REFORM AND GROWTH FACILITY FOR THE WESTERN BALKANS

ANNUAL REPORT 2025 OF MONTENEGRO

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LIST OF ACRONYMS

Acronym	Full Name
RGF WB	Reform and Growth Facility for the Western Balkans
MEA	Ministry of European Affairs
MoF	Ministry of Finance
MoJ	Ministry of Justice
MFA	Ministry of Foreign Affairs
MoI	Ministry of Interior
MPA	Ministry of Public Administration
MoT	Ministry of Transport
MEM	Ministry of Energy and Mining
MED	Ministry of Economic Development
MoESDNRD	Ministry of Ecology, Sustainable Development and Northern Region Development
MoHMR	Ministry of Human and Minority Rights
MoSPUSP	Ministry of Spatial Planning, Urbanism and State Property
MESI	Ministry of Education, Science and Inovation
MoLESD	Ministry of Labour, Employment and Social Dialogue
MoSWFCD	Ministry od Social Welfare, Family Care and Demography
CSOs	Civil society organizations
CFSP	Common Foreign and Security Policy
NIS2	EU Network and Information Security Directive 2
SOEs	State-Owned Enterprises
RED II	Renewable Energy Directive II
EPBD	Energy Performance of Buildings Directive
EU	European Union
EC	European Commission
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
EIB	European Investment Bank
EBRD	European Bank for Reconstruction and Development
OECD	Organisation for Economic Co-operation and Development
SIGMA	Support for Improvement in Governance and Management (OECD program)
IMF	International Monetary Fund
UNDP	United Nations Development Programme
CoE	Council of Europe
SMEs	Small and Medium-sized Enterprises
VIES	VAT Information Exchange System
TEN-T	Trans-European Transport Network
VIS	Visa Information System
OLAF	European Anti-Fraud Office
AFCOS	Anti-Fraud Coordination Service
SAI	State Audit Institution
PIFC	Public Internal Financial Control

CHU	Central Harmonization Unit
BMIS	Budget Management Information System
ERP	Economic Reform Programme
VAT	Value-Added Tax
IPA	Instrument for Pre-Accession Assistance
GDDS	General Data Dissemination System
EP	European Parliament
FIC	Foreign Investors Council
PKCG	Chamber of Commerce of Montenegro
GDP	Gross Domestic Product
ICT	Information and Communication Technology
VET	Vocational Education and Training
R&D	Research and Development
IPPF	International Professional Practices Framework (for auditing)
COSO	Committee of Sponsoring Organizations of the Treadway Commission (internal control framework)
GAP III	EU Gender Action Plan III
SDGs	Sustainable Development Goals
BMIS	Budget Management Information System
PAR	Public Administration Reform
WTO	World Trade Organization

1 OVERVIEW OF THE REFORM AGENDA IMPLEMENTATION IN 2025

1.1 Key achievements and developments

The **Instrument for Reform and Growth for the Western Balkans, and Reform Agenda** identifies **four key policy areas with 32 reforms and 130 reform steps needed to implement reforms**. Out of the financial envelope of EUR 383.5 million, EUR 110 million will be available in grants and EUR 273,5 million in loans. The first, out of the 7 planned tranches is fixed as pre-financing in amounts of almost 7% of available total amount, while remaining 6 tranches will depend on fulfillment of quantitative and qualitative steps contained in the Reform Agenda. The pre-financing tranche in the amount of **EUR 26.85 million** was paid on 15 May 2025 after Montenegro **signed the Loan and Facility Agreement with EC.** Facility Agreement is published in the Official Gazette and enters into force on 14 March 2025, followed by signing of the Loan Agreement on 6 May 2025. The first Monitoring Committee Meeting was held on 20 November 2025, gathering representatives of the Government of Montenegro, the European Commission, international partners and civil society. The meeting aimed to review the progress made in implementing the Reform Agenda, assess achievements from the first two reporting periods and provide direction ahead of the third reporting cycle.

The first semi-annual report on the implementation of the Reform Agenda of Montenegro for the EU Reforms and Growth Facility 2024-2027 included 14 steps, with the initial deadline set for 28 February 2025. **Out of the 14 steps, 7 have been assessed as completed by the European Commission, and EUR 11.04 million** have been paid, **while others have been evaluated as partially fulfilled.** The second semi-annual report includes 11 steps, with the initial deadline set for 30 June 2025 and 7 that were postponed from the first reporting period. With regard to these 18 reform steps with a deadline of 30 June 2025, the EC submitted on October 15, 2025 an evaluation report that the period ended with **5 completed and 13 partially completed steps**. As a result, the total allocation for the second tranche amounts to about **EUR 8.1 million** after deducting the amount of pre-financing. The amount of the loan that was paid into the state budget of Montenegro at the end of October 2025 was **EUR 3.8 million**, while the remaining funds of **EUR 4.3 million** will be allocated for infrastructure projects that Montenegro applied for within the WBIF. Montenegro has prepared the third semi-annual report that covers the status of 32 reform steps that were due to be completed by 31 December 2025, as well as 13 reform steps that had not been completed by the deadline for the preparation of the second semi-annual report, which expired on 30 June 2025. Based on the submitted information, 24 reform steps with a total value of **EUR 59.1 million have been fully completed**, while 21 reform steps with a total value of EUR 56.77 million will be carried forward for implementation in the forthcoming period.

Upon request from the DGENEST, the adjustments have been made in planning investments under the Western Balkans Investment Framework (WBIF) and three prioritized investment projects in the Energy sector have been proposed for approval to receive the pre-financing in the total amount of **EUR 14.3 million** of WBIF contribution. Total available funds for the next WBIF projects that were submitted within the 11th call for co-financing the investments are **EUR 10.21 million.** These funds were received after the validation of the 12 reported steps, 9 from the first reporting period and 3 from the second semi-annual report;

Within the four priority policy areas of the Reform Agenda, notable progress has been achieved through the completion of reform steps. Regarding **Business Environment and Private Sector Development**, established public register of state-owned enterprises which will be regularly updated, improvements in public procurement processes and strengthening of integrity measures in tax and customs inspections have contributed to better regulatory compliance and governance structures, Also, an increased number of financed research and innovation projects has been improved by 50%. In addition, 100% of new legislation is subject to public consultation with businesses and civil society organizations and the local self-governments. Land registries are updated after the former land registry data have been improved to overcome gaps, inconsistencies, and outdated information. In the area of **Digital and Green Transitions**, Montenegro has advanced its digitalization agenda through putting the legislation in place to set-up a secure information system in compliance with the Gigabit Infrastructure Act. The enactment of the Law on Information Security, in alignment with the EU NIS2 Directive, has strengthened national cybersecurity frameworks. In the energy and environment sector, Law on protection from the negative impacts of climate change and protection of ozone layer in line with a climate neutrality target for 2050 enters into force. The 3-year auction plan of at least 400 MW has been announced and the first auction was launched in July 2025. Annual rate of building renovation and street lighting in accordance with the targets agreed in the Energy Community has been increased. Montenegro made substantial progress under the **Human Capital**, emphasizing social inclusion, employment activation, and protection of vulnerable groups. Efforts were directed toward the legislative, institutional, and operational strengthening of the social protection system, labour activation, and gender-based violence response mechanisms. Three key reform steps were implemented or advanced: Activation of material support beneficiaries through amendments to the Law on Social and Child Protection that was adopted by the Parliament in December 2025. The amendments established a legal and institutional framework to support the transition from welfare dependency to employment. Identification of a minimum package of guaranteed social services and their sustainable financing was completed through the adoption of the Deinstitutionalization Strategy for 2025–2028 and the Action Plan for 2025. The Strategy defines the national model for community-based services, replacing institutional care with diversified local services. Upgrading the Unified Database on Domestic Violence and establishment of Crisis Centers which was completed in 2025. Full interoperability with Police records is pending due to institutional coordination gaps. The process of establishing crisis centers for victims of sexual violence is also underway. In the area of **Rule of Law and Governance**, Montenegro has made significant progress in strengthening the rule of law by creating and delivering Anti-Corruption Strategy Integrity tests to the Customs Administration and the Tax Administration and by increase of filling in vacant positions in competent courts for the fight against corruption. Also, Montenegro has decreased number of complaints before the Ombudsman and of incidents reported by LGBTIQ NGOs. The institutional cooperation has been strengthened by expanding access to databases of key state bodies which reinforced the rule of law, judicial independence, fiscal transparency and the fight against corruption, organized and cross-border crime, money laundering, terrorism financing and tax evasion. Within this sector, Montenegro has also aligned its visa policy with the EU by fulfilling the steps envisaged under the relevant reform measures

1.2 Engagement with relevant stakeholders

The Government of Montenegro, through the Ministry of European Affairs (MEA), ensures overall coordination of the implementation, reporting and monitoring of the Reform Agenda 2024–2027. In this framework, the MEA acts as the Coordinator of the Reform Agenda, while the Ministry of Finance serves as Deputy Coordinator. As the lead institution, the MEA ensures coherence across sectors, facilitates communication among line ministries, and serves as the primary interlocutor with the European Commission. To enhance internal coordination and accountability, a dedicated Coordinating Body was established to track implementation across all reform pillars. The Body is chaired by the Minister of European Affairs, while the role of Deputy is performed by the State Secretary of the Ministry of Finance. This mechanism brings together representatives of line ministries responsible for specific reform measures and serves as a platform for structured inter-institutional dialogue. During 2025, a total of 10 sessions have been held with the aim to efficiently monitor progress, identify risks to timely implementation, and providing practical guidance to institutions in meeting deadlines. It has also facilitated horizontal alignment between reforms that cut across multiple sectors, such as public administration reform, digitalization, and rule of law measures. Representatives of the line ministries responsible for the implementation of the measures ensure coordination with all relevant stakeholders, both internal and external to the institutions concerned. Importantly, the Coordinating Body has served not only as a reporting mechanism, but also as an effective platform for problem-solving, facilitating coordinated responses to implementation bottlenecks. Beyond formal sessions, regular bilateral consultations are conducted at the level of the Coordinator and Deputy Coordinator with the relevant stakeholders.

The other two branches of government, as defined by the Constitution of Montenegro, are also indirectly involved in the process. At the legislative level, the Parliament of Montenegro plays a key role in ensuring the effective, credible and sustainable implementation of Montenegro's commitments by translating reform priorities into legally binding, budgeted and accountable measures. It has demonstrated a proactive approach in the adoption of RGF-related legislative reforms, thereby preventing delays that could have adversely affected Montenegro's ability to meet the agreed milestones. It has also ratified the Facility Agreement, thereby reinforcing political ownership and the sustainability of reforms. At the judicial level, representatives of the judiciary are indirectly involved in the process, particularly in relation to reforms aimed at strengthening the independence and efficiency of the judicial system. In this context, they actively contribute to the implementation of measures and the fulfilment of obligations falling within their respective competences.

Engagement with relevant stakeholders is also ensured through the preparation of semi-annual implementation reports in close cooperation with all competent ministries and relevant institutions. This collaborative process enables comprehensive monitoring of reform progress, as the reports assess the level of achievement of each reform step, identify delays or implementation gaps, and provide the necessary evidence for the verification process under the Reform and Growth Facility. This structured interaction not only aligns reform implementation with financial disbursement procedures, but also strengthens inter-institutional coordination, accountability and shared ownership of the reform process.

In addition to existing coordination mechanisms at national level, regular monthly policy dialogue meetings organized jointly by the European Commission, the Delegation of the European Union to Montenegro, the Ministry of European Affairs have proven to be an essential instrument for effective implementation. These meetings provide a structured platform for clarifying verification requirements, discussing methodological issues, and resolving technical bottlenecks before formal reporting cycles.

