



**MONTENEGRO**

**MINISTRY OF FINANCE**

**NATIONAL TRADE FACILITATION COMMITTEE**

# **TRADE FACILITATION STRATEGY**

## **2018-2022**

March, 2018

Supported by:





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## EXECUTIVE SUMMARY

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EU accession and integration into regional and multilateral trade are strategic commitments for Montenegro, which implies acceptance and implementation of adopted values and standards across a range of areas, including cross-border trade.

This commitment was confirmed by Montenegro's ratification of the Protocol on Amendments to the Marrakech Agreement establishing the World Trade Organization (WTO Trade Facilitation Agreement) and the signing of the Additional Protocol on Amendments of and Accession to the Central Europe Free Trade Agreement (CEFTA Additional Protocol 5).

In addition, sustainable and inclusive economic growth, one of the strategic development goals of the country's Economic Reform Program for the period 2018-2020, in order to reduce the development gap between Montenegro and the EU average, as well as improve the quality of life of all Montenegro's citizens. Trade facilitation was identified as an element that, through the elimination of trade barriers, that had a significant impact on export growth and increased competitiveness of the Montenegrin economy.

In addition to answering a number of international and national commitments derived from the integration processes that point to the need to further improve the efficiency of cross-border trade, this Strategy also establishes a common agenda for all relevant authorities in this area. The National Trade Facilitation Strategy is a horizontal public policy document and the specific areas covered by this strategy are to a lesser extent covered by some existing national strategic documents (such as: the Economic Reform Program 2018-2020, the Integrated Border Management Strategy 2014-2018, and the Business Strategy of the Customs Administration 2016- 2018). Using the documents as a common starting point, the Strategy brings added value as it represents a strategic approach to regulating this matter initiated with the previous ad hoc approach, and sharing the shared starting point, goals and principles with the mentioned documents, and represents a logical continuation and upgrading of the current policy in this area.

Building on experience and best practices in trade facilitation, the Strategy systematically identifies bottlenecks in cross-border trade and defines strategic goals, directions and priorities for action, as well as the roles and responsibilities of the competent state bodies and private sector associations in this process. It defines a five-year framework for the development of other functional and sectoral documents for the implementation of concrete trade facilitation reformssupport the economic development goals of Montenegro and fulfill Montenegro's commitments to relevant international and regional agreements.

The Strategy foresees that administrative inefficiencies in cross-border transport of goods affecting the competitiveness of the country will be eliminated by 31 December 2022, and that the time needed to move goods across the Montenegrin borders will be reduced by 50% over the 2016 baseline, the Time Release Study, while the accompanying costs will be reduced by 20%.

To achieve this objective, the strategy defines five "operational goals" and, with respect to each goal, "strategic measures" that Montenegro's border authorities – mainly, the Customs Administration, the Food Safety, Veterinary and Phytosanitary Authority, and the Border Police, in cooperation with the private sector - will implement. These strategic goals and measures are the following:



These operational goals are the following:

- **Improve transparency and access to information** – increase the availability and quality of information related to cross-border trade and establish enquiry points within the competent authorities that will respond to reasonable inquiries from stakeholders. The intention is to enable all stakeholders to be fully aware of their rights and obligations through transparent, publicly announced and consistent procedures and rules, improve public and private sector collaboration, while ensuring openness, mutual trust and respect;
- **Alignment and rationalization of formalities, documents and fees** – through a regular review of all formalities, documents, charges and fees related to import, export and transit of goods in order to minimize the administrative burden on the business community;
- **Implement simplified and expedited declaration and release processes**– which includes a set of measures (such as extending the application of simplified procedures and authorized economic operators, introducing a system for processing prior to arrival of goods and accelerating the flow of perishable goods), aimed at reducing the time needed to complete all procedures in cross-border traffic, the success of which will be monitored through regular implementation of the Time Release Study;
- **Strengthening cooperation and enhancing the effectiveness of border authorities controls**– which aims to establish and develop a fully functional risk management system that will ensure the identification and focus on high-risk consignments, information sharing and joint control, in order to provide an adequate balance between trade facilitation and protection of public interests;
- **Expand automated processing and electronic data exchange**- which implies the development and networking of information systems of authorities in charge of cross-border traffic, to enhance communication and data exchange between competent authorities, as well as between them and businesses, thereby eliminating duplication and reducing the time of retention of goods.

Performance indicators are defined for each operational goal and each activity. These indicators are intended both to guide responsible authorities in their development of implementing measures for the implementation of the Strategy. They will also be used by stakeholders supervising the implementation of the Strategy, to determine whether objectives have been met in the intended manner.

In addition, the authorities responsible for the implementation of measures have been identified in order to provide adequate human resources for the implementation and establishment of relevant baseline for measuring performance, where necessary.

The National Trade Facilitation Committee (NTFC) will be responsible for continuous monitoring, which includes assessing the implementation and annual reporting of the Government on the implementation of goals and activities. It will also be responsible for the assistance with inter-agency coordination and contacts with donors to obtain external technical assistance support, where needed. The NTFC may form either permanent or ad hoc working groups, which will be responsible for the concrete implementation of specific activities in the Action Plan.



## EXECUTIVE SUMMARY

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The basic prerequisite for the implementation of this Strategy is effective co-operation and co-ordination between competent authorities, primarily border authorities, as well as their cooperation with the private sector and other state bodies, institutions and the international community.



# TRADE FACILITATION STRATEGY

## STRATEGIC GOAL

By the end of 2022, Montenegro will eliminate the administrative and border inefficiencies that affects its competitiveness, and thus reduce the release time for import, export or transit goods by at least 50% and the trade related costs by at least 20%.

OPERATIONAL GOALS AND MEASURES			2018				2019				2020				2021				2022			
GOAL	MEASURE		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
1	1.1. Increase Availability and Quality Of Information																					
	1.2. Implement Enquiry Point																					
2	2.1. Simplify and Harmonize Formalities and Documentation Requirements																					
	2.2. Regular Review of Number/Diversity of Fees and Charges																					
3	3.1. Implement Regular Time Release Study																					
	3.2. Expand Use of Simplified Procedures																					
	3.3. Full implementation of the AEO Program																					
	3.4. Implement Pre-Arrival Processing Procedures																					
	3.5. Expedite Control and Release of Perishable Goods																					
4	4.1. Food Safety Authority Implementation of Risk Management System																					
	4.2. Improve Customs Risk Management System																					
	4.3. Expand Customs Post-Clearance Audit																					
	4.4. Coordinate Border Authorities Activities																					
5	5.1. Implement Fully Electronic Submission of Customs Documents																					
	5.2. Implement NCTS and Common Transit Convention																					
	5.3. Implement an Automated System for Food Safety Authority's Processing and Control of Imports																					
	5.4. Initiate Trade Single Window Project																					



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**ABBREVIATIONS**

AEO	Authorized Economic Operator
AP 5	Additional Protocol 5
BP	Border Police
CEFTA	Central European Free Trade Agreement
CIS	Customs Information System
EU	European Union
FSVPA	Food Safety, Veterinary and Phytosanitary Authority
GIZ	German Agency for International Cooperation
IFC	International Finance Corporation
MCA	Montenegrin Customs Administration
NCTS	New Computerized Transit System
NTFC	National Trade Facilitation Committee
TFA	WTO Trade Facilitation Agreement
TFSP	Trade Facilitation Support Program
UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nations Economic Commission for Europe
WBG	World Bank Group
WTO	World Trade Organization



## INTRODUCTION

At its session held on 13 April 2017, the Government of Montenegro adopted the Information on commitments arising from the Trade Facilitation Agreement with the Technical Assistance Plan for the full implementation of the Agreement.

By adopting Conclusion no. 07-1187 dated 20 April 2017, the Government mandated the NTFC to address international donors to provide technical assistance for the implementation of priority areas of the Agreement, including the preparation of a National Trade Facilitation Strategy. To accomplish this conclusion, NTFC provided support from the International Financial Corporation (IFC) - a member of the World Bank Group (WBG).

The Ministry of Finance established a working group tasked to develop the Strategy. It was composed of representatives of: Ministry of Finance, Ministry of Economy, Ministry of Agriculture, Customs Administration, Food Safety, Veterinary and Phytosanitary Authority, Police Administration-Border Police, Chamber of Economy, Chamber's Trade Association and Freight Forwarding Association.

The Strategy identifies priority operational goals and activities, whose implementation is expected to significantly contribute to the facilitation of cross-border trade in Montenegro. The scope and dynamics of the activities take into account realistic constraints, such as limited administrative capacity and limited application of information technologies in the operation of state bodies.

An integral part of the Strategy is the Action Plan for its implementation. It contains the necessary elements of a successful reform process: goals, activities, deadlines and resources - including sources of funding.

