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FINAL CONCLUSIONS AND RECCOMENDATIONS

Each chapter in this [book](#) concludes with a series of assessments and recommendations. While most of these are general and comprehensive, some are quite specific. In the final evaluations, alongside the four key research areas—trade and regional economic cooperation, agriculture and local communities, security, and tourism and mobility—several significant recommendations from the econometric analysis are emphasized. Notably, some of these recommendations focus on strengthening Montenegro's capacity to better absorb EU pre-accession support, particularly in the realm of infrastructure projects that have cross-border and regional impacts.

Additionally, the book offers recommendations for the region regarding the development of a New Action Plan for the Common Regional Market (2025-2028). These recommendations were shared, upon request, with the following stakeholders:

- The organizers of the CSO Preparatory Forum in Skopje (held from July 9-11, 2024), in preparation for the Berlin CSO Summit on October 14, 2024—specifically, the Southeast Europe Association and the Aspen Institute Germany.
- The CEFTA Secretariat, in response to their inquiry to the academic network seeking feedback on the new AP CRM 2.
- Colleagues from the CDI Institute in Tirana, in connection with a related regional project.

1. RECOMMENDATIONS FOR MONTENEGRO IN THE AREA OF REGIONAL TRADE AND ECONOMIC COOPERATION:

1. Participate actively in the preparation of a **new CRM Action Plan 2025-2028** and ensure that all countries in the region are involved. Participate in the regional working groups and contribute to the formulation of AP CRM 2 objectives.
2. Include measures for trade **liberalization and strengthening regional cooperation** in Montenegro's strategic documents.
3. Adopt **additional protocols at the CEFTA Joint Committee** to improve trade flows and reduce barriers for free movements of goods, services, labour and capital. Deepen cooperation within the CEFTA.
4. Development of agreements on **mutual recognition of AEO status** between countries in the region. Harmonize procedures and standards for obtaining AEO status to facilitate trade flows, with validation of AEO status by the EC and the CEFTA Secretariat for all partners.
5. Develop a program to **increase efficiency and simplify trade facilitation procedures**. Adopt a unified approach to WTO and CEFTA Protocol obligations and address trade challenges, digital transformation and international commitments.
6. **Improve the provision of information on regulatory changes** and allow the private sector to **comment on regulations** before implementation. **Implement IT systems for better data exchange**, automated handling of customs procedures and the development of a single window for trade operations.
7. Develop **clear guidelines for rules of origin** and provide **comprehensive information to traders** through available platforms. Organize workshops and educational events for traders and companies.
8. **Harmonize with EU technical regulations and facilitate recognition agreements between CEFTA countries and the EU**. Initiate projects to remove conflicting standards and expand the scope of the **EA MLA agreement**. In addition, it is necessary to complete alignment with EU legislation in the areas of **food safety, animal health and plant health**. Ensure consistent implementation and market surveillance to remove trade barriers.

9. Additional recommendations regarding the Draft Fiscal Strategy of Montenegro 2024-2027:

- 9.1. Consider the proposal to introduce an excise tax on still wines (25 euros per hundred litres), which makes it difficult to place Montenegrin wines on the domestic and regional markets; the inevitable increase in the retail price of still wines in Montenegro makes this product more difficult to afford for end customers, so demand may decrease (during Montenegro's accession to the World Trade Organization, as well as during negotiations on the Stabilization and Association Agreement with the EU - nobody has asked Montenegro to introduce an excise tax on still wines, bearing in mind the strategic importance of this product for the economic, social and territorial cohesion of Montenegro; the potential risk of reducing wine production in Montenegro would harm wine exports, especially exports to the region) ;
- 9.2. Consider the proposal for the introduction of the third rate of VAT in the catering and hotel sector; due to the expected negative effects on the competitiveness and financial statements of companies in the catering and hotel industry, we appreciate that compensating for the reduction in state income based on the reduction of the tax burden on wages should be sought from the other side;
- 9.3. Improve the degree of complementarity of the Draft Reform Agenda of Montenegro 2024-2027. with the Draft Fiscal Strategy 2025-2027; only with an additional effort to harmonize the measures in these two strategic documents, Montenegro will be able to receive the first tranche from the Reform Agenda and thus open effective monitoring of reforms according to the agreed EU methodology;

