



converge2eu

Annual Convergence Report 2026 – Montenegro –



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Overall well-being in Montenegro in 2025

69.3% of the EU level

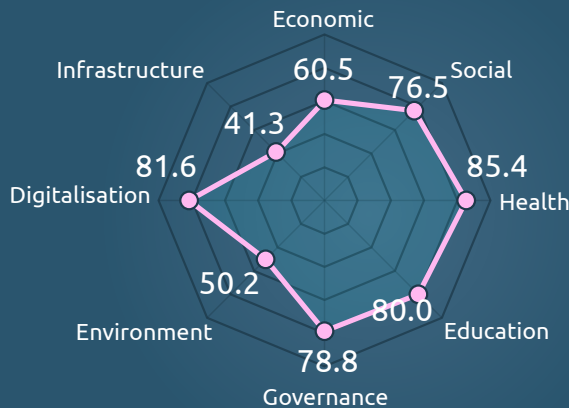
+1.1 last year

+0.9 pp average over
the past 5 years

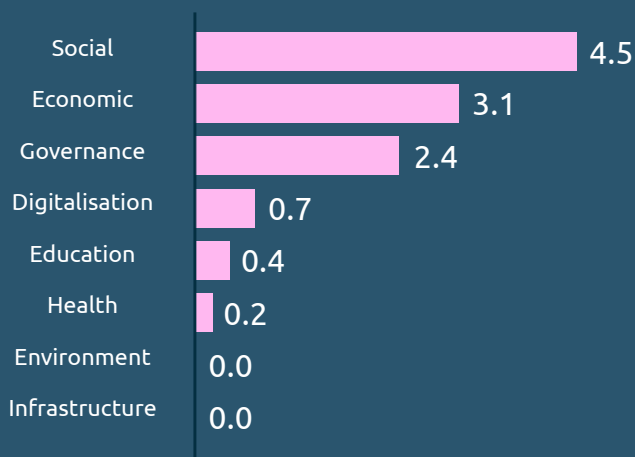
32 years to EU level
(if trends from past
5 years continue)

ALL AREAS OVERALL

Montenegro, 2025, all areas overall,
% of EU average



Montenegro, 2025, all areas overall,
year-on-year change



Indicator/ years to EU

Indicator	years to EU
Economic	21
Social	13
Health	14
Education	54
Governance	26
Environment	100+
Digitalisation	18
Infrastructure	100+

- ★ The strongest pillar in Montenegro in 2025 was health, at **85%** of the EU average.
- ★ Digitalisation, governance, education and social followed, at around **80%** of the EU level.
- ★ Economic and environment were lower, at around **50-60%** of the EU average.
- ★ Infrastructure was behind the rest, standing at just **41%** of the EU level.

- ★ **Six of the eight** areas saw an improvement in 2025.
- ★ The area with the strongest improvement was social, which improved by **4.5 percentage points (pp)** relative to the EU average.
- ★ Economic and governance also improved strongly, by **3.1 pp** and by **2.4 pp** respectively.
- ★ Digitalisation, education and health improved more modestly, closing less than **1 pp** of the gap to the EU average.
- ★ Environment and infrastructure stagnated, showing virtually no change relative to the EU average.

- ★ At the pace of improvement from the past five years, social and health would need **13-14 years** to close the gap to the EU average.
- ★ Digitalisation and economic follow, needing around **two decades**.
- ★ Education would need around **five decades**.
- ★ Environment and infrastructure are the poorest-performing pillars in Montenegro, with more than **100 years** needed to reach the EU level, at current trends.

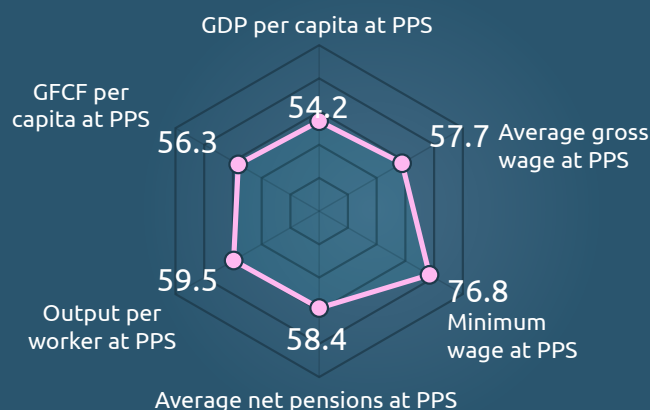
ECONOMIC PILLAR

Montenegro, economic pillar indicators, nominal values

Indicator	Value
GDP per capita at PPS	22,540
Average gross wage at PPS	1,824
Minimum wage at PPS	1,013
Average net pensions at PPS	803
Output per worker at PPS	50,660
GFCF per capita at PPS	5,033

- ★ GDP per capita at **EU27** purchasing power standard (PPS) in Montenegro in 2025 stood at **EUR 22,540**.
- ★ Average gross wage at PPS stood at **EUR 1,824**.
- ★ Minimum wage at PPS stood at **EUR 1,013**.
- ★ Average net pensions at PPS stood at **EUR 803**.
- ★ Output per worker at PPS stood at **EUR 50,660**.
- ★ Gross fixed capital formation (GFCF) per capita at PPS stood at **EUR 5,033**.

Montenegro, economic pillar, % of EU average



- ★ Relative to the EU average, the best-performing economic indicator in Montenegro in 2025 was minimum wage, standing at **77%** of the EU level.
- ★ Output per worker, average net pensions, average gross wage and GFCF per capita were lower, at around **58%** of the EU level.
- ★ GDP per capita is the weakest link, standing at just **54%** of the EU average.

Montenegro, economic pillar, change to last year

Average net pensions at PPS	11.6
Minimum wage at PPS	10.1
GFCF per capita at PPS	3.5
Average gross wage at PPS	2.2
Output per worker at PPS	2.1
GDP per capita at PPS	0.8

- ★ All indicators in the economic pillar saw an improvement relative to the EU average in 2025.
- ★ The biggest improvement was in average net pensions, which closed the gap to the EU level by **11.6 pp**.
- ★ Minimum wage was close behind, improving by **10 pp**.
- ★ GFCF per capita, average gross wage and output per worker closed between **2.1** and **3.5 pp** of the gap.
- ★ GDP per capita saw the smallest improvement, at just **0.8 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
GDP per capita at PPS	21
Average gross wage at PPS	44
Minimum wage at PPS	6
Average net pensions at PPS	14
Output per worker at PPS	98
GFCF per capita at PPS	100+

- ★ At the pace of improvement from the past **five years**, Minimum wage would need around **six years** to close the gap to the EU average.
- ★ Average net pensions would take **14 years**, and GDP per capita **21 years**.
- ★ Average gross wage would need around **four decades**, and output per worker around a century.
- ★ GFCF per capita is the poorest-performing indicator in this group, with more than **100 years** needed to reach the EU level, at current trends.

What explains the trends in the economic pillar?

- ★ The improvement across all six economic indicators in 2025 reflects growth in household incomes, increased investment activity and continued economic growth.
- ★ Wage growth was supported by the increase in minimum wages from EUR 450 to EUR 600 and EUR 800, depending on the level of qualification, from October 2024.
- ★ Pension incomes increased following the rise in the minimum pension to EUR 450 in January 2024 (from around EUR 130 in 2020) and subsequent pension indexation in 2025.
- ★ Investment activity in Montenegro strengthened significantly in 2025, with fixed capital investment increasing by around 11%.
- ★ Investment growth was primarily driven by strong private capital inflows into the real estate and tourism sectors, complemented by accelerated government spending on capital projects and transport infrastructure.
- ★ Economic growth moderated to 2.7% in 2025, mainly supported by services. In contrast, agriculture showed weak performance, while industrial activities were negatively affected, particularly by lower electricity production.
- ★ GDP per capita continued to converge towards the EU average, although more slowly than wages and pensions, while output per worker also improved but remains on a much slower long-term convergence path, together with GFCF per capita, the two slowest-converging indicators in the pillar.

EU accession scenarios

To better understand how different EU integration pathways might influence Montenegro's convergence trajectory, this analysis considers four scenarios as defined in the converge2eu model:

- ★ **Full EU Membership** – immediate accession with all rights and obligations;
- ★ **Access to EU Budget** – receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- ★ **Access to EU Single Market** – full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- ★ **Institutional Reforms** – implementing deep EU-related reforms domestically (e.g. regarding rule of law and governance), without membership or new external resources.

A more detailed description of each scenario is provided in the methodological section.

In the economic pillar, the scenarios are simulated for **GDP per capita at purchasing power standards**, as the proxy indicator for overall economic convergence. The four scenarios are then compared to the baseline/status quo scenario, of no change with respect to the trends from the past five years.

The scenarios are presented here through the **years needed to reach the EU average**. The results point to meaningful effects across the four scenarios.

EU accession scenarios for GDP per capita

Scenario	Years needed to reach the EU average
Status quo	21 years to EU
Full EU accession	14 years to EU

Access to EU budget	16 years to EU
EU single market	16 years to EU
Institutional reforms	20 years to EU

- ★ Under the **status quo** scenario, Montenegro would need around **21 years** to reach the EU level of GDP per capita.
- ★ **Full EU accession** produces the strongest acceleration in economic convergence, reducing the estimated convergence period to around **14 years**. This suggests that the combined effects of EU market integration, access to EU funding and broader integration-related effects provide the strongest additional impulse to income convergence.
- ★ **Access to the EU budget and participation in the EU single market** produce similar results, with GDP per capita projected to converge in around **16 years** under either scenario. Both therefore accelerate convergence considerably compared with the status quo, although their impact remains weaker than that of full EU accession.
- ★ **Institutional reforms** alone have a much more limited effect in this model, reducing the estimated convergence period only marginally, from 21 to around **20 years**.
- ★ Overall, the scenario results suggest that Montenegro is already on a substantially faster GDP-per-capita convergence path than in the previous assessment. EU integration can accelerate this process further, with full membership producing the strongest effect, while access to either EU funding or the single market also generates meaningful convergence gains.

Policy discussion & key recommendations

Montenegro's convergence indicators show **incomes converging with the EU faster than the productive capacity of the economy**. This is largely a policy-driven effect, reflecting the minimum-wage increases from October 2024 and the rise in the minimum pension since 2024, rather than broader productivity gains. The macroeconomic picture below explains why the gap persists: growth is slowing and imbalances are widening, with no sign yet that productivity is catching up.

Growth slowed to around 2.7% in 2025, down from roughly 3% in preceding years, driven mainly by lower electricity production, more moderate tourism activity and weaker net exports. At the same time, the budget deficit rose to around 4% of GDP and the current account deficit widened further, to around a fifth of GDP, with the goods-trade deficit alone equivalent to roughly 45% of GDP. Coverage of the current account deficit by net foreign direct investment (FDI) fell to around 30%, its lowest level for more than a decade, leaving a growing share financed through external borrowing. Montenegro continues to rely heavily on imports, tourism receipts, foreign investment and external financing, reflecting a relatively narrow domestic production and export base. Strong domestic demand can support economic activity in the short term, but when domestic supply does not, or cannot, respond, a large part of that additional demand shows up as imports, rather than domestic production.

The structure of the economy remains an important constraint on faster productivity convergence. Services account for the dominant share of economic activity, while the enterprise sector is characterised by a very high share of **micro and small firms**. This structure has supported employment and service-sector

growth, but it also **limits economies of scale, investment capacity, innovation and participation in European value chains**. The vulnerability associated with a relatively narrow production base was also evident in 2025, when lower electricity production had a noticeable impact on overall economic performance. Diversification should therefore not imply moving away from services, in which Montenegro has clear comparative advantages, but **increasing value added within existing activities and developing additional sources of productivity and exports**.

Public investment management and fiscal policy are two sides of the same challenge. The Economic Reform Programme 2026-2028 (ERP),¹ adopted by the government in December 2025, **envisages an intensive investment cycle** supported by the capital budget and EU resources under the Growth Plan, including major road and rail infrastructure projects, alongside a macroeconomic scenario projecting average annual growth of around 3.2% and a gradual reduction of the fiscal deficit to below 3% of GDP by 2028. Financing this cycle will require careful debt management: public debt reached around 64% of GDP at the end of 2025, above the 60% reference value, narrowing the space available to absorb future shocks. On the other side, fiscal policy, as the main domestic stabilisation instrument, needs to rebuild buffers without undermining the investment convergence through stronger expenditure control, revenue collection, medium-term budgeting and debt management. The ability to **select economically justified projects, prepare them on time and implement them efficiently** will ultimately determine whether the investment cycle produces a lasting improvement in productive capacity rather than simply higher debt and a wider trade deficit. This is also why the ERP's

1 <https://wapi.gov.me/download/4c36d41d-f750-453a-a55d-bcef9fb912b0?version=1.0>

explicit alignment with the Reform Agenda is required by the European Commission through a dedicated section which links structural reforms to the macro-fiscal framework.

The investment programme now planned provides an important opportunity to support this transition, but its effect on convergence is not automatic. The convergence data do not yet show an investment cycle: gross fixed capital formation per capita stands at around 56% of the EU average and, at the recent pace, is more than a century from convergence. Large investment programmes can initially widen the trade deficit further, and their long-term contribution to convergence will depend on whether they subsequently generate productivity gains and stronger export capacity, rather than simply adding to import bills.

The Reform Agenda 2024-2027 supplies the **complementary structural framework**, covering the business environment, the digital and green transition, human capital, and the rule of law. Two areas carry particular economic weight: business environment and private-sector development. They cover state-owned enterprise (SOE) governance, public procurement, state aid and access to finance for micro, small and medium enterprises (MSMEs) and receives the largest single allocation (EUR 93.3m of the EUR 383.5m envelope).

Progress in implementing the Reform Agenda has been real, but uneven. Montenegro completed only seven of 14 reform steps in the first reporting cycle, even after the deadline was extended, while 24 of the 45 steps due by December 2025 were assessed as fully implemented. Several reforms remain pending, including measures related to SOE governance, the business environment and public administration. Successful implementation of the Agenda is important both for accessing resources before EU membership and for building the capacity to use EU funds effectively afterwards, especial-

ly since the European Commission presented its financial package under Chapter 33 in June 2026.

EU integration is increasingly an economic strategy, not only an institutional process. Gradual single market integration, including the Single Euro Payments Area (SEPA) and the 'Roam Like at Home' mobile data initiative, reduces some specific costs but remains limited in scope so far, while CEFTA and the Common Regional Market support regional integration. However, **market access alone is insufficient:** Montenegro's predominantly micro and small firms often lack the capacity to exploit these opportunities. Policy should therefore focus more **on helping viable firms grow through better access to finance, technology, skills and EU standards**, while building on comparative advantages in tourism, renewable energy and ICT and other digitally deliverable services. Human capital policy should support this shift by addressing the skills shortages that increasingly constrain investment and firm growth.

The **next phase of convergence** should **allow productivity, investment and firm competitiveness to catch up — not by reversing the gains in living standards**, but by **building an economic base capable of sustaining them**, so that future income growth increasingly reflects higher value added per worker.

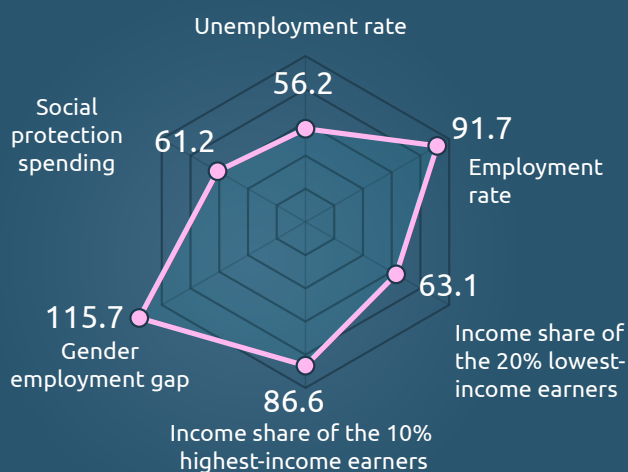
SOCIAL PILLAR

Montenegro, social pillar indicators, nominal values

Indicator	Value
Unemployment rate	10.9
Employment rate	65.1
Income share of the 20% lowest-income earners	4.4
Income share of the 10% highest-income earners	33.2
Gender employment gap	7.5
Social protection spending	3.9

- ★ Unemployment rate in Montenegro in 2025 stood at **10.9%** of the labour force.
- ★ Employment rate stood at **65.1%** of the working-age population.
- ★ Income share of the **20%** lowest-income earners stood at **4.4%** of total post-tax income.
- ★ Income share of the **10%** highest-income earners stood at **33.2%** of total post-tax income.
- ★ The gender employment gap stood at **7.5 pp**.
- ★ Social protection spending stood at **3.9%** of GDP.