In the preparation of the Strategy, the following methodological approach was applied:

- The Strategy is based on the provisions of the WTO Agreement on Trade Facilitation (TFA) and CEFTA Additional Protocol 5 (AP 5) regarding measures of national character whose implementation directly depends on the relevant Montenegrin institutions. The Strategy includes international co-operation requirements, i.e. reporting obligations to the CEFTA Secretariat arising from the provisions of AP5. The Strategy and the Action Plan do not include such measures of the AP5 that need to be undertaken at a regional level, since their implementation goes beyond solely national activities;
- For the analysis of the existing situation and the identification of priority reform areas, national studies have been used with regard to the status of trade facilitations made in the previous period, as well as the Doing Business Report of the World Bank Group;
- Operational goals are expressed in such a way that they are directed towards realistic effects and results rather than activities and products (regulations and other documents). For each operational goal, concrete and measurable performance indicators are provided that will allow for yearly progress monitoring. All measures derived from operational goals contain qualitative and quantitative performance indicators that measure the results of the undertaken activities and their impact. The Action Plan includes indicators that are directly related to the activities that need to be undertaken in support of a successful implementation of the measures set out in the Strategy and which are focused on outputs. In order to improve the position of Montenegro in international surveys on cross-border



trade, indicators of relevant international organizations (EU Customs Blueprint, OECD Trade facilitation indicators, WCO, WBG, UNECE indicators, etc.) that carry out periodic surveys in this area and provide rankings were mostly used to define the indicators;

- The Action Plan includes data on resources (including funding sources) and information regarding required external technical assistance and capacity building for the implementation of specific activities. Funds necessary for implementation will be provided partly from the state budget through regular budgetary funds of the involved institutions and partly by international funds, domestic and international donations as well as EU pre-accession funds. For three measures, no funding source could be readily identified: Implementation of electronic submission of customs documents, Information system development for the Administration of Food Safety, Veterinary and Phytosanitary Affairs, and the Single Window Project. It is proposed to initiate additional consultations with the international community to identify options for funding and implementation;
- In developing the Strategy, instead of the method of public consultation with the private sector, the approach of their active participation at two levels was used: through the Membership in the Working Group for the Development of the Strategy (the Chamber of Economy of Montenegro, the Association of Freight Forwarders and the Trade Association) and through the process of harmonization and adoption by the National Trade Facilitation Committee (the Chamber of Economy of Montenegro; the Association of Freight Forwarders of the Chambers of Economy; the Trade Association of the Chambers of Economy, the Association of Small and Medium-Sized Enterprises and Entrepreneurs of the Chamber of Economy e, Montenegro Business Alliance and the Union of Employers of Montenegro);
- The comments of the Director for Coordination, Compliance Monitoring and Monitoring of the Implementation of Strategies at the Ministry of European Affairs have been fully taken into account during the formulation of the Strategy.



## BACKGROUND

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### THE CONCEPT OF TRADE FACILITATION

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Trade facilitation is a concept directed towards systematic enabling environment for international trade transactions by reducing the complexity, time and costs of the cross-border procedures, and ensuring that they take place in an efficient, transparent and predictable manner. It relates to a wide range of areas and activities such as:

- Harmonization and enhancement of applicable laws and regulations,
- Simplification of administrative and border formalities, procedures and documents,
- Development and integration of information systems used by different border authorities in order to improve information exchange,
- Transparency, which implies that of information on customs and other trade related regulations are publicly available and easily accessible to all interested parties.

The global significance and obligatory character of this process came with the conclusion of the Trade Facilitation Agreement of the World Trade Organization in December 2013, ratified by Montenegro on 27 March 2016, which obliged the WTO members to implement various measures to facilitate international trade.

Following this example, and given that some CEFTA parties are not members of WTO, CEFTA parties have signed the Additional Protocol 5 by which they have agreed to continue to reduce / eliminate barriers to their mutual trade through:

- harmonization of inspections border formalities without impairing their purpose, their proper implementation or their effectiveness;
- investment in information and communication technologies to ensure the electronic exchange of documents, data and information between CEFTA Parties,
- improvement of the quality and application of risk analysis,
- mutual recognition of Authorized Economic Operator (AEO) certificates.

### INTERNATIONAL OBLIGATIONS

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Montenegro's main international commitments on trade facilitation are contained in the Stabilization and Association Agreement with the EU, the Interim Agreement on trade and trade-related matters and the relevant negotiating chapters, the WTO Trade Facilitation Agreement and the CEFTA Additional Protocol 5.



1. **EUROPEAN UNION ACCESSION** - Montenegro presented its application for membership of the European Union on 15 December 2008. Following the EU Commission's favourable opinion on the application in 2010, negotiations for accession were formally launched in June 2012. As a condition of membership, Montenegro will be required to adopt, implement and enforce all current EU rules (the "acquis"). At present, 30 of 35 chapters of the acquis have been opened for negotiations out of which 3 are provisionally closed.

Of particular relevance to the National Trade Facilitation Strategy is the negotiation chapter on the customs union (Chapter 29), which will require Montenegro to align its customs legislation, demonstrate adequate implementing and enforcement capacity, and access the EU common computerized customs systems; the chapter on food safety, veterinary and phytosanitary policy (Chapter 12); and the chapter on justice, freedom and security (Chapter 24), which includes border controls.

Given the key importance of Montenegro's EU accession process, all trade facilitation reforms embedded in the National Trade Facilitation Strategy – such as improvements in legislation, procedures, formalities, ICT systems – must be implemented in a manner that is fully aligned with EU requirements.

2. **WTO TRADE FACILITATION AGREEMENT (TFA)** – Montenegro ratified the WTO Trade Facilitation Agreement on 27 March 2016 and officially notified the WTO of its acceptance on 10 May 2016. The TFA entered into force on February 22, 2017, following its acceptance by two-thirds of the WTO membership, and therefore is binding on Montenegro from that date. The TFA contains certain "special and differential treatment provisions" that are intended to support developing country members, such as Montenegro, in implementation. These provisions allow each such member to determine for itself:
  - when it will implement each of the technical measures of the new agreement, based on the country's own assessment of its capacity and priorities, and,
  - for which of the technical measures the country will require external technical and capacity building support to implement.

On 7 October 2014, Montenegro notified the WTO of the measures falling under "Category A" – the measures that had already been implemented or were ready to be implemented from the date of the entry into force of the Agreement. "Category B" (measures for whose implementation some additional time was required); and "Category C" (measures requiring additional time and external technical assistance to be implemented) were notified on 31 May 2017.



Table 1 Overview of Categories B and C and Implementation Deadlines

**CATEGORY B**  
(Delay Period)

2020	7.4. Risk Management
2020	7.5. Post Clearance Audit
2020	7.8. Expedited Shipments
2022	11.5-10 Transit procedures and controls

**CATEGORY C**  
(Delay Period +  
Technical Assistance  
Support Required)

2022	1.2. Information Available Through Internet
2020	1.3. Enquiry Points
2020	1.4. Notification
2020	5.1. Notification for Enhanced Controls or Inspections
2020	6.1. General Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation
2022	7.1. Pre-arrival Processing
2020	7.6. Establishment and Publication of Average Release Times
2020	7.9. Perishable Goods
2024	10.4. Single Window

- 1. CEFTA ADDITIONAL PROTOCOL (AP) 5-** The CEFTA Additional Protocol 5 is a regional trade facilitation agreement and applies to all CEFTA signatories, regardless of whether they are WTO members or not. It was signed on 26 May 2017 and will come into force after ratification by three CEFTA members. Montenegro submitted the instrument of ratification on 6 March 2018. AP 5 has currently been ratified by two other CEFTA Parties (Macedonia and Moldova), and it will come into force 30 days after the receipt of the third instrument of ratification, which is expected in the shortest possible time.

In addition to provisions identical to those of the WTO TFA, certain other CEFTA AP 5 provisions require a higher level of implementation of its members. These “TFA+” provisions include:

- provisions that require a measure to be applied to all border authorities, rather than just the customs administration (e.g., measures on appeals, penalties, and risk management);
- provisions that require publication to be made electronically, rather than only in print form, and in both English and the national language (e.g., measure on publication of information on fees and charges); and
- provisions that require a government to implement a measure rather than require only the government use “best efforts” to do so (e.g., measure on electronic payments).



In addition, AP 5 includes requirements intended to deepen and strengthen cross-border cooperation among CEFTA members that are not found in the TFA. These include:

- requirements for electronic exchange of transaction data and risk information; and
- provisions to enable mutual recognition of AEOs among the CETA states.

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## NATIONAL DOCUMENTS PARTLY REGULATING TRADE FACILITATION ISSUES

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The Economic Reform Programme of Montenegro 2018-2020, the Integrated Border Management Strategy 2014-2018 and the Business Strategy of the Customs Administration 2016-2018 include certain elements of trade facilitation, which are summarized below and are taken into account in drafting this Strategy.

1. **ECONOMIC REFORM PROGRAMME 2018-2020** - The Government's *Economic Reform Programme for Montenegro for the period 2018-2020* is a key national document used in the dialogue with the European Commission and the EU Member States and is the country's most important strategic document for medium-term macroeconomic and fiscal programming. This document defines Montenegro's strategic development goal in the following way: *Sustainable and inclusive economic growth that will contribute to the reduction of the development gap between Montenegro and the EU average<sup>1</sup>, and thus to the quality of life of all its citizens.*

Two groups of economic policy measures have been identified to achieve this strategic development goal: (i) measures related to strengthening macroeconomic stability of the country; and (ii) measures aimed at resolving structural problems in the economy, i.e. reducing or eliminating obstacles to economic growth and strengthening the overall competitiveness of the country.

One such structural issue that represents a significant obstacle to economic growth and competitiveness is related to the country's narrow export base and the low degree of diversification of exports, which are claimed to contribute to the high foreign trade deficit of Montenegro, as well as the low level of added value in production.

In order to overcome this obstacle and to achieve the strategic development goal, the Programme commits Montenegro to reforming trade facilitation. It states that the Government will implement these reforms through the introduction of measures under the Trade Facilitation Agreement and CEFTA AP5. To ensure full implementation of these Agreements, the Programme is committed to the adoption of the Trade Facilitation Strategy and the Action Plan for its implementation in 2018. The full implementation of the Agreement is expected to contribute to reducing trade costs, reducing the retention time at the border and improving coordination and efficiency of state authorities in charge of cross-border movement of goods.

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<sup>1</sup> It is measured in terms of GDP per capita, expressed in purchasing power standards. GDP per capita in Montenegro is 47% of the EU average.



2. **INTEGRATED BORDER MANAGEMENT STRATEGY 2014-2018** - The primary focus of the Ministry of Interior's Integrated Border Management Strategy 2014-2018 is security: "to ensure the efficient operation of border police and other departments that have jurisdiction over the state border in order to safeguard national security and the security of the European Union, particularly with regard to combating illegal migration and cross-border crime".

However, the IBM strategy also includes some trade facilitation-related objectives. In particular, within the framework of the strategic goal 4-Interministerial cooperation, the Strategy defines the activities and measures for its improvement.