2. RECOMMENDATIONS FOR A NEW ACTION PLAN FOR THE COMMON REGIONAL MARKET 2025-2028 (proposed by NGO MPEU at the Civil Society Preparatory Forum in Skopje, July 10, 2024):

Preparatory CSO forum, Working Group: Common Regional Market and Mobility
Prof. Gordana Djurovic, Montenegrin Pan-European Union

1. Proposal to amend THE AGREEMENT ON AMENDMENT OF AND ACCESSION TO THE CENTRAL EUROPEAN FREE TRADE AGREEMENT (signed on 19/12/2006, in force since 01/01/2007) in order to solve signing issue of all CEFTA 2006 decisions; (Consolidated Version of the Central European Free Trade Agreement (CEFTA 2006) is Annex 1 to the CEFTA 2006 agreement);
 - Change the Party NAME in three places in the Agreement, as follows – Preamble and articles 1, and Party signatories;
 - instead „the United Nations Interim Administration Mission in Kosovo on behalf of Kosovo in accordance with United Nations Security Council Resolution 1244” to put the same as it is in other mobility agreements within the Berlin process for the parties: “The

Representatives of Albania, Bosnia and Herzegovina, Kosovo¹, Montenegro, North Macedonia and Serbia (hereinafter referred to as “the Parties” and individually as “the Party”) ...have agreed...”.

Also to change Party NAME at the end of the Agreement – place for party’s signatories

1) 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.

AGREEMENT ON AMENDMENT OF AND ACCESSION TO THE CENTRAL EUROPEAN FREE TRADE AGREEMENT

Preamble

The Republic of Albania, Bosnia and Herzegovina, the Republic of Bulgaria, the Republic of Croatia, the Republic of Macedonia, the Republic of Moldova, the Republic of Montenegro, Romania, the Republic of Serbia and **the United Nations Interim Administration Mission in Kosovo on behalf of Kosovo in accordance with United Nations Security Council Resolution 1244** (hereinafter referred to as “the Parties”),

.....

Article 1 Accession

The Republic of Albania, Bosnia and Herzegovina, the Republic of Moldova, the Republic of Montenegro, the Republic of Serbia and **the United Nations Interim Administration Mission in Kosovo on behalf of Kosovo** in accordance with United Nations Security Council Resolution 1244 hereby accede to the Central European Free Trade Agreement as amended in Article 3 of this Agreement and shall apply it in accordance with the provisions of this Agreement.

.....

Article 3

...

Article

....

For ...

Instead of

“For the United Nations Interim administration Mission in Kosovo on behalf of Kosovo in accordance with United Nation Security Council Resolution 1244” to put

“For Kosovo¹...”

- 2. Adopt the REFORM AGENDAS by WB6** as soon as possible to implement the EU Growth Plan and speed up the democratic and economic reforms in the region;
- 3. The RCC to publish the CRM 2021-2024 implementation report for 2023;**
- 4. Bosnia and Herzegovina** to ratify the Agreement on Freedom of Movement with Identity Cards in the Western Balkans, signed on 03/11/2022 within the Berlin Process;

5. Finally, the Montenegrin Pan-European Union strongly supports all recommendations proposed by the **Cooperation and Development Institute (CDI), Tirana** concerning overcoming the obstacles of CRM AP 2021-2024 (information gap, implementation gap, negative externalities of region's market opening on small producers, and missing social dimension).

