

Routledge Handbook of European Union Enlargement and Pre-Accession Assistance

Rocky Road of Enlargement and Pre-Accession Assistance in Montenegro

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After extended dialogue and early phases of EU integration, resulted by inclusion of Montenegro in stabilization and association process and obtaining candidate country status in 2010, Montenegro started negotiations on EU accession in 2012. So far the accession processes have been slower than expected and experienced with previous enlargements, even the country is an integral part of Europe's social, economic, security and political landscape. As the country is intensively economically integrated with the EU, the lockdown of the EU economies has caused a sharp decrease in demand for export goods and services from the region, diminishing investment and migrant remittances.

The new elected government in Montenegro has face significant challenges: to manage the socio-economic impact of the COVID-19 pandemic and implement the new enlargement strategy, where the political criteria is an imperative element. It is in the interests of both parties, to ensure further democratization of its society, implementation of the rule of law, combating corruption and organized crime in the region.

This is the most important challenge and test facing the region and EU, during and after the pandemic: How can Montenegro and other Western Balkan countries fill their financial gap? The economic theory suggests that countries have to be treated “well and with care” when they are under stress, as Jeffrey Sachs argued in an interview with the Economist Asks podcast on 12th June 2020. In the interview, he quoted Keynes’ view in the early 1990s at: “Do not crimp the future of these countries, but give them way forward with a fresh start”

The pre-accession funds have been present since 1998, the visible effective results have marked the whole period until now. A large number of infrastructure projects, capacity building, reform of institutions and education have been completed in the past period, and a set of laws that are in line with the *acquis communautaire*, has been passed etc.

The EU provides financial assistance to Montenegro since 2001 through the CARDS program managed by the European Agency for Reconstruction (EAR). Assistance from the CARDS program for Montenegro is defined by the EC Strategic Document for the period 2000-2006. In March 2001 The European Agency for Reconstruction and Development, Podgorica office, takes over management of EU projects, with aid amounting to 16.3 mil. €, than additional 13

mil. € in 2002 (1.5 mil. €, and direct assistance to the Government in the areas of customs and taxes 8 mil. €, as well as for Higher Education (TEMPUS III) amounted to 1.5 mil. €.

With the Action Program for 2003, the European Union approved 12 mil. € of aid, and the Government of the Republic of Montenegro for the customs and tax system, as well as for Higher Education 1.5 mil. €. In 2004, 16.5 mil. € and the Government of the Republic of Montenegro 1.5 mil. € (for the customs and tax system, as well as for higher education). The 2004 program continues to move towards long-term development support in institutional reform, and the key sectors covered were justice, home affairs, public administration reform, the environment and economic development.

Within the financial perspective 2007-2013 (IPA I), the European Commission has committed a total of 235 mil. € for Montenegro. Of these funds, EUR 165.1 mil. € was allocated to component I (Transition Support and Institution Building). These funds supported 102 national projects. For bilateral cross-border cooperation programs, ie. Component II was allocated EUR 30 mil. €, component III (Regional Development) was allocated EUR 22.3 mil. €, while component IV (Human Resources Development) was allocated EUR 4.9 mil. €. The remaining € 12.7 mil. € has been allocated on a pro rata basis for participation in the Tempus Program, the Nuclear Safety and Ionizing Radiation Cooperation Program, the Civil Society Facility and the Regional Housing Program. Out of the committed amounts under national IPA programmes, almost 98% have been contracted and 90% disbursed by the closure of programmes.

During the period 2014-2020, total allocation of EU funds under national IPA programmes for Montenegro was increased to 279.1 mil. €. Additional, performance based funds are provided for participation in cross-border cooperation, transnational and regional programmes, including support to infrastructure projects under EU Connectivity Agenda. IPA II annual action programmes, in average worth around 40 mil. € are prepared and adopted, focused on support to key reforms deriving from EU accession negotiations, as well as part of priority infrastructure projects. As part of the overall EU support related to pandemic of COVID 19, out of the approved programmes 53 mil. € was reallocated for support to facing economic and social consequences of the pandemic, including support for development of health system.

In addition to these, Montenegro was granted with around 197 mil. € under the Western Balkans Investment Framework (ZIO), main EU grants and loans blending platform for financing projects under the Connectivity Agenda and Berlin Process. Of this amount, when it comes to the preparation of project documentation, within twenty-four calls for support for the preparation of project documentation, Montenegro was approved 45 national projects, with a total value of about 52 million euro, while remaining funds are allocated for specific investment grants.

Faced with the new EU rules announced for the upcoming 2021-2027 financing perspective and IPA III instrument, which will be focused on strategic relevance and maturity of project proposals as main criteria for approving funds, Montenegrin Government has still to fully recognize the importance of EU assistance, as well as to strengthen the system for coordination and project preparation. For the first time, allocations of national IPA programmes under IPA III will not be set in advance, but performance based, which increases the importance of proper planning and programming. Lack of mature projects, especially in

the area of infrastructure, can be a significant obstacle in terms of absorption of IPA III funds. Sound system for strategic planning, connections of the policy dialogue with programming of IPA, as well as capacity building of the entire structure for management of EU funds are critical preconditions for improving performance in the upcoming period.

By doing so, Montenegro would prepare itself in the best possible way for implementation of future EU Structural and Investment Funds, which will be available upon obtaining EU membership, multiplied in terms of amounts. Currently negotiated with the EU under Chapter 22- Regional Policy and Coordination of Structural Instruments, preparation for using these funds don't have significant prospect of success without strong political commitment and investments of the Government. EU, on the other side, should make sure that according to the new methodology for accession negotiations, progress in terms of reforms is recognized and well rewarded by increasing the amounts of EU funds, designed in a way to prepare Montenegro in the best possible way for future implementation of structural instruments under EU cohesion policy.

It is necessary for Montenegro to improve the institutional and administrative capacities that manage EU programs, in order to withdraw the funds intended for Montenegro in the largest possible amounts and use them in the best possible way. And it's chance for Europe to restart its convergence engine, showing strong global leadership with playing a major role in contributing to the survival of the fragile socio-economic and political systems in Montenegro. And strongly delivering the message that "Without the Western Balkans, the European project is unfinished".