*Table 2 IBM Strategy IUG: Activities and measures containing elements of trade facilitation*

ACTIVITY	MEASURES
Harmonizing the legal framework	Improving interagency cooperation through the changes to the existing agreement on mutual cooperation in IBM
Coordination of activities of involved bodies	Improving interagency cooperation: <ul style="list-style-type: none"> <li>• regular meetings of the Inter-ministerial Commission</li> <li>• coordination of Expert Working Groups</li> <li>• analysis of reports on cooperation</li> <li>• preparation of the annual report on implementation of the Action Plan for the implementation of IBM Strategy</li> </ul> Improving interagency cooperation: <ul style="list-style-type: none"> <li>• cooperation between relevant authorities</li> <li>• planning and implementation of joint actions at the border crossings and inland</li> <li>• coordination of border services at border crossings and inland</li> <li>• joint use of equipment</li> <li>• joint specialized training</li> <li>• planning and implementation of joint actions</li> <li>• regular joint meetings at all levels</li> </ul>
Harmonization and further development of standard procedures	Implementing joint risk analysis: <ul style="list-style-type: none"> <li>• harmonise methodologies for common risks analysis with CIRAM</li> <li>• creating a common risk analysis</li> </ul>
Promoting cooperation in the training	Conducting joint training: <ul style="list-style-type: none"> <li>• analyse and update the program of joint training/exchange of training</li> <li>• joint training in accordance with the updated training program</li> </ul>
Communication and exchange of information and data	Implementation of the existing agreements on cooperation between the relevant authorities: <ul style="list-style-type: none"> <li>• updating existing agreements and their implementation</li> </ul>



ACTIVITY	MEASURES
Interoperability of IT systems	Establishment of technical prerequisites for the exchange of information between relevant authorities: <ul style="list-style-type: none"> <li>• ensuring standards for data protection</li> <li>• implementation of authorised data access in accordance with the Agreement on Cooperation in IBM</li> <li>• joint planning and purchasing of the necessary equipment as required</li> </ul>

3. **CUSTOMS BUSINESS STRATEGY 2016-2018** - The Ministry of Finance, Customs Administration Business Strategy 2016-2018 defines a vision, mission and seven strategic goals. One of these seven strategic goals is trade facilitation: Strategic goal 4: Improvement of Trade Facilitation and Improvement of Partnership with the Business Community.

To realize this trade facilitation goal, the Business Strategy defines the following specific objectives and high-level actions to be taken by Customs. These include measures to implement simplified procedures, an AEO program, an express consignment procedure, the EU automated clearance systems for import and transit (ICS and NCTS), and public communication strategies.

*Table 3 Customs Administration Business Strategy: trade facilitation goals and procedures*

SPECIFIC OBJECTIVES	ACTION
Implementation of new, and improvement of existing, mechanisms to facilitate trade	<ol style="list-style-type: none"> <li>1. Development of guidelines for simplified procedure based on invoice, according to the implementing provisions to the Customs Law</li> <li>2. Development of guidelines for simplified procedure on the basis of accounting records, according to the Implementing provisions to the Customs Law</li> <li>3. Conducting the activities aimed at implementing AEO</li> <li>4. Participation in a pilot project on the mutual recognition of AEO certificates within the CEFTA countries</li> <li>5. Drafting an instruction on the treatment of postal consignments</li> <li>6. Drafting an instruction on express consignments</li> <li>7. Development of instructions on placing goods in passenger traffic</li> <li>8. Preparation for realization of project of introducing of Import Control System (ICS)</li> </ol>
Undertaking activities to implement the New Computerised Transit System as well as the implementation of the Common Transit	<ol style="list-style-type: none"> <li>1. Implementation of the tender procedure for the project IPA 2014</li> <li>2. Establish the organizational unit for transit and organizational unit to help users</li> <li>3. To carry out all necessity activities for national implementation</li> </ol>



Convention and the  
Convention on Facilitation of  
Trade in Goods

Implementation of a system  
of management of quotas

Improving partnerships with  
the economic operators

of NCTS

Carry out the necessary activities for the implementation of a quota  
management system

1. Signing of Memoranda of Understanding with economic operators and their associations
2. Creating a strategy for public relations, which would include the appointment of a spokesperson for internal and external communication



## ANALYSIS OF THE CURRENT SITUATION

In recent years, Montenegro has significantly improved the operating environment for cross-border trade. A new set of regulations in the area of customs and food safety have been adopted, largely in line with EU standards, providing a framework for establishing a new regime of foreign trade. International agreements and conventions in this area have also been ratified.

The establishment of the National Trade Facilitation Committee as a coordinating body for monitoring the trade facilitation reforms in accordance with the WTO Trade Facilitation Agreement and related agreements provides for an adequate institutional framework.

However, traders continue to report on barriers they face in their business. Studies and international reports show that significant progress has been made in adopting adequate regulations, additional efforts are still needed to make these solutions work in practice and to ensure that Montenegro meets the standards of a competitive market economy. This also shows the qualitative assessment of the situation in Montenegro in terms of trade facilitation given in several studies prepared in the previous period:

- a 2014 assessment by representatives of border authorities for purposes of determining alignment to the trade facilitation measures of the WTO TFA (July 2014),
- UNCTAD, Report on Analysis and Policy Recommendations of Trade Facilitation and Non-Tariff Measures in Beverages and Auto-Parts Supply Chains (January 2016); and
- the World Bank Group, Time Release Study 2016 (November-December 2016);

Recommendations for eliminating the barriers recorded by these documents are provided. These recommendations are formulated as measures in this document, and their presentation and detailed elaboration are included in the Strategy section relating to the Operational Goals and Measures<sup>2</sup>. An overview of the recorded barriers and recommendations for their improvement is given in the following table:

BARRIERS	RECOMMENDED IMPROVEMENTS
Insufficient transparency: Information related to cross-border trade is not accurate, consistent and easily accessible	1.1. Improve the quality and availability of information by regularly publishing and updating the regulations, procedures, forms and documentation necessary for the implementation of import, export and transit procedures;



## ANALYSIS OF THE CURRENT SITUATION

BARRIERS	RECOMMENDED IMPROVEMENTS
to all stakeholders, and that it is possible to obtain answers to	1.2. Establish enquiry points within all competent institutions that will respond promptly to reasonable inquiries from stakeholders;
Complex, costly and long-lasting procedures and lack of a business environment that provides clear and simple formalities without disturbing their purpose, their proper implementation or their effectiveness.	2.1. Conduct an analysis and review the existing formalities and documentation with the aim of their simplification and harmonization;
	2.2. Regularly review the fees and charges collected in procedures, and in relation to import, export and transit procedures with the aim of reducing their number and diversity;
Insufficient efficiency of the clearance procedure, especially regarding goods subject to veterinary and phytosanitary inspection	3.1. Establish a system of regular measurement of the average time of release of goods in cross-border traffic;
	3.2. Expand the application of simplified customs procedures;
	3.3. Fully develop and implement the program of authorized economic operators with a transparent procedure for application filing, and authorization of authorized economic operators, with clearly defined benefits for economic operators;
	3.4. Adopt and implement pre-arrival processing procedures that enable systematic risk assessment of commodity transactions by customs and inspection bodies through the adoption of standardized regional and EU procedures, formats and communication protocols;
	3.5. Adopt regulations and implementing operating procedures that ensure that the inspection and release of perishable goods is given priority and carried out in the shortest possible time;
Insufficiently functional risk management system: The current system does not provide proper identification and focus on high-risk items, information sharing and joint inspections, in order to provide an adequate balance between trade facilitation and public interest protection.	4.1. Adopt and implement a functional risk management system and selectivity as the basis for inspecting the goods subject to veterinary, phytosanitary and food safety inspection;
	4.2. Further improve the risk management system in the Customs Administration that will ensure a proper system for identification of high-risk shipments, continuous analysis, assessment and treatment;
	4.3. Improve post-clearance audit to allow the customs administration to carry out its tasks (customs clearance and inspection of goods and revenue collection), while facilitating foreign trade;
Inadequate coordination of border authorities	4.4. Improve the coordination of competent border authorities, including the harmonization of working hours, establishment of a common approach to risk management, joint inspections and interconnection of information systems;
Insufficiently developed information infrastructure and different level of automation of border authorities	5.1. Improve regulations and upgrade the CIS to enable electronic submission of the goods declaration and supporting documents for import, export or transit, without the requirement of a paper copy;
	5.2. Implement all the necessary activities for national implementation of



## ANALYSIS OF THE CURRENT SITUATION

BARRIERS	RECOMMENDED IMPROVEMENTS
	NCTS in order to increase effectiveness and efficiency in the transit procedure; better prevention and detection of fraud and acceleration and security of transactions performed in the transit procedure;
	5.3. Implement the information system of the Food Safety, Veterinary and Phytosanitary Authority;
	5.4. Initiate the establishment of a "single window" that will enable the electronic submission and processing of applications and all documents related to the import, export or transit of goods at one place;

Removing the identified barriers will not only improve cross-border trade, especially when it comes to export growth. However, it can improve economic growth and competitiveness of the economy and ensure the success of other strategic priorities. The removal of these obstacles is essential in the context of the reforms within the process of Montenegro's progress towards full membership in the European Union and enhanced competition which, in addition to doing so, will be of great importance for Montenegro's ability to engage equally in that system.

The Time Release Study carried out by the Customs Administration of Montenegro in November and December 2016 with the Technical Assistance of the International Finance Corporation (IFC), as well as the World Bank's Doing Business Report for 2018 - cross-border trade indicator, serve as useful benchmarks for Montenegro's current trade facilitation performance.

The key conclusions derived from these analyses are:

- the time and cost to import to, or export from, Montenegro exceeds the EU average by a large margin, with import time and costs exceeding EU averages by a factor of 10 or more;
- Montenegro's export time and costs compare favourably with those of other CEFTA countries; however, import time and cost exceeds the CEFTA-country average by a factor of 2 or 3;
- the time required to transport imported goods from the Montenegro border to an inland terminal (and vice versa, for export) is a significant factor. There are also obvious opportunities for reduction of time both at the border offices and the inland terminals;

All trade facilitation reforms – e.g., legislation, procedures, border formalities, ICT systems – must be implemented in a manner fully aligned to the EU requirements in order to fulfil Montenegro's obligations for EU membership.