When it comes to Civil society organizations (CSOs), they play a complementary but significant role in strengthening accountability and transparency. Organizations such as the Centre for Civic Education actively monitor the pace of reform implementation and the transparency of decision-making processes. Through independent assessments, public statements, and policy analyses, CSOs contribute to informed public debate and encourage institutions to maintain high governance standards. Total of 2 structured round tables were organized with participation of the representatives of MEA, as the platform for addressing the implementation challenges. Their participation in Monitoring Committees ensures that non-governmental perspectives are incorporated into discussions on implementation progress. CSO representatives attend meetings, provide feedback on challenges encountered in practice, and raise concerns regarding transparency, inclusiveness, or the quality of reform outcomes. Independent reporting by civil society and media outlets further enhances public scrutiny and reinforces the credibility of the reform process.

Furthermore, the European Commission has introduced the Reform and Growth Facility (RGF) Scoreboard, a transparency tool providing up-to-date insights into the progress of reform steps, financial disbursements, and related decisions. The Scoreboard strengthens transparency, enables institutions to track performance in real time, and contributes to a clearer understanding of Montenegro's standing within the broader Facility framework. It also serves as a useful reference point for national authorities and external stakeholders alike.

Despite tangible progress in several areas, challenges remain. Some institutions have struggled to meet all reform deadlines, resulting in backlogs and delays in the completion of certain steps. These delays create pressure in relation to funding conditionality and may affect overall credibility if not addressed in a timely manner. Capacity constraints, complex cross-sectoral reforms, and administrative bottlenecks have contributed to uneven implementation dynamics across sectors. Building on the existing semi-annual reporting framework, the Government plans to further intensify monitoring efforts, strengthen inter-ministerial coordination, and enhance technical support to line institutions responsible for specific reform measures. Closer cooperation with the European Commission in monitoring and verification exercises is expected to improve validation procedures, reduce ambiguities, and reinforce the accuracy and reliability of reporting outcomes. Looking ahead, sustaining reform momentum will require continued efforts to strengthen inter-institutional coordination and public sector capacity, improve transparency and inclusive dialogue with civil society and external partners, and maintain strong political commitment to the timely execution of all reform steps. These actions will be critical not only for unlocking additional EU funds under the Reform and Growth Facility but also for advancing Montenegro's broader strategic objective of European Union accession and long-term socio-economic transformation.

1.3 Communication and visibility

Montenegro's strong track record in this area, noting that communication began from the very outset of the Growth Plan process, started with the first Western Balkans Leaders' Summits, and continued consistently throughout all stages of implementation. Hosting the Western Balkan Leaders' Summit in May 2024 significantly elevated Montenegro's visibility, with more than 100 media outlets present, establishing Montenegro as a regional hub for the EU Growth Plan. This was followed by a series of high-level events, including a High-Level Panel on the Growth Plan in January 2025 and a dedicated Growth Plan panel within the ESG Summit in April 2025. These platforms strengthened Montenegro's regional profile and fostered a deeper understanding of the reform process.

Communication plan for the Reform Agenda of Montenegro was prepared in October 2024 and EC approved it in early 2025. The main goal is to ensure broad public support through targeted and effective communication that will raise the awareness of Montenegrin citizens about the concrete benefits of this plan. It serves to explain how the reform measures contribute to socio-economic development and European integration, while at the same time strengthening the capacity of local communicators and proactively suppressing misinformation.

In May 2025, the Ministry of European Affairs, together with the EU Delegation, launched a nationwide information campaign focused on the tangible benefits of the Growth Plan and Reform Agenda. This campaign, supported by billboards, public events and extensive media coverage, significantly expanded outreach and clarified the financial and social benefits of reforms for citizens. In addition, the Ministry will set up a webpage dedicated to the Reform Agenda to serve as an information hub in the local language. All steps, reports and decisions have been publicly communicated, with regular media briefings and detailed explanations provided to journalists. The main challenge in communication and visibility is that NGOs and the media are primarily focused on achieved results, budget allocation, and funding, while some projects have not yet started, making it difficult to effectively communicate about progress and planned activities. The Ministry of European Affairs is also advancing digital communication through continuous educational content on social media and developing a dedicated webpage on the EU.me portal that will serve as the central online hub for all Growth Plan-related information.

2 CONTRIBUTION TO THE ACHIEVEMENT OF THE REFORM AND GROWTH FACILITY GENERAL OBJECTIVES[1] (RGF WB REGULATION ARTICLE 3.1)

Montenegro's Reform Agenda under the Reform and Growth Facility (RGF) establishes a coherent, milestone-based framework designed to accelerate EU-related reforms, enhance economic resilience, and advance socio-economic

[1] The general objectives of the RGF are:

convergence with the European Union. The Agenda builds upon Montenegro's accession negotiations and is closely aligned with the priorities set out in the EU Enlargement Policy, the annual Enlargement Package, and Montenegro's Economic Reform Program. Its implementation contributes substantively to the overall objectives of the Reform and Growth Facility.

Montenegro has reinforced its accession trajectory by prioritizing reforms within the fundamentals cluster, notably in the areas of rule of law, democratic institutions and public administration reform. Measures implemented during the reporting period focused on strengthening judicial independence, improving the track record in the fight against corruption and organized crime, enhancing the protection of fundamental rights, and increasing transparency and accountability in public governance. Reform implementation has accelerated alignment with EU values and standards, notably through the adoption of a legal framework promoting inclusivity, access to social rights and gender equality, in line with the European Pillar of Social Rights and the EU Gender Action Plan III. Socio-economic convergence is further supported through activation measures linking welfare and employment, reducing dependency on material assistance and increasing labour market participation among vulnerable groups. Regional cooperation and social cohesion are promoted through the implementation of the Deinstitutionalization Strategy, which introduces a streamlined service model aligned with EU best practices in social inclusion. Governance is further strengthened through enhanced transparency, including data digitalization (notably the Unified Database on Domestic Violence), and improved institutional coordination between the social and labour sectors, fostering data accountability and evidence-based policymaking.

Reform implementation also advances progressive alignment with the EU acquis in key internal market areas, including competition and state aid control, public procurement, financial services, digital policy, consumer protection and energy. Particular emphasis is placed on strengthening administrative capacity for implementation and enforcement to ensure that legislative alignment translates into effective application in practice. By linking financial disbursements to clearly defined reform milestones and indicators, Montenegro enhances the credibility, predictability and sustainability of reforms, firmly anchoring progress within the broader accession negotiation framework.

Montenegro actively participates in the Common Regional Market and contributes to the gradual integration of the Western Balkans into the EU Single Market. Measures undertaken remove regulatory and administrative barriers to trade, harmonize technical standards and conformity assessment procedures, modernize customs administration and digitalise trade-related services. Connectivity in transport and energy has been strengthened, including further integration into regional energy markets in line with Energy Community obligations. Through regulatory approximation and enhanced interoperability, Montenegro advances towards gradual access to selected areas of the EU Single Market, supporting competitiveness, investment attraction and sustainable economic growth.

Progress in priority areas contributes directly to the objectives of the Reform and Growth Facility. Economic convergence and competitiveness are supported through improvements in the regulatory environment, strengthened innovation ecosystems, enhanced integrity in public procurement and measures to reduce informality. Green and digital transition objectives are advanced through energy market integration, decarbonisation efforts, energy efficiency improvements, renewable energy promotion, 5G deployment, strengthened cybersecurity and the digitalisation of public services. Human capital development is reinforced through reforms in education, employability, labour market activation and social protection. Rule of law and governance reforms address judicial independence, anti-corruption efforts, institutional capacity building and alignment with the EU acquis under Chapters 23 and 24. Structural and political challenges are acknowledged, particularly where reforms require constitutional amendments and broad political consensus; these steps are essential for the full depoliticization of the judiciary and the strengthening of institutional independence, which are core governance-related objectives of the RGF.

Particular progress was achieved in the energy sector, with key reform steps completed in line with the EU acquis and Energy Community requirements. These include the full transposition of the Electricity Integration Package, liberalisation of electricity price-setting mechanisms, advancement of renewable energy deployment through auctions and regulatory reforms, and strengthened energy efficiency policies. The adoption of the National Energy and Climate Plan (NECP) at the end of 2025 marked a significant milestone, providing a strategic framework for the implementation and recognition of energy-related reform steps under the Reform Agenda.

(a) support the enlargement process by accelerating the alignment with Union values, laws, rules, standards, policies and practices ('acquis') through the adoption and implementation of reforms with a view to future Union membership;

(b) accelerate regional economic integration and progressive integration into the Union single market;

(c) accelerate the socio-economic convergence of the beneficiaries' economies with the Union;

(d) foster regional cooperation, good neighbor relations, reconciliation and the settlement of disputes in the Western Balkans, as well as people-to-people contact.

Montenegro’s economic performance and convergence prospects have been addressed through measures aimed at overcoming structural constraints, including strengthened fiscal governance, enhanced public financial management, improvements in the business environment and reduction of informality. Reforms support SMEs, promote innovation and digital transformation, advance the green transition and improve labour market functioning through better alignment of education and skills with labour market needs. By enhancing productivity, employment and macroeconomic stability, the Reform Agenda contributes to narrowing the socio-economic gap with the European Union, fostering sustainable and inclusive growth, strengthening economic resilience and increasing the country’s capacity to withstand external shocks. It also reflects Montenegro’s continued commitment to regional cooperation and stability in the Western Balkans by supporting the implementation of regional agreements, participation in connectivity initiatives and deeper regional economic integration.

Overall, Montenegro’s Reform Agenda under the Reform and Growth Facility represents a comprehensive and credible framework for advancing structural and EU-related reforms. By combining financial assistance with clearly defined, performance-based conditionality, the Facility creates strong incentives for sustained and results-oriented implementation. Its effective delivery will accelerate Montenegro’s path towards EU membership, reinforce institutional capacity, enhance competitiveness and generate tangible socio-economic benefits for citizens, while further contributing to regional stability and deeper integration within the Western Balkans.

3 CONTRIBUTION TO THE ACHIEVEMENT OF THE SPECIFIC OBJECTIVES OF THE REFORM AND GROWTH FACILITY (RGF WB REGULATION ARTICLE 3.2)

In accordance with Article 3(2) of Regulation on establishing the Reform and Growth Facility for the Western Balkans, the Facility pursues specific objectives aimed at strengthening the rule of law, enhancing governance, ensuring alignment with EU foreign and security policy, improving economic competitiveness, fostering regional and Single Market integration, promoting digital transformation and accelerating the green transition, among other priorities. These objectives provide the strategic framework guiding Montenegro’s Reform Agenda and ensure structured and measurable progress in the institutional, economic and societal reforms required for European integration.

Each reform measure and its corresponding implementation steps contribute to several of the Facility’s specific objectives. While certain actions may primarily target a particular area - such as judicial reforms reinforcing the rule of law or energy market integration enhancing competitiveness - their effects extend more broadly to governance transparency, regional cooperation, sustainability and institutional resilience. This interconnected reform architecture reflects Montenegro’s comprehensive and holistic approach to structural transformation and its advancement towards EU membership.

The following sections present an overview of the 57 reform steps implemented across the three reporting periods, outlining their alignment with the relevant specific objectives of the Reform and Growth Facility and demonstrating the tangible progress achieved in the implementation of Montenegro’s Reform Agenda.

3.1 Specific objective 1: Rule of Law

The reform steps implemented under this objective have made a substantive contribution to strengthening the rule of law, particularly through enhanced institutional coordination, accountability and protection of fundamental rights. Measures under step 4.4.1.2 improved the institutional response to domestic violence by upgrading the Unified Database, thereby enabling systematic monitoring, better inter-institutional cooperation and evidence-based decision-making by competent authorities. The formal recognition of Crisis Centres for victims of sexual violence further reinforced the legal and institutional framework for the protection of fundamental rights, ensuring access to integrated and specialised support services in line with international standards and EU rule of law principles.

