (Official Gazette of Montenegro 1/14) the following rulebooks were adopted: the Rulebook on more detailed contents of annual reports on railway transport safety and the common safety indicators (Official Gazette of Montenegro 29/15) and the Rulebook on types of signals, signal signage and signs on the rail (Official Gazette of Montenegro 31/15).

Air transport

In order to achieve continuous harmonisation with the new regulations of the European Union, the following pieces of secondary legislation were adopted: the Rulebook amending the Rulebook on technical requirements and procedures for carrying out air operations (Official Gazette of Montenegro 56/15), the Rulebook on standards and criteria for unhindered use of operational areas, premises, devices and equipment in airports (Official Gazette of Montenegro 56/15), the Rulebook amending the Rulebook on airworthiness and environmental certification of aircrafts and aircraft products, parts and devices, and for certification of design and manufacturing organisations (Official Gazette of Montenegro 57/15), the Rulebook amending the Rulebook on requirements for coordinated introduction of data link services for the Single European Sky (Official Gazette of Montenegro 60/15).

Air transport authorities and entities taking part in air transport of Montenegro were subject to a control visit by the European Union experts, in the period 7-9 November 2015, with a view to establishing compliance with the requirements for completion of the first transition phase of the ECAA agreement. Upon completion of the visit, a high level of compliance was ascertained in all areas and in particular in civil aviation safety, where the project One Stop Security was officially closed by exchange of official letters.

In the course of 2014, the scope of authority of the National Commission for Investigation of Air Accidents and Serious Incidents was extended to maritime and railway transport. The Decision on establishing of the National Commission for

Investigation of Air Accidents and Serious Incidents, Emergencies Endangering Railway Transport Safety and Maritime Accidents and Incidents was published in the Official Gazette of Montenegro 59/2014.

Route 4 Motorway Bar-Boljare, MONRD045

By the official beginning of works on construction of the highway Bar-Boljare, on 11 May 2015, intensive activities were carried out as regards fulfilment of all legal and contractual preconditions. That date marks the beginning of the period of 48 months within which the design and construction of the priority section Smokovac-Uvač-Mateševo of the motorway Bar-Boljare should be completed, in accordance with the Agreement on Design and Construction concluded.

Energy

On 16 July 2015, the Parliament adopted the Law ratifying the Energy Charter Treaty (Official Gazette of Montenegro – International Treaties 9/15).

On 30 July 2015, the Government adopted the Proposal for the Law on Energy and the Proposal for the Law on Cross-border Exchange of Electricity and natural Gas. The proposals of these two laws are currently in parliamentary procedure.

On 8 October 2015, the Government adopted the Proposal for the Law amending the Law on Protection and Rescue.

The Ministry of Economy adopted the Rulebook on requirements for efficiency levels of new heating boilers using liquid and gaseous fuels (Official Gazette of Montenegro 41/15 of 28 July 2015).

The Regulatory Agency for Energy adopted the following:

- Methodology for setting the prices and conditions for provision of auxiliary and systemic services of balancing in electricity transmission system, of 21 July 2015;
- Decision on adoption of the work plan of the Regulatory Agency for Energy for 2016, of 25 September 2015;
- Decision on setting the proposal of the financial plan of the Regulatory Agency for Energy for 2016, of 25 September 2015;
- Guide for access to information in possession of the Regulatory Agency for Energy, of 25 September 2015.

Energy efficiency

Pursuant to the Law on Efficient Use of Energy (Official Gazette of Montenegro 57/14) seven pieces of secondary legislation were prepared, that were given positive assessments by the Secretariat for Legislation and their publishing in the Official Gazette of Montenegro is expected, as follows:

1. Proposal for the Rulebook on contents of the programme and plan for improvement of energy efficiency of local self-governance units and the report on implementation of the plan;

2. Proposal for instructions on energy efficiency measures and guidelines for their implementation;
3. Proposal for the Rulebook on methodology for establishing of annual primary energy consumption, contents of the plan and report on implementation of the plan for improvement of energy efficiency of major consumers;
4. Proposal for the Rulebook on mandatory labelling of energy efficiency of products affecting energy consumption;
5. Proposal for the Rulebook on labelling of energy efficiency of washing machines in households;
6. Proposal for the Rulebook on labelling of energy efficiency of air-conditioners;
7. Proposal for the Rulebook on conditions for delivery of training, certification and manner of keeping the register for carrying out of energy checks.