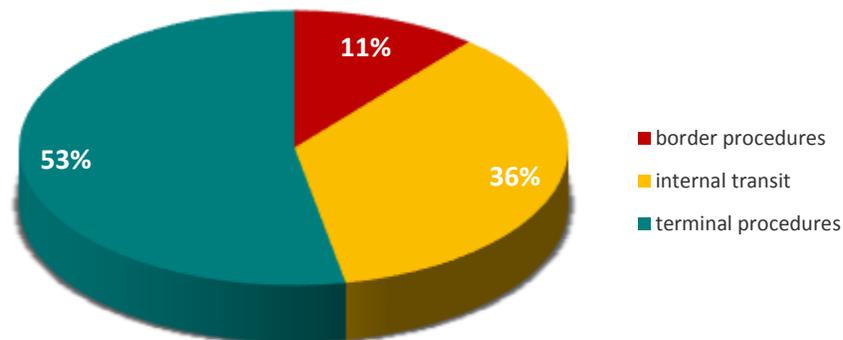


## TIME RELEASE STUDY 2016

The average time of release of goods imported through the border crossing point of Dobrakovo and Customs Terminal in Podgorica is **16 hours and 4 minutes**, of which **36% (5 hours and 44 minutes)** belongs to the time required for internal transit from the border crossing point to the internal terminal. Time is measured from the moment of arrival of the truck to the Montenegrin border until the final release of the goods after the customs control and the driver's departure from the terminal.

The procedures at the terminal take proportionally the longest (**53%**) of the total time needed for processing and clearance; of this time, the documentation handover procedure between the driver and the freight forwarder lasted the longest, **3 hours and 55 minutes (33%)**. The total time of this procedure is influenced by the fact that the release of goods for free circulation can only be done in the daytime shift (07:00-14:30) and, if a truck arrives at the terminal after 14:30, the handover and other procedures at the terminal can only be done the next day.

Chart 1 Average time of release of goods in road transport (%)

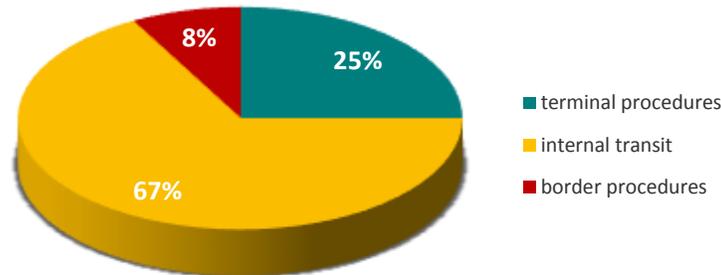


These results were recorded in 2016, in a Study carried out by the Customs Administration with the support of the IFC. The Study found that importation time could vary considerably depending on the nature of the individual import. Due to how the inspection services organize their work and the lack of qualified staff, waiting time at the border for goods subject to veterinary control is four times longer than for other goods. On the other hand, the total time to import goods that are subject to a simplified customs procedure based on invoice and / or border clearance is much shorter: such goods are released for free circulation directly at the border within 1 hour and 22 minutes from the moment of arrival to the border.

For the **export** of goods from Montenegro, the average time of customs clearance of goods by road on the same route is about **8 hours**, measured from the moment the export declaration is registered at the internal terminal until leaving the customs territory of Montenegro. This is roughly half the time needed for imports, where domestic transit is also the largest factor and makes up **67%** of total time. Procedures at the Podgorica customs terminal lasted two hours on average, while at the Dobrakovo border crossing point it took **38 minutes** to complete all the procedures.



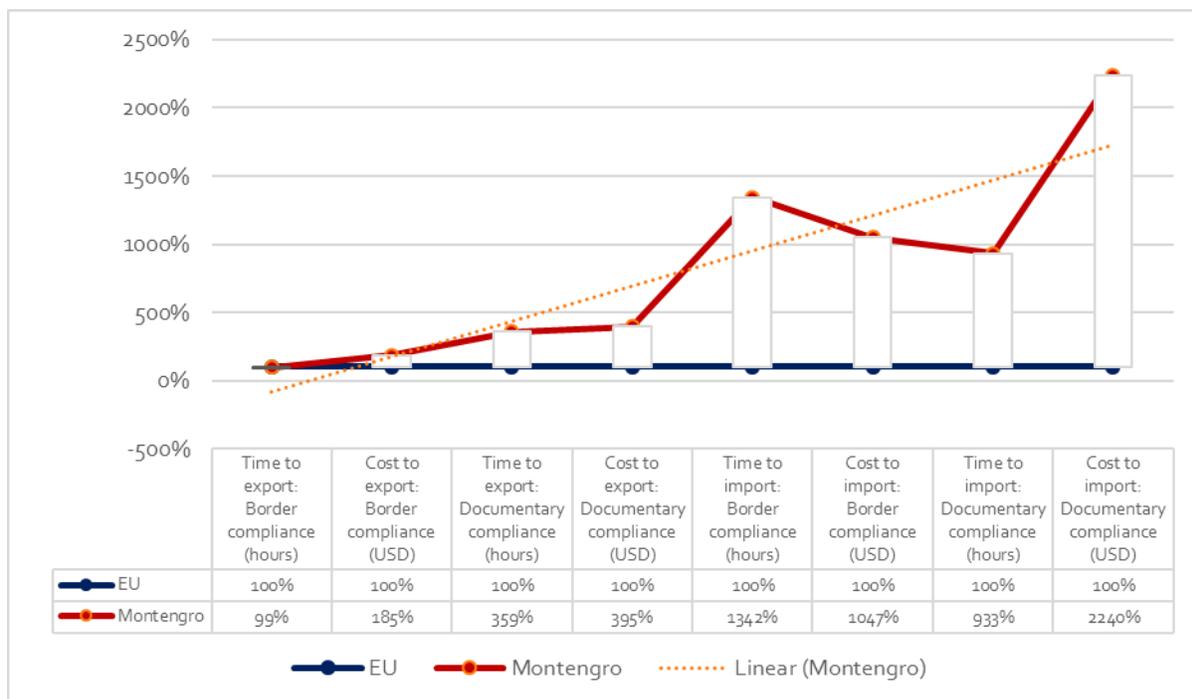
Chart 2 Average time of export of goods in road transport (%)



## SURVEY OF TIME AND COST TO EXPORT AND IMPORT

According to the World Bank’s 2017 Doing Business survey, the time and cost to trade goods across Montenegro’s are significantly higher than the EU average. This discrepancy is particularly marked for imports where time and costs exceed the EU average by a factor of 10 or more.

Chart 3 Cross-border movement of goods: deviation from the EU average (%)

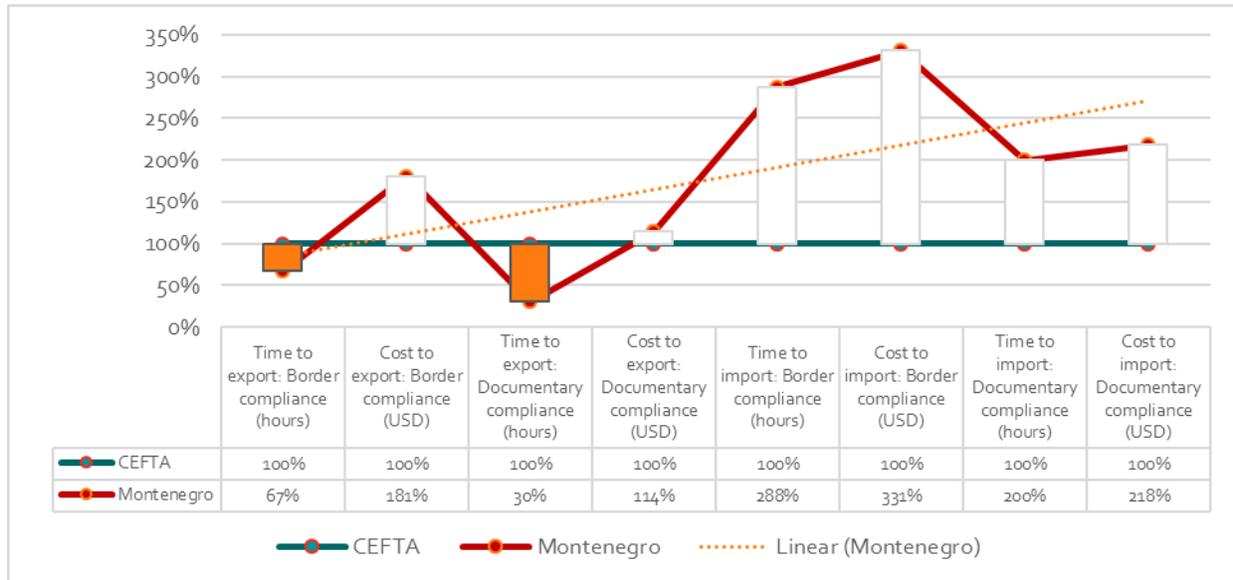




## ANALYSIS OF THE CURRENT SITUATION

On the other hand, while time and cost to export from Montenegro compare favourably to the average of the other CEFTA-countries, import time and costs are 2 to 3 times higher in Montenegro than in these countries.

**Chart 4: Cross-border movement of goods – Deviation from other CEFTA countries (%)**



The World Bank 2018 *Doing Business* survey ranks Montenegro 44 of 190 economies in the ease of trading across borders. Given the discrepancies in time and cost to import and export mentioned above, Montenegro's *Doing Business* 2018 ranking is the least favourable of the CEFTA countries, other than Kosovo,<sup>3</sup> and falls far behind the average ranking of the EU countries, which is 13.

<sup>3</sup> There is not, however, a large degree of separation among the CEFTA countries in the ranking, as Albania ranks highest at 24, and Kosovo lowest at 51.



## STRATEGIC GOAL

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Montenegro's strategic development goal, which is defined in the government's Economic Reform Programme 2018–2020, is "sustainable and inclusive economic growth that will contribute to a reduction in the development gap between Montenegro and the EU average, and thereby to the improvement of the quality of life of all its citizens."