During the reporting period, the Special State Prosecutor’s Office significantly enhanced institutional cooperation by expanding access to the databases of key state authorities, including the Ministry of Justice, Ministry of Interior, Police Directorate, Customs Administration, Tax Administration, Financial Intelligence Unit, Central Bank, Real Estate Administration and Cadastre. Since November 2024, access has included income data of natural persons, while as of June 2025 fiscalisation records, including invoices of legal entities, have become available. Technical capacities have also been strengthened through the development of an internal application to optimise the use of property records, while alignment of the cooperation agreement with the Central Bank is ongoing. These measures directly reinforce judicial effectiveness, fiscal transparency and the fight against corruption, organised and cross-border crime, money laundering, terrorism financing and tax evasion, thereby consolidating the rule of law framework.

Montenegrin institutions have also prioritised the strengthening of anti-discrimination legislation, notably through support for the adoption of the Law on Protection of Equality and Prohibition of Discrimination (step 4.4.2.1). This legislation establishes a comprehensive system of protection against all forms of discrimination and contributes to preventing hate speech and intolerance in the public sphere - an area consistently highlighted in engagements with international monitoring bodies.

Beyond legislative reforms, efforts have been made to reinforce democratic governance and participatory processes as integral components of the rule of law. Through structured cooperation with civil society organisations active in the fields of human rights, minority protection and gender equality, institutions have promoted inclusive policymaking and practical implementation of rights-based standards. Public condemnation of hate speech, xenophobia and intolerance, accompanied by calls for effective institutional responses, has further contributed to safeguarding fundamental rights and strengthening social cohesion. Initiatives aimed at improving gender-balanced political representation, including support for enhanced participation of women in elected bodies, have also supported democratic accountability and institutional legitimacy.

Combating fraud and all forms of corruption, including high-level corruption and nepotism, as well as organised crime and money laundering, remains a central priority of the Government's 2025 agenda. This commitment will be further reflected in reform steps scheduled for completion in 2026, particularly as steps 4.3.1.3 and 4.5.1.4 are already at an advanced stage of implementation. In addition, the implementation of step 4.4.1.1 has strengthened human rights protection, especially with regard to women's rights and the prevention of gender-based violence, through the consistent application of instructions adopted by the Supreme State Prosecutor and the Supreme Court in accordance with international legal standards.

3.2 Specific objective 2: CFSP alignment

Montenegro is fully aligned with the European Union's Common Foreign and Security Policy, including the continuous alignment with decisions on restrictive measures adopted by the Council of the European Union and their legal transposition into our national legal system. Within the step 4.6.1.1 that tackles interoperability of the Montenegrin Visa Information System enables coordinated information exchange between national authorities, contributing to more efficient visa decision-making in line with EU requirements and the Visa Code. This directly supports the objectives of the Common Foreign and Security Policy (CFSP) by ensuring rapid and secure data sharing relevant to border control and international cooperation.

3.3 Specific objective 3: Disinformation

The adoption of the Law on Information Security (2.4.4.1), fully aligned with the EU's NIS2 Directive, represents a significant step towards strengthening cybersecurity and enhancing resilience against disinformation. In 2025, important progress was achieved in operationalising the Cybersecurity Agency, including the appointment of an Acting Director, allocation of budgetary resources, provision of official premises, preparation of the Critical Infrastructure List, and the finalisation of procedures for vulnerability management and crisis response. The establishment of a comprehensive national cybersecurity framework, combined with enhanced cooperation with EU agencies, further strengthens Montenegro's capacity to prevent and respond to cyber threats and disinformation campaigns. Collectively, these measures reinforce democratic resilience and safeguard the integrity of digital governance.

3.4 Specific objective 4: Visa policy

Montenegro's commitment to aligning its visa policy with the EU in 2025 represents a critical step towards harmonization with the Common Foreign and Security Policy (CFSP). By removing Armenia, Azerbaijan, Egypt, Kuwait, Uzbekistan and Vanuatu from its visa-free regime, as well as including visa-free regime to Nauru, (4.6.1.3) and initiating structural reforms for gradual alignment, Montenegro demonstrates its readiness to integrate into the EU's external policies. Additionally, adopted amendments to the Law on Foreigners and started a project of the modernization of the Visa Information System underscore efforts to balance national economic interests with EU accession commitments.

3.5 Specific objective 5: Governance

Regarding public procurement, significant progress was made in the negotiation process with the European Union during the reporting period. At the 16th Intergovernmental Conference European Union - Montenegro, held on 26 June 2025 in Brussels, EU Member States gave their consent to the provisional closure of Chapter 5 - Public Procurement, based on a positive assessment of the fulfilment of the final benchmarks.

In the area of legal harmonisation, activities continued to improve the legislative framework. Amendments to the Law on Public Procurement, adopted at the end of 2022, have been applied since January 2023, while new amendments have been prepared and submitted for public debate on 28th January 2026. Their adoption is planned for the first quarter of 2026, after obtaining the opinion of the European Commission, while the adoption of accompanying bylaws is expected by the end of the third quarter of 2026. The proposed amendments are aimed at strengthening the anti-corruption framework through a more precise definition of corruption in public procurement, introducing the obligation to report suspicions of corrupt practices, strengthening control mechanisms and misdemeanour liability, improving the role of the Budget Inspection, as well as introducing a "red flag" mechanism in the electronic public procurement system. This further ensures compliance with the EU acquis and strategic documents, including the Strategy for Improving Public Procurement and Public-Private Partnership for the Period 2026–2030 and the National Anti-Corruption Strategy 2024–2028.

In parallel, amendments to the Law on the Prevention of Corruption have been initiated with the aim of improving the work of the Agency for the Prevention of Corruption and strengthening normative mechanisms for more efficient suppression of corruption. It is envisaged that members of commissions in public procurement procedures whose value exceeds 100,000 euros, as well as expanded powers of the Agency regarding data verification.

In the implementation of the National Anti-Corruption Strategy, activities were focused on exchanging experiences in the supervision of public procurement procedures, improving the functionality of the electronic system in the area of detecting irregularities, as well as developing a Guide for reporting corruption in public procurement procedures, and joint trainings with the Agency for the Prevention of Corruption are also planned.

The Ministry of Finance continued to implement control mechanisms, including monitoring simple procurements (below the prescribed thresholds), as well as regular annual and semi-annual reporting. During 2025, a decrease in the share of direct procurements to 7% of the total value of public procurements was recorded, or 3.9% in relation to all initiated public procurement procedures, which indicates the positive effect of the measures taken. Also, in accordance with the Reform Agenda 2024–2027, international agreements are published in the electronic public procurement system to ensure transparency, with further improvement of the system's functionality in this segment planned.

The strategic framework has been further strengthened by adopting a new Strategy for the Improvement of Public Procurement and Public-Private Partnership for the period 2026–2030, which defines five operational objectives: improving efficiency and competitiveness, further digitalization of the system, strengthening institutional capacities and coordination, encouraging strategic public procurement, and ensuring integrity and preventing corruption. The Action Plan for the period 2026–2027 foresees key activities such as adopting amendments to the law, improving the electronic system, intensifying specialized training, as well as amendments to the legislation in the field of public-private partnership. To monitor the implementation of the Strategy, it is planned to form a Coordination Body in the first quarter of 2026.

The electronic public procurement system is fully operational and covers all public procurement procedures in Montenegro. In the reporting period, new functionalities for anonymous reporting of conflicts of interest and agreements between bidders were introduced, while the implementation of the corruption reporting mechanism and the "red flag" system is in the final phase. According to preliminary data for 2025, 6,986 public procurement procedures were conducted procurement, 8,154 contracts were concluded, and the total contracted value was approximately 590 million euros. The competitiveness index was around three offers per procedure, while the system had more than 15,500 registered users in mid-February 2026.

In the area of administrative capacities, activities were focused on continuous training and professionalization of staff. During 2025, several trainings were organized in the field of application of the regulatory framework and work in the electronic system, and 53 candidates passed the professional exam, bringing the total number of certified public procurement officers to 987. The new Strategy recognizes the need for additional professionalization through standardization of jobs, development of a career advancement system.

3.6 Specific objective 6: Economic competitiveness

Montenegro is strengthening its economic competitiveness through step 2.2.1.2 and the adoption of the Law on Climate Change in 2025. The Law provides the legal framework for reducing emissions and aligns the country with EU standards, improving predictability for the green transition. Building on this, step 2.2.2.1 establishes the MRVA system by finalizing the technical framework in early 2026, following the legal basis set by the Law in 2025. This step-by-step approach moves from law to practice, creating a stable environment for green investments and meeting EU climate rules.

Montenegro's economic competitiveness is being strengthened through structural reforms that promote a market-oriented economy, reduce bureaucratic barriers, and enhance investment attractiveness. Ensuring equal competition is an important segment. In this respect, it is expected that the Proposal for a Law on Amendments to the Law on Competition Protection (1.1.2.5.) will be adopted soon, which ensures greater independence of the Agency for the Protection of Competition through greater powers in terms of investigations, collection of evidence and decision-making in procedures for determining competition violations, as well as a greater degree of financial and functional independence.

Montenegro made significant progress in the energy sector, aimed at full market integration, regulatory alignment, and improved investment conditions. A key milestone was the complete transposition of the electricity integration package in accordance with the requirements of the Energy Community (2.1.1.1) The full legislative framework was adopted, including the Law on Cross-Border Exchange of Electricity and Gas, together with all accompanying by-laws. The transposed package has been formally submitted to the Energy Community Secretariat for verification, marking the completion of this reform step.

In parallel, Montenegro completed the gradual removal of public intervention in electricity price-setting in line with Article 5 of Directive (EU) 2019/944 on common rules for the internal electricity market (2.1.2.1). This reform strengthened market-based price formation and created a more predictable and competitive environment for private investment in the energy sector.

Economic competitiveness was further reinforced through the announcement of a three-year auction plan for renewable energy, within which at least 400 MW of new capacity will be offered, along with the launch of the first auction (2.3.1.1). This measure provides long-term visibility for investors and supports the development of a competitive and transparent renewable energy market.

3.7 Specific objective 7: Regional economic integration

Montenegro is actively working towards deeper regional economic integration by aligning its policies with the Common Regional Market initiative and fostering cross-border trade, investment, and infrastructure development. An important segment of the harmonisation of primary laws/policies is the implementation of public consultations and regulatory impact assessments through public consultations with businesses, civil society organisations and local governments, along with the preparation of regulatory impact analyses (1.1.3.2.). In this way, real market needs are identified, and the participation of stakeholders in the economic activities of Montenegro is increased.

Montenegro’s accession to the Single Euro Payments Area (SEPA), as a structural reform priority under Reform Agenda helped Montenegro’s broader alignment with the EU acquis in the areas of financial services, payment systems, and internal market integration. By becoming fully integrated into SEPA, Montenegro improved regulatory, institutional and technical alignment with the EU payments framework.

Montenegro has fully harmonized its national legislation with the EU eIDAS Regulation through the 2017 Law on Electronic Identification and Electronic Signature and its 2019 amendments, supported by 11 by-laws, and is now drafting a new law aligned with the 2024 eIDAS 2 Regulation to further ensure a fully coordinated European digital identity framework (2.4.2.1.)

In quantitative terms, the contribution of the energy sector to the specific objectives of the Reform and Growth Facility was particularly significant. In 2025, six energy-related reform steps were active, all linked to disbursement conditions under the Facility. Five of these steps were completed during the reporting period, while one remains ongoing and subject to verification. The reforms supported an overall allocation of approximately EUR 10 million, currently pending verification, further underlining the sector’s strategic importance within the Reform Agenda.

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Montenegro is aligning its Law on the Use of Physical Infrastructure for High-Speed Electronic Communications Networks with the EU Gigabit Infrastructure Act to facilitate coordinated network deployment and cost reduction, while ongoing reforms and stakeholder consultations in 2025–2026 also aim to support enhanced roaming services by enabling more efficient, shared, and high-capacity network infrastructure across the country (2.4.1.2.)

