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ENLARGEMENT

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Dear President Milatović,

dear Jakov!

Thank you for your letter of 11 April about the Agreements on Economic Cooperation and on Cooperation in Tourism and Real Estate Development, concluded on 28 March 2025 between the Government of Montenegro and the Government of the United Arab Emirates (UAE) which have been ratified by the Parliament of Montenegro on 23 April 2025.

As you state in your letter, any international agreements made by Montenegro should be in line with national constitutional and legal framework, the *EU acquis* as well as with the Stabilization and Association Agreement (SAA) between Montenegro and the EU. Based on the Commission analysis, the Agreement on Cooperation in Tourism and Real Estate Development *prima facie* does not contain sufficiently detailed provisions that as such are in contradiction with EU Law.

Nevertheless, some of the provisions would need to be carefully implemented to avoid that they may contravene some of the principles of public procurement as reflected in the *EU acquis*. It will hence be important to monitor their application as this would obviously need to be avoided.

In particular, the Agreement on Cooperation in Tourism and Real Estate Development (the Agreement) states that any contracts, programmes and further agreements with investors from UAE are exempted from legislation of both countries on public procurement, public tender and public competing procedure (Article 2.4). It would thus appear that future contracts may be benefitting from direct award, which could constitute a breach of EU public procurement laws.

Also, *prima facie* this Agreement does not contain provisions that as such are in contradiction with the SAA. Compliance will depend on the interpretation and implementation of the 'Projects' described in Article 1.

The SAA contains a very broad provision for the opening-up of the public procurement markets based on non-discrimination and reciprocity, equal treatment between the EU and Montenegrin companies and on transparency of public procurement procedures. The Agreement, depending on how it will be implemented, could potentially weaken the position

Jakov Milatovic
President of Montenegro



of the EU economic operators (and Montenegrin companies) with a preferential treatment given to UAE companies.

In view of Montenegro's ambition to become an EU Member State, it would be essential to ensure compliance of this Agreement, when implemented, with the EU public procurement *acquis* based on non-discrimination, equal treatment of companies and transparency of public procurement procedures.

For this reason, the way the Agreement will be interpreted, applied and implemented will need to be carefully managed to avoid any concerns in this respect from materialising. The Commission stands ready to assist Montenegro in this regard. Transparency, respect for public procurement rules, State Aid, investor selection, the broader implications for public finance management and anti-corruption, and the respect of environmental standards will be of utmost importance in this context.

EU accession is the strategic and political goal of Montenegro. To continue moving ahead as successfully as in the past year, it is vital to continue promoting constructive dialogue between all political actors to achieve the necessary consensus on reforms. The Commission will continue to support Montenegro on its EU path.

Wishing you
and Montenegro
all the best.
Always!

Yours sincerely,



Marta Kos