In order to achieve this strategic development goal, the Government of Montenegro combines two groups of economic policy measures. The first group of measures relates to strengthening macroeconomic stability, fiscal and financial, while the second group of economic policy measures focuses on solving structural problems in the economy, i.e. eliminating the key obstacles to improving the country's competitiveness and increasing potential economic growth in the medium and long term.

The strategic goal of the Trade Facilitation Strategy stems from the second group of economic policy measures and aims at the elimination of administrative inefficiencies in cross-border movement of goods, which jeopardizes the export potential of Montenegro and, consequently, the competitiveness of its economy.

Strategic goal:

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***By the end of 2022, Montenegro will eliminate the administrative and border inefficiencies that affects its competitiveness, and thus reduce the release time for import, export or transit goods by at least 50% and the trade related costs by at least 20%.***

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The implementation of the measures of the Strategy will establish an integrated and efficient system for facilitating cross-border trade. Improved cooperation with the business community will contribute to the reduction of the time and costs needed for the implementation of procedures for import, export and transit of goods. It is also expected that the increase in efficiency anticipated by this Strategy will be reflected in the improvement of Montenegro's position in international cross-border trade surveys, such as: the Doing Business Report of the World Bank Group - Cross-border Trade Indicator, Logistics Performance Index, OECD Trade Facilitation Indicators, and closer harmonization of the average time of release of goods with those of the EU countries

Monitoring the fulfilment of the strategic goal will be done through monitoring and evaluating the results and effects of the Action Plan implementation and reporting on the achieved results. For the purpose of more efficient monitoring of the strategic goal, the results and methodology from the Time Release Study of 2016 will be used as a baseline. The Time Release Study will be repeated in 2019 and 2022, in order to obtain a full picture of the level of progress against the first study from 2016, and will provide information needed to take corrective action if necessary.



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## OPERATIONAL GOALS AND MEASURES

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The National Trade Facilitation Strategy defines five *operational goals*, which, when implemented together, will contribute to the realization of the *strategic goal*.

The operational goals are:

- **Improve transparency and access to information** – increase the availability and quality of information related to cross-border trade and establish enquiry points within the competent authorities that will respond to reasonable inquiries from stakeholders. The intention is to enable all stakeholders to be fully aware of their rights and obligations through transparent, publicly announced and consistent procedures and rules, improve public and private sector collaboration, while ensuring openness, mutual trust and respect;
- **Alignment and rationalization of formalities, documents and fees** – through a regular review of all formalities, documents, charges and fees related to import, export and transit of goods in order to minimize the administrative burden on the business community;
- **Implement simplified and expedited declaration and release processes**– which includes a set of measures (such as extending the application of simplified procedures and authorized economic operators, introducing a system for processing prior to arrival of goods and accelerating the flow of perishable goods), aimed at reducing the time needed to complete all procedures in cross-border traffic, the success of which will be monitored through regular implementation of the Time Release Study;
- **Strengthening cooperation and enhancing the effectiveness of border authorities controls**– which aims to establish and develop a fully functional risk management system that will ensure the identification and focus on high-risk consignments, information sharing and joint control, in order to provide an adequate balance between trade facilitation and protection of public interests;
- **Expand automated processing and electronic data exchange**- which implies the development and networking of information systems of authorities in charge of cross-border traffic, to enhance communication and data exchange between competent authorities, as well as between them and businesses, thereby eliminating duplication and reducing the time of retention of goods.

One or more goal performance indicators are defined for each operational goal. They are intended both to guide border authorities in their development of implementing measures by indicating expected outcomes and to determine whether the goals have been met.

Linked to each operational goal are one or more related measures. These are specific actions or projects to be carried out by one or more of the border authorities to realize the operational goal. The Strategy contains 18 measures. Each measure has a defined completion time, consistent with Montenegro's commitments under the WTO Trade Facilitation Agreement and the CEFTA Additional Protocol 5.



## OPERATIONAL GOALS AND MEASURES

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For the purpose of guiding the competent authorities, as well as to monitor and measure progress, *indicators* are defined for each measure. These indicators will monitor the success of implementation in terms of quantity, quality and timeframe. An overview of the indicators is included in the Strategy, while their further elaboration is shown in the Action Plan.



## OPERATIONAL GOAL 1 | IMPROVE TRANSPARENCY AND ACCESS TO TRADE-RELATED INFORMATION

Competent authorities will make all information required to comply with their import, export or transit rules and formalities easily accessible to economic operators through print publications, through the Internet, and through operation of enquiry points in accordance with the requirements of the TFA and CEFTA AP 5

### PERFORMANCE INDICATOR

- 1.1. As of 1 January 2021, 70% of surveyed stakeholders report a high level of satisfaction with information published on the websites of border authorities in terms of accuracy, usefulness and up-to-date information.
- 1.2. As of January 1, 2020, 70% of the surveyed stakeholders report a high level of satisfaction with the work of enquiry points in terms of the accuracy, usefulness and timing of responses provided by enquiry points.

### MEASURE 1.1. INCREASE AVAILABILITY AND QUALITY OF INFORMATION

Government competent authorities will publish and keep regularly updated, information and forms concerning import, export and transit requirements, in compliance with the TFA and the CEFTA Additional Protocol 5.

<b>PERFORMANCE INDICATOR</b>	1. Percentage of information published pursuant to Articles 1.1. and 1.2. of the Trade Facilitation Agreement and CEFTA AP 5;
<b>EXPLANATION</b>	The Trade Facilitation Agreement and CEFTA AP5 provide for the obligation to publish, in an easily accessible manner, information relating to cross-border operations, as follows: <ul style="list-style-type: none"><li>• <i>procedures and description of import, export and transit procedures, including appeal or review procedures, for informing the governments, traders and other stakeholders of the practical steps necessary for the import, export and transit of goods;</i></li><li>• <i>contact information of laboratories in which repeated tests of the imported goods can be carried out;</i></li><li>• <i>rules on the origin, valuation, restrictions, prohibitions and quotas;</i></li><li>• <i>fees and charges payable during or in connection with import, export or transit;</i></li><li>• <i>mandatory forms and documents;</i></li><li>• <i>other information related to cross-border trade in goods required by the provisions of the Trade Facilitation Agreement and CEFTA AP5.</i></li></ul>



**MEASURE 1.2. ESTABLISH ENQUIRY POINTS**

Each government competent authority will establish an enquiry or contact point to respond to economic operator's questions about import, export or transit requirements and provide copies of required forms and documents, in accordance with the relevant provisions of the TFA.

<b>PERFORMANCE INDICATOR</b>	1. Percentage of responses to relevant inquiries provided by the enquiry points;
<b>EXPLANATION</b>	<p>The Trade Facilitation Agreement provides for the establishment of one or more enquiry points, which will require the competent authorities to appoint a contact person (s) who will respond to reasonable questions or requirements relating to the conditions of import, export or transit or requirements regarding the necessary forms and documents.</p> <p>Pursuant to the Trade Facilitation Agreement, Member States define a reasonable time period for submitting a response to the questions asked, which varies depending on the nature or complexity of the inquiry.</p>



## OPERATIONAL GOAL 2 | ALIGN AND RATIONALIZE FORMALITIES DOCUMENTS AND FEES

Formalities and documents required by border authorities for import, export or transit of goods will be harmonized with relevant EU standards and fees and charges imposed by border authorities on or in connection with the import, export or transit of goods will be annually reviewed in order to reduce their diversity and number, where practicable.

### PERFORMANCE INDICATOR

- 1.1. By December 31, 2022, formalities and documents, required by customs to import, export and/or transit goods are fully aligned to the requirements of EU legislation.
- 1.2. By December 31, 2022, formalities and documents, required by the Food Safety, Veterinary and Phytosanitary Authority to import, export and/or transit goods are fully aligned to the requirements of EU legislation and applicable provisions of CEFTA AP 5.
- 1.3. By December 31, 2022, fees and charges collected in connection with import, export and transit of goods are simplified, consolidated and/or eliminated to the extent that this is not contrary to the relevant EU requirements.

### MEASURE 2.1. SIMPLIFY AND HARMONIZE FORMALITIES AND DOCUMENTATION REQUIREMENTS

Every second year after 2018 (the year envisaged for the entry into force of CEFTA AP 5), the competent authorities shall analyse their procedures and documents necessary for the import, export and transit of goods and implement recommendations for their harmonization, simplification and reduction on the basis of criteria and in the manner foreseen by CEFTA AP 5.

<b>PERFORMANCE INDICATOR</b>	1. Percentage of documents that have been harmonized, simplified and/or eliminated
<b>EXPLANATION</b>	<p>CEFTA AP 5 requires a biennial review of import, export, and transit formalities and documentation requirements to ensure that such requirements are:</p> <ul style="list-style-type: none"><li>• <i>adopted and/or applied with a view to a rapid release and clearance of goods, most particularly perishable goods;</i></li><li>• <i>adopted and/or applied in a manner that aims at reducing the time and cost of compliance for all supply chain actors,</i></li><li>• <i>the least trade restrictive measure chosen where two or more alternative measures are reasonably available for fulfilling the policy objective or objectives in question; and</i></li><li>• <i>not maintained, including parts thereof, if no longer required.</i></li></ul> <p>A CEFTA Joint Committee will develop procedures for the review and the sharing of relevant information and best practices by CEFTA Parties, as appropriate, in six months</p>



## OPERATIONAL GOALS AND MEASURES

after protocol enters into force.

The provisions of the Trade Facilitation Agreement also prescribe regular review of formalities, documents and data, without determining the time intervals in which the review will be conducted.

### MEASURE 2.2. CONDUCT REGULAR REVIEW OF NUMBER/DIVERSITY OF FEES AND CHARGES

**The Ministry of Finance, in cooperation with the relevant institutions, shall annually review fees and charges imposed on or in connection with import, export or transit of goods to reduce their number and diversity, where practicable, and make a recommendation to the government, to the extent possible.**

#### PERFORMANCE INDICATOR

1. Frequency of reviewing fees and charges in order to reduce their number and type.

#### EXPLANATION

The Trade Facilitation Agreement requires periodic reviews of fees and charges in order to reduce their number and type.