3.8 Specific objective 8: Single market integration

Montenegro’s efforts to integrate into the EU Single Market are being driven by reforms that enhance regulatory convergence, improve business conditions, and facilitate trade and investment alignment with EU standards. The structured disclosure of government contracts and procurement agreements (1.1.2.1) ensures adherence to EU public procurement principles, reinforcing fair competition and reducing the risk of market distortions.

The adoption of the Spatial Plan of Montenegro until 2040 (1.1.4.1) also plays a significant role in facilitating market integration by ensuring predictability in land use and infrastructure development. This long-term planning approach aligns Montenegro’s economic and spatial policies with EU standards, creating a stable investment environment that attracts foreign direct investment and encourages business expansion.

In 2025, Montenegro finalized key steps in aligning its national law on the use of physical infrastructure for high-speed electronic communications with the EU Gigabit Infrastructure Act, including drafting the law, conducting a public debate, and adopting the final report based on stakeholder comments (2.4.1.2.) The improved draft was submitted to the Secretariat for legislation in February 2026, with adoption expected in the second quarter, completing the harmonization process and enabling more efficient deployment of very high-capacity networks.

Additionally, Montenegro is advancing its digital and economic integration by enhancing broadband infrastructure (2.4.1.1), improving access to digital public services (2.4.3.1), and modernizing energy market regulations (2.1.1.1). These reforms contribute to aligning Montenegro's economic framework with EU single market dynamics, ensuring greater competitiveness and facilitating smoother trade and investment flows within the Union.

Montenegro advanced its integration into the EU Single Market through decisive steps toward electricity market coupling and cross-border trade. Following the completion of the legislative framework for electricity integration, work intensified on the continued implementation of the electricity integration package by the transmission system operator and the Nominated Electricity Market Operator (NEMO).

An Operational Agreement between BELEN (NEMO), CGES and Italian institutions was signed in December, and dedicated working groups were established to prepare the operational phase of the Local Implementation Project (LIP) for day-ahead market coupling with Italy. While preparatory work initially depended on the completion of the Electricity Integration Package (2.1.1.1), the adoption of the Law on Cross-Border Exchange of Electricity and the relevant by-laws enabled the transition to the next phase. Subject to a positive opinion from the Energy Community Secretariat, the operational phase of the LIP project is planned to commence in June, in line with the agreed timeline (2.1.1.2).

These developments significantly strengthen Montenegro's readiness for participation in the single European electricity market and support deeper integration with EU market structures.

3.9 Specific objective 9: Connectivity and regional cooperation

During 2025, Montenegro advanced regional connectivity and cooperation by implementing priority infrastructure and digital projects, coordinating with neighbouring countries on cross-border initiatives, and utilizing EU support mechanisms such as the Western Balkans Investment Framework, thereby enhancing integration, interoperability, and alignment with EU standards.

The Draft Law on Electronic Freight Transport Information was prepared in early December 2025 and it has been opened for public consultations on 26.12.2025 for the total duration of 30 days. In the railway sector, the Law on Railway Safety and Interoperability was adopted on 29th December 2025. Although a set of TSIs (Technical Specifications for Interoperability) has already been published, the implementation of this Law will further improve the state of the railway sector by introducing standards derived from the Directive (EU) 2016/797 on the interoperability of the rail system.

Montenegro has already signed a mutual services agreement on electronic identification with Serbia, is finalizing harmonization with Albania, and has initiated agreements with Bosnia and Herzegovina and Kosovo, while potential collaboration with North Macedonia is also being considered (2.4.2.1.)

Energy sector reforms contributed to enhanced regional cooperation and connectivity. The full transposition of the electricity integration package and its submission to the Energy Community Secretariat for verification strengthened regulatory coherence at the regional level and ensured compatibility with neighbouring electricity markets (2.1.1.1).

The operationalization of the Guarantees of Origin system further supports cross-border trade in renewable electricity and improves transparency and traceability of renewable energy sources in the regional market (2.3.2.2).

3.10 Specific objective 10: Green transition

By the end of 2025, Montenegro advanced energy efficiency through the adoption of the Air Quality Management Strategy 2024–2029 and an increased rate of building and street lighting renovations, targeting at least 60,000 m^2 annually. These measures contribute to the modernization of the energy sector, supporting decarbonization, improved energy efficiency, and enhanced system reliability.

Montenegro advanced the green transition through the implementation of step 2.2.1.2, with the adoption of the Law on Climate Change (Official Gazette of Montenegro No 149/2025 of 17 December 2025). The Law sets the objective of climate neutrality by 2050 and establishes a comprehensive framework for greenhouse gas emissions reduction across all sectors, aligning national climate policy with the Paris Agreement and the European Green Deal.

The Law provides the legal basis for the development of a Low-Carbon Development Strategy, which is expected to be adopted in early 2026, providing a long-term roadmap for decarbonisation and sectoral transition. These steps strengthen the policy framework for achieving climate neutrality and a sustainable, climate-resilient economy.

Montenegro achieved substantial progress in accelerating the green transition, particularly in renewable energy deployment, energy efficiency, and the social dimension of decarbonization. The Law on the Use of Energy from Renewable Sources, aligned with the Renewable Energy Directive (RED II), was adopted in August 2024 (2.3.2.1). During 2025, six by-laws regulating key aspects such as privileged producers, assessment of renewable energy potential, high-efficiency cogeneration, guarantees of origin, and energy permits were adopted, while work on biofuels regulations was finalized in cooperation with the Energy Community Secretariat. With the remaining by-laws scheduled for adoption within the reporting period, this reform step is considered completed (2.3.2.1).

Energy efficiency reforms progressed through the issuance of energy performance certificates and amendments to the legislative framework enabling homeowners to make informed decisions regarding investments in energy efficiency, in line with the Energy Performance of Buildings Directive (2.3.4.1). The Long-Term Building Renovation Strategy, together with its Action Plan, has been adopted and is being implemented through ongoing projects focused on the renovation of existing public buildings (2.3.4.2). The adoption of the National Energy and Climate Plan (NECP) in December 2025 constituted a key enabling condition for the recognition and implementation of this strategy, on which these measures are structurally based.

Further progress was achieved by increasing renovation rates of buildings and street lighting, reaching at least 60,000 m² renovated by December 2025 without double funding, with verification currently ongoing (2.3.4.5). Measures aimed at protecting energy-poor and vulnerable consumers, including the development of a dedicated methodology and monitoring tools, were fully implemented, ensuring that market reforms are accompanied by adequate social safeguards (2.1.2.2).

In addition, government structures with the mandate to implement and monitor just transition actions became fully operational and adopted plans for training and job creation for individuals employed in the mining sector and coal-based energy production (2.2.1.1). Progress was also made toward establishing energy communities, with regulatory drafting and pilot activities underway under an Energy Community-supported project.

3.11 Specific objective 11: Digital transformation and skills

The Reform Agenda identifies the digital transformation of Montenegro's public administration and economic sectors as a central strategic priority. The upgraded Unified Database on Domestic Violence and digital information exchange systems between institutions represent major steps toward digitalization in social policy management. Training modules for database use will further enhance digital governance capacities within social protection institutions (4.4.1.2.).

By the end of 2025, Montenegro established 100 EdTech laboratories, covering 47% of schools and engaging 74% of students, including 48% girls. These laboratories support digital transformation and skills development by integrating innovative technologies such as computers, 3D printers, robots, and PET recyclers into the learning process (3.2.2.3.). Also, 2,423 teachers were trained in digital competencies, surpassing the target of 2,000, covering areas such as media literacy, digital tools in teaching, cybersecurity, programming, and 3D modelling. These efforts support the broader digital transformation of education, including the implementation of the SELFIE tool for schools and the planned development of at least 15 new accredited teacher professional development programs in digital skills (3.2.2.1.)

Since 2022 Ministry of Education, Science and Innovation is successfully implementing Education System Digitalization Strategy, the process of strengthening digital competencies was continued and demonstrated via adoption of the national Framework of Digital Competencies based on the European Framework for the Digital Competence of Educators – DigCompEdu and implementation of trainings. A total of 2,423 teachers completed training to strengthen digital competencies in teaching. Teachers equipped with such skills will be able to respond better to the needs of the students but also to explore and utilize digital resources that are available.

In line with the Plan for the Digitalisation of e-Services (2.4.3.2), a total of 57 digital services have been fully implemented. Activities on promotion of these services have already started, in order to increase their visibility, and encourage their wider use and to maximize their impact and further support sustainable and inclusive growth.

In parallel, the coordinated vulnerability detection framework and the national crisis management framework (2.4.4.2) are operational and substantially enhance the resilience and security of Montenegro's digital infrastructure, providing a secure and reliable foundation for continued digital transformation in line with EU cybersecurity standards.

3.12 Specific objective 12: Innovation, research and SMEs

A substantial and continuous increase in public budget allocations for research and development from 2021 to 2025, alongside the implementation of a wide range of support schemes targeting both individual researchers and legal entities significantly contributed to boosting innovation and research in Montenegro. The support provided through national programmes implemented by the Ministry of Education, Science and Innovation (MESI) and the Innovation Fund of Montenegro enabled a significant increase in the number of funded R&I actors in the national R&I system (1.2.2.1) engaged in research and innovation activities. The growing financial commitment has enabled the expansion of a diverse portfolio of support schemes targeting both individual researchers and legal entities across the research and innovation ecosystem, contributed to reinforcing national research capacities and sustaining companies' innovative activities, thereby directly supporting the development of a more dynamic and better-funded innovation ecosystem. The diverse programmes include calls for proposals that finance scientific research projects, support start-ups, incentivize individual researchers, support NGOs' science and innovation undertakings, and foster collaboration between business and research institutions.

Montenegro's commitment to the green and digital transition is evident in the targeted initiatives aimed at improving energy efficiency and promoting digital solutions within the manufacturing sector. The Programme for Encouraging Innovation in Energy Efficiency in Industry contributed to achieving the green and digital transition objectives by supporting the uptake of innovative technologies that improve energy efficiency and promote the use of renewable energy sources in the manufacturing sector. By encouraging enterprises to introduce digital solutions for enhanced energy management and optimise production processes, the programme facilitated the integration of sustainability-oriented innovation into industrial operations. In doing so, it supported both the environmental performance and digitalisation of MSMEs, strengthening their capacity to transition towards more resource-efficient and technologically advanced business models.

The digital transformation of the public administration and the economic sector of Montenegro is a key priority within the Reform Agenda. A fundamental aspect of Montenegro's digital transformation strategy is the expansion of broadband connectivity, especially in underserved rural areas. The National Broadband Infrastructure Development Plan establishes a framework for expanding high-speed Internet access (2.4.1.2.) across the country, thus reducing the digital divide and creating equal opportunities for economic participation. In this way, by modernizing digital services, improving administrative efficiency and increasing accessibility for businesses and citizens, greater interoperability between government institutions will be achieved, bureaucratic processes will be simplified and cyber security will be strengthened, ensuring compliance with EU standards on digital governance. As an added value to this segment is the Action Plan for Eliminating Business Barriers Faced by the Private Sector, which was created in response to the initiatives of business associations and members of the Competitiveness Council, with the aim of improving the business environment through concrete and measurable activities (1.1.3.5).

3.13 Specific objective 13: Education and employment

The activation of beneficiaries of material support (3.1.3.1) directly strengthens active labour market participation among disadvantaged citizens; establishes financial incentives for sustained employment; promotes targeted inclusion through individualized plans and coordination between Employment Agency and SWCs. Additionally, training activities linked to the Deinstitutionalization Strategy enhance professional skills for social service providers, improving employability in care-related sectors. Within the framework of the step that includes two active labour market policy programmes specifically targeted at women, and in the context of introducing a revised methodology aligned with ESF+ requirements, an Analysis of the Position of Unemployed Women in the Labour Market in Montenegro was prepared, along with a Gender Equality Methodology developed in accordance with ESF+ principles. In addition, a Catalogue of Active Labour Market Policy Measures and Programmes has been prepared. This document systematizes and consolidates programme interventions into a single framework.