Montenegro, social pillar, % of EU average



- ★ Relative to the EU average, the best-performing social indicator in Montenegro in 2025 was gender employment gap, standing at **116%** of the EU level.
- ★ Employment rate, income share of the **10%** highest-income earners and income share of the **20%** lowest-income earners were between **83%** and **92%** of the EU benchmark.
- ★ Social protection spending and unemployment rate were the weakest indicators, at just **61%** and **56%** of the EU average.

Montenegro, social pillar, change to last year

Gender employment gap	38.3
Unemployment rate	3.6
Employment rate	0.9
Income share of the 10% highest-income earners	0.4
Income share of the 20% lowest-income earners	0.4
Social protection spending	-3.1

- ★ **Five of the six indicators** in the social pillar saw an improvement relative to the EU average in 2025.
- ★ The biggest improvement was in gender employment gap, which narrowed by **38.3 pp** compared with the EU average.
- ★ Unemployment rate closed **3.6 pp** of the gap to the EU average, while income share of the **20%** lowest-income earners, income share of the **10%** highest-income earners, employment rate and unemployment rate narrowed the gap by between **0.4** and **0.9 pp**.
- ★ Social protection spending was the indicator with the weakest performance, falling back by **3.1 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Unemployment rate	13
Employment rate	2
Income share of the 20% lowest-income earners	10
Income share of the 10% highest-income earners	28
Gender employment gap	Converged
Social protection spending	13

- ★ At the pace of improvement from the past **five years**, employment rate is just a couple of years away from reaching the EU level.
- ★ Income share of the **20%** lowest-income earners, unemployment rate and social protection spending are around a decade away.
- ★ Income share of the **10%** highest-income earners is the furthest indicator in this area, **28 years** away from converging to the EU level.
- ★ Gender employment gap has already converged to the EU benchmark.

What explains the trends in the social pillar?

- ★ The improvement in most social indicators in 2025 reflects strengthening labour market conditions and rising employment and household incomes.
- ★ Labour market conditions continued to improve, with employment increasing and unemployment declining, supported by sustained labour demand and continued economic activity.
- ★ Strong labour demand, particularly in services, construction and other labour-intensive activities, supported employment, while Montenegro continued to rely significantly on foreign workers to address labour shortages.
- ★ The particularly strong improvement in the gender employment gap was accompanied by a marked improvement in women's relative labour market position. Female unemployment declined from 12.2% in 2024 to 9.3% in 2025, while male unemployment increased from 10.8% to 11.9%.
- ★ This divergence is plausibly linked to 2025 growth being concentrated in services where women account for a higher share of the labour force. Male-dominated industry and construction remained weak and relied increasingly on foreign labour. Rising minimum wages are likely to have drawn more women into formal service and public-sector jobs.
- ★ Higher employment and strong wage growth supported household incomes and contributed to the improvement in the position of lower-income households.
- ★ Income distribution improved only gradually, with the shares of total income received by both the lowest-income 20% and the highest-income 10% moving only modestly towards the EU benchmark.
- ★ The at-risk-of-poverty threshold increased by 22.5% in 2025, reflecting the strong increase in disposable household incomes during the income reference year. Nevertheless, the at-risk-of-poverty rate increased slightly, indicating that income gains were unevenly distributed.
- ★ Social protection expenditure was the only social indicator to move away from the EU benchmark in 2025. Rather than indicating a general deterioration in social outcomes, this points to the persistent gap between Montenegro and the EU in social protection expenditure relative to GDP.
- ★ Persistent social vulnerabilities remain concentrated among specific groups, particularly young people, the long-term unemployed and households at higher risk of poverty.

EU accession scenarios

To better understand how different EU integration pathways might influence Montenegro's convergence trajectory in the social area, we consider the same four scenarios as before:

- ★ **Full EU Membership** – immediate accession with all rights and obligations;
- ★ **Access to EU Budget** – receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- ★ **Access to EU Single Market** – full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- ★ **Institutional Reforms** – implementing deep EU-related reforms domestically (e.g. regarding rule of law and governance) without membership or new external resources.

A more detailed description of each scenario is provided in the methodological section.

In the social pillar, the scenarios are simulated for the **income share of the bottom 20% of the population**, as the proxy indicator for the overall social situation. The four scenarios are then compared to the baseline/status quo scenario, of no change with respect to the trends from the past five years.

The scenarios are presented here through the **years needed to reach the EU average**. The results point to small effects across the four scenarios.

EU accession scenarios for income share of the bottom 20% of the population

Scenario	Years needed to reach the EU average
Status quo:	10 years to EU
Full EU accession:	9 years to EU
Access to EU budget:	9 years to EU
EU single market:	10 years to EU
Institutional reforms:	10 years to EU

- ★ Under the **status quo** scenario, Montenegro would need around **10 years to converge** with the EU in terms of poverty.
- ★ **Full EU accession** shortens the convergence period only moderately, from 10 to **nine years**.
- ★ The acceleration comes primarily through **access to the EU budget**, which also reduces the estimated convergence period to **nine years**, indicating the importance of EU financial support for improving social outcomes and reducing poverty.
- ★ **Access to the EU single market** and **institutional reforms** do not change the estimated convergence period compared with the status quo scenario, with convergence remaining at **around 10 years**.
- ★ The results suggest that, within the model, **EU accession can support faster social convergence primarily through the financial resources available** after accession, while sustained domestic policies addressing poverty and vulnerable groups remain essential for achieving longer-term social convergence.

Policy discussion & key recommendations

Montenegro's social and labour market policy has undergone substantial change in recent years. Measures that increased minimum wages and pensions, together with continued employment growth, have significantly raised household incomes and strengthened protection against rising living costs. The policy challenge is now shifting from broad increases in statutory incomes towards **ensuring that these gains translate into sustained reductions in poverty and inequality** and are supported by stronger employment opportunities and a more effective social protection system.

Recent income growth has improved average material living conditions, but its distributional effects have been less straightforward. According to the 2025 EU-SILC (Statistics on Income and Living Conditions), the at-risk-of-poverty rate increased slightly from 20.0% to 20.9%, even as severe material and social deprivation declined from 11.0% to 9.6% and the AROPE rate fell from 29.2% to 28.3%. The unemployed, single-parent households, families with three or more dependent children and residents of the Northern Region remain particularly exposed to poverty. This suggests that **higher wages and pensions** have strengthened living standards, but **have not been sufficient to reduce relative poverty across all population groups**. Further progress therefore depends increasingly on how effectively social protection reaches households that benefit less from employment and wage growth.

These patterns are increasingly reflected in the policy framework. The Strategy for the Development of the Social and Child Protection System 2025-2028 places **greater emphasis on improving the adequacy of material benefits, expanding access to social services, and developing a more integrated and sustainable system of protection**. Montenegro's system combines universal benefits, most notably the child allowance, with targeted social assistance, raising an important question about whether available resources are sufficiently concentrated on households facing the highest poverty risks. The next stage of reform should therefore preserve broad coverage while strengthening the adequacy and effectiveness of support for the most vulnerable households.

Child poverty remains a particular concern, despite the broad expansion of income support for families with children. The universal child allowance now

reaches around 97% of children, yet 25.6% of children were at risk of poverty and 34.6% were at risk of poverty or social exclusion according to the 2024 SILC data. Montenegro has therefore started preparing the National Action Plan for the implementation of the European Child Guarantee 2026-2030, following the establishment of an intersectoral working group in 2025. The initiative is intended to complement income support with better access to essential services for children at risk of poverty or social exclusion, including education, healthcare and social services.

Recent legislative reforms also point towards a stronger link between income support and activation. Changes to the social and child protection framework in 2026, linked to the Reform Agenda 2024-2027 and the requirements of Chapter 19, include measures intended to strengthen social services and facilitate participation in seasonal employment without an immediate loss of material support. This addresses an important problem in benefit design: where benefits are withdrawn too quickly when a recipient enters short-term employment, the system can weaken rather than strengthen incentives to work. Better coordination between social assistance and employment services can therefore support transitions into employment while maintaining adequate protection when employment is temporary or insecure.

This becomes particularly relevant in the current labour market. Montenegro increasingly faces labour shortages in tourism, construction and other activities, and relies heavily on foreign workers, while unemployment and inactivity persist among parts of the domestic population. The coexistence of labour shortages and unemployment indicates that the remaining problem is increasingly one of skills, matching, mobility and barriers to participation, rather than insufficient labour demand alone. Regional disparities are also important: employment opportunities are concentrated disproportionately in the central and coastal regions, while unemployment remains higher in the north.

The reform of the Employment Agency of Montenegro is therefore central to the next phase of labour market policy. Chapter 19 and the Reform Agenda increasingly place emphasis on strengthening its capacity as a modern public employment service. This requires moving beyond the administration of un-

employment registers towards individual profiling, counselling, skills development and closer cooperation with employers. Active labour market measures should be increasingly linked to demonstrated labour demand and their success assessed through sustainable employment outcomes, rather than through participation in programmes alone.

The Youth Guarantee has moved from preparation to implementation. Following the adoption of the Implementation Plan 2024-2026, the pilot phase started in January 2025 in Bijelo Polje, Nikšić and Ulcinj, with the objective of providing young people aged 15–29 who are not in employment, education or training (NEET) with an offer of employment, continued education, training or a traineeship within four months. The pilot is being used to test service delivery, information systems and the capacity of the Employment Agency before nationwide implementation planned from 2027. The relatively limited number of participants receiving support so far also points to the importance of strengthening outreach to inactive young people and ensuring a sufficient supply of relevant employment and training opportunities as the programme is scaled up.

The marked improvement in women's labour market outcomes is encouraging, but further progress will increasingly depend on policies outside the traditional employment system. Caring responsibilities and the availability of childcare and long-term care continue to influence women's ability to participate in employment. Labour legislation and activation measures can facilitate participation, but cannot substitute for adequate care services. Expanding childcare, elderly care and other community-based services can therefore contribute simultaneously to social protection, employment and greater gender equality.

The development of community-based social services is also central to the Deinstitutionalisation Strategy 2025-2028, which aims to reduce reliance on institutional care and strengthen family and community-based support. The main implementation challenge is territorial availability: services remain less developed in smaller and northern municipalities, where demographic ageing and weaker local capacity can further increase demand for support. Deinstitutionalisation will therefore require not only changes in the organisation of care, but sufficient local provision of home, day-care and other

community-based services to avoid transferring responsibility from institutions to families.

Disability policy is undergoing a substantial institutional reform. The Law on Unified Disability Assessment, adopted in October 2025, replaces a fragmented system in which disability was assessed under different criteria across sectors and in which individuals could be required to undergo multiple assessments to access different rights. The new system introduces a single assessment based on functional capacity and the level of support required for social inclusion, with one decision applicable across social protection, employment, pension and other relevant systems. A specialised Institute for Unified Disability Assessment has been established and the unified assessment methodology was adopted in 2026. Implementation, initially planned for July 2026, was postponed until December 2026 to allow completion of staffing, assessor training and licensing, and the information system. The reform could substantially simplify access to rights and improve consistency of support, but its broader impact will depend on whether the new assessment of support needs is effectively linked to employment, rehabilitation and community-based services.

The next phase should focus on translating recent income gains into more durable reductions in poverty and inequality, strengthening targeted support for households that remain weakly connected to employment, and developing more effective pathways from social assistance to sustainable work. Implementation of the Youth and Child Guarantees, expansion of community-based care and the new disability assessment system should strengthen support for groups facing more complex barriers to social inclusion. The key policy shift is therefore from a focus on simply raising incomes and expanding entitlements towards a more integrated system in which adequate income protection, employment support and accessible social services jointly reduce vulnerability and improve social inclusion.

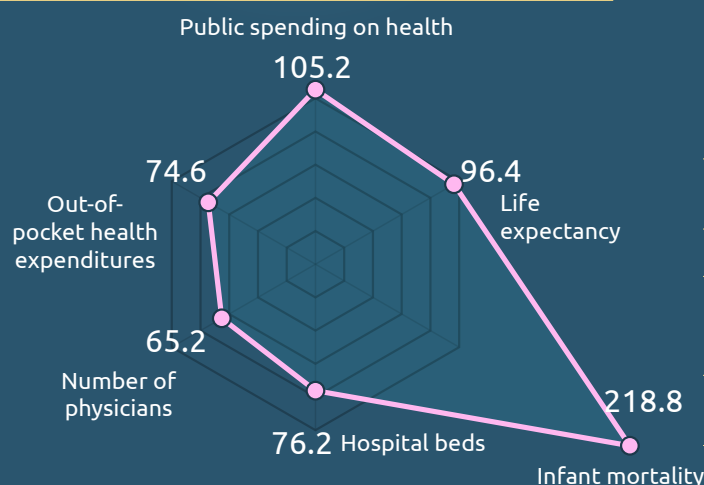
HEALTH PILLAR

Montenegro, health pillar indicators, nominal values

Indicator	Value
Public spending on health	6.7
Life expectancy	77.9
Infant mortality	1.6
Hospital beds	387
Number of physicians	27.9
Out-of-pocket health expenditures	26.3

- ★ Public spending on health in Montenegro in 2025 stood at **6.7%** of GDP.
- ★ Life expectancy was **77.9 years**.
- ★ Infant mortality was **1.6 per 1,000 live births**.
- ★ Hospital beds stood at **387 per 100,000** inhabitants.
- ★ Number of physicians stood at **27.9 per 10,000** inhabitants.
- ★ Out-of-pocket health expenditures comprised **26.3%** of total health spending.

Montenegro, health pillar, % of EU average



- ★ Relative to the EU average, the best-performing health indicator was infant mortality, standing at **219%** of the EU level.
- ★ Public spending on health also exceeded the EU average, at **105%** of the EU level.
- ★ Life expectancy was close, at **96%**.
- ★ Hospital beds and out-of-pocket health expenditures were a bit lower, at around **75%** of the EU level.
- ★ Number of physicians remains the weakest link, at just **65%** of the EU average.

Montenegro, health pillar, change to last year

Infant mortality	61.6
Hospital beds	2.0
Life expectancy	0.1
Number of physicians	-1.1
Out-of-pocket health expenditures	-2.0
Public spending on health	-6.7

- ★ **Three of the six** indicators in the health pillar saw an improvement relative to the EU average in 2025.
- ★ The biggest improvement was in infant mortality, which improved by **62 pp** relative to the EU level.
- ★ Hospital beds and life expectancy improved by **2 pp** and **0.1 pp** respectively.
- ★ Number of physicians and out-of-pocket health expenditures declined by **1.1 pp** and **2 pp** respectively in relation to the EU.
- ★ Public spending on health was the indicator with the weakest performance, falling back by **6.7 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Public spending on health	Converged
Life expectancy	19
Infant mortality	Converged
Hospital beds	32
Number of physicians	Divergence
Out-of-pocket health expenditures	7

- ★ At the pace of improvement from the past **five years**, out-of-pocket health expenditures is estimated to be **seven years** away from convergence to the EU level
- ★ Life expectancy and hospital beds would need **two and three decades**, respectively.
- ★ Number of physicians is diverging from the EU average and is not on track to close the gap, at recent trends.
- ★ Public spending on health and infant mortality have already converged with the EU average.