CEFTA AP 5 prescribes the obligatory publication of reviews of fees and charges related to import, export and transit of goods, which will include: a list of fees and charges, the reasons for their existence, the competent authority and the payment method. In addition, CEFTA AP 5 introduced the obligation of reviewing fees and charges on an annual basis. This is reported to the CEFTA Trade Facilitation Committee. The report on the first review is submitted at the first meeting of the CEFTA Trade Facilitation Committee, which is to be held one year after the entry into force of the AP5.



## OPERATIONAL GOAL 3 | IMPLEMENT SIMPLIFIED AND EXPEDITED DECLARATION AND RELEASE PROCESSES

Border authorities will adopt and fully implement simplified and expedited processing procedures in accordance with the TFA and CEFTA Additional Protocol 5.

### PERFORMANCE INDICATOR

- 3.1. By December 31, 2022, the simplified and expedited release procedures are fully aligned with EU legislation and relevant EU requirements.

#### MEASURE 3.1. IMPLEMENT REGULAR TIME RELEASE STUDY

Beginning 2019, and every 3 years thereafter, the customs administration measures the average release time for import, export and transit goods and publishes the results on its website (the study is completed in June and the results are published by December of the same year).

**PERFORMANCE INDICATOR**

1. Time Release Studies will be carried out and published in 2019 and 2022.

**EXPLANATION**

The Trade Facilitation Agreement and CEFTA AP 5 encourage the Parties to conduct regular measurements of the average time of release of goods at regular intervals and publish the results of the measurements.

This activity is essential to enable the NTFC and stakeholders to monitor whether the Trade Facilitation Strategy is meeting its goals and whether adjustments in the implementation of the strategy are required.

#### MEASURE 3.2. EXPAND USE OF SIMPLIFIED PROCEDURES

The Customs Administration, in coordination with the Food Safety, Veterinary and Phytosanitary Authority and business associations, will develop and implement programs to increase the use of simplified import and export procedures by economic operators.

**PERFORMANCE INDICATOR**

- 1. Percentage of declarations processed within simplified procedures in relation to the total number of declarations.

**EXPLANATION**

Simplified procedures provided under the customs legislation allow businesses who are authorized by the Customs Administration to obtain more quickly than the



## OPERATIONAL GOALS AND MEASURES

normal procedure the release of imported goods using a simplified (invoice) declaration or local clearance. At present, the goods subject to SPS requirements are not covered by simplified procedures, thus limiting the benefits of this procedure.

This activity will require the Customs Administration, in close coordination with the Food Safety, Veterinary and Phytosanitary Authority and business associations, to assess barriers to increased use of these procedures, and to develop and implement coordinated measures to reduce such barriers and to encourage their greater use by businesses.

### MEASURE 3.3. FULL IMPLEMENTATION OF THE AUTHORIZED ECONOMIC OPERATOR PROGRAM

The Customs Administration will implement an AEO program that is fully in line with the criteria provided by the relevant legislation of the European Union.

#### PERFORMANCE INDICATOR

1. Degree of alignment of the AEO program of Montenegro with EU criteria;
2. The percentage of import/export declarations submitted by economic operators having the AEO status in relation to the total number of import/export declarations.

#### EXPLANATION

Implementation of an authorized economic program fully in line with the EU legislation will enable Montenegro AEO's to receive AEO status in other CEFTA countries pursuant to CEFTA Additional Protocol 5 and potentially in the EU, expediting the entry of Montenegro's exporters into those markets.

### MEASURE 3.4. IMPLEMENT PRE-ARRIVAL PROCESSING PROCEDURES

The Customs Administration and the Food Safety, Veterinary and Phytosanitary Authority will accept and process data and documents required for clearance and release of imported goods prior to arrival of the goods.

#### PERFORMANCE INDICATOR

1. Percentage of electronic processing of CED and CVED by the Food Safety, Veterinary and Phytosanitary Authority;
2. Percentage of implementation of import / export security summary declarations.

#### EXPLANATION

Parties to the Trade Facilitation Agreement and CEFTA AP 5 are required to adopt and apply procedures that allow pre-arrival of documents and other necessary information in order to initiate their processing before arrival of goods with the aim of expediting the release of goods upon arrival.



## OPERATIONAL GOALS AND MEASURES

The procedure for filing pre-arrival declarations allows the importers to submit and require the border authorities to process all the necessary documents before the goods arrive in Montenegro, in order to be released for free circulation the soonest possible. This activity requires the Customs Administration to conduct processing operations before arrival of the goods.

This activity also requires the Food Safety, Veterinary and Phytosanitary Authority, if necessary, to develop and implement pre-arrival processing procedures for goods under their control. In this regard, the Food Safety, Veterinary and Phytosanitary Authority will ensure that veterinary and phytosanitary inspectors have access to the TRACES system in accordance with EU regulations.

The Customs Administration and the Food Safety, Veterinary and Phytosanitary Authority will coordinate the development and implementation of relevant procedures with the private sector, take measures to encourage their use by economic operators.

### MEASURE 3.5. EXPEDITE CONTROL AND CLEARING OF PERISHABLE GOODS

The Customs Administration and the Food Safety, Veterinary and Phytosanitary Authority will implement measures that give priority to perishable goods and enable expedite control and clearance of such goods.

#### PERFORMANCE INDICATOR

1. Average time required to complete all formalities for the customs clearance of perishable goods.

#### EXPLANATION

In accordance with the Trade Facilitation Agreement and CEFTA AP 5, the Customs Administration and the Food Safety, Veterinary and Phytosanitary Authority will apply measures that allow expedited clearance of perishable goods, as follows: (a) under normal circumstances in the shortest possible period; and (b) in special circumstances, where appropriate, outside the working hours of the customs and other relevant authorities.

These measures include activities that give priority to these goods when carrying out controls at the border crossing point and at the final destination. In cases of delay in the release of perishable goods, upon written request, the importer will be informed, to the extent possible, about the reasons for the delay.



## OPERATIONAL GOAL 4| STRENGTHEN COOPERATION AND ENHANCE THE EFFECTIVENESS OF BORDER AUTHORITIES' CONTROLS

By December 31, 2022., the efficiency of border controls will be improved through the use of risk management, expanded use of Customs post-clearance audit and through greater coordination among border authorities.

### PERFORMANCE INDICATOR

- 4.1. By 2022, the effectiveness of the risk management system in the Food Safety, Veterinary and Phytosanitary Authority is equivalent to food safety systems in comparable EU Member States.
- 4.2. By 2021, the effectiveness of the Customs Administration's risk management system is equivalent to those of EU customs administrations as indicated by the percentage of documentary and physical controls on imported and exported goods and the percentage of registered irregularities of inspected consignments.

### MEASURE 4.1. FOOD SAFETY, VETERINARY AND PHYTOSANITARY AUTHORITY IMPLEMENTATION OF RISK MANAGEMENT SYSTEM

The Food Safety, Veterinary and Phytosanitary Authority will fully implement a risk management system for inspection of imported goods in accordance with requirements of CEFTA Additional Protocol 5.

<b>PERFORMANCE INDICATOR</b>	1. Percentage of registered irregularities in relation to the percentage of documentary checks and physical inspections, including sampling.
<b>EXPLANATION</b>	The Trade Facilitation Agreement and CEFTA AP 5 require all border authorities to adopt and/or maintain a risk management system for the control at all stages of import, export and transit of goods (e.g. prior to arrival, at the border, during post-clearance audit); to use relevant selectivity criteria; and to focus control on high-risk consignments. The Food Safety, Veterinary and Phytosanitary Authority will formally adopt and maintain an efficient and fully functional risk management system. The system implies the development and implementation of policies, systems, procedures and instruments whose implementation will ensure the identification of high-risk consignments and a balance between trade facilitation and control in order to protect human health, and the health of animals and plants in accordance with EU standards.

### MEASURE 4.2. IMPROVE CUSTOMS RISK MANAGEMENT SYSTEM

The Customs Administration will implement an effective and fully functional risk management system, which will ensure the identification, analysis, assessment and treatment of risks and proper measures to be taken.

<b>PERFORMANCE INDICATOR</b>	1. Percentage of registered irregularities in relation to the percentage of documentary checks and physical inspections; 2. Percentage of irregularities of consignments on the green channel recorded through post-clearance audit.
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## OPERATIONAL GOALS AND MEASURES

<b>EXPLANATION</b>	<p>The WTO TFA requires members states to:</p> <ul style="list-style-type: none"><li>• adopt or maintain a risk management system for customs control.;</li><li>• concentrate customs control and, to the extent possible other relevant border controls, on high risk consignments and expedite the release of low risk consignments.</li><li>• base risk management on an assessment of risk through appropriate selectivity criteria.</li></ul>
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### MEASURE 4.3. IMPROVE POST-CLEARANCE AUDIT

The Customs Administration will further develop and extend its use of post-clearance audit for compliance with customs and related laws and regulations with the view of expediting the release of goods, in accordance with the relevant requirements of the TFA and CEFTA Additional Protocol 5.