The timely launch and completion of tender procedures for the construction and renovation of schools (3.2.1.1.) by the end of 2025 created the foundation for reducing overcrowding and lowering the number of shifts in primary education. Each activity—from one new school to the pavilions in others and the adaptation of facilities—directly expanded the available infrastructure, ensuring provision of more classrooms and improved learning conditions. As a result, we will have a direct impact on the quality of education through better organization of teaching schedules. These investments not only modernize the physical environment but also strengthen equity in access to education, allowing students to learn in more favourable conditions. In order to improve the situation when it comes to career decision-making, employability, academic motivation and performance but also education–employment linkages, Career Guidance and Counselling Strategy 2025–2030 (3.1.1.4.) was adopted marking a major step in strengthening career support within the education system. The Strategy introduced a comprehensive model that includes training programs for career advisors, integration of guidance into primary, secondary, and university education, and the development of a digital platform to track students' career paths throughout their education and professional lives.

The successful implementation of Learning through Work in Higher Education (3.1.1.3.) has had an impact on both education and employment. Higher education students had the opportunity to gain benefits from structured work-based learning with employers and the initiative has strengthened the relevance of academic programs and will contribute in a long run to improved graduate employability. This alignment between classroom knowledge and workplace practice has enhanced the quality of education, while simultaneously equipping students with practical skills demanded by the labour market. Moreover, stronger collaborations were fostered between higher education institutions and private sector employers that will not only provide opportunities for students but also encourage employers to actively contribute to curriculum development, training design, and innovation. Also, the collection of relevant data will be significantly improved and make monitoring easier and more effective.

4 OVERVIEW ON THE FULFILMENT OF CONTROL AND AUDIT MEASURES

Management and control system (MCS) for the implementation of Montenegro Reform agenda 2024-2027 is set in a way that Coordination body and bodies responsible for specific reforms/steps are playing crucial role in implementation in reporting process. In addition, control and audit system is set in a way that the Audit authority of Montenegro conducts system audits and verification of the fulfilment of reforms and steps, as well as Internal audit units in public bodies who are in charge for verification of the fulfilment of reforms and steps. The processes and system are prescribed within Information adopted by the Government of Montenegro in December 2025, while Decree for the Reform agenda will be adopted in 2026.

Although no audits are performed in regard to the Montenegro Reform agenda during 2025, the Ministry of Finance undertook a significant activity in order to improve the internal control and internal audit system. Below is a brief overview and information about the activities carried out:

- *The Law on Governance, Internal Control and Internal Audit in the Public Sector was adopted ("Official Gazette of Montenegro", No. 89/2025);*
- *On October 16, 2025, the Rulebook on Governance and Internal Control in Public Sector Entities ("Official Gazette of Montenegro", no. 120/2025) was adopted, which prescribes in detail the obligations of the governance body, as well as the manager for the management of the entity, i.e. for the implementation of internal control. Also, the same Rulebook prescribes the methodology for risk management, within which the roles, duties and responsibilities of all employees in the risk management process are clearly prescribed;*
- *On October 16, 2025, the New Rulebook on the Internal Audit methodology, the manner and terms of keeping internal audit documentation in public sector ("Official Gazette of Montenegro", no. 120/2025) was adopted, with the aim of harmonizing the internal audit work methodology in the public sector with the new Global Internal Audit Standards;*
- *An analysis of the Law on Budget Inspection was carried out and an opinion prepared, as well as a proposal for amendments to the Law on Budget Inspection;*
- *An analysis on the causes of non-implementation of conclusions based on the annual consolidated report on governance and internal controls was conducted, which was considered and adopted by the Government at the session held on October 16, 2025, and relevant conclusions were reached. CHU identified key reasons for the poor implementation of the conclusions and accordingly proposed corrective measures which have been adopted by the Government in order to eliminate the causes and enhance the level of implementation of recommendations and conclusions. All budget users are being tasked and obliged to undertake relevant activities in order to implement recommendations and conclusions from Consolidated report while CHU is tasked to regularly monitor the implementation of corrective measures and to inform the Government on it;*
- *An analysis on PIFC in State owned enterprises was conducted and was adopted by the Government of Montenegro at the session held on October 2, 2025 and made binding conclusions for SOEs;*
- *An analysis on managerial accountability in public sector which, inter alia, involved conducting survey within high-level officials in all ministries and a certain number of interviews, with the aim of determining the current state of implementation of managerial accountability in the ministries.*

The internal audit system in Montenegro has achieved significant progress during previous period, especially in these three areas:

- *Adequacy of the regulatory framework for internal audit,*
- *Coordination, development and guidance of the internal audit system i*
- *Certification and professional development of internal auditors.*

The new Law on Governance, Internal Control and Internal Audit in the Public Sector introduces more flexible conditions for entry-level positions within the internal audit unit, such as junior and senior internal auditors, while the conditions for superior internal auditor and head of the internal audit unit remain the same. These simplified conditions refer to the fact that previous experience in internal audit is not required for those two positions, and it is expected that this will facilitate the process of recruitment and appointment and help in meeting staffing needs more efficiently.

According to data from CHU (Central Harmonization Unit), at the end of the reporting period, 79 out of 82 (96.3%) appointed internal auditors in the public sector of Montenegro were certified.

In entities that are responsible for implementing steps from the Reform Agenda, and that have established an internal audit and appointed internal auditors, annual plans have been adopted for implementing audit engagements, in which an audit of activities from the Reform Agenda is planned. Respectively, audit and controls under Montenegro Reform agenda will be conducted during 2026.

Besides that, the Ministry of Finance of Montenegro, with the support of Centre of Excellence in Finance (CEF) Ljubljana, has launched activities aimed at strengthening the capacities of internal auditors appointed in institutions responsible for implementing the Reform Agenda of Montenegro for the period 2024–2027.

5 CROSS-CUTTING ISSUES

5.1 Gender equality mainstreaming

The implementation of the Reform Agenda actively incorporates gender equality as a horizontal principle, aligning with the EU Gender Action Plan (GAP III) and the UN Sustainable Development Goals (SDGs). Recognizing Montenegro's Gender Equality Index lagging behind the EU-27 average, the focus remains on reducing gender disparities and promoting equal opportunities in the labour market. Reforms directly addressed gender equality through enhanced protection mechanisms for victims of gender-based violence (database upgrade and institutional coordination on crisis centres); women's economic empowerment through activation and labour market inclusion.

The government remains committed to advancing this legislative initiative to further align with EU equality standards. Despite this, Montenegro has made significant progress in implementing reforms outlined in its Reform Agenda. Notably, the country has introduced standard operating procedures for prosecutorial actions in cases of sexual and gender-based violence, aligning with the Istanbul Convention and the EU Victims' Rights Directive. Additionally, the National Strategy for Gender Equality (2021-2025) continues to guide efforts in promoting gender equality, with ongoing development of a new strategy for the period 2025-2029.

In 2025, reduced number of complaints to the Ombudsman and a reduced number of incidents reported by LGBTIQ civil society organizations is recorded (step 4.4.2.1).

Furthermore, measures have been taken to enhance women's economic empowerment by improving access to financing for female entrepreneurs and increasing their representation in economic sectors.

5.2 Climate change and environment mainstreaming

The Reform Agenda has progressively strengthened Montenegro's alignment with EU climate and environmental standards, in line with the European Green Deal, the Green Agenda for the Western Balkans and the Paris Agreement.

Under step 2.2.1.1, Montenegro fully operationalised the governance and planning framework for just transition. The Council for Just Transition became fully functional and adopted a comprehensive operational plan for training and job creation targeting workers in the coal mining and coal-based energy sectors. Policy coherence was further ensured through the adoption of the National Energy and Climate Plan (NECP) in December 2025, which explicitly recognizes just transition as a national priority and provides strategic alignment for the implementation of measures under step 2.2.1.1.

Through the implementation of steps 2.2.1.2 and 2.2.2.1, Montenegro advanced the establishment of a comprehensive climate governance framework. In 2025, the Law on Climate Change (Official Gazette of Montenegro No 149/2025 of 17 December 2025) was adopted, formalising long-term mitigation and adaptation objectives and establishing the legal basis for an integrated monitoring, reporting, verification and accreditation (MRVA) system, including emissions monitoring, reporting and permitting procedures. This framework strengthens strategic planning, regulatory certainty and institutional responsibilities in climate policy and supports progress towards climate neutrality and compliance with the Paris Agreement.

Energy-related reforms under the Reform Agenda further contributed to greenhouse gas emission reduction through the promotion of renewable energy, improvements in energy efficiency and measures supporting decarbonisation. Climate considerations were mainstreamed across relevant reform steps, ensuring sustained alignment with the EU climate and environmental acquis.

5.3 Democracy and human rights

The implementation of the Reform Agenda has contributed to strengthening democracy and the protection of human rights by reinforcing institutional accountability, enhancing legal safeguards and improving the protection framework for vulnerable groups. Legislative and policy measures have advanced equality before the law, non-discrimination and the effective functioning of democratic institutions in line with EU values and international human rights standards.

A particularly significant step was the adoption of the Law on Protection of Equality and Prohibition of Discrimination in December 2025, which strengthens the normative framework for protection against all forms of discrimination, clarifies grounds for legal redress and reinforces the institutional capacities of equality bodies. This reform enhances legal certainty, improves access to justice for victims and promotes the principle of equality as a core democratic value.

Concrete actions were also undertaken to improve the monitoring and investigation of alleged cases of abuse by law enforcement and prison officials. Strengthened internal control mechanisms, disciplinary procedures and judicial follow-up have reinforced oversight, transparency and compliance with European standards, thereby improving safeguards against ill-treatment and strengthening public trust in institutions.

At the same time, the upgrade of the Unified Database on Domestic Violence and the establishment of a framework for crisis centres for victims of sexual violence have significantly improved the institutional response to gender-based violence. These measures have strengthened inter-institutional coordination, enhanced data transparency and enabled evidence-based policymaking, resulting in more effective protection of victims' rights. Support to civil society organisations active in the field of human rights and equality has further promoted participatory governance and social dialogue, contributing to a more inclusive and depolarised public sphere.

Through these combined efforts, the Reform Agenda has strengthened the effective protection of fundamental rights, enhanced the accountability of public authorities and consolidated democratic governance in accordance with EU standards and international human rights obligations.

6 OVERVIEW ON THE FULFILMENT OF THE GENERAL CONDITIONS FOR SUPPORT

6.1 Macro-financial stability

6.1.1 Macroeconomic developments and risks

The strong economic impact in recent years has accelerated Montenegro's GDP per capita convergence with that of the EU – gross domestic product per capita at purchasing power standards in Montenegro in 2024 amounted to 54% of the EU-27 average. The main macroeconomic indicators of Montenegro show positive trends in 2025, with clear signs of their continuation and significant potential for further development. The GDP growth rate in the first three quarters of 2025 amounted to 3.2%. In the first quarter, growth was 2.8%, in the second quarter 3.5%, and in the third quarter 3.1%. In each quarter of 2025, the real growth of Montenegro's GDP exceeded the growth rate of the European Union economy over the same period, which amounted to 1.7%, 1.7%, and 1.6% per quarter, respectively.

Positive developments in 2025 were recorded in tourism, construction, transport and trade. Tourism revenues for the first nine months amounted to €1.33 billion, reflecting a growth of 1.3%, while annual inflation stood at 3.9% and has recorded monthly deflation since September, confirming the stability of macroeconomic trends. The labour market is characterized by rising employment and a record-low, single-digit unemployment rate, accompanied by strong double-digit wage growth. At the same time, the banking sector has recorded an increase in lending activity while maintaining liquidity and overall stability. Foreign direct investment has also increased on an annual basis by more than 14%, reaching €1,018.0 million.

