

NATIONAL & KAPODISTRIAN UNIVERSITY OF ATHENS DEPARTMENT OF  
POLITICAL SCIENCE AND PUBLIC ADMINISTRATION

MA IN SOUTHEAST EUROPEAN STUDIES

**Course:** European Union Enlargement in SEE and beyond



**MONTENEGRO**  
**2015 REPORT**

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## 1. Introduction

In 2006 Montenegro's parliament declared independence. In 2008, the country applied for EU membership. Montenegro granted the candidate status for membership by the European Council in 2010. Stabilization and Association Agreement in force since May 2010. Accession Negotiations opened in June 2012. An invitation for NATO membership was also offered to Montenegro during the reporting period. The Framework Agreement for IPA II entered into force in June 2015. **20** *acquis* chapters have been opened, of which **2** are provisionally closed.

## 2. Political criteria

### 2.1. Democracy

**Elections:** Montenegro needs to fully implement the new electoral legislation, adopted in 2014 and all future elections need to take place in accordance with the new laws. Further strengthening of the State Election Commission is required.

**Parliament:** Work must continue for the strengthening of the anti-corruption framework and public trust in parliament. Parliament continues to function in a transparent manner, but there is still no procedure for acting on citizens' petitions. Administrative and expert capacity need to improve further.

**Governance:** Coordination of institutions involved in the EU accession process was strengthened, but there is room for further improvement. Transparency and stakeholder inclusiveness must be further strengthened. Public finances at local level should be consolidated and the budgetary positions, transparency, efficiency and accountability of units of local self-government strengthened.

**Civil society:** Some progress was made in improving cooperation between the government and civil society organizations. More transparency is needed in government procedures for cooperation with and consultation of civil society organizations (CSOs).

### 2.2. Public administration reform

- Montenegro is moderately prepared with the reform of its public administration. It made some progress over the past year, mainly on service delivery to citizens and businesses and public financial management. Delays with rationalisation of the public sector are an issue of concern.
- The overall organisation of Montenegro's state administration does not ensure effective lines of accountability.
- Montenegro has carried out some reforms of its public finances. Significant additional work is needed for example in putting in place multiannual financial planning. Budget transparency needs to be further improved.

- A public administration reform (PAR) strategy is in place for 2011-2016. The current action plan expires at the end of 2015. Political support is ensured as PAR is identified as a priority in most government planning documents up to and including prime ministerial level.

### 2.3. Rule of law

**Functioning of the judiciary:** Montenegro's judicial system is moderately prepared. During the reporting period

Montenegro made some progress in this field. Good progress has been made on strengthening the legislative framework to increase the independence, accountability and professionalism of the judiciary, but rules are not fully applied in practice.

**Fight against corruption:** Montenegro has achieved some level of preparation in the fight against corruption. Corruption remains prevalent in many areas and continues to be a serious problem. Some progress was made in the past year thanks to the strengthening of the legislative and institutional framework but work on this needs to be completed. On law enforcement, the institutional and operational capacity of prosecutors, judges and police to fight corruption is insufficient.

**Fight against organized crime:** Montenegro has achieved some level preparation in the fight against organised crime. Some progress was made in the past year, notably on strengthening the legal and institutional framework and operational capacity for the prevention of money laundering and terrorist financing.

**Fight against terrorism:** The phenomenon of foreign terrorist fighters needs a dedicated approach by the intelligence and law enforcement community and a coherent judicial policy towards offenders.

### 2.4. Human rights and protection of minorities

Montenegro is gradually shifting its focus from incorporating EU standards into its legal framework to improving its institutional framework and support activities that make the protection and enforcement of human rights possible.

Shortcomings: - Human rights institutions remain weak.

- Lack of a uniform approach and low levels of penalties in the area of human rights violations create legal uncertainty.
- Impunity is still an issue in connection with abuses in prisons and pre-trial facilities.

**Freedom of expression:** No progress was made in the past year.

### 3. Economic criteria

<b>Key economic figures</b>	<b>2013</b>	<b>2014</b>
Gross domestic product per capita (% of EU 28 in PPS)	<b>40</b>	<b>39</b>
GDP growth (%)	<b>3.3</b>	<b>1.4</b>
Unemployment rate (female; male) (%)	<b>19.5 (18.8; 2.1)</b>	<b>18 (18.2; 17.8)</b>
Economic activity rate for persons aged 20-64: proportion of the population aged 20-64 that is economically active (female; male) (%)	<b>65.1 (58.3; 71.9)</b>	<b>67.6 (60.7; 74.5)</b>
Current account balance (% of GDP)	<b>-14.6</b>	<b>-15.4</b>
Foreign direct investment (FDI) (% of GDP)	<b>9.7</b>	<b>10.3</b>

#### 3.1 The existence of a functioning market economy

Montenegro is moderately prepared in developing a functioning market economy. Visible advancements as ongoing investments in energy, transport and tourism which support economic growth.

In January 2015, Montenegro submitted its first Economic Reform Programme (ERP), covering the period 2015-2017. The ERP partially complied with the targeted policy guidance adopted by the Joint Ministerial dialogue of 6 May 2014.

The cost of the Bar-Boljare highway as a priority section of the construction of the Smokovac-Mateševsko risks challenging fiscal sustainability. Banks are confronted with problems of debt resolution and low profitability resulting in scarce and expensive credit. Further efforts are necessary to reduce the structurally high unemployment.

The ERP recommendations:

- Better fiscal discipline and revising public management strategy
- Implement the so-called “Podgorica approach” to focus on non-performing loans
- Amending labour legislation to introduce further market flexibility

#### 3.2 The capacity to cope with competitive pressure and market forces within the Union

Some progress was made, particularly on launching several infrastructure and tourism investment projects and some further improvement of the business environment, but Montenegro’s innovation and research capacity remained limited.