<b>PERFORMANCE INDICATOR</b>	<ol style="list-style-type: none"><li>1. Percentage of import transactions designated for release through post clearance audit (blue channel);</li></ol>
<b>EXPLANATION</b>	<p>The legal basis for post-clearance audit is established in the customs legislation and the Customs Administration has established and staffed a PCA department, which is conducting audits at present.</p> <p>Measures required to further strengthen the customs PCA function, and thereby to continue to shift Customs fiscal controls from the border to post-clearance, include the addition of qualified staff to the PCA department, provision of technical training (including in accounting and audit skills), and development of IT tools to support auditors' work.</p>

### MEASURE 4.4. COORDINATE THE ACTIVITIES OF COMPETENT BORDER AUTHORITIES

The Customs Administration, the Food Safety, Veterinary and Phytosanitary Authority, and the Border Police will:

- a) adapt and align their working days and hours at all border posts, with each other and cross border counterparts, to meet the reasonable needs of the trading community and to ensure a smooth flow of traffic and the rapid moment of time sensitive or perishable goods;*
- b) recruit the required number of inspectors to meet the justified needs of the trade community and ensure a smooth and fast flow of goods;*
- c) fully integrate and streamline their respective border procedures and formalities related to*



## OPERATIONAL GOALS AND MEASURES

*import, export and transit goods to facilitate trade and to eliminate duplication of requirements and unnecessary time delays; and*

*d) coordinate border controls related to import, export and transit goods, as provided in CEFTA AP 5.*

<b>PERFORMANCE INDICATOR</b>	<ol style="list-style-type: none"><li>1. Aligned working hours of border authorities - at border crossings and at inland terminals that participate significantly in international goods traffic;</li><li>2. Percentage of joint controls in relation to the total number of goods controls.</li></ol>
<b>EXPLANATION</b>	<p>TFA and CEFTA AP 5 require border authorities to cooperate with one another and coordinate their activities to facilitate trade, including through alignment of working days and hours, alignment of procedures and formalities, sharing of common facilities, and exercising joint controls.</p> <p>These measures will build on existing coordination initiatives defined under the Ministry of Interior's IBM strategy for purpose of facilitating trade, in order to facilitate trade in line with EU requirements.</p>



## OPERATIONAL GOAL 5 | EXPAND AUTOMATED PROCESSING AND ELECTRONIC DATA EXCHANGE

Transactions between economic operators and the Customs Administration and the Foods Safety Authority for import, export and transit of goods will be fully electronic, with paper and manual processing required in exceptional cases only. The Customs Administration, the Food Safety Authority, and the Border Police will initiate development and, where feasible, implement procedures and systems for electronic exchange of transaction and control data among themselves for purposes of coordinating their border activities to simplify and expedite the processing and control of goods in accordance with the EU requirements.

### PERFORMANCE INDICATOR

5.1. By December 31, 2022., at least 70 percent of customs import, export and transit transactions will be fully paperless.

#### MEASURE 5.1. IMPLEMENT FULLY ELECTRONIC SUBMISSION OF CUSTOMS DOCUMENTS

The Customs Administration will allow electronic submission of the goods declaration and supporting documents for import, export or transit, without the requirement of a paper copy.

<b>PERFORMANCE INDICATOR</b>	<ol style="list-style-type: none"><li>1. Percentage of accepted electronic customs declarations without the obligation to submit a paper copy;</li><li>2. Percentage of accepted electronic supporting documents without the obligation to submit a paper copy.</li></ol>
<b>EXPLANATION</b>	At present, a goods declaration may be submitted electronically to Customs, but that submission must be followed with presentation of a signed paper copy. Customs will implement electronic signature for customs declaration, permit the declaration and all supporting documents to be submitted electronically, and eliminate the requirement of presentation of a signed paper copy.

#### MEASURE 5.2. IMPLEMENT NEW COMPUTERIZED TRANSIT SYSTEM (NCTS)

The Customs Administration will fully implement New Computerized Transit System (NCTS), Convention on a common transit procedure and Convention on the simplification of formalities in trade in goods (including Single Administrative document), consistent with EU requirements and standards.

<b>PERFORMANCE INDICATOR</b>	<ol style="list-style-type: none"><li>1. Percentage of prepared and processed declarations in the NCTS in relation to the total number of transit declarations.</li></ol>
<b>EXPLANATION</b>	The basic principle of the customs transit procedure is to allow the movement of goods from one customs office to another within the same or some other customs territory, suspending duties, other charges and trade policy measures, provided that all requirements relating to seals, deadline, security and the like are met. The basic benefits of the NCTS relate to: increasing effectiveness and efficiency in the transit procedure;



## OPERATIONAL GOALS AND MEASURES

better prevention and detection of fraud and acceleration and security of transactions performed in the transit procedure.

### MEASURE 5.3. DEVELOP AN AUTOMATED SYSTEM FOR FOOD SAFETY, VETERINARY AND PHYTOSANITARY AUTHORITY

The Food Safety, Veterinary and Phytosanitary Authority will develop an automated system to support veterinary, sanitary and phytosanitary inspection officer's border control activities and enable paperless processing of supporting documents for import export and transit of goods subject to SPS requirements, without the requirement of a paper copy.

**PERFORMANCE INDICATOR**

1. Percentage of automated transactions in relation to the total number of transactions of the Food Safety, Veterinary and Phytosanitary Authority;

**EXPLANATION**

At present, the veterinary and phytosanitary activities of border control are fully based on manual and paper procedures. Implementation of this measure requires that by December 31, 2022, the Food Safety, Veterinary and Phytosanitary Authority will develop an information system that will enable automated data processing.

The main objective of the implementation of this system is a higher level of efficiency and effectiveness of inspection control in order to achieve better application of regulations, while creating a balance between the requirements for economic operators and the protection of human, animal and plant health. Implementation of the information system will enable implementation of the modern European concept in the operations and actions of inspection bodies, at several levels:

- at the level of controlled economic operators - introduction and application of the system of acceptance of responsibility for food safety, animal and plant health and other commodities (pesticides, fertilizers, etc.) and an expedited and simplified flow of goods;
- at the level of inspectors - efficient data exchange, job organization and risk management implementation in order to achieve an optimal level of efficiency and quality of inspection control;
- at the level of the institution - better management of resources and real-time monitoring of inspection control;
- at the level of integrated border management - effective coordination of controls by applying joint planning and control;
- at the State level - improved application of regulations and reduced barriers, which will strengthen the competitiveness of the economy.

### MEASURE 5.4. INITIATE TRADE SINGLE WINDOW PROJECT

A national Trade Single Window Project will be initiated and progressed during the period of this Strategy to enable the technical design and implementation of the system by 2024.



## OPERATIONAL GOALS AND MEASURES

<b>PERFORMANCE INDICATOR</b>	1. The degree of realization of activities to establish the "Single Window" concept.
<b>EXPLANATION</b>	<p>Member States of the World Trade Organization are encouraged to establish a single window which will allow the electronic submission of applications and all documents relating to the import, export or transit of goods in one place only once, after which they would be made available to all competent authorities. In addition, the applicant will receive a response to the application in a timely manner by the same principle. This system implies electronic binding and exchange of data between all competent border authorities, and for this reason, it is necessary to provide significant technical and financial support for its development.</p> <p>Montenegro notified the WTO that it would implement a Trade Single Window by January 1, 2024, a date that falls outside the period of this Trade Facilitation Strategy. However, to enable Montenegro to meet that 2024 deadline, this Strategy requires at least the visioning, planning and analytical phases of the Single Window project to be completed by 2023 so that work on technical development phases may begin directly thereafter.</p>



## STRATEGY IMPLEMENTATION

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### MONITORING OF IMPLEMENTATION, REPORTING AND EVALUATION

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In order to ensure full implementation of the Strategy, the NTFC will be responsible for the monitoring and reporting to the Government on the implementation of goals and measures. The basis for monitoring the implementation and adequate reporting on the implementation of the Strategy is the Action Plan for its implementation.

**Monitoring of the Strategy implementation** is carried out at regular intervals, semi-annually. In this regard, the competent institutions will submit semi-annual and annual reports on the implementation of strategic measures and activities to the NTFC. Monitoring will identify the progress made, analyse in detail the issues and obstacles that have arisen in the process of implementing the Strategy, and possibly take corrective measures.

**Regular reporting** is carried out on an annual basis. The NTFC adopts the annual report and submits it to the Government of Montenegro. The final report on the implementation of the Strategy will be submitted within six months after the deadline for the Strategy implementation and published on the website of the Ministry of Finance.

For the purpose of coordinating the process of monitoring and reporting on the implementation of measures and activities from the Strategy and the Action Plan, on behalf of the NTFC, the Ministry of Finance will establish an Operational Team consisting of representatives of the public and private sectors. This team will also evaluate the implementation of the planned results in the Action Plan annually and, if necessary, review the specified measures and objectives. The Operation Team will report the conclusions and findings to the NTFC.

The final **evaluation** determines the degree of implementation of the Strategy and is carried out after the expiration of the period covered by the Strategy. Evaluation is carried out using a variety of data sources including reports from institutions that will be systematically compared to external sources of information, such as interviews, surveys, periodic international studies, and reports and other sources. Depending on the type of indicators, the realization and effects of planned and implemented activities are assessed. Evaluation will be done by internal units or external consultants who were not involved in the process of creating or implementing the Strategy.

### RESPONSIBILITY FOR STRATEGY IMPLEMENTATION

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This Strategy is implemented by the state authorities within their competencies in cooperation with private sector associations. In cases where an activity is under the competence of several authorities, the authority



having the prevailing competence will assume the responsibility for its implementation, and all others are named as partner institutions.

Institutions responsible for the Strategy implementation are also members of the National Trade Facilitations Committee, namely: Ministry of Finance, Ministry of Economy, Customs Administration, Food Safety, Veterinary and Phytosanitary Authority, Police Administration-Border Police, Ministry of Agriculture and Rural Development, Ministry of Public Administration, Ministry of Foreign Affairs, Ministry of Transport and Maritime Affairs, Environmental Protection Agency, and Agency for Medicinal Products and Medical Devices.

Since the dynamics of the implementation of this Strategy will depend on the capacity and readiness of the economy to adapt to strategic measures, private sector associations represented in the NTFC will also be responsible for its implementation. These are: Chamber of Commerce of Montenegro, Association of Freight Forwarders of the Chamber of Commerce, Trade Association of the Chamber of Commerce, Association of Small and Medium-Sized Enterprises and Entrepreneurs of the Chamber of Commerce, Montenegro Business Alliance and Union of Employers of Montenegro.

The NTFC may establish permanent and temporary working groups for the implementation of individual objectives, measures and activities from the Action Plan, which will operate applying interministerial working methods, coordination, communication and teamwork.

The Operational Team for coordination of monitoring and reporting on the implementation of the Strategy will, if the necessary conditions are met, also directly participate in the implementation of inter-sectoral activities, such as the measures and activities foreseen under Operational Goal 1.