The perspectives of economic growth in the medium term rely on strengthening the competitiveness of the domestic economy, diversifying economic activities, and modernizing infrastructure, while increases in employment and wages will continue to contribute to improving citizens' living standards. Fiscal discipline, stability of public finances, and a favourable environment for domestic and foreign investment further support sustainable economic development, laying the foundation for long-term prosperous growth. Prospects for medium-term economic growth are also strongly supported by the strategic priority of closing all negotiation chapters by the end of 2026, in order for Montenegro to become a full member of the European Union in 2028. Special emphasis is placed on socio-economic and fundamental reforms under the Reform Agenda and the EU Growth Plan, which contribute intensively to fostering growth and accelerating convergence with the European Union.

The medium-term economic growth dynamics of Montenegro will be predominantly driven by strong domestic demand (impact of 3.5 p.p.), with private consumption (impact of 1.9 p.p.) and investment (impact of 1.2 p.p.) as the main engines of economic activity. Household consumption will be primarily supported by increases in employment and wages, credit activity, and remittances from abroad. Over the medium-term period, private consumption is expected to maintain stable growth of around 2.4%, while government consumption is projected to grow at an average annual rate of 2.2%, due to high current expenditure and planned capital investments financed from public sources. Investment growth is based on a dual foundation – financial support from the EU Growth Plan, which provides funding for the implementation of capital projects and structural reforms, and strategic investments in priority sectors. Investments in infrastructure, as well as investment plans in tourism, energy, digitalization, education, and healthcare sectors, in line with the medium-term macroeconomic framework, are expected to achieve an average annual investment growth rate of around 6%.

Table 1: Difference between last year's ERP and the latest estimates for 2025 (in ERP 2026-2028)

Real growth in 2025, %	**ERP 2025-2027**	**ERP 2026-2028**	**Difference (p.p.)**
Real GDP growth	4.8	3.3	-1.5
Household consumption	7.2	5.7	-1.5
Government consumption	2.7	2.7	0.0
Investment	4.7	5.7	1.0
Exports of goods and services	2.7	-0.8	-3.5
Imports of goods and services	5.3	4.1	-1.2

Source: Ministry of Finance projections

According to preliminary projections by the Ministry of Finance, the Montenegrin economy is expected to achieve an average annual growth of 3.2% over the medium term, specifically 3.2% in 2026, 3.1% in 2027, and 3.2% in 2028. Considering the economic growth rate in 2024 within the context of a complex European and global environment, forecasts for the upcoming period rely on the continuation of consumption growth trends, maintaining stable and declining inflation rates, intensifying the investment cycle, and consistent implementation of policies aimed at economic convergence with the EU average. The period 2025–2028 will also be characterized by an intensive investment cycle through investments both from the Capital Budget and grants provided by the European Union, the most significant of which are for the construction of the second section of the Highway and the reconstruction of railway infrastructure. In parallel, through the Western Balkans Growth Plan, Montenegro will have €383.5 million available in 2025–2028 for the implementation of structural reforms and investment in infrastructure.

Regarding price stability, following an average inflation rate of 3.9% in 2025, a clear downward trend is projected, bringing the inflation rate to 2.0% by the end of the forecast horizon. Based on the easing of inflationary pressures present at the European and global levels, inflation in Montenegro is expected, according to macroeconomic projections, to average 2.5% over the next three-year period.

The labour market is expected to follow economic growth, with average employment growth of around 2% per year. Thanks to employment policies and programs that have contributed to greater inclusivity in the labour market, the unemployment rate declined faster than expected during 2024 and 2025, and this trend is expected to continue, with the unemployment rate projected at 8.1% by the end of the forecast period, i.e., in 2028. At the same time, following strong wage growth in 2024 and 2025, in line with reforms, moderate wage growth is expected to continue in the coming period, which, combined with declining inflation, will lead to anticipated growth in real incomes and living standards.

It is projected that in the period 2026–2028, based on relevant investment plans in tourism, renewable energy, and energy efficiency, investment and investment activity will increase, resulting in net foreign direct investment amounting to around 6.3% of GDP. A new instrument to accelerate convergence with the European development average, the EU Growth Plan, will provide additional financial resources to fund capital projects and planned structural reforms in the economy, which will, consequently, have an additional positive impact on intensifying investment activity. Investments in fixed assets will represent an important factor for medium-term economic growth, with projected average annual growth of around 6% and a contribution to GDP of 1.2 percentage points each year over the medium term.

Given that the Growth Plan for Montenegro brings concrete economic and financial benefits, particularly with regard to available financial instruments for financing projects and reforms that contribute to strengthening economic growth and improving the business environment, the Ministry of Finance has assessed the impact of the implementation of the Growth Plan on the medium-term macroeconomic and fiscal framework.

The simulation of projects was carried out using tools and models developed within the Ministry of Finance, under the assumption of a high absorption rate of available financial resources and the readiness of projects and reforms. The expected net effect of the projects envisaged under the Growth Plan on Montenegro's real GDP amounts to approximately 0.9%, meaning that the level of GDP at the end of 2027 would be 0.9% lower in the absence of these investments. Additional positive effects include an increase in private consumption of around 0.7%, growth of the export sector – particularly services – by approximately 0.8%, as well as an increase in imports of around 1%, reflecting the limited domestic production base. The projects are also expected to have a positive impact on the labour market, with employment projected to grow by around 0.4% by 2027.

In assessing the impact of the Reform Agenda on fiscal developments, particularly on budget revenues, a medium-term budget revenue projection model was used. Overall, the expected fiscal effect of the Growth Plan on budget revenues is estimated at approximately €85 million over the period 2025–2027, or about 0.9% of total revenues, with the most pronounced effects occurring in the years when, in line with the macroeconomic scenario, infrastructure projects are expected to intensify and related funds to be disbursed.

Nevertheless, growth and macroeconomic stability prospectuses remain uncertain and subject to materialization of risks in the coming period. The key risks that could affect Montenegro's growth prospects in the upcoming period relate to both external and domestic factors. Slowing economic activity in Europe and rising inflationary pressures are significant, as changes in EU economic trends directly spill over to the Montenegrin economy. At the domestic level, slower implementation of investment plans and structural reforms could hinder the pace of economic expansion. Uncertainties in international trade policy, such as potential increases in US tariffs on key partners, could indirectly affect Montenegro through slower growth in regional countries and the EU, which are crucial markets for tourism, investment, and foreign trade. In addition, climate change may influence medium-term growth dynamics, particularly through its impact on tourism, agriculture, and the energy sector.

On the basis of the information and the analysis provided in this chapter, we consider that the Government is pursuing a stable macroeconomic framework and that this eligibility criterion is therefore satisfied.

6.1.2 *Fiscal developments and risks*

As presented in the following table, the outturn of public revenues generated in all years of the forecast will be higher than what was projected in the previous Programme. This revenue growth will be generated primarily as a result of the implementation of the Europe Now 2 Programme, due to pronounced economic growth rates, the increase in private spending, a stronger combat against the shadow economy, as well as the envisaged set of measures on the revenue side.

Within such context, in the medium term the public revenues will be in the from 3,506.1 million euro (40.9 percent of GDP) in 2026 to 3,727 million euro (39.7 percent of GDP) in 2028.

Table 2: Comparison with the previous Programme, in million euro

	ERP 2025-2027			
	2025	**2026**	**2027**	**2028**
Public revenues	3,283.0	3,410.3	3,527.2	-
Public spending	3,560.8	3,669.6	3,793.2	-
Surplus/deficit of public finances	-277.8	-259.3	-266	-
	ERP 2026-2028			
	2025	**2026**	**2027**	**2028**
Public revenues	3,296.3	3,506.1	3,624.6	3,727
Public spending	3,575.4	3,785.2	3,869.4	3,989.2
Surplus/deficit of public finances	-279.1	-279.1	-244.8	-262.2
	DIFFERENCE			
	2025	**2026**	**2027**	**2028**
Public revenues	13.3	95.8	97.4	-
Public spending	14.6	115.6	76.2	-
Surplus/deficit of public finances	-1.3	-19.8	21.2	-

Source: Ministry of Finance

The outturn of public revenues over the medium term will be higher than what was projected in the previous Programme. The anticipated revenue growth results primarily from the implementation of the Tax Policy Reform programme, stronger economic growth and private consumption increase, more efficient countering of the informal economy, and the implemented and planned set of measures on the revenue side. Furthermore, the increase in revenues is directly correlated with the implementation of the key reform measures envisaged under the Fiscal Strategy, in particular the ones relating to broadening the tax base, reducing the tax expenditures, strengthening the technical and software capacities and tools of the Tax Administration, and improving the digitalisation of tax processes. These measures contribute to a more stable and sustainable revenue increase, opening up space for the implementation of development policies and gradual reduction of structural fiscal deficit.

In the given context, public revenues retain the growth trend and range from 3,506.1 million euro (40.9 percent of GDP) in 2026 to 3,727 million euro (39.7 percent of GDP) in 2028. Almost all revenue categories will increase over the medium term.

Budget revenues from VAT will record a growth of around 4.9 percent in the medium term, with a stable share in GDP at around 17 percent, primarily as a result of the levelling of the VAT rate and increased consumption driven by higher disposable income of citizens and economic activity growth.

Revenue from the personal income tax will grow at the rate of some 5.5 percent, mostly as an effect of the implementation of the Europe Now 2 Programme, which increased employees' wages and expanded the base for the personal income tax, but also due to the employment rate increase and reduced informal economy in the labour market. For the first time, Montenegro registered a single-digit unemployment rate in 2025.

Budget revenues from the corporate profit tax will grow at a rate of 6 percent in the medium term, predominantly due to the growth of economic activity, but also further strengthening of tax discipline, along with the start of a new investment cycle.

In the medium term, the excise taxes will grow at a rate of approximately 4.2 percent, foremost as a result of the expansion of the scope of excisable goods, but also of increase in consumption and further excise policy harmonisation.

Contributions will increase on average by approximately 4 percent in the medium term, following the implementation of the Europe Now 2 Programme, with the expanded base for the collection of this category of budget revenues generating increase over the medium term.

On the other hand, a stable growth in public spending is projected in 2026 and 2027, predominantly due to the trends in mandatory spending, namely social protection transfers and gross wages.

Given the projected revenues and expenditures, the deficit in 2026 is higher relative to the previous Programme, in nominal terms; however, the share of deficit in the GDP is expected to remain stable due to the economic activity growth. In 2027, despite a slightly lower deficit in nominal terms, the difference relative to the previous Programme suggests a slight worsening of the fiscal stance. In 2028, the deficit stabilises, with a continuation of investment activities and preserved fiscal discipline.

Fiscal impact of the Countervailing measures on the revenue side of the budget: Given the nature of the reforms and the significant number of planned infrastructure projects, the budget revenue categories considered are the ones that will increase in line with the increase in employment and wages, the launch of a new investment cycle and the resulting expected major economic growth. In line with the foregoing and driven by the expected increase in import due to the implementation of infrastructure projects, VAT (in particular import VAT) and tax on international trade and transactions are expected to increase. Overall, the expected fiscal impact of the Growth Plan on budget revenues is around 85 million euro over the 2025-2027 period, i.e. around 0.9 percent of revenues, peaking during the years of expected intensified infrastructure projects and relevant disbursements, as per the macroeconomic scenario.

The implemented Reform Agenda measures, in particular those improving the business environment, contribute to stronger economic activity and indirectly also to budget revenue increase. Elimination of business barriers further reinforces a more conducive environment for the investors; in the long term, this results in more budget revenues, although the impact is difficult to assess with precision. Digitalisation of administrative processes enhances efficiency and transparency, indirectly fostering economic dynamics and tax revenue increase. The reform measures aiming to modernise the business environment create the preconditions for private sector development, but their individual fiscal impact is not easily quantified. Clearly, facilitated procedures and reduced regulatory barriers impact an improvement in the business climate, which is in turn reflected in the more stable budget revenue increase.