Mandatory oil reserves

On 23 April 2015, the Government adopted the Action Plan for implementation of the Directive on mandatory strategic oil and/or oil product reserves, presented to the European Commission. With the proposal of the new Rulebook on job descriptions of the Ministry of Economy, establishing of a Directorate for Mandatory Oil Reserves is planned, which will, at the beginning, perform the role of the Central Authority for Mandatory Oil Reserves. The Directorate will initially have three employees, and in due course, its independence is foreseen and establishing of the Agency for Mandatory Oil Reserves.

Under IPA 2011, the Project Development of Sustainable Energy Use was launched, under which particular attention is paid to the analysis of current situation and development of legislation concerning the strategic oil reserves. The consultant in charge of project implementation is the consortium of companies: European Profiles (GR) and Eptisa (ES) and Emisia (GR) as capacity provider. In accordance with the obligations as laid down by the Action Plan, the Draft Law on Mandatory Oil Reserves has been prepared.

Regional policy

During the reference period, activities concerning the preparation of the **Action Plan for Fulfilment of the EU Cohesion Policy Requirements** were finalized. The final draft of the document was presented to the European Commission on 26 June 2015. After the European Commission approved of the text of the law, the Government adopted the Action Plan on 3 September 2015, upon which the document was officially presented to the EC.

Administrative capacity building for institutions involved in IPA implementation was continued. Particular attention in the upcoming period will be focused on strengthening the operational structures for IPA Components III and IV and implementing bodies.

9. AGRICULTURE AND FISHERY (INCLUDING FOOD SAFETY)

Activities implemented in accordance with the main operational conclusions from the meeting of the Sub-Committee held on 9 November 2015

Representatives of the EC stated that the SAA commitments are being fulfilled according to the planned dynamics. In this respect they welcomed the adoption of the Law on Spirit Drinks by the Government on 5 November 2015 and expressed their expectations that this law together with the Law on Wine should be adopted in the Parliament by the end of 2015.

Representatives of the EC pointed out to the significance of monitoring/tracking of the commitments in the Action Plans for all three negotiating chapters: 11, 12 and 13. They suggested that Montenegro should submit a summary of implemented commitments from the Action Plans by the end of this year or beginning of the next one.

The European Commission welcomed the adoption of the IPARD II Programme, as well as the signing of the Sectoral Agreement.

Representatives of the EC emphasized that administrative capacities of the inspection and control in fisheries should be further strengthened, and in the part related to the inspections and laboratories in food safety, veterinary and phytosanitary control.

Preparations for the implementation of the acquis relating to the adopted Action Plans for all three negotiating chapters 11, 12 and 13

Chapter 11 – Agriculture and rural development

On 25 June 2015, the Government of Montenegro adopted the Agriculture and Rural Development Strategy for the period 2015–2020 with the Action Plan for the alignment with the European legislation for *Chapter 11 – Agriculture and Rural Development*, which was one of the prerequisites for opening negotiations in this chapter.

Since the adoption of the Strategy and the Action plan, the following activities have been implemented:

- The area of direct payments has recorded the *status quo* in 2015, but under the budget preparation for 2016 it has been planned to provide the subsidies for the entire plant production per hectare;
- As for the activities of the Payment Agency, the plan is to relocate the Agency to the new premises at the beginning of 2016, and in this manner the Agency will be physically separated from the MARD, with the exception of internal audit. The total number of employees in the Directorate for IPARD payments is 35 employees, however, in accordance with the Action plan for the implementation of the Agriculture and Rural Development Strategy, the plan is to increase the number of positions from 35 to 63, according to the systematization act. The proposed changes related to the internal organization itself will create the basis for the development of the future Payment Agency, harmonized with the EU requirements. All implementation activities have already started.
- In the area of CMO policy (common market organization of agricultural products), one TAIEX expert mission on preparation of the Draft Law on agricultural products

market organization was implemented and another one will be needed for the next year. The deadline for the adoption of this law is the fourth quarter of 2016.

- The focus of the activities for quality policy in 2015 was on building administrative capacities within the Ministry and in the accreditation authority of Monteorganik. A large number of procedures have been completed, since the accreditation at the national level is not possible without prepared specification. In 2015, specifications for the product of *Pljevlja cheese* were worked on. The Ministry of Agriculture and Rural Development is constantly working with the producers with regard to the registration procedure and elements of specification necessary for the protection of geographic product mark and in order to achieve certain standards.