What explains the trends in the health pillar?

- ★ The mixed performance of health indicators in 2025 reflects continued improvement in selected health outcomes alongside persistent structural constraints in health-system capacity and financial protection.
- ★ **Infant mortality remains very low, but annual changes should be interpreted cautiously.** The rate fluctuated from 2.1 per 1,000 live births in 2022 to 1.6 per 1,000 in 2024. Given Montenegro's small number of births, **relatively small changes in the number of infant deaths can produce sizeable year-to-year movements in the rate.**
- ★ Life expectancy continues to converge only slowly towards the EU level. The remaining gap is associated with the high burden of non-communicable diseases, particularly cardiovascular diseases and cancer, as well as behavioural risk factors such as tobacco use and conditions such as high blood pressure.
- ★ Health-system capacity remains a constraint. **Physician density is the main structural weakness**, although the number of physicians has increased by around 30% over the past ten years. Nevertheless, physician density remains well below the EU average, while almost one quarter of physicians are aged 55 or over, indicating continued replacement needs.
- ★ **Hospital-bed capacity** also remains below the EU average, reflecting a prolonged period of limited investment in new hospital infrastructure and expansion of existing facilities, which has constrained growth in physical hospital capacity over time.
- ★ **Out-of-pocket expenditure** remains high despite gradual convergence, largely driven by spending on medicines and outpatient care, with a disproportionate burden on lower-income households.
- ★ **Health expenditure** has continued to increase in nominal terms, while remaining broadly stable relative to GDP. However, health spending has grown more slowly than some other components of social expenditure, reducing its relative weight in overall social protection spending.

EU accession scenarios

To better understand how different EU integration pathways might influence Montenegro's convergence trajectory in the health area, we consider the same four scenarios as before:

- ★ **Full EU Membership** – immediate accession with all rights and obligations;
- ★ **Access to EU Budget** – receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- ★ **Access to EU Single Market** – full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- ★ **Institutional Reforms** – implementing deep EU-related reforms domestically (e.g. regarding rule of law and governance) without membership or new external resources.

A more detailed description of each scenario is provided in the methodological section.

In the health pillar, the scenarios are simulated for **life expectancy**, as the proxy indicator for the overall health situation. The four scenarios are then compared to the baseline/status quo scenario, of no change with respect to the trends from the past five years.

The scenarios are presented here through the **years needed to reach the EU average**. The results point to meaningful effects across the four scenarios.

- ★ Unlike last year, when life expectancy diverged from the EU level under all scenarios, the current results point to convergence across all scenarios, although the pace varies considerably depending on the depth and channel of EU integration.
- ★ Under the **status quo** scenario, the convergence period is **19 years**.
- ★ **Full EU accession** produces the strongest effect, reducing the estimated convergence period to **13 years**.
- ★ **Access to the EU budget** and participation in the **single market** each shorten the period to **16 years**, indicating that both additional resources and broader economic integration can contribute to faster improvements in health outcomes.
- ★ By contrast, the **institutional reform scenario** leaves the convergence period unchanged at **19 years**.
- ★ The stronger effect of full accession compared with the individual scenarios suggests that improvements in life expectancy are likely to benefit from the combined effects of economic integration, additional resources and institutional change, rather than from any single channel in isolation.

EU accession scenarios for life expectancy

Scenario	Years needed to reach the EU average
Status quo:	19 years to EU
Full EU accession:	13 years to EU
Access to EU budget:	16 years to EU
EU single market:	16 years to EU
Institutional reforms:	19 years to EU

Policy discussion & key recommendations

Montenegro has substantially intensified health-sector reform over the past two years. Although the period following the adoption of the Health Development Strategy 2023-2027 was initially dominated by strategic planning and institution building, developments in 2025 and 2026 increasingly moved towards legislative reform, infrastructure investment, digitalisation and reorganisation of service delivery. This progress was also reflected in the EU accession process, with Chapter 28 on Consumer and Health Protection provisionally closed in June 2026. Nevertheless, the convergence analysis indicates that important structural challenges remain, particularly in life expectancy, physician density, hospital capacity and financial protection.

Implementation of the Health Development Strategy has been gradual. The first implementation report² showed that 39% of planned activities had been fully implemented and a further 38% partly implemented during the first 15 months, while almost 25% remained unrealised. Progress included expansion of cancer screening, development of new services and facilities, strengthening of primary care, and continued digitalisation. Implementation difficulties were particularly apparent in areas requiring more complex organisational change, including workforce shortages, regional inequalities, preventive care and development of some service standards. The next phase of reform should therefore focus increasingly on workforce planning and retention, prevention, quality assurance, and integrated health information systems, so that expanding services and investment translate into more accessible, efficient and sustainable healthcare.

A major recent development has been the strengthening of the legislative framework for healthcare. The new Law on Health Care was adopted in July 2025 and followed by amendments in March 2026 that further strengthened and operationalised its implementation. The new framework broadens the role of primary healthcare and provides for a wider range of services to be delivered closer to patients, including additional specialist and palliative

services. It also strengthens the institutional basis relating to aspects such as rare diseases and public health. This direction is particularly relevant as further improvements in life expectancy increasingly depend on prevention, early diagnosis and effective management of chronic diseases, rather than solely on expansion of hospital treatment.

Health infrastructure has also entered a more intensive investment phase after a prolonged period of relatively limited expansion. Investment has included new and reconstructed facilities and new medical equipment, while the 2026 capital budget introduced five additional health projects with an estimated value of EUR 13.27m. These include expansion of KBC Kotor, reconstruction of the maternity ward in Nikšić, new operating theatres and intensive-care capacity in Podgorica, reconstruction in Berane, and improvements in Budva. In addition, a European Investment Bank (EIB)-supported project of up to EUR 27m was agreed in 2026 to equip new and existing healthcare facilities, including the new hospital in Pljevlja and the new health centre in Podgorica. These investments represent an important response to the relatively slow convergence of physical health-system capacity, although their effects will take time to show up in aggregate indicators. These investments will contribute to the decentralisation of more advanced healthcare services and address regional inequalities in access, but effectiveness will depend not only on buildings and equipment but also on the availability of specialist staff.

Human resources therefore remain one of the most important policy challenges. Although the number of physicians increased by around 30% over the previous decade,³ physician density remains considerably below the EU average and is the only health indicator currently showing divergence. Almost one quarter of physicians are aged 55 or over, creating additional medium-term replacement needs. Recent measures to facilitate specialisation and strengthen primary care are therefore relevant, but the policy response needs to go further. Workforce planning

2 <https://www.gov.me/clanak/godisnji-izvjestaj-o-sprovođenju-strategije-razvoja-zdravstva-2023-2027>

3 <https://www.ijzcg.me/me/izvjestaji/izvjestaj-kadrovi>

should increasingly be based on projected needs by specialty, age and region, accompanied by stronger retention measures and incentives for practice in underserved areas.

Financial protection remains an important policy challenge, despite a gradual decline in out-of-pocket expenditure over the past five years, which reversed in 2025, when the indicator lost 2 pp relative to the EU average. A 2025 World Health Organization (WHO) assessment⁴ found that catastrophic health spending affected 9% of households and as many as 33% of households in the poorest quintile. Out-patient medicines are the main driver of financial hardship, particularly among lower-income households. This suggests that further progress depends not only on the overall level of public health spending, but also on how effectively it protects households from direct payments. An increased focus is therefore needed on the coverage, purchasing and availability of outpatient medicines and on reducing avoidable co-payments, particularly for people with low incomes and chronic conditions.

Digitalisation has become one of the most dynamic components of the reforms. Development of the integrated health information system, electronic services and interoperability has been accompanied by a significant institutional step in September 2026 with the establishment of the Agency for Digital Health. The Agency will be responsible for managing and maintaining the integrated health information system and key national health registers and services. These reforms can improve continuity of care, reduce administrative burdens and provide better data for planning and monitoring, but their contribution to health outcomes will ultimately depend on effective implementation and use by healthcare providers, rather than on digitalisation itself.

Recent reforms have also prioritised prevention and specific population health needs. The Programme for the Protection and Improvement of Mental Health 2025-2026⁵ strengthens the focus on pre-

vention, community-based services and vulnerable groups, while other reforms address screening, tobacco control and public health surveillance. These developments are important because further gains in life expectancy will increasingly depend on a reduction in preventable mortality and the burden of chronic disease.

Overall, recent reforms have strengthened the legislative framework, expanded services and prevention programmes, accelerated digitalisation and initiated a more substantial cycle of investment in health infrastructure. Provisional closure of Chapter 28 confirms substantial progress in legal and institutional alignment with the EU. The main challenge is now to ensure that these changes translate into better health outcomes and more equal access to care. Priority should be given to strengthening prevention and early detection of non-communicable diseases; developing a comprehensive medium-term health workforce and retention strategy; ensuring that new regional and hospital infrastructure is matched by adequate staffing; improving coverage and affordability of medicines, particularly for low-income and chronically ill patients; and ensuring that digitalisation translates into improved continuity, accessibility and efficiency of care. The scenario results reinforce this conclusion. Full EU accession could shorten life-expectancy convergence from 19 to 13 years, but institutional reform alone does not accelerate convergence. EU integration can therefore provide additional resources and momentum, but sustained improvement in health outcomes will ultimately depend on how effectively those opportunities are translated into functioning services, prevention and financial protection.

4 <https://www.who.int/europe/news/item/22-04-2025-making-health-care-more-affordable-in-montenegro---new-evidence-on-financial-protection>

5 <https://www.enlargement-infohub.eu/news/montenegro-adopts-mental-health-protection-and-promotion-programme-2025-2026/>

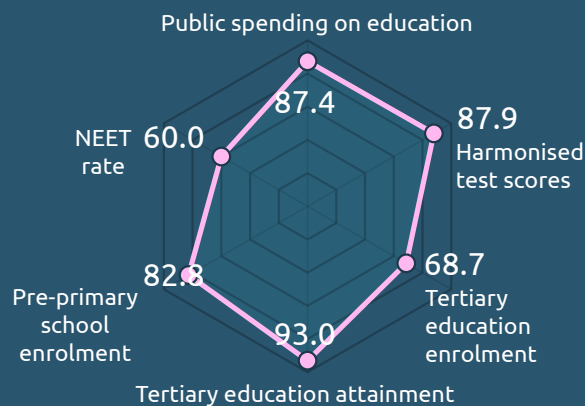
EDUCATION PILLAR

Montenegro, education indicators, nominal values

Indicator	Value
Public spending on education	4.1
Harmonised test scores	444
Tertiary education enrolment	55.2
Tertiary education attainment	31.9
Pre-primary school enrolment	78.6
NEET rate	15

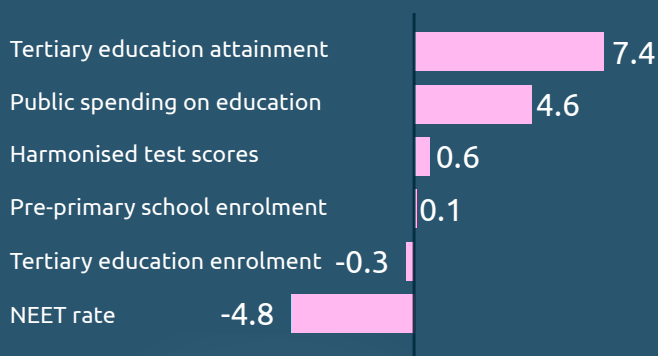
- ★ Public spending on education in Montenegro in 2025 stood at **4.1%** of GDP.
- ★ Harmonised test scores were **444 points**.
- ★ Tertiary education enrolment stood at **55.2%** of tertiary-age population.
- ★ Tertiary education attainment stood at **31.9%** of corresponding age group population.
- ★ Pre-primary school enrolment stood at **78.6%** of corresponding age group population.
- ★ NEET rate stood at **15%** of people aged 15-24.

Montenegro, education pillar, % of EU average



- ★ Relative to the EU average, the best-performing education indicator was tertiary education attainment, standing at **93%** of the EU level.
- ★ Harmonised test scores and public spending on education were close behind, at around **88%** of the EU average, while pre-primary school enrolment was at **83%**.
- ★ Tertiary education enrolment was lower, at **69%** of the EU level, while the NEET rate was **60%** of the EU average.

Montenegro, education pillar, change to last year



- ★ **Four of the six indicators** in the education pillar saw an improvement relative to the EU average in 2025.
- ★ The biggest improvement was in tertiary education attainment, which closed the gap to the EU level by **7.4 pp**.
- ★ Public spending on education saw the second-largest improvement, closing **4.6 pp** of the gap, while harmonised test scores and pre-primary school enrolment improved by **0.6** and **0.1 pp**, respectively.
- ★ Tertiary education enrolment slipped by **0.3 pp** relative to the EU level, while the NEET rate was the indicator with the weakest performance, falling back by **4.8 pp**.

Indicator/ years to EU

Indicator	years to EU
Public spending on education	Divergence
Harmonised test scores	100+
Tertiary education enrolment	Divergence
Tertiary education attainment	3
Pre-primary school enrolment	11
NEET rate	25

- ★ At the pace of improvement from the past **five years**, tertiary education attainment would reach the EU level in **three years**, while pre-primary school enrolment would take **11 years**.
- ★ The NEET rate would need **25 years**.
- ★ Harmonised test scores are more than **100 years** away from reaching the EU level, at current trends.
- ★ Public spending on education and tertiary education enrolment are diverging from the EU average and are not on track to close the gap, at recent trends.

What explains the trends in the education pillar?

- ★ Education indicators show an uneven pattern of convergence. Progress is strongest in tertiary educational attainment and pre-primary participation, while learning outcomes and the transition from education to employment remain more persistent challenges.
- ★ Pre-primary participation has continued to expand, although important gaps remain. Enrolment of children aged from three to six years reached 79.6% in 2024. However, participation remains particularly low among vulnerable groups, including Roma and Egyptian children, while access remains more challenging in rural and remote areas and some northern municipalities.
- ★ The contrasting trends in tertiary attainment and enrolment reflect different phases in the expansion of higher education. Tertiary attainment is already close to the EU average, reflecting the earlier expansion of higher education, while tertiary enrolment has declined by around one third since its peak in 2014/2015. The latest data show a modest recovery in 2025/2026, but enrolment remains well below earlier levels. Thus, current attainment continues to reflect educational gains accumulated by previous cohorts, while recent enrolment trends have been considerably weaker.
- ★ Learning outcomes remain below the EU benchmark and convergence is very slow. The harmonised test score stands at 444, with more than 100 years needed to close the gap, at the recent pace of progress. Recent international student assessments nevertheless point to some improvement, although substantial gaps in basic competencies remain.
- ★ The NEET rate continues to indicate difficulties in the transition from education to employment. Despite a substantial decline in recent years, the problem remains particularly pronounced among older youth, young people in the Northern Region and those facing difficulties in entering the labour market, pointing to persistent school-to-work transition challenges.
- ★ Public spending on education in Montenegro diverges from the EU average because funding is heavily tied to operational costs and salaries, rather than to development, causing delays in transforming newly approved infrastructure into actual learning quality.

EU accession scenarios

To better understand how different EU integration pathways might influence Montenegro's convergence trajectory in the education area, we consider the same four scenarios as before:

- ★ **Full EU Membership** – immediate accession with all rights and obligations;
- ★ **Access to EU Budget** – receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- ★ **Access to EU Single Market** – full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- ★ **Institutional Reforms** – implementing deep EU-related reforms domestically (e.g. regarding rule of law and governance) without membership or new external resources.

A more detailed description of each scenario is provided in the methodological section.

In the health pillar, the scenarios are simulated for **tertiary education enrolment**, as the proxy indicator for the overall education situation. The four scenarios are then compared to the baseline/status quo scenario, of no change with respect to the trends from the past five years.

The scenarios are presented here through the **years needed to reach the EU average**. The results point to no meaningful effects across the four scenarios.