**Table 4 Institutions responsible for the Trade Facilitation Strategy implementation**

ACTIVITY		RESPONSIBILITIES			
		MCA	FSVPA	BP	Other institutions
1.1.	Increase Availability and Quality of Information	√	√	√	√
1.2.	Implement Enquiry Point	√	√	√	√
2.1.	Simplify and Harmonize Formalities and Documentation Requirements	√	√	√	√
2.2.	Conduct Regular Review of Number/Diversity of Fees and Charges	√	√	√	√
3.1.	Implement Regular Time Release Study	√	√	√	√
3.2.	Expand Use of Simplified Procedures	√	√		√
3.3.	Full implementation of the Authorized Economic Operator Program	√	√		√



## STRATEGY IMPLEMENTATION

ACTIVITY		RESPONSIBILITIES			
		MCA	FSVPA	BP	Other institutions
3.4.	Implement Pre-Arrival Processing Procedures	√	√		
3.5.	Expedite Control and Release of Perishable Goods	√	√		
4.1.	Implement Food Safety, Veterinary and Phytosanitary Authority Risk Management System		√		√
4.2.	Improve Customs Risk Management System	√			
4.3.	Expand Customs Post-Clearance Audit	√			
4.4.	Improve Coordination of Border Authorities Activities	√	√	√	√
5.1.	Implement Fully Electronic Submission of Customs Documents	√	√		
5.2.	Implement NCTS and Common Transit Convention	√			√
5.3.	Develop an Automated System for Food Safety, Veterinary and Phytosanitary Authority		√		√
5.4.	Initiate Single Window	√	√	√	√



**INITIAL ACTIONS**

The designated implementing authorities are encouraged to take the following immediate actions to ensure that activities are implemented in a manner consistent with the goals set out in this strategy and within the time prescribed -

- Determine the missing baseline for measuring the impact and degree of implementation of the Strategy;
- Prepare and adopt guidelines for monitoring and reporting on the implementation of the Strategy;
- In the process of updating existing and drafting new business strategies and plans of competent bodies to include the assigned activities.

**SEQUENCING AND PRIORITIES**

Timing of the implementation of the strategic activities is determined in part by Montenegro’s obligations under the WTO Trade Facilitation Agreement and CEFTA Additional Protocol 5. Since the deadlines for implementation of AP 5 obligations are due from the date of its entry into force, which were not known at the moment of drafting the Strategy, the dates from the notification of Categories B and C submitted to the World Trade Organization were used as the baseline for determining the deadlines.

**Table 5: Deadlines for implementation of strategic measures are conditioned by WTO notification**

2020		2022		2024	
Enquiry Points	1.2.	Information available online	1.1.	Single principle	Window 5.4.
Notification for Enhanced Controls or Inspections	4.1	Pre-arrival Processing	3.4.		
General Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation	2.2.	Transit procedures and controls	5.2.		
Risk Management	4.2				
Post Clearance Audit	4.3				
Expedited Shipments	3.5				



There are no similar commitments with regard to the remaining strategic activities. However, implementation of certain of these activities logically depends upon the prior implementation of others:

- 2.1 Simplify and Harmonize Formalities and Documentation Requirements
- 2.2. Conduct Regular Review of Number/Diversity of Fees and

Increase Availability and Quality of Information

Expand Use of Simplified Procedures  
Full implementation of the AEO program

- 4.4. Improve Coordination of Border Authorities Activities
- 5.1. Implement Fully Electronic Submission of Customs Documents
- 5.3. Develop an Automated System for Food Safety, Veterinary and Phytosanitary Authority

- 4.2. Improve Customs Risk Management System
- 4.3. Expand Customs Post-Clearance Audit

Initiate Single Window

In defining the priorities and the sequence of activities, the initial assumption is that the existence of a transparent system is the basic component of an optimal business environment for the cross-border trade. Such a system implies that the rules are clear, that the parties can easily obtain the necessary information, that the procedures are simple and economical, that all participants have the same treatment, and that, accordingly, they have confidence in the system, which is known to them to a reasonable extent. However, in order to establish such a system, it is necessary primarily to analyse and review the existing formalities, documents and fees, and then start improving the transparency and access to information.

The most important measures for expediting the procedure for customs clearance of goods include expanding the application of simplified procedures and establishing a system of authorized economic operators, or those traders who meet specified criteria related to compliance with regulations, solvency, satisfactory system of keeping business records, supply chain security, etc. In this way, the status of a reliable partner is acquired and thus significant relief in relation to other business entities. The establishment of these institutes must also be accompanied by an adequate improvement of the capacity of the customs administration in terms of risk management and, moreover, in terms of post clearance audits in order to ensure that adequate control over entities and their business is carried out after obtaining a privileged status.

The establishment of a single window involves the prior implementation of almost all the measures and activities specified in this Strategy, especially those related to business process analysis, simplification and standardization of formalities, documents and data, and pre-arrival processing. However, for its successful implementation, it is necessary to establish adequate coordination among the competent authorities, develop their automated operating systems and establish interoperability.



### FINANCING THE STRATEGY IMPLEMENTATION

Funding to implement the activities from the Action Plan for the Trade Facilitation Strategy implementation will be provided from the following sources:

- National Budget of Montenegro,
- IPA project NCTS,
- The International Finance Corporation (World Bank Group) Project - Trade Facilitation Support Program for Europe and Central Asia ,
- European Commission Project Implemented by GIZ and ITC - Support for Trade Facilitation between CEFTA Countries,
- Other projects and instruments of pre-accession assistance,
- Other international sources.

Activities financed from the budget will be implemented as part of regular activities of the state bodies for which no additional funds are needed, other than those already allocated for employees in the budget. Each institution, holder or partner in the implementation of activities, shall bear the costs of their respective representatives.

In order to implement the activities under measures 1.1., 4.4., 5.2., which foresee the possibility of engaging an additional number of employees, initial assessment will be made to identify the current state and the needs for reassignment or additional employees will be assessed accordingly.

Labour costs of private sector representatives will be borne by their respective institutions. Costs for the implementation of specific strategic activities will be borne by business entities in terms of improving internal procedures, processes and IT systems.

Measures and related activities for which there is currently no planned source of funding and for which it was not possible to estimate the amount of funds needed for their realization are as follows:

- Measure 5.1. - Implement Fully Electronic Submission of Customs Documents;
- Measure 5.3. - Develop an Automated System for Food Safety, Veterinary and Phytosanitary Authority;
- Measure 5.5. - Initiate the Single Window project for the implementation of procedures in cross-border traffic.

Also, in the case of these measures, additional consultations with the international community have been initiated to identify optimal models of implementation and financing. The estimates of the World Bank Group within the Trade and Transport Facilitation Project approximately amount to \$5 million for the full implementation of the single window principle, including all the measures under the Operational Goal 5.



**RISKS AND ASSUMPTIONS**

Successful implementation of this strategy is subject to the following general risks and assumptions (affecting all strategic activities) and specific risks and assumptions (affecting certain strategic activities):

**Table 6 Risks for Strategy Implementation and Mitigation Plans**

<b>RISKS</b>	<b>ASSUMPTIONS</b>	<b>MITIGATION STRATEGY</b>
<b>GENERAL RISKS</b>		
<b>Lack of Necessary Financial Resources</b>	Although applicable to all strategic activities, this risk is particularly significant in relation to those strategic activities involving implementation of automated systems	Investigate different fundraising models, including training of employees who do not currently have sufficient knowledge on the implementation of activities; organize a donor conference to cover the funding gap, etc.;  Consider alternative approaches to implementation or reprogramming of work and changes to established priorities
<b>Lack of Necessary Human Resources</b>	A limited number of qualified staff are available within the competent authorities to implement this strategy.	Explore different capacity-building opportunities, including recruiting new employees, training those employees who do not currently have the necessary knowledge and skills, identifying and redeploying employees that can contribute to the realization of the activities.
<b>Lack of Political Commitment/Support</b>	Strong and sustained commitment by the government and the competent authorities to achieving the goals set out in this strategy is critical to its success.	Prepare a communication plan for the implementation of the Strategy, which will provide quality information to the Government of Montenegro on the benefits of trade facilitation and the level of savings in time and money, i.e. the level of recovery of invested funds for the implementation of activities
<b>SPECIFIC RISKS</b>		
<b>Limited Private Sector Participation/Adaptation</b>	Many performance measurements defined in this strategy cannot be achieved without the active participation	Ensure that communication with the private sector is afforded special attention in the communication plan;  Ensure that the implementation



## STRATEGY IMPLEMENTATION

RISKS	ASSUMPTIONS	MITIGATION STRATEGY
	<p>of the private sector (e.g., strategic activities 1.2 (Expand Use of Simplified Procedures; 1.3 (Fully Implement Authorized Economic Operator Program); and 1.4 (Implement Pre-Arrival Declaration Procedures)).</p> <p>These and other strategic activities may require Montenegrin business, many of whom are financially constrained, to make investments to change their internal procedures, processes and IT systems.</p> <p>Success will require that businesses are convinced of the benefits of the strategic activity and that they have the resources and the capacity to adapt their operations to the new requirements.</p>	<p>measures provide unambiguous and concrete facilitations for the private sector so that the private sector, according to real benefits, will make an adequate decision on investing in their resources and tailoring business to new requirements</p>
<p><b>Different Levels of ICT Development Among Border Authorities</b></p>	<p>The use of ICT by border authorities in import and export processing is widely varied: certain authorities are highly automated while others are mainly or entirely paper-based and manual. These different levels of development may affect successful implementation of those strategic activities involving coordination of controls and electronic data exchange.</p>	<p>Initiate a debate at the level of the Government of Montenegro on the implementation of the Electronic Government and the National Interoperability Framework</p> <p>Intensify activities to provide donor support for the implementation of automated systems</p>
<p><b>Lack of Technical Assistance and Capacity Building (TACB) Support</b></p>	<p>As noted above, the government of Montenegro has identified needs for TACB from external sources to support implementation of certain</p>	<p>Adequate communication with international donors has been established in the development of this Strategy. Prior to its adoption, support has been provided to implement the largest number of activities. Activities for which no donor</p>



## STRATEGY IMPLEMENTATION

RISKS	ASSUMPTIONS	MITIGATION STRATEGY
	strategic activities.	support is provided fall under the domain of investment projects involving additional consultations and engagement by the Government of Montenegro