3. RECOMMENDATIONS FOR MONTENEGRO IN THE AREA OF TOURISM AND LABOUR MOBILITY:

1. **Adapt labor legislation for a sustainable labor market.** Implement the concept of "flexicurity", that seeks to balance the flexibility needed by employers in the labor market with the security desired by employees, which combines. An active employment policy should improve the work skills and competencies of the workforce while managing migration. Also, further develop labor market indicators comparable with the Region.
2. Establish a **permanent seasonal worker institute** to motivate unemployed domestic workers to retrain and find permanent seasonal employment. This could be achieved by **applying some positive experiences from EU countries (Croatia)**.
3. Create an **electronic portal for the registration of seasonal workers** and simplify employment procedures. The application of Article 81 of the Law on Foreigners enables the recording of biometric data in embassies and consulates, reducing waiting times and costs for employers.
4. Enact a **new European law on sustainable tourism** that gives tourism the status of an activity of special national interest. This law would lay the foundation for the sustainable development of tourism in Montenegro. Promote the development of sustainable tourism that **takes into account the conservation of natural resources and protection of cultural heritage**, in line with EU standards for sustainable development.
5. Introduce a **holistic tourism information system** modeled on the Croatian **e-Visitor** as a basis for optimal tourism destination management. This system will enable better coordination and efficiency in collecting and analyzing data on tourist arrivals.
6. Improve **tourism infrastructure** through joint projects financed from EU pre-accession funds, including roads, accommodation and support for various services.
7. Support the development of sustainable tourism projects on the preserved or partially preserved places using the **public-private partnership model** with local entrepreneurs and citizens. The priority areas are distributed along the Montenegrin coast and in the central and northern regions of Montenegro.
8. Reposition Montenegrin tourism towards **European emissive markets**. Update the strategic marketing plan for Montenegrin tourism from 2019 and reintegrate the market in accordance with this plan.
9. Modernize teaching programs in education for managers in tourism and hospitality, both in secondary and higher education, as well as in studies of the applied sciences type. This

will ensure adequate education including practical training of the workforce for the needs of the tourism sector.

4. RECOMMENDATIONS FOR MONTENEGRO IN THE AREA OF THE SUPPORT TO AGRICULTURE AND LOCAL COMMUNITIES.

1. **Alignment of agricultural policy with the EU's Common Agricultural Policy (CAP).** Align current Montenegrin agricultural policy with the principles of the CAP, avoiding measures that contradict the commitments made through WTO membership.
2. **Strengthen the institutions for the implementation of agricultural policy.** Strengthen the capacity of institutions to effectively implement agricultural policy in line with the CAP and provide expert advice to producers. Generally **train the administration for modern public policy management** to ensure efficiency in the implementation of agricultural support policies.
3. **Consistently apply WTO membership obligations**, particularly with respect to allowable support measures for agriculture and rural development. Respect the international obligations arising from membership of the FAO and other international organizations and integrate these into national policy and agricultural policy implementation.
4. **Decentralize the process of planning and implementing support measures by involving the local level and local communities** in all phases of agricultural policy planning and implementation.
5. Develop policy based on **reliable data and analysis** (evidence-based policy making). Strategic planning and performance monitoring through measurable indicators are key to successful agricultural policy implementation.
6. **Revitalize agricultural extension services** through an Agricultural Knowledge and Information System (AKIS), which is of particular importance for the sustainable development of the sector.
7. Ensure a **general consensus on agricultural development priorities** by involving all relevant stakeholders in the design and implementation of agricultural policy.
8. Set long-term goals and ensure continuity in policy design through **multi-year development programs** (National Program) and continuity in their implementation.

5. RECOMMENDATIONS FOR MONTENEGRO IN THE AREA OF THE SECURITY ASPECTS:

1. **Focus on EU membership** as a key foreign policy priority after achieving NATO membership. Direct all social and political energy towards achieving this goal.
2. By consistent implementing the National Security Strategy, **distance Montenegro clearly from policies that support revisionist and ethnocentric projects.** Distance

the country from the revisionist projects advocated by Russia and Serbia through the National Security Strategy and practical action.

3. **Strengthen the Berlin Process as a key factor and guideline for regional connection and cooperation in the realization of inclusive goals towards the EU.** In this context, reject the "Open Balkans" project as a euphemism for a project of the Serbian World and/or Great Albania. **The Berlin Process** should remain a key initiative to improve **regional and security cooperation.**
4. Create **highly qualified educational institutions in the field of security and defense** that will train personnel for the needs of Montenegro and its security. These institutions will ensure long-term stability and expertise in the security sector.
5. **Harmonize the security system with EU standards** and the EU's foreign and security policy. Creation of a security system that is resistant to political and religious influences and ensures the security of all citizens.
6. **Enact restrictive laws against hybrid threats and disinformation** that pose significant challenges to national security, as they can be difficult to detect, attribute, and counter. They threaten the country's stability. Sanction individuals and organizations that act in the direction of destabilization.
7. Create a **national crisis management center** linked to NATO and EU crisis response centers. This center will respond to security challenges such as climate change, environmental degradation, increasing poverty and shortages of key life resources.
8. **Remain a reliable NATO partner and member** in the defense of national sovereignty and the protection of territorial integrity. Adapt and implement the NATO policies to ensure the country's long-term security.