EU accession scenarios for tertiary education enrolment

Scenario	Years needed to reach the EU average
Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

- ★ As in last year's assessment, tertiary education enrolment continues to **diverge** from the EU level under **all scenarios**.
- ★ Full EU accession does not reverse the projected divergence, indicating that the overall effects associated with membership are insufficient to change the longer-term enrolment trajectory.
- ★ Access to the EU budget and participation in the single market also result in divergence, suggesting that neither additional EU resources nor deeper economic integration alone are sufficient to increase tertiary participation towards the EU benchmark.
- ★ The institutional reform scenario similarly produces divergence, pointing to the persistence of structural factors that are not sufficiently affected by the reforms captured in the scenario.
- ★ The consistency of results across all scenarios suggests that convergence in tertiary enrolment depends primarily on underlying domestic and demographic factors, including the shrinking university-age population and demand for higher education. The recent modest recovery in enrolment is not yet sufficient to change this longer-term trajectory.

Policy discussion & key recommendations

Montenegro's education policy has entered a new phase with the adoption of the Education Reform Strategy 2025–2035, which provides an overarching framework for changes in the education system, covering quality and equity, teachers, governance and financing, and infrastructure. The Strategy was developed with EU and UNICEF support and is explicitly linked to Montenegro's Reform Agenda 2024–2027 under the EU Growth Plan. Education policy is therefore increasingly embedded in the broader process of EU integration and economic and social convergence, rather than being pursued through separate sectoral initiatives.

With the Education Reform Strategy 2025–2035 in place, the policy focus is increasingly shifting from reform design to implementation. The European Commission's 2025 assessment recognised the strengthened strategic framework while continuing to emphasise effective implementation, adequate financing, quality and inclusiveness.

One of the most important changes currently under way concerns the curriculum and teaching process. Following the adoption of the Education Reform Strategy 2025–2035, Montenegro adopted the new National Curriculum Framework in 2026, establishing the basis for the next phase of curriculum reform. Development of new curricula and cross-curricular themes is now under way, with new subject programmes and textbooks to follow in subsequent phases. The reform is accompanied by renewed attention to teacher professional development, which is critical if changes in curriculum design are to translate into different classroom practices and better learning outcomes. The main implementation challenge will therefore be to ensure that curriculum reform is supported by sufficient teacher preparation, teaching materials and school-level capacity, rather than remaining primarily a change in formal programme content.

Major investment in education infrastructure is proceeding in parallel. EU and EIB support is being used

for new and upgraded schools and pre-school facilities, while the ongoing assessment of the existing school network is intended to provide a stronger basis for future investment planning. This is relevant not only for the quality of school facilities, but also for the territorial organisation of education provision. Demographic and internal migration trends are producing different pressures across municipalities, with capacity constraints in some urban areas but declining student populations elsewhere. Infrastructure policy will therefore need to become increasingly selective and responsive to local demographic developments, rather than focusing only on expansion of the overall education infrastructure stock.

Early childhood education is closely connected to this investment agenda, but the remaining challenge is increasingly one of equity rather than expansion alone. Overall participation has continued to increase, with 26,786 children enrolled in 2025/2026. However, the participation gap remains substantial. UNICEF data⁶ indicate participation of only 22.7% among Roma and Egyptian children aged from three to six years, compared with 79.6% for children overall. Infrastructure expansion therefore needs to be complemented by targeted measures addressing financial, geographic and social barriers to participation. Similar attention is needed for children with disabilities and children in rural and remote communities if improvements in overall access are to translate into more equitable participation.

A second major policy challenge concerns the relationship between education and the labour market. The Career Guidance and Counselling Strategy 2025–2030, adopted in 2026, seeks to establish career guidance more systematically across different levels of education and strengthen the information available to students when making education and career choices. This is particularly relevant in a system where skills mismatches coexist with labour shortages and where enrolment decisions remain insufficiently connected to changing labour market

6 <https://www.unicef.org/montenegro/en/media/25166/file/UNICEF-Montenegro-Annual-Report-2024.pdf>

demand. Practical education and cooperation with employers are also receiving greater attention within vocational education, while the external evaluation of practical education in both school-based and dual forms indicates a move towards assessing how these arrangements function in practice, rather than relying only on their formal existence.

Nevertheless, work-based learning remains an area where further progress is required. The EU has repeatedly emphasised the need to strengthen practical learning in both vocational and higher education. The policy challenge is increasingly one of quality and scale: ensuring that employer involvement is sufficiently broad, that practical learning provides relevant skills and that it improves the transition from education to employment. Career guidance, work-based learning and enrolment policy should consequently be treated as connected instruments for improving the responsiveness of the education system to changing skills needs.

The pilot implementation of the Youth Guarantee also strengthens the case for closer links between education and employment policy. Its relevance for the education system lies particularly in reconnecting NEET youth with education and training and in creating stronger pathways between vocational education, career guidance and employment services. As the programme moves towards nationwide implementation from 2027, coordination with education providers and employers will be important to ensure that training offers correspond to actual skills needs.

Higher education faces a somewhat different set of challenges. The Strategy for the Higher Education Development in Montenegro 2024-2027 places greater emphasis on quality, employability, student support and stronger connections between secondary and higher education. Together with recent legislative changes, this points towards greater attention to the relevance and quality of higher education. The policy issue is therefore twofold: to expand participation, because tertiary enrolment stands at 69% of the EU average and is diverging under every scenario modelled; and to ensure that

higher education remains attractive and relevant in the context of demographic decline, outward student mobility and changing labour market demand. Further strengthening of practical learning, quality assurance and cooperation with employers will be important, alongside measures that increase the attractiveness of domestic study programmes.

Overall, Montenegro has now established a comprehensive framework for education reform and has begun implementing some of its key components, including curriculum reform, infrastructure investment, career guidance, and measures to strengthen links between education and employment. The main challenge over the coming years will be to translate this broad reform agenda into improvements in learning, participation and school-to-work transitions.

Priority should be given to implementing curriculum reform alongside sustained teacher professional development; targeting further expansion of early childhood education towards groups and areas where participation remains weakest; and strengthening the quality and scale of work-based learning and cooperation with employers. Higher education policy should focus on widening participation as well as on quality, labour market relevance and the attractiveness of domestic study programmes, while education and employment policies should be better connected through career guidance and the Youth Guarantee. Public spending on education, at 4.1% of GDP, closed 4.6 pp of the gap to the EU average last year but remains on a diverging five-year trend, so the increase should be sustained on a multiannual basis: the reforms set out above cannot be delivered within a budget that is declining relative to the EU. Across these areas, financing and monitoring should follow reform outcomes rather than the completion of planned activities, with particular attention to learning, inclusion and transitions into employment.

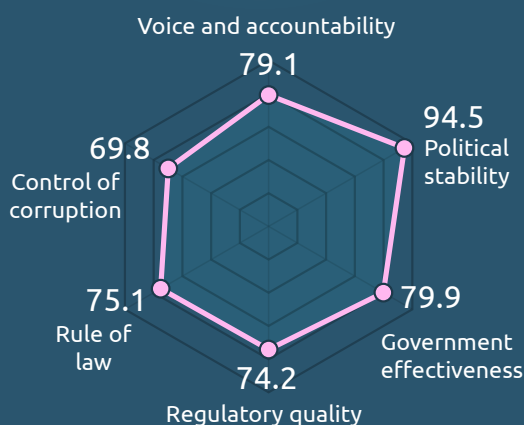
GOVERNANCE PILLAR

Montenegro, governance indicators, nominal values

Indicator	Value
Voice and accountability	57.8
Political stability	56.6
Government effectiveness	57.3
Regulatory quality	52.5
Rule of law	53.6
Control of corruption	48.8

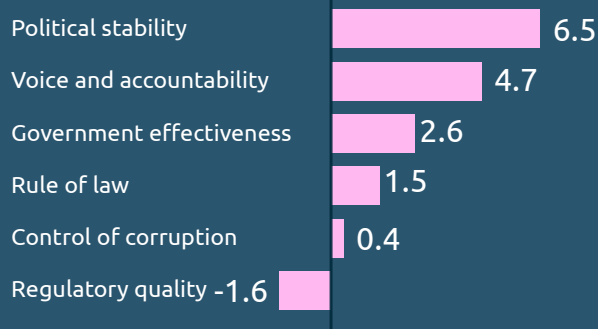
- ★ Voice and accountability in Montenegro in 2021 stood at **57.8 index points** (0-100 scale).
- ★ Political stability was **56.6 index points** (0-100 scale).
- ★ Government effectiveness reached **57.3 index points** (0-100 scale).
- ★ Regulatory quality stood at **52.5 index points** (0-100 scale).
- ★ Rule of law stood at **53.6 index points** (0-100 scale).
- ★ Control of corruption stood at **48.8 index points** (0-100 scale).

Montenegro, governance pillar, % of EU average



- ★ Relative to the EU average, the best-performing governance indicator was political stability, at **95%** of the EU level.
- ★ Government effectiveness, voice and accountability, rule of law and regulatory quality were between **74%** and **80%** of the EU level.
- ★ Control of corruption is the weakest link, standing at **70%** of the EU average.

Montenegro, governance pillar, change to last year



- ★ **Five of the six indicators** in the governance pillar saw an improvement relative to the EU average in 2025.
- ★ The biggest improvement was in political stability, which closed the gap to the EU level by **6.5 pp**.
- ★ Rule of law, government effectiveness, and voice and accountability closed between **1.5 pp** and **4.7 pp** of the gap to the EU.
- ★ Control of corruption improved by only **0.4 pp** relative to the EU, while regulatory quality was the indicator with the weakest performance, falling back by **1.6 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Voice and accountability	15
Political stability	2
Government effectiveness	21
Regulatory quality	Divergence
Rule of law	37
Control of corruption	100+

- ★ At the pace of improvement from the past **five years**, political stability would converge to the EU level in just **two years**.
- ★ Voice and accountability, and government effectiveness would need around **15-20 years**.
- ★ Rule of law would need around four decades, and control of corruption more than **100 years**.
- ★ Regulatory quality is diverging from the EU average and is not on track to close the gap, at recent trends.

What explains the trends in the governance pillar?

- ★ The improvement in five of the six governance indicators reflects a more stable political and institutional environment and renewed momentum towards EU accession. Progress is strongest in political stability and slower in areas dependent on institutional quality, enforcement and administrative practice.
- ★ Voice and accountability benefited from more regular parliamentary functioning and continued political competition, while civil society and the media remain active. Persistent political polarisation and uneven involvement of civil society in policymaking continue to limit faster progress.
- ★ Political stability improved strongly following the instability of 2022-2023. The parliamentary majority formed after the 2023 elections has remained relatively stable, reducing uncertainty associated with government changes and institutional blockages.
- ★ Greater government continuity and accelerated EU accession have supported government effectiveness by strengthening the focus on policy delivery. Limited administrative capacity, weak coordination and politicisation continue to constrain performance.
- ★ Regulatory quality continues to deteriorate, reflecting a mismatch between rapid legislative alignment with the EU acquis and the administration's capacity to implement it effectively. In the current convocation of parliament, since October 2023, 558 laws have been adopted, 340 of them in the last 12 months alone, almost a law per day. Insufficient regulatory impact assessment and limited regulatory simplification reduce predictability and increase compliance burdens for businesses.
- ★ Progress in the rule of law has been supported by reforms linked to Chapters 23 and 24 and the resolution of long-standing institutional vacancies, including appointments to the Constitutional Court, Supreme Court and Judicial Council and the election of a permanent Supreme State Prosecutor. Lengthy proceedings, case backlogs and enforcement constraints continue to limit progress.
- ★ Stronger prosecution and law-enforcement activity, including in high-level corruption cases, has contributed to gains in control of corruption. Yet lengthy proceedings and the limited number of final convictions continue to weaken deterrence. Control of corruption remains the weakest governance indicator, at 70% of the EU average; it improved by only 0.4 pp over the past year and, at the pace of the past five years, would need more than a century to converge under every scenario modelled.

EU accession scenarios

To better understand how different EU integration pathways might influence Montenegro's convergence trajectory in the governance area, we consider the same four scenarios as before:

- ★ **Full EU Membership** – immediate accession with all rights and obligations;
- ★ **Access to EU Budget** – receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- ★ **Access to EU Single Market** – full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- ★ **Institutional Reforms** – implementing deep EU-related reforms domestically (e.g. regarding rule of law and governance) without membership or new external resources.

A more detailed description of each scenario is provided in the methodological section.

In this pillar, the scenarios are simulated for **control of corruption**, as the proxy indicator for the overall governance situation. The four scenarios are then compared to the baseline/status quo scenario, of no change with respect to the trends from the past five years.

The scenarios are presented here through the **years needed to reach the EU average**. The results point to no meaningful effects across the four scenarios.

EU accession scenarios for control of corruption

Scenario	Years needed to reach the EU average
Status quo:	100+ years to EU
Full EU accession:	100+ years to EU
Access to EU budget:	100+ years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

- ★ Control of corruption remains **more than 100 years** away from the EU level **under all scenarios**, indicating that none of the modelled integration channels is sufficient to accelerate convergence at the current pace.
- ★ Neither full EU accession nor access to the EU budget or single market changes the projected convergence path, suggesting that additional resources and economic integration alone have little direct effect on this dimension of governance.
- ★ Even the institutional reform scenario fails to shorten the convergence period, highlighting the deeply structural nature of the gap and the need for sustained improvements in enforcement, accountability and effective sanctioning of corruption.
- ★ The results therefore suggest that formal institutional reforms need to translate into lasting changes in implementation and enforcement before a measurable acceleration in convergence can be expected.

Policy discussion & key recommendations

Montenegro's governance reform agenda has intensified considerably as the country has entered a more advanced phase of EU accession. Following the positive assessment of the interim benchmarks for Chapters 23 and 24 in 2024, the emphasis shifted towards meeting closing benchmarks and accelerating alignment with the EU acquis. That momentum was not steady throughout 2025: the European Commission's 2025 report notes that legislative alignment on Chapters 23 and 24 specifically slowed in the early part of the year because of domestic political instability, a reminder that Montenegro's frequent changes of government remain as much a constraint on reform delivery as administrative capacity itself. The key policy challenge is therefore not only to match the pace of formal alignment with administrative capacity, but to protect reform continuity from the disruption of recurring political crises.

This challenge is particularly important for public administration. The Public Administration Reform Strategy 2022-2026 and its Action Plan 2025-2026 provide the framework for professionalisation of the civil service, accountability, policy coordination, service delivery and digitalisation, and implementation continued during 2025-2026. However, the increasing demands of the accession process have exposed persistent weaknesses in administrative capacity. Staffing shortages, difficulties in attracting and retaining specialised personnel, extensive reliance on personnel in acting positions and weaknesses in coordination continue to constrain policy implementation. These problems are particularly important in areas requiring specialised knowledge of the acquis, where institutional continuity and accumulated expertise are essential. As negotiations advance, administrative capacity should therefore be treated as an integral part of accession

planning. Before new obligations become operational, greater attention is needed to whether the responsible institutions have adequate staff, expertise, procedures, IT systems and financial resources to implement them effectively.

The pressure generated by accelerated accession is also apparent in regulatory policy. Montenegro has established a relatively developed better-regulation framework, including mandatory regulatory impact assessment (RIA), and the quality of that assessment has genuinely improved: according to the OECD's 2026 SME Policy Index,⁷ the share of RIAs rated as quality work rose from 68% in 2020 to 83% in the most recent assessment. The problem is therefore not the absence of formal regulatory safeguards, but whether they can operate effectively under conditions of rapid legislative change, and here the picture is weaker: only around a quarter of laws adopted in 2024 had documented evidence of public consultation, and the central e-participation portal is used for only about a third of consultations that do take place. The latest European Commission assessment continues to identify weaknesses in legislative planning and the systematic application of regulatory safeguards, particularly for parliamentary initiatives, as indicated by the consultation figures cited above. The same pattern is apparent in 2025. Of the 155 laws proposed by the government that year, 73 underwent a documented public consultation (47%),⁸ but only 33 of them had an RIA published when the consultation opened; laws proposed by members of Parliament are still not systematically subject to impact assessment, structured consultation or quality control.