Although the impacts of innovative digital solutions and administrative reforms are not directly measurable as in the investment projects, their contribution is evident. Public service modernisation and greater availability of e-services generate a more efficient economic system, which indirectly boosts budget revenues.

Pursuant to the fiscal framework, the direct budget revenues in the period 2026-2028 have a positive trend, ranging from 3,084.4 million euro in 2026 to 3,281.8 million euro in 2028, which constitutes a stable level of some 35-36 percent of GDP. The stability of revenues is ensured through the implementation of new tax policy measures and business environment improvement.

6.2 Public financial management, budget transparency and oversight

6.2.1 Progress in public financial management reforms

Results of the reforms in the area of public finance during 2025 confirm steady progress in building a functional and sustainable institutional system aligned with EU standards. A particularly significant step forward was recorded through the provisional closure of two out of three negotiation chapters within Cluster 1 – Fundamentals, namely Chapter 5 – Public Procurement and Chapter 32 – Financial Control[2]. The negotiation process for accession to the European Union acts as a key mechanism for institutionalizing reforms in the area of public finance management, contributing to the

[2] The intergovernmental conference at which the chapter was provisionally closed was held in January 2026.

establishment of a sustainable, transparent and results-based management system, fully aligned with the EU acquis and good European practices. Reform interventions are aimed at achieving measurable results, including improving fiscal discipline, more efficient and priority-oriented allocation of public funds, as well as increasing the operational and managerial efficiency of the public sector.

The findings of the mid-term evaluation of the Public Finance Management Program (PFM Program) indicate a partial level of effectiveness in the implementation phase so far, considering that a significant part of the planned measures is still in the implementation phase, while their full implementation is expected by the end of the program cycle in 2026.

The Report on the implementation of the Action Plan for the implementation of the PFM Program for 2025 is based on the systematic monitoring of 120 planned activities and 37 performance indicators. Compared to previous reporting cycles, accelerated progress has been recorded in the achievement of performance indicators, which is in line with the planned implementation dynamics in the final phase of the program framework. Given that 2025 is the penultimate year of the implementation of the PFM Program, it is expected that most indicators will approach their target values.

The updated draft of the PFM Program and the Action Plan, aligned with the Methodology of the General Secretariat of the Government and adjusted to organizational and normative changes, were finalized and adopted at the Government session held on March 13, 2025. At the same session, the Report on the Implementation of the PFM Program for 2024, prepared by the PFM Working Group, was also adopted. Also, the Semi-Annual Report on the Implementation of the PFM Program for the period January-June 2025 was completed and submitted to the European Commission.

In the context of EU membership negotiations, the dialogue with the European Commission in the area of public financial management reform, which is part of the political criteria and benchmarks for the closure of Chapter 23 – Judiciary and Fundamental Rights, was intensified.

Key successes / positive effects at program level in 2025 are presented below:

Area 1: Fiscal framework and budget planning

- Reduced the gap between projected and actual GDP to 0.1%.
- Increased the credibility of the budget process of planned budget expenditures in the medium-term budget framework and the budget execution of the previous year to 1.19% in 2025.
- Increased the number of assessments of the impact of structural reforms on key macroeconomic indicators on an annual basis to 3
- Integrated gender-responsive budgeting into the program budget in 20% of spending units
- Improved public investment management through an increased percentage of mature projects in the capital budget.
- Improved trends in the average maturity of public debt.
- Limited progress achieved in negotiations with the EU in Chapter 18- Statistics and some progress in Chapter 33- Financial and budgetary provisions.

Area 2: Budget execution

- Created preconditions for better quality services to taxpayers and increased budget revenues through the implementation of Integrated IT system of the Tax Administration (IRMS);
- Good progress towards closing negotiation chapters 16-Taxes and 29-Customs Union.
- Reduced administrative barriers by upgrading the customs information system.
- Provisionaly closed chapter 5- Public procurement.
- Increased average number of bidders per public procurement procedure.
- Progress made towards closing negotiation chapter 8 - Competition policy.
- Increased transparency, accountability and uniformity of salary calculation in the public sector by increasing the % of institutions integrated into the Centralized Wage Calculation System (COZ).

Area 3:Accounting, monitoring and financial reporting

-Improved framework for the implementation of the Law on Accounting in Public Sector
- Created preconditions for the development of an information system for recording non-financial assets
- Increased transparency and clarity of reporting on budget execution within BMIS with the introduction of a gender dimension

Area 4: Efficient financial control

- Increased level of delegation of authority for financial management and internal controls
- Increased accountability and efficiency through a higher level of controls on the implementation of SAI recommendations
- More efficient control of irregularities through a higher number of reports of irregularities to OLAF and a higher number of reports of suspected fraud.
- More efficient and effective inspection supervision through an increased percentage of regular budget inspection activities carried out in the field compared to the plan.

6.2.2 Budget transparency and oversight

The budget process in Montenegro is based on transparent legal provisions established in the Constitution, in the Law on Budget and Fiscal Responsibility and related laws. The fundamental standards of budget transparency are met through the publication of the State Budget Draft Law, the Budget Law, the Final Statement of Accounts, Draft Law, Final Statement of Account Law and relevant reports of the Ministry of Finance, as well as the State Audit Institution's reports on final budget accounts. The Government of Montenegro remains committed to enhancing transparency by systematically publishing comprehensive budget documentation. In this ongoing effort, the following key documents have recently been made available to the public:

1. *The 2026 Budget Law adopted by the Parliament on December 27th, 2025 is published and available on the website of the Parliament, the Government and the Ministry of Finance. The Budget Law is published in the OG MNE No 159/2025, from 30/12/2025.*[3]
2. *The preliminary Annual Report on the Execution of the Budget of Montenegro for 2025 was published on the Ministry of Finance's website on January 31st, 2026. The report includes a narrative section, detailed explanations, and an overview of fiscal aggregates.*[4]
3. *Annual Reports on the Execution of the Program Budget are publicly available and are prepared by budgetary spending units, state funds, local government units, and other spending units, in accordance with budget classifications.*
4. *Monthly Reports on the Execution of the Central Government Budget, as well as Quarterly Reports on the Execution of the General Government Budget (including both central and local government levels).*

[3] Službeni list Crne Gore
[4] Izvještaj o izvršenju budžeta Crne Gore - decembar 2025. godine

Additionally, improvements in budget transparency are materialized through the implementation of a new classification of the program budget, with program goals and performance indicators, and the publication of the medium-term budget framework within the Macroeconomic and Fiscal Policy Guidelines.

- *General Data Dissemination System (GDDS) table*[5]
- *Report on the Execution of the Budget of Montenegro for January - December 2025*[6]
- *Budget Execution by Program Classification*[7]
- *Budget Execution by Functional Classification*[8]
- *Budget Execution by Organizational Classification*[9]
- *Execution of current budget reserves* [10]
- *Analysis of Consolidated Public Expenditure for the Third Quarter of 2025*[11]
- *Proposal for Guidelines on Macroeconomic and Fiscal Policy for the Period 2025-2028*[12]

5. *The report on the General Government Debt is prepared by the Ministry of Finance on a quarterly basis. The latest Quarterly Report on General Government debt was published on September 30, 2025.* [13]
6. *Report on the Execution of the Capital Budget for the second Quarter of 2024.*[14]
7. *The Parliamentary Budget Office has diligently prepared and published the Citizens' Budget, providing a comprehensive and accessible overview of the government's financial plan. This initiative aims to enhance transparency and promote public engagement by presenting budgetary information in a clear and understandable format. The Citizens' Budget serves as a vital tool for ensuring that the citizens of Montenegro are well-informed about the allocation and use of public funds, thereby fostering greater accountability and trust in the government's fiscal management.*[15]

Within the Public Financial Management Reform Program 2022–2026, special focus has been placed on increasing transparency and improving the visualization of budget documents – the Citizens' Budget. During 2025, preparatory analytical and technical activities were conducted, including the development of technical specifications for enhanced reporting functionalities and for the "Citizens' Budget" web portal. Completion of both activities is expected at the end of the second quarter of 2026, and refers to the preparation of the final version of the Technical Specification for the development and production of the Citizens' Budget (Citizen portal).

In February 2023, the Parliament of Montenegro adopted amendments to the Law on Budget and Fiscal Responsibility, aimed at strengthening the monitoring of fiscal policy implementation, particularly ex-ante evaluation, by creating prerequisites for the establishment of the Fiscal Council. The Fiscal Council is being established to enhance independent and objective monitoring of public finance management, as well as to meet Montenegro's obligations under Negotiating Chapter 17 – Economic and Monetary Policy, which covers the expanded framework of the EU acquis in the area of economic and fiscal management.

Parliament has issued a new public call in 2026 for the election of Fiscal council members, and this process is still ongoing. The Fiscal Council is expected to be established in 2026.

[5] GDDS DECEMBAR 2025. GODINE
[6] Izvještaj o izvršenju budžeta Crne Gore - decembar 2025. godine
[7] PROGRAMSKA DECEMBAR 2025. GODINE
[8] FUNKCIONALNA DECEMBAR 2025. GODINE
[9] ORGANIZACIONA DECEMBAR 2025. GODINE
[10] REZERVA 12 2025
[11] Analiza konsolidovane javne potrošnje za treći kvartal 2025. godine
[12] Predlog smjernica makroekonomske i fiskalne politike za period 2025-2028
[13] Kvartalni Izvještaj o državnom i javnom dugu na 30.09.2025. godine
[14] Izvještaj o realizaciji Kapitalnog budžeta za drugi kvartal 2025. godine - zaključci
[15] Prikaz Predloga zakona o budžetu Crne Gore za 2026. godinu - Parlamentarna budžetska kancelarija

7 ANNEXES

7.1 List of relevant stakeholders consulted, per policy area

Category	Institution / Organization	Role in the Reform Agenda
Executive branch – Central coordination	Ministry of European Affairs	Overall coordination of the Reform Agenda; alignment with EU acquis; monitoring, reporting and liaison with the European Commission
	Ministry of Finance	Preparation and coordination of Requests for Payment; fiscal governance; budget planning and financial control related to Reform Agenda implementation
	General Secretariat of the Government	Ensures inter-ministerial coordination, procedural compliance and administrative support to the Government
Executive branch – Sectoral ministries	Ministry of Justice	Judicial reform, criminal legislation, anti-corruption framework and alignment with EU acquis under Chapters 23 and 24
	Ministry of the Interior	Police reform, internal security and implementation of internal control mechanisms
	Ministry of Public Administration	Public administration reform, digitalisation of public services and administrative capacity building
	Ministry of Economic Development	Business environment reform, SME support and competitiveness policies
	Ministry of Energy and Mining	Energy market reform, renewable energy policy, energy efficiency and alignment with EU energy acquis
	Ministry of Ecology, Sustainable Development and Northern Region Development	Environmental protection, green transition policies and alignment with EU environmental standards
	Ministry of Labour, Employment and Social Dialogue	Labour market activation, employment policies and social dialogue
	Ministry of Social Welfare, Family Care and Demography	Social protection reform, deinstitutionalisation and protection of vulnerable groups
	Ministry of Health	Health system reform, public health policy and healthcare infrastructure strengthening
	Ministry of Education, Science and Innovation	Education reform, skills development, research and innovation policies
	Ministry of Foreign Affairs	Alignment with EU Common Foreign and Security Policy (CFSP) and international cooperation