6. RECOMMENDATIONS FROM ECONOMETRIC RESEARCH:

The provision of services and trade as well as the free movement of capital and people in the Western Balkan regional market react dynamically to selected external and internal shocks towards the economic systems. The interconnectedness of factors is also very pronounced when analysing individual economies, such as Montenegro on the regional map of the Western Balkans. By analysing the coefficients of contemporaneous causality, we estimate the strength and direction of the cause-effect relationships between the selected variables. Trends are analysed through the selection of variables: unemployment, the educational profile of the available labour force, the degree of inequality in distribution (top 1%), the degree of coverage of imports by exports, focusing on food production and the food-processing industry, the structural foreign trade deficit of goods in exchange with the region, the inflow of tourists from the region, the gross value added in agriculture and the degree of economic freedom as a measure of the rule of law and the attractiveness of the environment for investment in the country, as well as the quality of economic governance - and how they influence the development dynamics of the Montenegrin economy.

By applying the structural vector autoregression model (SVAR), we analyse the causal relationship between the variables and the matrix of their mutual connection. The results show that the model effectively identifies the factors that link the Western Balkans to the EU single market and deepen regional economic integration. At the same time, significant challenges along the way are identified, with numerous initiatives of the Berlin Process having a very positive impact on the region's economic performance.

When analysing selected factors in the observed period from 2006 to 2021, the strongest correlation of the spillover of variables is recognized as pairwise connectivity between the GDP and tourism and then the attractiveness of the investment environment, as evidenced by the degree of economic freedom. On the other hand, the dynamics of the variable pair CEFTA commodity deficit – food-processing production and exports, i.e. GVA in agriculture, are very pronounced and high. Finally, GDP, as the central indicator, initiates and transmits the spillover link to the whole system and is closely related to all levels of factors, both economic and political. The recommendations are as follows:

1. Montenegro consistently supports trade liberalization, the four economic freedoms, and regional economic cooperation, but following the determination to **speed-up the European integration process and the adoption of EU standards in all areas**. It is, therefore, necessary to create **an environment, based on WTO principles**, not only for **"free" but also for "fair" trade** in local markets, in line with the need to increase the competitiveness of primary agricultural production and the MSME sector in each economy. Upon accession to the EU, this support from the European Structural and Investment Funds will be significantly increased and promote the region's economic convergence with the EU. Until full membership is achieved, the initiatives under the **Berlin Process** are valuable support for strengthening the competitiveness of the countries and the region as a whole and should be fully supported.
2. On the other hand, **trade openness contributes to the accessibility and quality of goods** for Montenegrin consumers, however, this should be achieved through the consistent application of **food safety standards**, especially in import control.
3. In contrast to the pronounced trade-in-good deficit, **the openness of services and tourism** has a positive impact to Montenegrin GDP and the local agri-food sector. Therefore, Montenegro should strive to extend the tourist season from the short summer period and attract Western European tourists again, as did it, before the transitional recession.

7. FINANCING OF INFRASTRUCTURE PROJECTS, CONNECTIVITY AGENDA AND PROJECTS WITH CROSS-BORDER IMPACT - RECOMMENDATIONS TO INCREASE THE ABSORPTION CAPACITY OF INSTITUTIONS TO DRAW RESOURCES FROM EU FUNDS

The study highlights the **importance of pre-accession assistance** for speeding-up the European integration process. It is of particular importance to strengthen the institutions' capacity to absorb pre-accession assistance in order to meet the final benchmarks in numerous negotiation chapters covering priority investments (energy, transport, environment, etc.) and to meet the final benchmarks in Chapter 22. Regional policy and coordination of structural instruments. Especially when it comes to infrastructure development, regional connectivity agendas and projects with a cross-border effects, financed through the integration of different funding sources via the Western Balkans Investment Framework (EU technical assistance grants, investment grants, loans from European banks and the co-financing share of the beneficiaries – partners from the Region).