This creates an important policy tension. Rapid adoption of EU-aligned legislation is necessary for accession (on a single evening in February

⁷ https://www.oecd.org/en/publications/sme-policy-index-for-western-balkans-and-turkiye-2026-economy-profile-for-montenegro_8b6d7a9f-en/full-report/harnessing-human-and-social-capital-for-sme-development-in-montenegro_321ac92d.html

⁸ <https://institut-alternativa.org/kako-se-usvajaju-zakoni/>

2026, parliament passed 25 laws needed to meet criteria in the accession negotiations), but formal harmonisation does not automatically produce a more effective regulatory environment. If implementation arrangements, secondary legislation, institutional capacities and consultation with affected stakeholders do not develop at the same pace, regulatory change can increase uncertainty and compliance costs for businesses. The OECD SME Policy Index 2026 similarly points to progress in the formal better-regulation framework, while identifying the need for a more systematic approach to regulatory simplification and stronger involvement of the private sector. Because the regulatory quality indicator reflects how firms and experts perceive the government's ability to design and implement predictable regulation that supports private-sector development, a large volume of rapidly adopted legislation registers as a decline even though these laws may bring Montenegro closer to EU standards. The deterioration in regulatory quality found in the convergence analysis should therefore not be interpreted as evidence that EU alignment itself is detrimental, but is best read as a transitional cost of accelerated alignment, which should ease as secondary legislation, implementation and consultation catch up with the pace of adoption. It is also a matter of direction rather than level: at 74% of the EU average, regulatory quality remains broadly in the same range as voice and accountability, government effectiveness, and the rule of law, all of which are at 75-80% of the EU average. Nonetheless, the decline highlights the importance of managing the process of alignment in a way that preserves regulatory coherence and predictability. Greater use of timely RIAs, systematic simplification of existing requirements, ex-post evaluation and meaningful consultation with businesses should accompany the next phase of *acquis* alignment.

In the rule-of-law area, the policy context has also changed substantially. Reforms linked to Chapters 23 and 24 and the resolution of long-standing vacancies in key judicial institutions have strengthened the institutional framework: a new Supreme Court president was appointed through a merit-based procedure, and judicial salaries were raised by 30%; both of these steps are intended steps to support judicial independence and make the profession more attractive. The Judicial Reform Strategy 2024-2027 provides the basis for further improvements in efficiency and accountability. The emphasis is now shifting from institutional and legislative reform towards the actual performance of the justice system, and the gap here is still real: by the end of 2024, only 243 of 329 planned judicial positions were filled,⁹ and the European Commission's latest assessment¹⁰ continues to identify capacity and infrastructure constraints, delays in digitalisation, and a significant case backlog, despite some improvement in efficiency. Court backlogs and lengthy proceedings matter beyond the judiciary itself, because they affect the enforcement of rights, contracts and regulatory decisions across the economy. Further progress therefore depends not only on new strategies and legislation, but on filling the remaining judicial posts, reducing the backlog, completing digitalisation, and translating the recent pay and appointment reforms into a more stable and better-staffed system.

Anti-corruption policy illustrates particularly clearly the transition from institutional reform towards results. The Anti-Corruption Strategy 2024-2028, together with the Action Plan 2026-2027, provides a comprehensive framework for prevention, integrity, transparency and enforcement, and institutional activity around investigation and prosecution has strengthened. The European Commission's 2025 report describes

⁹ <https://www.kas.de/en/country-reports/detail/-/content/rule-of-law-report-2025>

¹⁰ https://enlargement.ec.europa.eu/document/download/9ae69ea7-81d6-4d6a-a204-bd32a379d51d_en?filename=montenegro-report-2025.pdf

a continuing improvement in the track record of investigations and prosecutions in high-level corruption cases, but explicitly states that the number of final convictions remains low and needs to increase.

Nevertheless, the enforcement gap identified in previous reporting cycles has not yet been closed. Final convictions remain limited relative to the number and complexity of cases under investigation or trial, proceedings can be lengthy and perceptions of corruption remain high: in the 2026 Special Eurobarometer, 81% of respondents in Montenegro considered corruption widespread, against an EU average of 71%.** The institutional framework for prevention also requires further consolidation, including the operational and financial capacity of the Agency for Prevention of Corruption. The policy challenge is therefore no longer simply to demonstrate that high-level corruption is investigated, but to establish a sustained track record in which investigations are followed by timely final judgments, proportionate and dissuasive sanctions, and effective recovery of criminal assets. This distinction is particularly important for public confidence, because the control of corruption indicator measures perceptions of corruption, including state capture, and perceptions respond to visible outcomes such as final convictions and recovered assets, which accumulate over years, rather than to new laws and institutions. Increased enforcement activity is therefore unlikely to generate a substantial improvement in perceptions of corruption unless it is accompanied by visible and credible outcomes. Such outcomes have only recently begun to appear. In high-level cases handled by the Special State Prosecutor's Office, final convictions rose from six to 25 in 2025 and final court rulings from 57 to 80, a clear sign that the enforcement gap is beginning to close, although the number of new high-level investigations fell from 17 to eight over the same period. Sustaining the rise in final convictions, while reversing the fall in new high-level investigations, is the most direct route to improving the indicator.

The convergence scenarios reinforce this conclusion. Control of corruption remains more than 100 years from the EU level under all modelled scenarios. This century-long horizon reflects how slowly the indicator has moved over five years rather than any deterioration: in terms of its level, control of corruption sits only four to nine points below voice and accountability, government effectiveness, the rule of law and regulatory quality, and it is its pace, not its level, that sets it apart. The slow pace indicates that EU conditionality and institutional reform can support progress but cannot substitute for sustained domestic implementation, enforcement and credible institutional results.

Policy priorities should therefore increasingly shift from the adoption of legislation and establishment of institutional frameworks towards implementation quality and measurable governance outcomes. Public administration reform should focus on professionalisation, merit-based recruitment and retention of specialised staff, reduced reliance on acting appointments, and stronger inter-ministerial coordination. The pace of acquis alignment should be accompanied by realistic assessments of implementation capacity, while RIA, public consultation, regulatory simplification and ex-post evaluation should become integral parts of the accelerated legislative process. In the rule-of-law area, reducing backlogs and the duration of proceedings, strengthening judicial and prosecutorial capacity, and completing digitalisation should receive particular attention. Anti-corruption policy should build on recent institutional strengthening by establishing a sustained track record of effective sanctions and asset recovery, while strengthening the independence and operational capacity of prevention institutions. Across all these areas, greater involvement of civil society and the private sector would help to ensure that accelerated accession strengthens, rather than places additional strain on, the quality, transparency and predictability of governance.

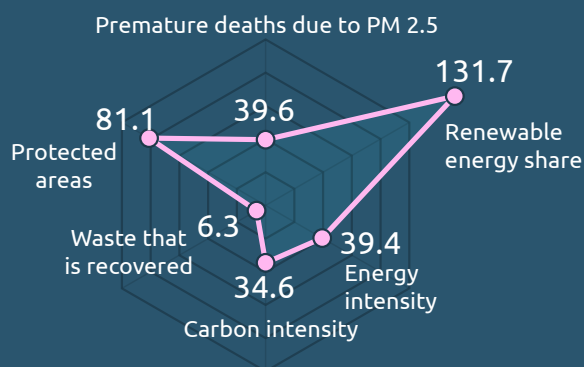
ENVIRONMENT PILLAR

Montenegro, environment pillar indicators, nominal values

Indicator	Value
Premature deaths due to PM 2.5	142
Renewable energy share	80.4
Energy intensity	239
Carbon intensity	495
Waste that is recovered	5.0
Protected areas	21.7

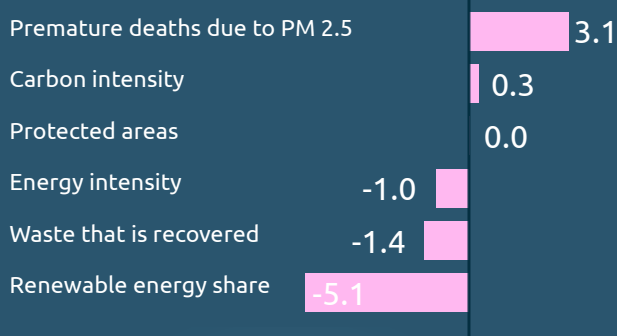
- ★ Premature deaths due to **PM 2.5** in Montenegro in 2025 stood at **142 per 100,000** of population aged 30+.
- ★ Renewable energy share stood at **80.4%** of total capacity.
- ★ Energy intensity stood at **239 KGOE** per thousand euro of GDP in chain-linked volumes (2015).
- ★ Carbon intensity stood at **495 KG** per thousand euro of GDP in chain-linked volumes (2015).
- ★ Waste that is recovered stood at **5.0%** of total diverted waste.
- ★ Protected areas stood at **21.7%** of land area.

Montenegro, environment pillar, % of EU average



- ★ Relative to the EU average, the best-performing environment indicator was renewable energy share, at **132%** of the EU level.
- ★ Protected areas came second, at **81%** of the EU benchmark.
- ★ Premature deaths due to **PM 2.5** were lower, as were energy intensity and carbon intensity, between **35%** and **40%** of the EU level.
- ★ Waste that is recovered remains the weakest link, standing at just **6%** of the EU average.

Montenegro, environment pillar, change to last year



- ★ **Two of the six indicators** in the environment pillar saw an improvement relative to the EU average in 2025.
- ★ The biggest improvement was in premature deaths due to **PM 2.5**, which closed the gap to the EU level by **3.1 pp**.
- ★ Carbon intensity was the second indicator that improved, by **0.3 pp**.
- ★ Protected areas stagnated, while energy intensity and waste that is recovered fell back by **1 pp** and **1.4 pp** respectively.
- ★ Renewable energy share was the indicator with the weakest performance, falling back by **5.1 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Premature deaths due to PM 2.5	64
Renewable energy share	Converged
Energy intensity	Divergence
Carbon intensity	Divergence
Waste that is recovered	Divergence
Protected areas	58

- ★ At the pace of improvement from the past five years, protected areas and premature deaths due to **PM 2.5** would need around **six decades** to close the gap to the EU average.
- ★ Energy intensity, carbon intensity and waste that is recovered are diverging from the EU average and are not on track to close the gap at recent trends.
- ★ Renewable energy share has already converged with the EU average.

What explains the trends in the environment pillar?

- ★ Montenegro's environmental performance remained broadly stable, with modest improvements in some areas, while its position relative to the EU weakened across several indicators as EU performance improved more rapidly. This suggests that the recent widening of some convergence gaps primarily reflects differences in the pace of progress, rather than a broad deterioration in environmental outcomes in Montenegro.
- ★ Premature deaths attributable to PM 2.5 have declined significantly since 2022 and the latest value of 141.8 is the lowest in the observed series. However, the indicator remains well above the EU average, while air-pollution pressures remain significant, particularly in the northern and central parts of the country.
- ★ Renewable energy remains Montenegro's strongest environmental indicator, reflecting its high share of renewable installed generation capacity, particularly its large hydro-power base. The renewable share has continued to increase, while the weaker relative position reflects faster growth in renewable capacity at EU level.
- ★ Divergence in energy intensity indicates that energy use per unit of real economic output is not declining sufficiently quickly. High energy demand in buildings, transport and other final-use sectors, combined with relatively slow gains in energy efficiency, continues to limit convergence with the EU.
- ★ Carbon intensity remains high because the economy still produces relatively large amounts of emissions per unit of output, largely reflecting continued reliance on the Pljevlja thermal power plant despite strong renewable-capacity base.
- ★ The share of protected land has remained broadly stable in recent years, with only limited further expansion towards the EU benchmark.
- ★ Waste recovery remains the weakest environmental indicator, with recovery rates remaining very low in recent years. The waste-management system remains dominated by disposal, while separate collection and recovery are still insufficiently developed.

EU accession scenarios

To better understand how different EU integration pathways might influence Montenegro's convergence trajectory in the environment area, we consider the same four scenarios as before:

- ★ **Full EU Membership** – immediate accession with all rights and obligations;
- ★ **Access to EU Budget** – receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- ★ **Access to EU Single Market** – full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- ★ **Institutional Reforms** – implementing deep EU-related reforms domestically (e.g. regarding rule of law and governance) without membership or new external resources.

A more detailed description of each scenario is provided in the methodological section.

In this pillar, the scenarios are simulated for **energy intensity**, as the proxy indicator for the overall environment situation. The four scenarios are then compared to the baseline/status quo scenario, of no change with respect to the trends from the past five years.

The scenarios are presented here through the **years needed to reach the EU average**. The results point to no meaningful effects across the four scenarios.

EU accession scenarios for energy intensity

Scenario	Years needed to reach the EU average
Status quo:	Divergence
Full EU accession:	100+ years to EU
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

- ★ The scenario results suggest that Montenegro's high energy intensity is a persistent structural challenge, with **divergence continuing under all scenarios except full EU accession**.
- ★ Under the **status quo**, energy intensity continues to **diverge** from the EU level, indicating that recent progress in reducing energy use per unit of economic output is insufficient to close the gap.
- ★ **Full EU accession** is the only scenario that reverses divergence, although convergence remains extremely slow, requiring **more than 100 years to reach the EU level**. This suggests that the combined effects associated with full integration could gradually strengthen convergence, although the projected pace remains very slow.
- ★ **Access to the EU budget** alone does not reverse **divergence**, suggesting that additional financial resources would not be sufficient on their own to change the convergence trajectory.
- ★ **Single market integration** also leaves energy intensity on a **divergent** path, indicating that greater economic integration and market access do not automatically translate into lower energy use per unit of output.
- ★ **Institutional reforms** alone are similarly insufficient to reverse the trend.
- ★ Overall, the results suggest that no single integration channel is sufficient to generate meaningful convergence in energy intensity, while even the combined effects of full EU accession produce only very slow progress.

Policy discussion & key recommendations

Montenegro's environmental and climate policy framework strengthened substantially during 2025 and 2026, reflecting accelerated alignment with the requirements of Chapter 27 and the broader EU climate and energy acquis. Important new planning and legislative instruments were adopted in waste management, energy and climate policy, air-quality management, and nature protection. **The policy challenge is therefore increasingly shifting from establishing frameworks towards implementation, financing and enforcement.** This is particularly relevant given that Montenegro has maintained or improved its performance in several environmental indicators, but progress has often been too slow to generate sustained convergence with the EU.

Montenegro already has a very high share of renewable energy in installed generation capacity, largely due to its substantial hydropower base. The adoption in December 2025 of the National Energy and Climate Plan to 2030 and continued alignment with the EU energy acquis have substantially strengthened Montenegro's energy-policy framework. This progress is also reflected in the accession process, with the closing benchmarks for Chapter 15 – Energy having been met and the chapter moving towards provisional closure. However, regulatory progress and Montenegro's strong renewable-energy base have not yet translated into comparable improvements in energy intensity.

The remaining challenge is increasingly concentrated in final energy use and the infrastructure needed to support the energy transition. The energy performance of the building stock remains a major concern, requiring renovation and improvements in heating and cooling efficiency, while the electricity network needs substantial modernisation to reduce losses and accommodate increasing volumes of decentralised solar and other renewable generation. Transport adds a further structural constraint, given its continued dependence on fossil fuels and the limited shift towards cleaner and more energy-efficient mobility. These weaknesses are increasingly recognised in the policy framework: the Reform Agenda 2024-2027 includes specific building-renovation and energy-performance commitments, while the Roadmap adopted in May 2026 for implementing the EU Energy Performance

of Buildings and Energy Efficiency Directives, itself linked to the closing of Chapter 15, provides for a National Building Renovation Plan and progressively stronger energy-performance standards. The key issue is therefore increasingly one of implementation: translating advanced regulatory alignment and growing renewable capacity into lower energy consumption across buildings, transport and the energy system itself.