Chapter 12 – Food safety, veterinary and phytosanitary supervision

The Government of Montenegro has intensely worked in the previous period on harmonization of the Montenegrin legislation for Chapter 12 with the EU acquis. To that regard, the Parliament has adopted the following laws:

1. Law Amending the Law on Plant Protection Products;
2. Law Amending the Law on Animal Welfare Protection;
3. Law Amending the Law on Planting Material;
4. Law Amending the Law on Seed Material for Agricultural Plants;
5. Law Amending the Law on Plant Health Protection;
6. Law Amending the Veterinary Law;
7. Law Amending the Law on Cattle Farming;
8. Law Amending the Law on Identification and Registration of Animals;
9. Law Amending the Law on reproductive material of forest trees;
10. Law on Food Safety.

The Law on Food Safety introduced a major change by identifying the competent authority and starting the reorganization of the departments in charge of its implementation. The new law provides for the establishment of the new authority – Administration for Food Safety, Veterinary and Phytosanitary Affairs. In this respect, the establishment of this new Administration will set up a new and more efficient system with clearly defined competences and responsibilities, simplified chain of management, better coordination and communication, and will facilitate training of employees.

On 10 September 2015, the Government adopted the Montenegrin Strategy for transposition and implementation of the European Union acquis for *chapter 12 – Food Safety, Veterinary and Phytosanitary Policy* with the General Action Plan and the Special Action Plan for the control and eradication of classical swine fever, thus meeting the EC requirements.

Aimed at meeting the Strategy objectives, the General Action Plan was prepared for the period until the accession, containing the target deadlines for the implementation of all the planned activities from the Strategy.

Based on the time frame and the presented activities, it is expected that Montenegro will transpose and implement the entire *acquis communautaire* of the EU in the area of food safety, veterinary and phytosanitary supervision until the date of Montenegro's accession to the EU.

The Decision to implement the procedure of assessing the compliance with the EU requirements (categorization) of approved facilities dealing with food operation and facilities for handling by-products of animal origin was passed on 3 November 2014, in cooperation between the Ministry of Agriculture and Rural Development, Ministry of Health and the Administration for Inspection Affairs. Assessment of status within these facilities was performed on the basis of this decision, in accordance with the relevant EU *acquis*.

Montenegro sent the list of categorized facilities to the EC on 18 December 2014. During the video conference held on 30 January 2015, the EC evaluated that the document containing the list of categorized facilities is of exceptional quality and well structured. A few technical suggestions were given which were later accepted by the Montenegrin side and on 5 March 2015 an updated list of classified facilities was sent to the EC. On 29 April 2015, the EC notified the Montenegrin side that this benchmark may be deemed fulfilled.

According to the categorization results, regarding the facilities doing business with animal origin food, out of 172 facilities, only 3 of them meet the EU standards. As far as the facilities doing business with animal origin by-products are concerned, out of 6 facilities, 3 of them meet EU standards. Out of facilities doing business with food of non-animal origin, 12 out of total 58 meet EU standards.

Chapter 13 – Fishery

On 25 June 2015, the Government of Montenegro adopted the Fisheries Strategy of Montenegro 2015-2020 together with the Action Plan for transposing and implementation of the EU *acquis*. By adoption of this Strategy and Action Plan, the opening benchmark for this chapter was fulfilled. The Fisheries Strategy of Montenegro provides for a general strategic framework by identifying the key steps that Montenegro intends to undertake in order to be fully prepared to fully meet its obligations resulting from the Common Fishery Policy (CFP).

Preparations for IPARD implementation of the tasks and entrusting

The Program of Development of agriculture and rural areas of Montenegro within IPARD II - 2014-2020 (IPARD II program) was prepared by the Ministry of Agriculture and Rural Development – Directorate for Rural Development – Management Authority. The Program was prepared in close cooperation with the DG AGRI Unit A5. IPARD II program for Montenegro was adopted on 20 July 2015.

The Government of Montenegro adopted the IPARD program on 10 September 2015. The lists of eligible costs for Measure 1 – Investments in physical capital of agricultural estates and Measure 3 – Investments in physical capital related to the processing and marketing of agricultural and fishery products, were prepared by the Management Authority in cooperation with the Payment Agency. The Directorate for Agriculture DG AGRI approved these lists on 15 October 2015.

The Sectoral Agreement was signed by the NIPAC (National IPA Coordinator) on 3 November 2015. In connection with that, the Law on Ratification of the Sectoral Agreement may be delivered to the Parliament for adoption. Furthermore, before signing of the Sectoral Agreement, the Government adopted the Information on the Sectoral Agreement establishing the rules for the management and implementation of the EU financial assistance to Montenegro.