Many investment decisions for infrastructure projects in the region were taken at the Berlin Process summits. In the coming period, Montenegro should work even harder on the preparation of quality projects according to the established methodology and strengthen capacities for all phases of the project cycle according to the established priorities. The recommended measures and activities are as follows:

- 1. Improve the functioning of the indirect and shared management system** to successfully contract and implement all funds from the IPA II 2014-2020 program and to program and contract the available funds from IPA III 2021-2027. This includes in particular the following activities:
 - Preparation of the revised Action Plan for chapter 22 to meet the requirements of the EU Cohesion Policy;
 - Regular monitoring of the process of implementation of contracted funds from the IPA II financial framework and programming, contracting and monitoring of actions from the IPA III financial framework;
 - Regularly update the list of unique infrastructure projects and prepare them for financing through available instruments and additional mobilization of funds (in particular timely preparation of projects for the Western Balkan Investment Framework);
 - Monitoring of project implementation, increased coordination, regular meetings, preparation of reports and financial analysis, preventive response in case of delays in project implementation, response within the framework of permissible reallocation (negotiations on reallocation of funds to reduce the risk of loss of pre-accession funds);
 - Reporting to the European Commission, but also to the interested public in the country.

2. **Timely preparation of the Draft Partnership Agreement** following the guidelines of the European Commission on the method of preparation and content of the Partnership Agreement. Per these guidelines and based on the recommendations of experts, the process of preparing the first draft of the Partnership Agreement, the plan for finalization of this document, and the preparation of **the Operational Program** takes about two years (2025-2026). It is also necessary to recognize **the Managing Authority**. In addition, the future governing bodies will coordinate the preparation of the operational program(s) with the active participation of all stakeholders and based on the strategic priorities specified in the Joint Strategic Framework and the Partnership Agreement. The practice of the member states shows that the preparation of the program in consultation with the European Commission takes about two years until the adoption of the document, and this activity will begin in parallel with the preparation of the Partnership Agreement (2025-2027).
3. **The determination of the number and scope of operational programs, as well as the determination of the institutional framework with the number of administrative bodies for specific operational programs** and the determination of the institutions/organizational units within the institutions that will perform the functions of each body in the system. In addition, **the Law on the European Structural and Investment Funds** must be prepared and adopted, while its implementation will begin on the date of accession. After the adoption of this law, there will be activities to amend the Regulation on the Organization and Working Methods of State Administration in order to include the new responsibilities of the institutions in the part of the functions of the bodies from the ESI Funds management system (2024-2026).
4. **Strengthening the administrative capacity for EU funds with a focus on infrastructure:** In addition to the capacity currently built up for the implementation of the IPA program, it is necessary to recruit additional capacity in the bodies that will manage the ESI funds (European Structural and Investment Funds); adopt organizational development strategies for the bodies that will be involved in the system for managing the ESI funds and define an adequate policy for the HR management; Carry out a training needs analysis and prepare a comprehensive training plan for officials involved in the management structure, which will be implemented on an ongoing basis; adopt an employment plan to be implemented progressively through the recruitment of additional administrative capacity to fill the identified vacancies in the posts/institutions that will be involved in the financial management and control of the ESI Funds. The above actions include in particular preparation of a training plan for the staff of the IPA structures in line with the capacity mapping methodology for IPA III programs and the EU Cohesion Policy; and implementation of the training plan for the IPA structure (2024-2025);
5. **Development of a monitoring system for the ESI Funds, i.e. their monitoring and evaluation, including the establishment of an electronic management and monitoring information system (MIS):** It is necessary to develop a monitoring and control system within the ESI Funds management system in a planned and phased manner, largely based



on the experience gained in the decentralized, indirect and shared management of the IPA Funds and on the capacities built up during the pre-accession phase. To establish an effective monitoring and evaluation system, it is necessary to prepare a detailed plan and schedule of activities, including the establishment of an electronic management and monitoring information system (MIS).

Podgorica, 25/08/2024

Crnogorska panevropska unija / Montenegrin Pan-European Union