Waste management remains one of the areas where the gap between policy ambition and implementation is most pronounced. The Law on Waste Management, adopted in April 2024, and the State Waste Management Plan 2025–2029, adopted in October 2025, established a substantially more ambitious framework for moving away from disposal towards prevention, separate collection, recycling and recovery. However, implementation has exposed several practical constraints. First, the planned regional waste-management model has been difficult to operationalise, with the development of regional centres slowed by unresolved siting issues and resistance to proposed locations at local level. Second, implementation and enforcement of some of the new waste-prevention measures, including restrictions on single-use plastics, remain uneven, reducing their effectiveness in practice. Third, the extended producer responsibility system is not yet operational, leaving municipalities and municipal utilities to continue carrying much of the financial and organisational burden of waste management. The substantial amendments to the Law adopted in August 2026, including revised arrangements and phased deadlines for extended producer responsibility (EPR) schemes, reflect some of these implementation difficulties. The central challenge is therefore no longer the absence of a regulatory framework, but establishing the infrastructure, enforcement mechanisms and financing arrangements needed to make the new waste-management model function in practice.

Climate policy also advanced during 2025, but **reducing carbon intensity remained closely linked to the unresolved role of coal in Montenegro's energy system.** During the year, policy efforts focused increasingly on aligning the energy and climate framework with EU requirements, while the

ecological reconstruction of the Pljevlja thermal power plant represented the most significant intervention affecting coal-based generation. Although the reconstruction addresses conventional air pollutants and environmental compliance, it does not change the plant's reliance on lignite and therefore does not resolve the structural source of carbon emissions. The policy framework became more explicit in 2026, with the adoption of the Low-Carbon Development Strategy and its Five-Year Action Plan 2026-2030 and further alignment of climate legislation with the EU acquis. The new framework sets a clearer longer-term direction for decarbonisation, including the envisaged retirement of the Pljevlja thermal power plant by 2035. The emerging Just Transition framework, together with the preparation of several related projects during 2026, reflects growing recognition that the planned phase-out of coal will need to address employment, retraining and economic diversification in Pljevlja alongside the development of replacement energy capacity. This is particularly important, given the strong dependence of the local economy and employment on the thermal power plant and associated coal mining.

Air pollution remains an important environmental and public-health challenge, particularly in the northern and central parts of the country. Particulate pollution is particularly associated with household heating, while energy production and transport contribute to other major air pollutants. During 2025, the policy response targeted these different sources. The ecological reconstruction of the Pljevlja thermal power plant progressed as a major investment aimed at reducing industrial emissions, while the Pljevlja district-heating project advanced, with the aim of reducing reliance on polluting individual and local heating sources. The policy framework was further consolidated in 2026 through the adoption of the Air Quality Management Strategy 2026-2029 and its Action Plan, providing a more integrated approach to pollution control, monitoring and emission reduction. Transport emissions have so far received less attention than heating and industry. Investment in urban public transport in Podgorica and the larger towns, including renewed and cleaner fleets, higher service frequency and priority in the road network, would reduce vehicle use and complement the heating and industrial meas-

ures above. The key challenge remains translating these measures into sustained improvements in air quality.

Nature protection continued to advance during 2025 through preparations for the future Natura 2000 network as part of alignment with the EU environmental acquis. Further progress in 2026 brought Montenegro closer to meeting the relevant requirements of Chapter 27. The key challenge is now to translate progress in designation into effective management of protected areas, supported by adequate financing, monitoring and enforcement.

Energy intensity also deserves attention, as it is diverging from the EU average under every scenario except full accession and needs more than a century even then. That means implementing the National Building Renovation Plan and the energy-performance commitments of the Reform Agenda at scale, replacing inefficient household heating, and treating energy efficiency rather than additional generation as the principal instrument of the energy transition, as renewable capacity has already converged. Second, the transition away from coal at Pljevlja should proceed on the 2035 timetable, with the Just Transition measures for workers and the local economy funded ahead of closure, rather than after it. Third, the new waste-management framework needs the regional facilities, an operational extended producer responsibility system and effective enforcement in order to function; waste recovery, at 6% of the EU average, is the weakest indicator in this report. Across all three, implementation under Chapters 15 and 27 should be measured by changes in the indicators rather than by the adoption of further plans.

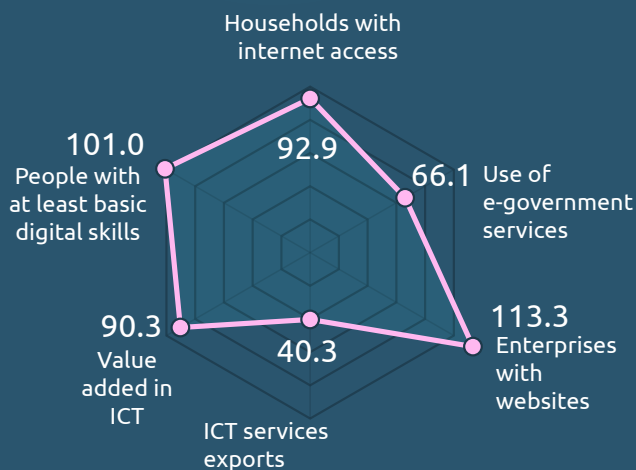
DIGITALISATION PILLAR

Montenegro, digitalisation pillar indicators, nominal values

Indicator	Value
Households with internet access	88.1
Use of e-government services	38.1
Enterprises with websites	87.3
ICT services exports	2.1
Value added in ICT	5.1
People with at least basic digital skills	87.3

- ★ Households with internet access stood at **88.1%**.
- ★ Use of e-government services stood at **38.1%**.
- ★ Enterprises with websites stood at **87.3%**.
- ★ ICT services exports stood at **2.1%** of GDP.
- ★ Value added in ICT accounted for **5.1%** of total value added.
- ★ People with at least basic digital skills stood at **87.3%**.

Montenegro, digitalisation pillar, % of EU average



- ★ Relative to the EU average, the best-performing digitalisation indicator was enterprises with websites, standing at **113%** of the EU level.
- ★ People with at least basic digital skills was close behind, at **101%** of the EU average.
- ★ Households with internet access and value added in ICT were around **90%**.
- ★ Use of e-government services was at **66%** of the EU level, while ICT services exports were the weakest link, at just **40%** of the EU average.

Montenegro, digitalisation pillar, change to last year

Use of e-government services	19.4
Households with internet access	3.2
People with at least basic digital skills	0.0
Enterprises with websites	0.0
Value added in ICT	-8.0
ICT services exports	-10.3

- ★ **Two of the six indicators** in the digitalisation pillar saw an improvement relative to the EU average in 2025.
- ★ The biggest improvement was in use of e-government services, which closed the gap to the EU level by **19.4 pp**.
- ★ Households with internet access was the second indicator that improved, by **3.2 pp**, while people with at least basic digital skills and enterprises with websites stagnated.
- ★ ICT value added and ICT services exports were the indicators with the weakest performance, falling back by **8 pp** and **10 pp** relative to the EU average.

Indicator/ years to EU

Indicator	years to EU
Households with internet access	7
Use of e-government services	12
Enterprises with websites	Converged
ICT services exports	77
Value added in ICT	Divergence
People with at least basic digital skills	Converged

- ★ At the pace of improvement from the past five years, households with internet access and use of e-government services would need around **10 years** to close the gap to the EU average.
- ★ ICT services exports lags further behind, needing around **eight decades** to reach the EU level.
- ★ Value added in ICT is diverging from the EU average and is not on track to close the gap, at recent trends.
- ★ Enterprises with websites and people with at least basic digital skills have already converged with the EU average.

What explains the trends in the digitalisation pillar?

- ★ Digitalisation performance shows a widening contrast between strong digital access and adoption and the weaker economic contribution of the ICT sector.
- ★ Progress in the use of e-government services was driven by expansion and upgrading of e-services, greater integration of public registers, and improved interoperability between government information systems, which made a wider range of services more accessible digitally to citizens and businesses.
- ★ Household internet access continued to expand, with particularly strong growth in rural areas substantially narrowing the urban-rural digital-access gap. However, the improvement was not sufficient to strengthen Montenegro's relative position substantially, as internet access also continued to expand across the EU.
- ★ Enterprises' digital presence remains one of the strongest digitalisation indicators, supported by the widespread use of websites across the business sector, especially in tourism.
- ★ Basic digital skills also remained broadly unchanged and continue to be a relative strength, with Montenegro already converging with the EU benchmark.
- ★ ICT services exports remain the weakest indicator. Although ICT services exports have continued to increase in absolute terms, they have not kept pace with overall economic growth, reducing their share in GDP and widening the gap with the EU.
- ★ ICT value added still compares reasonably well with the EU average in level terms, but it shows a related structural weakness: its share in total value added is declining, and so the ICT sector is not increasing its weight in the economy despite strong progress in digital access and use.

EU accession scenarios

To better understand how different EU integration pathways might influence Montenegro's convergence trajectory in the digitalisation area, we consider the same four scenarios as before:

- ★ **Full EU Membership** – immediate accession with all rights and obligations;
- ★ **Access to EU Budget** – receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- ★ **Access to EU Single Market** – full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- ★ **Institutional Reforms** – implementing deep EU-related reforms domestically (e.g. regarding rule of law and governance) without membership or new external resources.

A more detailed description of each scenario is provided in the methodological section.

In this pillar, the scenarios are simulated for **ICT services exports**, as the proxy indicator for the overall digitalisation situation. The four scenarios are then compared to the baseline/status quo scenario, of no change with respect to the trends from the past 5 years.

The scenarios are presented here through the **years needed to reach the EU average**. The results point to meaningful effects across the four scenarios.

EU accession scenarios for ICT services exports

Scenario	Years needed to reach the EU average
Status quo:	77 years to EU
Full EU accession:	24 years to EU
Access to EU budget:	48 years to EU
EU single market:	29 years to EU
Institutional reforms:	76 years to EU

- ★ Under the **status quo**, convergence in ICT services exports remains very slow, requiring an estimated **77 years** to reach the EU level.
- ★ **Full EU accession** substantially accelerates convergence, reducing the period to **24 years**, suggesting strong combined effects of deeper market integration, investment and the broader opportunities associated with EU membership.
- ★ **Single market participation** produces a similarly strong effect, shortening convergence to 29 years, highlighting market access and cross-border integration as particularly important for ICT services exports.
- ★ **Access to the EU budget** has a more moderate effect, reducing the convergence period to **48 years**, indicating that additional resources can support development but are less powerful than market integration.
- ★ **Institutional reforms** alone have almost no effect, with convergence taking **76 years**.
- ★ Overall, the results suggest that faster convergence in ICT services exports depends primarily on deeper integration with the EU market, rather than on institutional reform alone.

Policy discussion & key recommendations

Digital transformation gained considerable momentum in Montenegro over the last two years, particularly through the expansion and integration of digital public services. The Digital Transformation Strategy 2022-2026 continued to provide the overarching framework, while digitalisation also became an important component of the Reform Agenda 2024-2027 and the wider EU accession process. The most obvious progress has been achieved in digital public administration, where the focus has gradually shifted from developing individual electronic services towards establishing the infrastructure required for more integrated digital government, contributing to the increased use of e-government services by citizens and businesses.

A significant step was the adoption of the Plan for Full Implementation of Transactional Public Electronic Services at National and Local Level 2025-2027, which envisages the digitalisation of 171 services by the end of 2027. During 2025, 57 public services were digitalised (100% of the plan),¹¹ alongside further development of the eGovernment platform. At the same time, progress was made in connecting public registers and enabling institutions to exchange data electronically through a common interoperability infrastructure, including the X-Road platform and the Metaregister. This provides the basis for public authorities to obtain information directly from one another, reducing the need for citizens and businesses to repeatedly submit information already held by the administration.

The next challenge is to ensure that **the expansion of e-services translates into genuinely digital administrative processes**. Making a service available online is only the first step. Institutions need to exchange and reuse data, procedures need to be redesigned, and transactions should be completed electronically from beginning to end. The government's objective of moving towards paperless administrative procedures during 2026 illustrates that this transition is still ongoing. Further implementation of interoperability and the once-only principle

is therefore important for avoiding parallel digital and paper-based processes and achieving tangible reductions in administrative burdens.

Implementation capacity also remains an important constraint, particularly at local level and in specialised ICT functions across the public administration.¹² The Digital Transformation of Local Self-Governments project was implemented from 2024 to April 2026 by the Ministry of Public Administration with international partners. Based on the assessment of needs and priorities of 24 local self-governments, a unified digital system connecting all Montenegrin municipalities through the Government Service Bus (GSB) was established for the first time. In addition to this infrastructure, tailored Digital Roadmaps were developed for individual municipalities, together with new local e-services based on the GovStack approach, supporting more efficient and integrated local administration. These measures provide an important foundation for more integrated local digital government, although their effective and sustainable use will continue to depend on adequate human, technical and financial capacities. Despite recent progress, local digitalisation continues to face implementation challenges. Independent monitoring¹³ points to a gap between strategic planning and implementation, while local e-services are not always sufficiently user-friendly. Key constraints include shortages of specialised IT staff, information-security weaknesses and the need for continuous training of local government employees.

The 2025 assessment of e-government at local level points to challenges related to human and financial capacities, alongside needs in digital infrastructure, e-services, interoperability and cybersecurity.

Attracting and retaining experienced ICT specialists in the public administration remains difficult, partly because of substantial pay differentials with the private sector. This is becoming increasingly important as the administration is expected not only to

11 <https://www.gov.me/dokumenta/124aecf4-1d37-46b2-88be-8782b78ba626?ref=USPJESI>

12 https://enlargement.ec.europa.eu/montenegro-report-2025_en

13 <https://institut-alternativa.org/crna-gora-zaostaje-za-regionom-u-pogledu-pruzanja-usluga-i-digitalizacije/>

introduce new digital services, but also to manage and maintain increasingly complex interoperable systems and digital infrastructure.

Cybersecurity represents another increasingly important constraint as public services, registers and administrative processes become more interconnected. Although Montenegro has continued to strengthen its regulatory and institutional framework, the European Commission's 2025 Montenegro Report points to important remaining gaps, including the establishment of the Cybersecurity Agency, stronger CIRT capacities and further alignment with NIS2 requirements for critical infrastructure and cybersecurity frameworks. Cybersecurity therefore represents an increasingly important implementation challenge as digital public services and interconnected systems expand.

Montenegro is preparing its first Artificial Intelligence Strategy 2026-2030, with adoption and an accompanying action plan planned for the fourth quarter of 2026. The Strategy is expected to establish the framework for the development and use of AI, including regulation, skills, infrastructure and applications in public administration and the economy, while supporting alignment with the evolving EU framework for artificial intelligence.

Strengthening the economic contribution of digitalisation has been a recurring objective of Montenegro's digital, innovation and smart specialisation policies during the past few years. The key challenge is how the substantial digital transformation already taking place across public administration and the wider economy can be used to stimulate the development of domestic ICT firms and create stronger demand for locally developed digital solutions and higher-value services. The expansion of integrated digital public services, greater use of data and interoperability, and the emerging application of AI and other advanced technologies can create new opportunities for domestic firms, but their ability to benefit from these processes will depend on their capacity to develop specialised expertise, innovate and scale up.

EU integration adds a further dimension by opening access to a much larger market, European programmes, funding and innovation networks. The

extent to which these opportunities translate into higher ICT value added and exports will ultimately depend on the capacity of domestic firms to compete and expand beyond the relatively small national market. The scenario results reinforce the importance of this external dimension, with substantially faster convergence in ICT services exports under the single market and full accession scenarios than under the status quo.

The gap between activity and exports is the pillar's clearest structural weakness. Value added in ICT stands at around 90% of the EU average, but ICT services exports reach only 40% and fell by 10 pp over the past year, which points to a sector oriented towards the domestic market rather than towards selling abroad. Turning that activity into exports should be an explicit objective of industrial and innovation policy: support for market entry, certification and participation in European research and innovation programmes; financing for product development and the protection of intellectual property; and use of public digital procurement to help domestic firms build references they can take to European clients. The objective should be exports of finished products and services under domestic firms' own names, not only outsourced development work.