With regard to the offices of the Agency for IPARD payments through the World Bank Project (MIDAS), the MARD has already started their adaptation. The Contract with the construction company was signed on 1 June 2015 and the works have started and are still ongoing. After completing the adaptation, in accordance with the contract, the premises will be compliant to the relevant safety standards. Due to certain delays because of the construction bureaucracy, finalization of the works and relocation of the Agency to the new building was postponed from the end of November 2015 to the middle of January 2016.

10. INNOVATIONS, HUMAN RESOURCES, INFORMATION SOCIETY AND SOCIAL POLICY ***Information society***

Electronic communication

A working group was formed for the purpose of drafting the Law Amending the Law on Electronic Communications aiming to harmonize the same with the Progress Report and the closing benchmarks for *Chapter 10 – Information Society and Media, Chapter 8 – Competition Policy* and with State aid issues, as well as with the new Montenegrin Law on Administrative Procedure.

In line with the implementation of the Law on Electronic Communications, two more rulebooks were adopted: Rulebook on technical and organizational requirements for acquisition of data retained (Official Gazette of Montenegro 54/15) and the Rulebook on technical, operational and other requirements for planning, construction and use of certain types of electronic communications networks, electronic communications infrastructure and associated facilities (Official Gazette of Montenegro 59/15).

Due to expiration of the term to Universal service providers, for the next five-year period, starting from January 2016, the following providers were selected: “Crnogorski Telekom” JSC Podgorica for meeting the legitimate demands of users for access to public electronic communication network and publicly available electronic communications services at a fixed location and “Mtel” LLC Podgorica for telephone directory and provision of information.

On 20 October 2015, the Council of EKIP Agency adopted the final texts of the Analysis of the four relevant markets according to the Decision on initiation of a second round of

analysis of relevant service markets which were subject to verification by application of the Three Criteria test (Official Gazette of Montenegro 09/15 of 5 March 2015) and issued decisions establishing the operator with significant market power, after obtaining the opinion of the Agency for Protection of Competition and upon consideration of reasonable comments and suggestions of the operator during public consultations.

After verification of results of the Cost Accounting Model, a reliable basis for the pricing process was provided. By its decision, EKIP obliged Crnogorski Telekom to harmonise prices of relevant services with the results of the Cost Model, on 15 December 2015, by reducing the prices of short-distance calls by 10%, prices for calls to mobile networks by 30%, prices of international calls to all zones by 10 %, prices of all ADSL packages by 15% and wholesale services prices of Internet access by 30%.

In accordance with the Law on Electronic Communications, EKIP's obligation to transfer the surplus of income over expenditure to the state budget shall cease to be valid on 1 January 2016.

Information society services

Under the activities aimed at transposing the eIDAS Regulation, application was filed through an appropriate cooperation program for expert support. In this regard, a workshop for representatives of MIST was organized in the period from 30 November to 4 December 2015. At the workshop, details were discussed with a Croatian consultant in order to undertake quality preparation for the upcoming activities on harmonization of Montenegrin legislation with the eIDAS Regulation.

The Decree on Amendments to the Decree on information security was adopted, based on which basic data protection will be provided on physical, technical and organizational level.

The MIST has prepared the Guidelines for the development and management of Internet presentations of public authorities and local self-government authorities in order to define the visual recognition, quality content and efficient management of Internet presentations. A part of the document dealing with e-Accessibility was prepared on the basis of the guidelines MIST received within the expert assistance of the European Commission TAIEX program.

In line with the Law on e-Government, the Rulebook on the manner of opening, suspension and cancellation of accounts on the public administration network domain was passed.

Audiovisual policy

Montenegro received the European Commission's opinion on the Proposal for the Law Amending the Law on Electronic Media, followed by a phase of mandatory interdepartmental consultations with the competent public institutions, which is in progress. After the above mentioned procedure, the Ministry of Culture will refer the Draft to the Government for adoption.

In accordance with the provision of the Law on Electronic Media, the AEM's obligation to transfer the surplus income over expenditure to the state budget will cease to apply as of 1 January 2016.

Social policy

Harmonization with the EU acquis

The Proposal for the Law Amending the Law on Peaceful Settlement of Labour Disputes was adopted by the Parliament of Montenegro on 16 July 2015 (Official Gazette of Montenegro 42/15).