	Ministry of Transport	Transport policy reform, infrastructure development and connectivity aligned with TEN-T standards
	Ministry of Spatial Planning, Urbanism and State Property	Spatial planning reform, property management and urban development governance
Legislative branch	Parliament of Montenegro	Adoption of legislation related to the Reform Agenda; democratic oversight of the Government; ratification of international agreements; budget approval
Independent and regulatory bodies	Energy Regulatory Agency (REGAGEN)	Independent regulation of the electricity and gas markets in line with EU energy acquis
	CGES (Montenegrin Electricity Transmission System Operator)	Operation and development of the national electricity transmission system
	BELEN (Nominated Electricity Market Operator – NEMO)	Operation of the day-ahead electricity market in line with EU market integration rules
International Partners	European Commission (DG NEAR)	Provides guidance, financial support, and monitoring
	EU Delegation to Montenegro	Implements EU projects and assists in negotiations
	World Bank	Supports economic and institutional reforms
	United Nations Development Programme (UNDP)	Assists in governance, digitalization, and environmental projects
	Council of Europe (CoE)	Supports rule of law and anti-corruption initiatives
	European Bank for Reconstruction and Development (EBRD)	Funds infrastructure and economic development projects
	European Investment Bank (EIB)	Provides loans for large-scale development projects
	KfW Development Bank	Invests in energy and environmental projects
Civil Society (NGOs)	MANS (Network for Affirmation of NGO Sector)	Monitors anti-corruption and transparency efforts
	Human Rights Action (HRA)	Advocates for justice system reform and human rights
	Centre for Democratic Transition (CDT)	Engages in election monitoring and democratic governance
	Institute Alternative (IA)	Provides research and policy recommendations on governance
	Centre for Civic Education (CCE)	Promotes civic participation and media freedom
	Civic Alliance (GA)	Monitors public administration and minority rights
	Centre for Development of NGOs (CRNVO)	Strengthens NGO sector engagement in policy-making

	Green Home	Advocates for climate change and environmental policies
	Union of Free Trade Unions of Montenegro (USSCG)	Represents labour rights and employment policies
	Association of Youth with Disabilities of Montenegro (UMHCG)	Supports social inclusion policies
Academic & Research	University of Montenegro (UCG)	Provides expertise in economic and governance reforms
	Mediterranean University	Engages in business and tourism sector research
	University of Donja Gorica (UDG)	Promotes innovation and entrepreneurship
	Montenegro Academy of Sciences and Arts (CANU)	Conducts strategic studies and policy analyses
	Institute for Strategic Studies and Prognoses (ISSP)	Analyses economic development and EU policies
	Public Policy Institute (IPP)	Researches governance, social, and economic policies
Business Sector	Chamber of Commerce of Montenegro (PKCG)	Represents business interests and economic policy engagement
	Montenegrin Employers Federation (MEF)	Advocates for economic competitiveness and labour policies
	Foreign Investors Council (FIC)	Engages international investors in business environment reforms
	Montenegro Business Alliance (MBA)	Supports SME development and investment growth
Media & Public Advocacy	Media Trade Union of Montenegro	Defends journalists' rights and press freedom
	Public Broadcaster (RTCG)	Provides coverage of government reforms and EU integration
	Independent Media (Vijesti, Dan, Monitor, etc.)	Engages in investigative journalism on reforms
	Press Council of Montenegro	Monitors media ethics and professional standards

7.2 The latest available Public Finance Management and Budget Transparency implementation report

PFM Report 2025.pdf

7.3 Inputs for the Commissions' monitoring indicators[16&17].

#	Indicators	Inputs
1	Degree of readiness on accession negotiation chapter 23 (source: Commission annual enlargement report)	Montenegro is assessed as being **between a moderate and a good level of preparation** in applying the EU acquis and European standards under Chapter 23 (Judiciary and Fundamental Rights). During the reporting period, the country made some progress in this area It mainly addresses the functioning of the judiciary, the fight against corruption, and the protection of fundamental rights, reflecting continued efforts to strengthen judicial independence, improve the anti-corruption track record, and enhance the overall human rights framework in line with European standards.
2	Degree of alignment with Union Common Foreign and Security Policy	Montenegro continues to demonstrate full alignment with the European Union's Common Foreign and Security Policy (CFSP), which remains a clear and consistent component of its overall accession trajectory. This alignment is recognised as a strong and positive element of the country's external policy orientation. Throughout the reporting period, Montenegro maintained full alignment with EU High Representative statements and Council decisions on restrictive measures, including all relevant sanctions packages. The country also continued its active participation in EU crisis management missions and operations under the Common Security and Defence Policy, further confirming its commitment to shared European values, strategic priorities and international security responsibilities.
3	Media pluralism: Social inclusiveness composite indicator (source: Media Pluralism Monitor, Centre for Media Pluralism and Freedom).	According to latest report for 2025, Montenegro scores a medium risk for Fundamental Protection (40%), Political Independence (52%) and Market Plurality (64%), while the areas of and Social Inclusiveness (68%) reach the high-risk zone. The adoption of new media laws strengthened regulatory powers, improved transparency of media ownership, increased state funding for pluralism, and introduced safeguards for editorial independence, positively affecting Fundamental Protection and Market Plurality. However, media ownership concentration remains high, digital markets are largely unregulated, and political influence—particularly indirect influence over TV and online media—continues to pose medium-high risks. Social Inclusiveness remains the weakest area, with high risks due to poor representation of marginalized groups, weak media literacy efforts, limited accessibility for persons with disabilities, and ineffective responses to hate speech and disinformation. While regulatory independence improved and attacks on journalists were more efficiently processed, concerns persist regarding judicial inefficiency, lack of anti-SLAPP protections, foreign information manipulation, and vulnerabilities in political information during elections.

[16] In line with Article 25 of Regulation (EU) 2024/1449, and in line with the Facility Agreement signed by the beneficiary, the annual report is expected to contribute to the Commission's annual monitoring of the Facility. The monitoring indicators included in this Annex are part of the Commission Implementing Decision approving the Reform Agendas and the multiannual work programme under the Reform and Growth Facility for the Western Balkans. Beneficiaries' inputs will be one of the elements considered by the Commission to do its own assessment in the framework of its own annual report.

[17] The sources of indicators 4, 9, 10 and 11 are steps included in the various Reform Agendas. If this is not the case for a specific WB beneficiary, a simple 'not relevant' should be added in the input's column.

If at the time of drafting of this annual report the step(s) is(are) not achieved (because the agreed deadline(s) for its/their achievement is in the future), the inputs to be provided by the beneficiary should provide an overview on the progress towards the step(s) achievement.

4	Degree of alignment with the EU visa policy	Montenegro's national visa regime remains only **partially aligned** with the EU visa policy. Montenegro's list of visa-free countries continues to differ from the EU list of visa-required countries by **eight countries**, and full alignment remains a closing benchmark under Chapter 24.The current **Decree on Visa Regime (December 2025)** provides visa-free access to a broad range of third-country nationals, including several countries that are on the EU list of visa-required countries In particular, Montenegro grants permanent visa exemption to nationals of Azerbaijan, Bahrain, Belarus, China, Qatar, Russia, Saudi Arabia and Türkiye. The Decree also provides visa-free entry (up to 30 days) for nationals of Bahrain, Qatar, Saudi Arabia and Türkiye (Article 1a), as well as temporary exemptions such as the one applicable to Azerbaijan (Article 12b) In addition, nationals of Belarus, Peru and the Russian Federation may enter Montenegro under bilateral agreements (Article 3) Montenegro also allows entry without a national visa to holders of valid Schengen visas or residence permits, as well as visas and residence permits issued by Australia, Japan, Canada, New Zealand, Ireland, the United States and the United Kingdom (Article 7), reflecting partial practical alignment with Schengen standards During the reporting period, certain corrective steps were taken, including the removal of visa waivers for Vanuatu and the abolition of visa-free regimes with Kuwait, Egypt, Armenia and Uzbekistan in October 2025, and Kazakhstan from 1 November 2025. Nevertheless, seasonal visa waivers and permanent exemptions for certain third countries remain incompatible with the EU visa acquis and require further harmonisation. Montenegro has committed, under its Reform Agenda, to continue aligning its visa policy with the EU list of visa-required countries and to strengthen the security dimension of its visa system, including enhanced interoperability, collection of biometric data and targeted screening measures in line with Schengen standards.
5	Degree of readiness on Public administration reform (source: Commission annual enlargement report)	Montenegro is moderately prepared in this area. Overall, limited progress was made. Some measures were taken to improve the capital investment planning and management, notably by setting up a Public Investments Council, but more effort is needed to improve the public investment management framework. The number of requests for public information and related appeals further increased. The Commission's recommendations from last year were partially implemented and remain valid. In the coming year, Montenegro should, in particular: → adopt and implement amendments to the Law on access to information, in line with the principles of good public administration, and introduce measures to reduce the high number of requests for information and related appeals; → amend and implement the Law on civil servants and state employees and the Law on local self-government, to ensure that recruitment follows the principles of merit, competence and transparency; → put in place a unified, comprehensive and transparent system for capital investment planning and management.
6	Degree of readiness on the second economic criterion: the capacity to cope with competitive pressures and market forces within the Union (source: Commission annual enlargement report)	Montenegro has made limited progress and is moderately prepared to cope with 8 competitive pressure and market forces in the EU. The education system still faces numerous challenges, as shown by the results of international surveys. Efforts to advance a green and digital transition have continued, but large infrastructure gaps persist. Further efforts are needed to diversify Montenegro's narrow production base. Obstacles to increasing the productivity and competitiveness of local firms include the low value added by domestic products, the small size of local companies and their low level of participation in exports. The Commission's recommendations from last year were implemented to a limited extent and remain mostly valid. In the coming year, Montenegro should in particular: → continue implementing digital services for micro, small and medium-sized enterprises and prioritise the development and implementation of an interactive e-government platform for transactional electronic services; → improve programmes for dual vocational education and training and tertiary education, in close cooperation with business associations, and providing work-based learning; → improve the institutional and regulatory environment for the green transition and increase energy resilience by adopting the National Energy and Climate Plan and implementing energy efficiency legislation.
7	EU enlargement beneficiaries intra-regional trade (source: Eurostat).	*Latest available value for period January-December 2024 is 3827560843.*

8	Share of exports to EU-27 countries in value of total exports (%) (source: Eurostat).	Last available data in the Report is 30.3 i for year 2022.
9	Degree of alignment with Regulation EU 2020/1056	Partially aligned
10	MW of new renewable energy capacities installed (cumulative in energy mix for solar and wind) (source: Reform Agenda)	Not established
11	Extent to which a comprehensive framework for cyber resilience in line with the requirements of NIS2 Directive is set up and operational	*Based on the implemented activities, a comprehensive framework stemming from the NIS2 Directive has been fully established and is operational. This framework encompasses the legal, institutional, and operational arrangements necessary for the effective application of NIS2 requirements in practice. It provides clearly defined roles and responsibilities for competent authorities and regulated entities, establishes mechanisms for coordinated vulnerability management and incident reporting, and ensures structured crisis management and interinstitutional cooperation in the event of major cyber incidents or cyber crises*
12	European innovation scoreboard score	*Montenegro is an Emerging Innovator, performing at 45.3% of the EU average in 2025. It ranks 33rd among the EU and neighbouring countries. Its performance is below the average of Emerging Innovators in the EU and neighbouring countries (45.3% vs 46.0% of the EU average in 2025).*
13	Degree of readiness on accession negotiation chapters 19 and 26 (source: Commission annual enlargement report)	Chapter 19 - Social policy and employment Montenegro has some level of preparation in this area. Some progress was made, in particular on work towards the legislative alignment of the labour law and on anti-discrimination, as well as advancing the reform of the Employment Agency. Chapter 26 - Education and culture Montenegro has a good level of preparation in this area. Some progress was made, notably on advancing preparations for the sectoral reform strategy and implementing the strategy on early and preschool education. The recommendation related to evaluation mechanisms for practical learning remains to be addressed.