The next phase of digital policy should shift the focus towards the effective use and broader impact of digitalisation. This requires completing the transition towards end-to-end digital administration and strengthening implementation capacity, particularly at local level, while placing greater emphasis on actual use, service quality and security. At the same time, digitalisation should contribute more strongly to economic development by enabling domestic firms to benefit from digital transformation, innovation and emerging technologies such as AI, and to use the opportunities provided by the EU single market and European programmes to scale up and compete internationally.

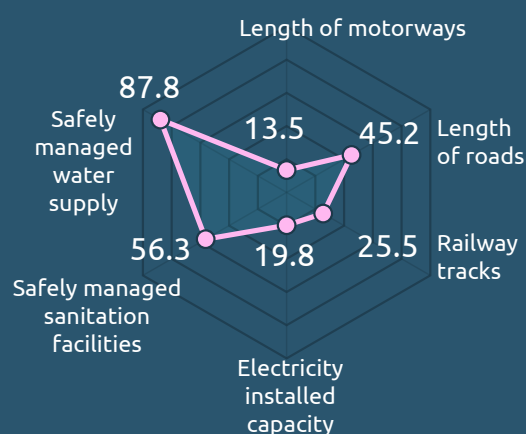
INFRASTRUCTURE PILLAR

Montenegro, infrastructure pillar indicators, nominal values

Indicator	Value
Length of motorways	30.3
Length of roads	7,302
Railway tracks	236
Electricity installed capacity	827
Safely managed sanitation facilities	50.9
Safely managed water supply	85.5

- ★ Length of motorways in Montenegro in 2025 stood at **30.3 km per 10,000 sq km**.
- ★ Length of roads stood at **7,302 km per 10,000 sq km**.
- ★ Railway tracks stood at **236 km per 10,000 sq km**.
- ★ Electricity installed capacity stood at **827 MW per 10,000 sq km**.
- ★ Safely managed sanitation facilities were available for **50.9%** of the population.
- ★ Safely managed water supply was available for **85.5%** of the population.

Montenegro, infrastructure pillar, % of EU average



- ★ Relative to the EU average, the best-performing infrastructure indicator was safely managed water supply, standing at **88%** of the EU level.
- ★ Safely managed sanitation facilities came second, at **56%**.
- ★ Length of roads, electricity installed capacity and railway tracks were lower, between **15%** and **25%** of the EU level.
- ★ Length of motorways remains the weakest link, at just **13%** of the EU average.

Montenegro, infrastructure pillar, change to last year

Safely managed sanitation facilities	1.1
Length of roads	0.5
Safely managed water supply	0.0
Railway tracks	0.0
Length of motorways	-0.1
Electricity installed capacity	-0.2

- ★ **Two of the six indicators** in the infrastructure pillar saw an improvement relative to the EU average in 2025.
- ★ The biggest improvement was in safely managed sanitation facilities, which closed the gap to the EU level by **1.1 pp**, while length of roads closed it by **0.5 pp**.
- ★ Railway tracks and safely managed water supply stagnated
- ★ Length of motorways and electricity installed capacity fell back by **0.1** and **0.2 pp** relative to the EU average.

Indicator/years to EU

Indicator	years to EU
Length of motorways	32
Length of roads	100+
Railway tracks	100+
Electricity installed capacity	Divergence
Safely managed sanitation facilities	43
Safely managed water supply	Divergence

- ★ At the pace of improvement from the past **five years**, Length of motorways would need **32 years** to close the gap to the EU average.
- ★ Safely managed sanitation facilities would need around **four decades** to close the gap to the EU average.
- ★ Length of roads and railway tracks would need more than **100 years** to reach that point.
- ★ Electricity installed capacity and safely managed water supply are diverging from the EU average and are not on track to close the gap, at recent trends.

What explains the trends in the infrastructure pillar?

- ★ Infrastructure convergence remains slow and uneven, with several indicators showing little change in the existing stock of infrastructure. Major investments currently under preparation or implementation will become apparent only gradually.
- ★ Motorway density has remained unchanged since the opening of the first section of the Bar-Boljare motorway in 2022. This earlier expansion explains the comparatively stronger longer-term convergence trajectory; no additional motorway length has yet become operational.
- ★ The road network expanded gradually in the past, but has changed little recently, while railway network length has remained virtually unchanged for many years. Current investment is increasingly directed towards improving the quality, safety and capacity of existing transport infrastructure, which is not captured by indicators based solely on network length.
- ★ Electricity installed capacity has increased substantially over the longer term, but this expansion has not been sufficient to keep pace with the EU benchmark. This explains why the indicator shows divergence, despite the increase in Montenegro's installed capacity.
- ★ Safely managed sanitation stands out as the most consistent area of gradual improvement. Coverage has increased by around 1 pp annually over much of the observed period, although the remaining gap with the EU is still substantial.
- ★ Access to safely managed water supply is already comparatively high, at 85.5% of the population, but progress has effectively stalled. With coverage broadly unchanged in recent years, the remaining distance from the EU benchmark is no longer narrowing.

EU accession scenarios

To better understand how different EU integration pathways might influence Montenegro's convergence trajectory in the infrastructure area, we consider the same four scenarios as before:

- ★ **Full EU Membership** – immediate accession with all rights and obligations;
 - ★ **Access to EU Budget** – receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
 - ★ **Access to EU Single Market** – full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
 - ★ **Institutional Reforms** – implementing deep EU-related reforms domestically (e.g. regarding rule of law and governance) without membership or new external resources.
- A more detailed description of each scenario is provided in the methodological section.

In this pillar, the scenarios are simulated for **length of roads**, as the proxy indicator for the overall infrastructure situation. The four scenarios are then compared to the baseline/status quo scenario, of no change with respect to the trends from the past five years.

The scenarios are presented here through the **years needed to reach the EU average**. The results point to no meaningful effects across the four scenarios.

EU accession scenarios for Length of roads

Scenario	Years needed to reach the EU average
Status quo:	100+ years to EU
Full EU accession:	73 years to EU
Access to EU budget:	100+ years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

- ★ Under the **status quo**, convergence in road infrastructure remains extremely slow, requiring **more than 100 years to reach the EU level**.
- ★ **Full EU accession** substantially accelerates convergence, reducing the estimated period to **73 years**.
- ★ **The same result** under the **single market scenario** as under the status quo suggests that deeper economic and market integration is the main channel through which EU integration could support faster development of the road network.
- ★ **Access to the EU budget** alone does not materially change the convergence trajectory, with the estimated period remaining **above 100 years**. This indicates that additional financing by itself is insufficient to close the infrastructure gap without stronger investment dynamics and effective project implementation.
- ★ **Institutional reforms** alone also leave convergence **above 100 years**.
- ★ Overall, the results suggest that EU integration can accelerate road infrastructure convergence, but even under the most favourable scenarios the remaining gap is substantial and would require sustained investment over a long period.

Policy discussion & key recommendations

Infrastructure investment gained considerable momentum in 2025, marking the beginning of what the Economic Reform Programme 2025-2027 describes as an intensive investment cycle. This was already evident during the year in major financing decisions for railway modernisation, progress towards the continuation of the Bar-Boljare motorway, new EU-supported water and wastewater investments, and preparations for further expansion of energy infrastructure. Passenger traffic through Montenegro's airports continued to grow strongly, increasing pressure on existing capacity. Developments in 2026 have reinforced this direction, with several projects moving further towards implementation and the Infrastructure Investment Master Plan 2026-2030 consolidating a project pipeline estimated at EUR 5.74bn. The emerging policy question is therefore increasingly about the composition of this investment cycle: whether the projects being undertaken can jointly improve Montenegro's internal connectivity, links with European markets, energy infrastructure and access to essential services, rather than functioning as a series of separate capital investments.

Transport accounts for some of the largest and economically most significant projects. The continuation of the Bar-Boljare motorway is central to this agenda. Following the completion of the Smokovac-Mateševica section, attention has shifted to the approximately 23-km Mateševica-Andrijevica section. Financing combines a European Bank for Reconstruction and Development (EBRD) loan of up to EUR 200m with an EU investment grant of EUR 150m; the contractor was selected in early 2026. The importance of the project extends beyond the motorway itself. Better north-south connectivity could improve access of the Northern Region to Podgorica, the coast and external markets, while strengthening the connection towards Serbia and the wider European transport network. Given the persistent economic disparities

between the north and the rest of the country, this territorial dimension is potentially one of the most important economic effects of the investment.

The extent of these benefits will, however, depend on the connections beyond the main corridor. Faster access along the motorway has less transformative potential if regional and local roads connecting economic centres, tourism areas and municipalities in the north remain weak. This creates a need to balance completion of the strategic motorway corridor with continued reconstruction and maintenance of the wider road network. The Medium-Term Programme for Construction, Reconstruction, Maintenance and Protection of State Roads to 2028 provides the operational framework for this broader investment, but the underlying policy issue is one of sequencing: ensuring that resources devoted to flagship infrastructure do not postpone necessary improvements to the network through which much of its economic benefit must ultimately be transmitted.

Railway investment provides an important complement to road development. During 2025, an EUR 80m financing package was agreed for modernisation of the Bar-Vrbnica railway, combining EU/Western Balkans Investment Framework (WBIF) grants, EIB financing and national resources. The investment covers rehabilitation of tracks and bridges and improvements to maintenance capacity, with further financing subsequently supporting modernisation of sections towards Bar. Rather than expanding the railway geographically, the current programme is aimed at improving the performance of an existing strategic corridor. A safer, more reliable and more efficient Bar-Vrbnica line could strengthen both passenger and freight transport and, together with the Port of Bar, improve Montenegro's role as a transport connection between the Adriatic and markets further north.

This creates an opportunity for a more balanced transport policy. The motorway will remain crucial, but stronger rail infrastructure can reduce excessive dependence on road transport and support freight connectivity with lower environmental costs. This is particularly relevant in the context of Montenegro's integration into the Trans-European Transport Network (TEN-T) and EU expectations for greater emphasis on rail and multimodal transport. Road and rail investments should therefore increasingly be assessed in terms of how they complement each other and connect the Port of Bar, the main economic centres and neighbouring markets, rather than as separate sectoral programmes.

Air transport has become another increasingly important part of the infrastructure agenda. Montenegro's airports handled more than 3m passengers for the first time in 2025, underlining both the expansion of international connectivity and growing pressure on the capacities of Podgorica and Tivat airports. For an economy in which tourism remains one of the principal sources of external demand, insufficient airport capacity can become a direct constraint on further tourism growth and accessibility from European markets. The prolonged concession process continued through 2025 and initially advanced further in 2026, before the government decided in July 2026 to abandon the concession procedure. This has reopened the question of the future investment and management model for the two airports. Regardless of the model ultimately chosen, timely expansion and modernisation are becoming increasingly important, and airport development needs to be considered as part of Montenegro's overall connectivity strategy alongside road, rail and port infrastructure.

A notable feature of the current investment cycle is the growing role of European financing. Major transport projects increasingly combine national resources with EU grants and loans from the EBRD, the EIB and other international financial institutions. This represents a more diversified financing structure than reliance on sovereign borrowing alone and provides an opportunity to undertake investments that would otherwise place much greater pressure on domestic public finances. The EU Growth Plan adds another channel: under the Reform Agenda 2024-2027, Montenegro has access to EUR 383m for structural reforms and infrastructure investment, with part of the financing linked to the WBIF. Infrastructure investment is thus becoming more closely connected with the accession process not only through compliance with EU standards and integration into European networks, but also through access to EU-supported financing.

The availability of additional financing nevertheless makes investment prioritisation more, rather than less, important. The project pipeline now substantially exceeds what can realistically be implemented simultaneously. The Infrastructure Investment Master Plan 2026-2030 estimates the total value of identified projects at EUR 5.74bn, of which around EUR 4.7bn is envisaged for implementation during 2026-2030. For a small economy, this is a very large programme. Decisions on sequencing therefore need to take account of project readiness and economic return, but also of complementarities between investments. A motorway requires adequate connecting roads; a modernised railway generates greater benefits when linked effectively to the port and logistics infrastructure; and airport expansion is more valuable when supported by efficient surface connections. The economic return from the investment cycle will consequently depend partly on whether individual projects are selected and timed as components of functioning infrastructure systems.

Energy infrastructure raises a similar issue of complementarity. Montenegro has considerable renewable-energy potential, and 2025 saw further steps towards broadening investment beyond the country's traditional hydropower base, including the launch of the first solar-energy auction. The Gvozd wind farm entering trial operation in 2026 provides a further indication that new renewable capacity is beginning to materialise. As investment in wind and solar generation expands, however, the infrastructure requirement changes. The capacity of transmission and distribution networks, cross-border interconnections, balancing mechanisms and (eventually) storage each become increasingly important for determining how much additional renewable electricity the system can efficiently absorb and export. Generation and grid development therefore need to proceed together. Expanding installed capacity without corresponding network investment would reduce the economic value of otherwise successful renewable-energy investment.

Municipal infrastructure presents a different challenge because important gaps remain in access and service quality. In 2025, EUR 22.5m in EU grants was agreed for water-supply and wastewater projects in Kolašin, Rožaje and Mojkovac, while a broader programme of collector systems and wastewater treatment plants for 2025–2027 provides for further investment. Water and sanitation nevertheless require somewhat different policy responses. In water supply, where access is already relatively widespread, greater attention is needed to the condition and reliability of networks, water losses and replacement of ageing infrastructure, alongside closing remaining coverage gaps. In wastewater management, the need to extend collection and treatment infrastructure remains much more substantial. Investment in

northern municipalities is particularly important because better municipal infrastructure can support both living standards and local economic development and contribute to reducing regional disparities.

The common issue across these sectors is not simply the volume of infrastructure investment, but whether the different components of the investment programme reinforce one another. Montenegro is simultaneously pursuing strategic transport corridors, railway rehabilitation, airport expansion, renewable generation and municipal infrastructure improvements. Each responds to a genuine infrastructure need, but their combined economic effect will depend on the order in which they are implemented and on complementary investments being available at the right time. The current investment cycle therefore requires a stronger emphasis on infrastructure systems and connectivity, rather than on the completion of individual projects as an objective in itself.

The next phase should focus on prioritising and sequencing the large investment pipeline, with projects assessed according to readiness, economic return, complementarities and territorial impact, rather than on financing availability alone. Investment decisions should also account for future maintenance and operating costs to safeguard fiscal sustainability. More broadly, infrastructure investment should be used to strengthen internal connectivity, reduce regional disparities and deepen Montenegro's integration with European transport and energy networks.

Conclusions

★ **Convergence with the EU continued in 2025, with six of the eight pillars moving closer to the EU average and environment and infrastructure broadly unchanged.**

Health remained the pillar closest to the EU level (85.4%), while social recorded the largest year-on-year improvement (+4.5 pp), driven largely by a 38.3 pp improvement in the gender employment gap; infrastructure remained the weakest pillar (41.3%). Across most pillars, the strategic and legislative framework for reform is now broadly in place, shifting the emphasis for both domestic policy and the EU accession process towards implementation, financing and sequencing of already adopted reforms.

★ **Economic convergence continued in 2025, with all six indicators improving on the back of wage, pension and investment growth.**

However, productivity and output per worker remain considerably further from EU levels and are converging much more slowly. Implementation of the Reform Agenda 2024-2027 has been uneven, with only seven of 14 steps completed in the first reporting cycle and 24 of 45 steps due by December 2025 fully implemented. Full accession reduces the estimated convergence period for GDP per capita from 21 to 14 years, suggesting that the accession process and the Growth Plan should increasingly be used to strengthen productivity, firm competitiveness and export capacity, rather than relying on income growth alone.