The Proposal for the Law Amending the Law on Volunteering was adopted by the Parliament of Montenegro on 31 July 2015 (Official Gazette of Montenegro 48/15).

Adoption of the new Labour Law is envisaged under the Action Plan for negotiating *Chapter 19 – Social Policy and Employment* and the Montenegro's Programme of Accession to the European Union by 2017.

2016 Government Annual Programme envisages the adoption of the Law Amending the Law on Trade Union Representativeness and the Law Amending the Law on Social Council.

The Proposal for the Law Amending the Law on Occupational Safety and Health has been submitted to the European Commission for their opinion.

The Rulebook on occupational safety measures (Official Gazette of Montenegro 40/15); Rulebook on use of personal protective equipment at work (Official Gazette of Montenegro 40/15); Rulebook on safety measures during manual handling of loads (Official Gazette of Montenegro 29/15); Rulebook on safety measures when using instruments of labour (Official Gazette of Montenegro 27/15) and the Rulebook on signs of occupational safety and health (Official Gazette of Montenegro 24/15).

Employment policy

Measures and activities realized in the past period had a positive effect on the labour market.

- According to the Monstat data from the Labour Force Survey in the second quarter of 2015 for population aged 15+, the activity rate was 54.9, employment rate was 45.2, while the unemployment rate amounted to 17.7%.
- The activity rate for population aged 15-64 amounted to 63.9%, which represents a 1.1 percentage point increase compared to the same quarter of the previous year when it amounted to 62.8%. The employment rate amounted to 52.4%, which represents an increase compared to the same quarter of the previous year by 1.3 percentage points when it amounted to 51.1%, while the unemployment rate was 18.0% which represents a decrease compared to the same quarter of the previous year by 0.6 percentage points when it amounted to 18.6%.
- For population of young people aged 15-24, the activity rate increased from 30.1% to 33.6%, employment rate increased from 20.3% to 21.0% while the unemployment

rate increased from 32.5% in the second quarter of 2014 to 37.6% in the second quarter of 2015.

- According to administrative data, the registered unemployment rate at the end of the first half of 2015 amounted to 13.40%, while in the same period last year it amounted to 13.61%.
- When it comes to female population (15-64), the activity rate increased from 56.3% to 58.1%, employment rate from 45.5% to 47.8%, while the unemployment rate decreased from 19.2% to 17.7%.
- According to the monthly statistical survey of MONSTAT, total registered employment had a growing trend from January until July, so that employment in July was 7.49% higher than employment in January, while compared to July of 2014 it was 0.57% higher.

In annual terms, employment in the period January – July 2015 rose by 0.1% compared to the same period of the previous year. Employment growth was recorded in the construction sector (1.6%), real estate (11.1%), administrative and support service activities (1.5%), transport and warehousing (1.5%). The drop in employment was recorded in the sector of agriculture, forestry and fishery (5.9%) and manufacturing (5.8%), electricity, gas, steam and air conditioning supply (3.5%).

Registered unemployment as at 30 September 2015 amounted to 33,773 unemployed persons (women 49.42%), while on the same date last year there were 31,584 persons in the unemployment records. The number of unemployed persons increased by 6.93%. Such trend was to a certain degree caused by transfer of a certain number of inactive population to active, as evidenced by data from the Labour Force Survey for the second quarter of 2015 compared to the same quarter of the previous year. The number of active population increased from 268.2 thousand to 274.8 thousand, or 1.02%, while the number of inactive population decreased from 232.8 thousand to 225.6 thousand, or 0.4%.

Regardless of certain recovery of the economy in 2015 compared to the previous year, the labour market is characterized by challenges inherent to markets in the region and beyond. The most evident ones are the low employment rate which causes high long-term unemployment, high youth unemployment rate.

According to the Employment Office data, the share of unemployed who have been unemployed for over one year in the total number of unemployed persons as at 30 September 2015 amounts to 50.53%, i.e. more than half of the total number of registered unemployed persons.

There are 17.32% of unemployed persons aged under 25 (17.83% previous year), and 24.91% over 50 (28.55% previous year) out of the total number of registered unemployed persons.

According to the data from the Labour Force Survey, the unemployment rate of young people (15-24) in the second quarter of 2015 was still high and amounts to 37.6%, but it

is important to emphasize that it is significantly lower than the rate in the second quarter of 2012 when it amounted to 44.6%.