Also Montenegro's economy suffers from low competitiveness, especially as regards industrial and agricultural products.

ERP recommendations:

- education reform with a view to better aligning education and skills with labour market needs
- aligning with EU food safety, sanitary and phytosanitary standards in order to receive accreditation for exporting agricultural and food products to the EU; Strengthening its transport development strategy.

#### **4. Ability to take on the obligations for membership**

##### 4.1 Open chapters since 2014

Chapter 9: **Financial services:** The law on bankruptcy and liquidation of insurance undertakings needs to be adopted.

Chapter 16: **Taxation:** Reinforcing its administrative capacity and, in particular, the IT support for the Tax administration.

Chapter 18: **Statistics:** Strengthen the human and financial resources of the Statistical Office of Montenegro (Monstat);

Chapter 21: **Trans-European networks:** Montenegro continued to participate in the South East Europe Transport Observatory (SEETO).

Chapter 28: **Consumer and health protection:** To improve health promotion and prevention and achieve sustainable improvement in patient safety and the quality of healthcare.

Chapter 29: **Customs union:** Ensure full implementation of business and IT strategies for the customs authorities.

Chapter 30: **External relations:** Good level of preparation on external relations, → complete the alignment of its legislation with the acquis on exports of dual-use goods.

Chapter 33: **Financial and budgetary provisions** Preparations in this area are at an early stage. There was some progress on financial and budgetary provisions.

##### 4.2 Previously open chapters

Chapter 4: **Free movement of capital:** Progress on the payment systems. Further reforms need against money laundering

Chapter 5: **Public procurement:** Institutional and legal framework aligned with the acquis. Improved management of public procurement

Chapter 6: **Company law:** National Company law largely allied with the acquis. Progress on corporate accounting and auditing

Chapter 7: **Intellectual property law.** Well advanced. New law on industrial property rights. Criminal prosecution still unsatisfactory

Chapter 10: **Information Society and Media.** New regulations adopted by EKIP and the national Ministry on Electronic Communication

Chapter 20: **Enterprise and Industrial Policy.** Administrative improvement needed for: The adoption and implementation of an industrial competitiveness policy and for providing public support for the SME's

Chapter 23: **Judiciary and Fundamental Rights.** Anti-corruption legislative framework improved but effort needed for combating high-level corruption. Importance of reforming the judiciary system in line with the EU standards, especially in the level of the independence and accountability issues.

Chapter 24: **Justice, Freedom and security.** Criminal justice reform and police reorganization set as primary targets. More comprehensive measures should be adopted in terms of immigration flows especially in asylum and accommodation capacity. Need for further institutional and technical reforms for combatting domestic crime and stronger coordination between judicial and law enforcement authorities.

Chapter 31: **Foreign Policy and Defence Policy** Good level of Participation. Continuing dialogue with the EU for Foreign and security policy. Participation in CSDP in civil and military crisis management.

Chapter 32: **Financial control.** Need for further implementation of the public internal financial control at central and local levels. Internal audit deals with structural incapacity, whereas external lacks sufficient institutional capacity. High degree of acquis alignment in terms of protecting EU's financial interests, in the area of anti-fraud strategies and protection against counterfeit of Euro, though further implementation needed.

#### 4.3 Provisionally closed chapters

Chapter 25: **Science and Research.** Need for greater participation in the Horizon 2020 research and Innovation programme

Chapter 26: **Education and culture.** National Qualifications Framework harmonized with the European one. Public awareness strategy for the significance of Montenegro-EU's partnership and potential membership of the former.

#### 4.4 Not opened chapters

Chapter 1: **Free movement of good.** Provision of more resources needed. Legislative harmonization must be processed

Chapter 2: **Free movement of workers.** No significant progress

Chapter 3: **Right of establishment for companies and freedom to provide services.** Alignment between national and European legislations in process

Chapter 8: **Operational Independence.** State aid remains an area of concern

Chapter 11: **Agriculture and rural development.** IPARD programme adopted

Chapter 12: **Food safety, veterinary and phytosanitary policy.** Food safety measures taken.

Chapter 13: **Fisheries.** Need for implementing the 2015-2020 action plan

Chapter 14: **Transport Policy.** Alignment with the acquis in maritime and rail safety needed

Chapter 15: **Energy.** Third Energy package should be implemented

Chapter 17: **Economic and Monetary Policy.** Economic Reform Programme 2015-2017. Fiscal notifications delivered

Chapter 19: **Social Policy and employment:** Measures for youth unemployment. Slight steps on labour law and social dialogue reforms

Chapter 22: **Regional Policy and coordination of structural instruments.** Eligibility for accessing the structural and investment funds should be increased.

Chapter 27: **Environment & Climate Change.** Early stage Institutional reforms necessary along with adoption of national legislation.

## 5. Conclusions

Montenegro has made moderate progress during the past year. An ongoing effort of harmonization with the EU standards is underway. However, in most cases additional measures should be taken and new legislations have to be adopted in order to meet the three criteria.

The most interesting point that arises from this year's report is the fact that serious steps should be made by Montenegro in terms of fulfilling the **administrative capacity** criterion for accession, especially in adopting the action plans concerning the programmes of the EU. The country has also developed a multilateral strategy for dialogue, with the member states and other candidate states like Bosnia Herzegovina, though relations with Serbia should be strengthened.

Despite the various issues that exist in some sectors during the negotiation process, Montenegro remains the most advanced country in line for the EU accession, in comparison to the other candidates.