★ **Social convergence was supported by improvements in employment and income indicators in 2025, while the gender employment gap moved beyond the EU benchmark.**

However, the at-risk-of-poverty rate increased slightly and social protection spending was the only pillar indicator to move further from the EU average. The policy framework is increasingly moving into

implementation through activation reforms, the Youth Guarantee pilot, changes to social protection legislation and deinstitutionalisation, while the European Child Guarantee is being prepared. As the scenarios suggest only modest differences in poverty convergence across integration channels, EU support should complement stronger domestic targeting of employability, poverty reduction and locally available social services.

★ **Health convergence is already relatively advanced, making health Montenegro's strongest pillar relative to the EU, although progress in 2025 was mixed.**

Infant mortality improved, while public health spending moved back relative to the EU and physician density continued to diverge. With Chapter 28 provisionally closed in June 2026 and the main strategic and legislative framework already established, greater emphasis should now be placed on implementation, particularly financial protection against out-of-pocket expenditure, health workforce capacity, prevention and primary care, alongside the remaining alignment requirements.

★ **Education convergence remains slow, with an estimated 54 years needed to reach the EU level under recent trends.**

Tertiary attainment has improved, but learning outcomes, tertiary enrolment and the transition from education to employment remain persistent weaknesses. With the Education Reform Strategy 2025-2035 and the National Curriculum Framework adopted, the priority is to translate reform into better learning and labour market outcomes through teacher development, practical and work-based learning, career guidance and stronger links with employers. This is also essential for the human-capital objectives of the Reform Agenda and for Montenegro's capacity to benefit from EU integration.

- ★ **Governance convergence improved in 2025, with five of six indicators moving closer to the EU average, led by political stability.** However, regulatory quality deteriorated and control of corruption remains the weakest governance indicator, requiring more than a century to converge at recent trends. Both results need context. The decline in regulatory quality coincides with an exceptionally intense legislative period, with around 200 laws adopted in 2025, more than half of them recommended for urgent adoption, and reflects the strain that rapid alignment places on regulatory predictability, rather than a reversal of reform. The control of corruption horizon reflects how slowly perceptions respond rather than a deterioration, and final convictions in high-level corruption cases rose from six to 25 in 2025. The final phase of accession should therefore focus increasingly on the effectiveness of implementation under Chapters 23 and 24, including stronger public administration capacity, regulatory impact assessment and consultation, judicial efficiency and, particularly, tangible results in anti-corruption enforcement.
- ★ **Environmental convergence remains slow, with performance broadly stable in 2025 and only two of six indicators improving.** Renewable-energy capacity remains above the EU average, but energy intensity, carbon intensity and particularly waste recovery reveal persistent structural weaknesses. With the National Energy and Climate Plan, the low-carbon transition framework and the waste-management framework now established, implementation under Chapters 15 and 27 needs to accelerate, particularly in energy efficiency, waste recovery, air quality and the transition away from coal.
- ★ **Digital convergence presents a contrasting picture, with relatively strong digital adoption but a much weaker economic contribution from the ICT sector.** Enterprise web presence and basic digital skills have already reached EU levels and e-government use has improved substantially, but ICT services exports remain much weaker, at 40% of the EU average, and ICT value added, at around 90%, fell back and is diverging. Policy should therefore complement the continued development of end-to-end digital public services and interoperability, with stronger cybersecurity capacity and support for domestic ICT firms to scale and access EU markets. The scenarios reinforce this direction, with single market integration substantially accelerating convergence in ICT services exports.
- ★ **Infrastructure convergence remains particularly slow, and infrastructure continues to be Montenegro's weakest pillar relative to the EU.** Most indicators are either converging very slowly or diverging from the EU average, while Montenegro is simultaneously entering a major investment cycle, including the continuation of the Bar-Boljare motorway, modernisation of the Bar-Vrbnica railway and an Infrastructure Investment Master Plan 2026-2030 with a pipeline estimated at EUR 5.74bn. Given the scale of planned investment and the continued large gaps even under the accession scenario, the immediate priority should be to sequence and prioritise projects according to readiness, economic and territorial impact, complementarities, and fiscal sustainability, while making effective use of EU and international financing.
- ★ **EU accession emerges across all eight pillars as an important accelerator of convergence, but its effects and transmission channels differ substantially across policy areas.** Full accession generally produces the strongest acceleration where EU inte-

gration has a material effect. Access to the EU budget and single market participation each shorten convergence in GDP per capita from 21 to 16 years, and the single market matters most for ICT services exports, cutting the horizon from 77 years to 29. Neither, however, changes the outlook for road density or energy intensity on its own: there, only full accession makes any difference. Persistent gaps in governance, education, environment and infrastructure show that EU membership cannot substitute for sustained domestic reform and implementation. The uneven implementation of the Reform Agenda so far reinforces the broader finding of the report: **Montenegro's capacity to implement reforms effectively is becoming as important to the speed of convergence as completing the remaining formal alignment with the EU.**

The recommendations set out across the eight pillars are grouped below by the actor able to act on them.

Government of Montenegro

- ★ Adopt a medium-term health workforce and retention strategy by specialty, age and region. The number of physicians, at 65% of the EU average, is the weakest health indicator and the only one diverging.
- ★ Sustain last year's increase in education spending, which remains on a diverging five-year trend, and widen tertiary participation, as enrolment, at 69% of the EU average, diverges under every scenario modelled.
- ★ Roll out the Youth Guarantee nationally from 2027 with stronger outreach to inactive young people, as the NEET rate, at 60% of the EU average, is the weakest education indicator and fell by a further 4.8 pp last year.
- ★ Implement the National Building Renovation Plan and replace inefficient household heating at scale, treating energy efficiency as the principal instrument of the energy transition while energy intensity is diverging.
- ★ Make the regional waste facilities and the EPR system operational, and enforce the new waste rules, as waste recovery at 6% of the EU average is the weakest indicator in this report.
- ★ Build a sustained track record of final convictions, proportionate sanctions and asset recovery in high-level corruption cases. Control of corruption, at 70% of the EU average, is more than a century from convergence under every scenario.
- ★ Apply RIA and public consultation to the accelerated legislative process, including parliamentary initiatives, as regulatory quality is the only governance indicator diverging.
- ★ Prioritise and sequence the EUR 5.74bn infrastructure pipeline by readiness, economic return, complementarities and maintenance cost, with public debt already around 64% of GDP.
- ★ Strengthen the targeting and adequacy of social protection for the groups at highest poverty risk, as social protection spending was the only social indicator to lose ground last year.
- ★ Make ICT services exports an explicit objective of industrial and innovation policy, as exports stand at 40% of the EU average while value added stands at around 90%.

EU institutions and EU member states

- ★ Use the scenario results to argue for completing accession rather than prolonging partial integration. Road density and energy intensity change only under full accession, and full accession delivers the shortest horizon for GDP per capita convergence, at 14 years, against 21 under the status quo.
- ★ Link Growth Plan disbursement to verified outcomes, such as final corruption convictions, an operational EPR system and documented public consultation on new legislation, rather than to adopted strategies.
- ★ Front-load single market access for digital services, which shortens convergence in ICT services exports from 77 years to 29.
- ★ Treat administrative capacity as part of accession planning, supporting the recruitment and retention of specialised staff in the institutions that will implement newly aligned legislation.
- ★ Support project preparation and absorption capacity ahead of the larger financial resources that will follow the Chapter 33 financial package.

Regional and international organisations

- ★ Pair EBRD, EIB and WBIF financing for the Bar-Boljare motorway and the Bar-Vrbnica railway with integrity, supervision and maintenance safeguards, and assess the two as complementary parts of one connectivity system.
- ★ Support regional electricity-market integration, interconnections and balancing capacity, so that new wind and solar generation is

matched by the grid needed to absorb and export it.

- ★ Scale up water-supply and wastewater investment in the northern municipalities, where it supports both living standards and regional development.
- ★ Use CEFTA and the Common Regional Market to open regional markets for services, including digitally deliverable services.

Civil society organisations and think tanks

- ★ Monitor implementation of the Reform Agenda steps and the closing benchmarks for Chapters 23 and 24 in terms of both practical steps and the impact achieved.
- ★ Monitor government compliance with public consultation and regulatory impact assessment requirements, including for laws adopted through shortened procedures as well as advocate for the same rules to be imposed on MP-sponsored laws.
- ★ Produce independent evidence on poverty among the groups this report identifies as most exposed, including the unemployed, single-parent households, large families and residents of the Northern Region.
- ★ Follow the sequencing, costs and delivery of the infrastructure pipeline, where financial flows and administrative discretion are the most significant.

Methodological note

What do the different numbers mean?

- ★ **% of EU average:** shows the current level of a specific indicator compared with the EU average.
- ★ **Year-on-year rate of change:** shows how the gap to the EU changed compared with the previous year in percentage points.
- ★ **Rate of change over the past five years:** shows the average annual pace of change over the last five years, capturing whether the indicator has been improving or worsening recently.
- ★ **Years to EU:** shows how long it would take for a country to reach the EU average for the given indicator, assuming the recent pace of change continues.

How we calculate the numbers for individual indicators?

% of EU average: calculated as the native value of a certain indicator in a certain country, compared with the corresponding EU average.

Example: If the average wage in Serbia is EUR 1,150 and the average wage in the EU is EUR 3,000, then Serbia's wage level is 38% of the EU average ($1,150 / 3,000$).

For indicators where lower values mean better outcomes (unemployment, child mortality, etc.), the calculation is reversed so that a higher percentage always indicates better performance.

Example: If the unemployment rate in Kosovo is 11% and in the EU 6%, Kosovo's relative level is 55% of the EU average ($6 / 11$).

Rate of change over the past five years: calculated as the simple average of the year-on-year changes in the indicator measured as % of the EU average, over the last five years.

Example: If public health spending in North Macedonia, measured as a share of the EU average, changed by -0.4 , $+7.2$, -2.7 , -2.1 and $+0.2$ pp, the five-year rate of change is $+0.4$ pp.

Years to EU: calculated by comparing the remaining gap to the EU average with the speed of progress over the last five years. It shows how many years it would take to close the gap if recent trends continue.

Example: If Montenegro's GDP per capita is 55% of the EU average (a gap of 45 pp) and it has been catching up by 0.9 pp per year, it would take about 50 years to reach the EU level.

How we calculate the numbers for the pillar and overall averages?

% of EU average: calculated as the simple average of all indicators in the pillar, each expressed as a percentage of the EU average.

Example: If Albania's six environment indicators are 50%, 55%, 60%, 60%, 65% and 70% of the EU average, the overall environment pillar stands at 60% of the EU average.

Rate of change over the past five years: calculated as the average of the year-on-year changes in the overall pillar's value measured as percentage of the EU average, over the last five years.

Example: If Bosnia and Herzegovina's education pillar changed by $+0.5$, $+5.6$, $+0.2$, $+0.8$ and $+1.0$ pp, the five-year rate of change is $+1.6$ pp.

Years to EU: calculated by comparing the remaining gap to the EU average for the overall pillar, with the pace of progress over the last five years.

Example: If Serbia's digitalisation pillar stands at 98% of the EU average and has been improving by 1.0 pp per year, it would take two years to reach the EU level.

What does it mean when an indicator is 'Converged' or 'Diverging'?

Converged: an indicator is considered converged if its value as a percentage of the EU average is above 100%. This means the country has reached or exceeded the EU average in that area.

Example: If government spending on health in Montenegro is 105% of the EU average (6.9% of GDP vs 6.5%), Montenegro is considered converged.

Diverging: an indicator is considered diverging if its average change over the past five years (measured as % of the EU average) is negative. This means the country has been moving further away from the EU average.

Example: If road density in North Macedonia, expressed as a percentage of the EU average, has been declining by 0.4 pp per year, North Macedonia is diverging.

How we treat missing values?

Missing values between years: when data for an indicator is missing for one or more intermediate years, we substitute the missing value with the last available one for that country (in native units).

Example: If North Macedonia is missing values for Internet access in 2022 and 2023, we use the 2021 value (83.7%) for calculations.

Missing values for the last year: if at least four of the six Western Balkan countries have data for the most recent year, we include that year and use previous values for the others. If fewer than four countries have data, we exclude that year from EU comparisons.

Example: For tertiary education in 2023, Albania and Montenegro were missing data, but because four others had it, we included 2023 and

used 2022 values for the missing countries. By contrast, if only one country had data (e.g. 2024 for enterprises with websites), 2024 is excluded.

Missing values at the beginning: if data starts late, no EU-relative or pillar calculations are done for earlier missing years.

Example: For average pensions, Kosovo data starts from 2015 – calculations begin from 2015 onwards.

How we calculate pillar/area values for 2025 when some indicators are missing: we use the last available year's value for any missing indicators.

Example: To calculate the % of EU average for education in 2025, we take:

- ★ 2023 values for public spending on education
- ★ 2024 values for tertiary enrolment, tertiary attainment, pre-primary education, and NEET
- ★ 2025 value for the harmonised test scores

Which EU accession scenarios do we simulate?

To assess how different EU integration options may influence the pace of convergence across the eight areas, we simulate projections under four alternative scenarios:

- ★ **Full EU membership:** Western Balkan economies join the EU immediately, with full rights and obligations, including access to the EU budget.
- ★ **EU budget transfers:** Western Balkan economies obtain full access to the EU budget and receive transfers as if they were member states, but without formal membership.

- ★ **EU single market access:** Western Balkan economies gain full access to the EU single market, without other elements of membership such as institutional alignment or budget transfers.
- ★ **Institutional reforms:** Western Balkan economies undertake reforms equivalent to those required of EU member states, without membership or transfers.

Which indicators do we simulate?

We simulate **one indicator** from each of the **eight pillars**:

- ★ **Economy:** GDP per capita at PPS
- ★ **Social:** income share of the bottom 20%
- ★ **Health:** life expectancy
- ★ **Education:** tertiary enrolment
- ★ **Institutions:** control of corruption
- ★ **Environment:** energy intensity of the economy
- ★ **Digitalisation:** ICT exports
- ★ **Infrastructure:** road density

How do we simulate the scenarios?

We employ a **Structural Equation Modelling (SEM) approach** to estimate how EU accession affects GDP growth and other development outcomes through various transmission channels. SEM is particularly well suited for this analysis, as it allows us to disentangle the pathways through which EU integration exerts its effects.

We focus on four main channels:

- ★ higher EU budget transfers;
- ★ increased exports to the EU;

- ★ net migration; and
- ★ institutional improvements.

FDI net inflows are also estimated as a potential channel, but their effect on growth is small and imprecisely estimated, so we do not vary FDI across scenarios.

The analysis is conducted in a **panel setting** covering the period **from 1996 to 2024**. It includes **Bulgaria, Romania and Croatia as benchmarks, alongside the six Western Balkan economies**.

The specifications for each of the eight simulated indicators are as follows:

- ★ **GDP per capita growth** depends on initial GDP (as in standard convergence models), previous year's GDP growth, EU budget transfers, exports to the EU, net migration, control of corruption, FDI inflows and country fixed effects. These variables, in turn, are affected by EU accession.
- ★ The change in **income share of the bottom 20%** is linked to EU budget transfers and control of corruption, both of which are linked to EU accession.
- ★ The change in **life expectancy** is modelled as a function of GDP growth and net migration, both of which are influenced by EU accession.
- ★ The change in **tertiary enrolment** also depends on GDP growth, which itself depends on EU accession, as explained above.
- ★ The change in **energy intensity** is modelled as a function of GDP growth and control of corruption, both tied to EU accession.
- ★ The level of **control of corruption** is modelled to be affected directly by EU accession, as one of the channels through which EU accession affects GDP growth.

- ★ **ICT exports** are linked to GDP growth, EU budget transfers and exports to the EU, all influenced by EU accession.
- ★ **Road density** depends on FDI, exports to the EU and net migration; because FDI is held fixed across scenarios, road density outcomes are in practice driven by exports and net migration.

These specifications were determined empirically, by running different regressions with different combinations of variables, checking the significance of the coefficients.

The regression estimates are then used to generate simulations of the four scenarios. This is done by augmenting the rate of change from the baseline (status quo) scenario – which is the average over the last five years – with the estimated effect of the EU accession scenario.



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