This is a result of an active attitude towards the challenge of the high youth unemployment rate and implementation of measures which directly contribute to the employment of young people. It should be noted that the Program of professional training of persons who acquired higher education has been implemented for three consecutive years, and preparations for implementation of the fourth generation of vocational training are in progress. According to a survey conducted after the completion of the first two rounds, the percentage of employment of persons who have completed this program is approximately 25%.

Social protection and inclusion (including persons with disabilities)

Update on the social situation

Social and child protection in Montenegro is provided through implementation of the Law on Social and Child Protection (Official Gazette of Montenegro 27/13, 1/15, 42/15, 47/15) and accompanying secondary legislation.

The number of cash benefit recipients as a basic material benefit from social and child protection was 10,892 families with 35,582 members in September 2015. The number of users of child benefit was 8,164 families with 16,499 children in September 2015. The number of users of allowance for care and assistance was 11,849 users in September 2015. The number of users of personal disability benefits was 2,064 users in September 2015. The number of users of family placement and foster care services was 411 users in September 2015. The number of users of costs of nutrition in preschool institutions was 764 people in September 2015, and 2,148 persons used refund of wage compensation and wage compensation for maternity or parental leave, as well as refund of wage compensation for part-time work. Compensation based on child birth was used by 3,920 persons, while the fee for the newborn was used by 634 persons. Cash allowances based on realized financial benefits under social and child protection are regularly disbursed from the Budget of Montenegro.

On the basis of the Government of Montenegro Program, subsidies for electricity bills for the most vulnerable population are provided in continuity. The number of subsidy beneficiaries for electricity bills amounted to 17,216 beneficiaries in September 2015 and the amount of €223,034.45 was spent for this purpose in September 2015.

Recent progress in the development of policies and reforms in the field of social protection

On 16 July 2015, the Parliament of Montenegro adopted the Law Amending the Law on Social and Child Protection (Official Gazette of Montenegro 42/15). The amendments to the Law introduce an allowance for a parent or a guardian – carer of a person who is a personal disability allowance beneficiary and a child allowance paid for parents with three or more children.

Current situation regarding the implementation of regulations and monitoring capacities

The Government of Montenegro, at its session held on 5 September 2015, adopted the Second and Third Periodic Reports of Montenegro on the implementation of the UN Convention on the Rights of the Child for the period 2010-2015.

The Government of Montenegro, at its session held on 17 September 2015, adopted the Information on the monitoring of the implementation of the National Action Plan for Children 2013-2017 for 2014. At its session held on 22 October 2015, the Government adopted the Report on the implementation of the Action Plan for implementation of the Strategy for the Development of the Social Protection System of the Elderly in Montenegro 2013-2017 for 2014.

After successfully completing the first stage of the project “Social card – Social Welfare Information System (SWIS)”, implementation of the project “Integrated Social Welfare Information System (ISWIS) – Stage II” (2015-2017) is in progress .

Implementation of the campaign “Every Child Needs a Family”, initiated in September 2013 by the Government of Montenegro, UNICEF and the EU, and which aims to increase the number of foster families and allow every child in Montenegro to grow in a safe and warm family environment, is continued. The campaign of open days to promote fostering is in progress, organized by centres for social work.

Institutional/administrative capacities

The new regional unit PI Centre for Social Work Berane and the Employment Bureau in the Municipality of Petnjica was opened on 4 November 2015. Professionals in the field of social and child protection, in the period September – November 2015, attended the following training courses: “Instructions on the work of multidisciplinary operational team to combat violence against children and domestic violence”, training for case managers, training for supervisors in centres for social work under an accredited program, training on “Preparing children for foster care” in cooperation with the UNICEF office in Montenegro, one-day seminar on deinstitutionalization, organized with the support of the TAIEX instrument for technical assistance of the European Commission.

The latest progress in the field of policy and legislation with regard to persons with disabilities

During 2015, there were two meetings of the Council for the Care of Persons with Disabilities.

On 4 November 2015, the Ministry of Labour and Social Welfare issued a public invitation to non-governmental organizations for nomination of five candidates for a member of the working group to draft the Strategy for Integration of Persons with Disabilities in Montenegro for the period 2016-2020 and the action plan for implementation of the Strategy for Integration of Persons with Disabilities for 2016-2017. The decision on the selection of five candidates for members of this working group was published on 17 November 2015.

Current situation related to IPA support

Preparation for ESF: Developments regarding the implementation of IPA Component IV

Following the signing of the Financial Agreement in December 2015, the Operating Structure (OS) for IPA Component IV officially initiated the tendering phase for contracts provided through priorities and measures of OP HRD.

In this regard, public procurement notices for four service contracts were published on 6 March 2015 (service contract in the field of labour market within Priority Axis I, two service contracts in the field of education and science/research within Priority Axis II of the OP and a service contract in the field of social inclusion within the Priority Axis III of the OP). Accordingly, applications of interested companies were submitted by mid April and evaluation of the same was carried out in the period of April – May 2015. The short-listed qualified companies for each contract were invited to submit their offers, after which the second round of evaluation was realized in September and October for all four service contracts and evaluation reports were submitted to the EU Delegation for ex-ante control.

In parallel with the work on the tender documentation for service contracts, relevant bodies of the OS, with continuing support of the DEU, worked on drafting and finalizing tender documentation for grant schemes under the OP HRD. Consequently, the call for proposals of the project “Transfer of knowledge between sectors of higher education, research and industry” (grant schemes under Priority Axis II of the OP) was launched on 8 May 2015. The process of evaluation of received proposals is underway. Call for proposals for the project on “Implementation of trainings and employment projects for persons with disabilities and RE population” was launched on 9 October 2015. Call for proposals of the project “Youth, Women and Long-Term Unemployed in the Labour Market” was launched on 16 October 2015.

Framework service contract within the priorities of the Technical Assistance Operational Programme was officially opened on 25 September 2015 and for the following two years, through its activities, the Operating Structure for IPA Component IV will get support in implementation of other projects contained in this program, with particular emphasis on grant schemes.

IPA II financial prospective (2014-2020)

The working group for the development of the Sectoral Operational Programme (2015–2017) held a series of consultation sessions, including two-day consultations in respect of the actions planned within the SOP on 3 and 4 July 2015, prior to submission of the second draft of the SOP to European Commission. The second draft of the SOP was submitted to the European Commission on 7 July 2015, and the comments and additional suggestions for improving this document were received on 27 July 2015. The third draft of the SOP was submitted to the European Commission on 3 August 2015, following meetings, consultations and workshops of the Working Group on its improvement. As requested by the European Commission, this Draft SOP was, after further amendments included, also submitted to European Commission on 7 August 2015 for further consideration and possible comments. Upon receipt of additional

comments, the draft SOP was sent to the Commission on 20 October 2015 with relevant replies.

Movement of workers

The Government of Montenegro adopted the conclusion tasking the Ministry of the Interior with preparing, in cooperation with the Ministry of Labour and Social Welfare, the Proposal for the Law Amending the Law on Foreigners, in the part relating to temporary residence permits of foreigners. The plan is to delete the provisions related to limitation of the work of foreigners, i.e. to revoke the certificate of the Employment Agency, which served as evidence for initiation of proceeding in the MoI.

Research and innovation policy

Horizon 2020

At the meeting of the Subcommittee, the European Commission pointed out that Montenegrin researchers applied with a total of 90 projects within the framework of H2020. Therefore, the participation rate is satisfactory, while the percentage of accepted projects and approved funds is not. On the basis of available access to 30 applications which were rejected, some for formal reasons and some for the reasons of substance, the Ministry of Science found that Montenegrin researchers applied as partners, and not as coordinators, in the above mentioned projects, and therefore in this case the specific reasons for the failure of Montenegrin researchers and specific needs for support to Montenegrin researchers in certain areas/segments when preparing applications cannot be established. Given the need for further efforts in this regard, the Ministry of Science has decided to apply for funds for hiring expert support from IPA funds – Component IV, which would help research teams in preparation of applications for subsequent calls of H2020, in the capacity of project coordinators, and within the priority areas of research in Montenegro.

Members of Programme Committees have to submit reports from meetings attended as representatives in these committees to the Ministry of Science and have fulfilled this obligation regularly.

Integration into the European Research Area

The Roadmap for research infrastructure established that the priorities in Montenegrin national roadmap should be determined annually. Next update of the Roadmap has been envisaged after the adoption of the Roadmap of the European Strategy Forum on Research Infrastructures 2016.

The Minister of Science established a working group to draft the Strategy of Innovation 2016-2020, to be adopted by the Government of Montenegro by the end of September 2016. This strategic document will establish a new objective of investment into research, development and innovation by 2020.

The Ministry has strengthened its administrative capacities for statistics in science. It also has good cooperation with MONSTAT. It was agreed that the cooperation is to be realized by having the Ministry of Science, as of 2016, as the administrative source, i.e. to

collect questionnaires from reporting units and to forward them to MONSTAT for processing, in accordance with the methodology established by EUROSTAT.

The Ministry of Science approached the University of Montenegro, which is the contact point for EURAXESS in Montenegro, to provide an update of this web portal. In addition, the opportunities offered by membership in the European Network of Researchers EURAXESS, which the University joined in 2010, were presented at the University of Montenegro on 14 October 2015.

An EURAXESS interactive bus was placed in front of the Faculty of Technical Science, and students and researchers were able to upload their CVs to the EURAXESS web portal and get informed about the tools for finding research jobs in Europe. This year, the University became a part of the great EURAXESS Roadshow, which began on 5 October 2015 in Brussels and ended in early November in Romania, and including visits to 16 countries and 34 European universities. As one of many other supporting activities which the University provides to researchers and PhD students, a round table was organized on 13 October 2015 where researchers from the University of Montenegro presented their experience in participation in international research.

Innovation Union

The Government established the Proposal for the Law on Innovative Activity on 22 October 2015, after which it was forwarded to the Parliament for consideration and adoption.

A representative of the Ministry of Science is a member of the Working Team for preparation of the Economic Reform Programme 2016-2018, appointed by the Government of Montenegro, and actively participates in preparation of this document.

Education

The Inclusive Education Strategy (2014-2018) set out the objectives and directions of development of education for children with special educational needs based on analysis of implementation of measures of the Inclusive Education Strategy covering the period from 2008 to 2013.

The Ministry of Education has prepared the Draft Strategy for Early and Preschool Education (2016-2020), which was adopted by the Government on 19 November 2015. The objectives of the Strategy are as follows: 1) to increase the coverage of preschool education and education for all children especially between the age of 3 and school age in accordance with international standards; 2) to improve the quality of services of preschool education; 3) to introduce innovative, optimal and sustainable financing models.

Drafting of the action plan for the five municipalities (Andrijevica, Bar, Danilovgrad, Podgorica and Rožaje) is underway, and it should assess the costs of implementation and propose necessary staff and spatial capacities for different models to increase the coverage of children by preschool education.

Drafting of the Rulebook on conditions and criteria for admission to the first year of studies at institutions of higher education is underway. This Rulebook will regulate in

detail the requirements for admission to all higher education institutions, among other, and relevant training programs/schools for continuation of education.

In accordance with the provisions of the Law on Professional Training of Persons with University Degree (Official Gazette of Montenegro 38/12) and the Rulebook on the Manner of Publishing of Public Calls, Procedure and Criteria for Professional Training (Official Gazette of Montenegro 46/12), implementation of the Programme for Professional Training of Persons with University Degree for 2016 is underway. For the 2016 Programme, employers have advertised more than 9,000 vacancies, which is significantly more than in the previous three years.

Eurydice

Montenegro became a member of the Eurydice network in 2013; the National Unit for Montenegro is located in the Directorate for Higher Education at the Ministry of Education. In order to promote the Eurydice network, a promotional Eurydice Information Day was held in Podgorica on 26 October 2015.

12. IPA

In view of implementing the Instrument for Pre-Accession Assistance for the period 2014-2020 (IPA II), Montenegro has intensified its efforts to implement the novelties related to strategic planning and programming compared to the previous financial perspective. New approach in IPA II moved the focus to sectoral planning and multi-annual programming. Montenegrin administration regularly prepares and updates sectoral planning documents which define priorities for funding through IPA on long term basis. During strategic planning a special emphasis is placed on defining measures for multi-annual operational program for the following sectors: Environment and Climate Action, Transport and Competitiveness and Innovation.

Montenegro welcomes the introduction of sector budget support for the implementation of the Integrated Border Management Strategy, as a new modality of implementation, which is for the first time established in Montenegro. Montenegro is ready to continue its dedicated work with the aim to fully comply with the EU requirements regarding the implementation of this support.

Pursuant to the provisions of the Framework Agreement for IPA II, the Montenegrin National IPA Coordinator has continued to coordinate IPA II, reinforcing its role in the process of establishing priorities and directing support within IPA II. Montenegro has also made additional efforts to establish a structure for defining a national single list of priority infrastructure projects through creation of the National Investment Commission. Preparation of the single list of projects is in its final stage.

Additional efforts will be made to achieve efficient implementation of the approved activities through IPA II, both in direct and indirect implementation methods, in order to meet the requirements of the mid-term review envisaged for 2017, including appropriate awards for achievements to countries which have made the most significant progress in key areas of the accession process.