



converge2eu

Annual Convergence Report 2025 – Montenegro –

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IMPRESSUM

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ALL AREAS OVERALL¹

Economic 42.2% of EU average +0.1 pp last year 72 years to EU	Social 70.9% of EU average -0.8 pp last year 59 years to EU	Health 87.5% of EU average +1.8 pp last year 17 years to EU
Education 78.9% of EU average +1.8 pp last year Diverging from EU	Governance 76.7% of EU average +2.5 pp last year 57 years to EU	Environment 44.9% of EU average +0.0 pp last year Diverging from EU
Digitalisation 76.3% of EU average -3.3 pp last year 18 years to EU	Infrastructure 30.5% of EU average -0.1 pp last year 100+ years to EU	

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- In 2024, Montenegro's well-being and development levels **ranged from 31% to 88%** of the EU average, depending on the area.
- **Four out of eight** convergence pillars improved compared with the previous year, while three declined and one stagnated.
- **Health is the closest area to the EU**, reaching 87.5% of the EU average.
- The **infrastructure dimension is the most distant from the EU**, at only 30.5% of the EU average.
- **Governance recorded the strongest improvement**, increasing by 2.5 pp last year.
- The **digitalisation area showed the weakest performance**, declining by 3.3 pp over the past year.
- **Health has the shortest convergence path**, with an estimated 17 years to reach the EU level, and **digitalisation** is second, with an estimated 18 years.
- **These two pillars** are the only that could reach EU standards **within two decades**.
- **Education and environment continue to diverge**, while **infrastructure** would need **100+ years to reach the EU level**.

ECONOMIC²

GDP per capita

53.7% of EU average
+1.6 pp last year
50 years to EU

Average wage

35.6% of EU average
+1.4 pp last year
73 years to EU

Minimum wage

44.1% of EU average
-4.0 pp last year
23 years to EU

Average pension

20.1% of EU average
+1.6 pp last year
Diverging from EU

Productivity

57.4% of EU average
+1.2 pp last year
Diverging from EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Four of the five indicators** under the economic pillar **improved** in 2024.
- **GDP per capita** in Montenegro stood at **53.7% of the EU average** in **2024**, with an annual improvement of 1.6 pp.
- **Over the past five years**, Montenegro has managed to close **4.6 pp of the gap** with the EU, or 0.9 pp on average every year.
- At that pace, the country would reach the **EU average level of GDP per capita** in **roughly 50 years**.
- When it comes to **wages**, convergence is significantly slower.
- The **average wage** is at **35.6% of the EU average**, while the **minimum wage** reaches **44.1%**.
- The **average wage increased** in 2024, relative to the EU level, but the **minimum wage declined**.
- Based on trends from the past five years, Montenegro would need about **73 years** to reach the **EU average wage** and around **23 years** to reach the **EU minimum wage**.
- The **average pension** is very low, amounting to just **20.1% of the EU average** in 2022.
- It increased by 1.6 pp in 2024, but has been declining over the past five years; based on this trend, it **would not reach the EU level**.
- **Productivity** performs somewhat better, standing at **57.4% of the EU average**, with an annual gain of 1.2 pp, although long-term dynamics still point to **divergence**.

SOCIAL³

Unemployment

51.7% of EU average

+6.1 pp last year

32 years to EU

Employment

90.7% of EU average

+2.4 pp last year

5 years to EU

Poverty

54.0% of EU average

-0.1 pp last year

91 years to EU

Inequality

80.9% of EU average

+0.1 pp last year

71 years

Gender gap

77.4% of EU average

-12.6 pp last year

Diverging from EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Three of the five indicators** under the social pillar **improved** in 2024.
- **Unemployment** stands at **51.7% of the EU average**, improving by a strong **6.1 pp**, indicating a more dynamic labour market.
- If the pace from the past five years continues, **convergence** could be reached in **roughly 32 years**.
- **Employment** is significantly stronger, at **90.7% of the EU average**.
- A further **2.4 pp rise last year** reflects solid labour-market absorption.
- At the trajectory from the past five years, **convergence could occur within five years**.
- **Poverty** remains a major structural concern, at **54.0% of the EU average**, worsening by 0.1 pp in 2024.
- Without targeted interventions, alignment with EU levels could take **almost a century**.
- **Inequality** now stands at **80.9% of the EU average**.
- **Annual improvement is minimal (+0.1 pp)**, signalling slow distributional progress.
- **Convergence** remains distant (**71 years**) given the modest rate of change from the past five years.
- **The gender gap** has deteriorated to **77.4% of the EU average**.
- The sharp annual decline (-12.6 pp) indicates a worsening trend.
- Over the past five years, the gap has widened by 7.5 pp, **signalling clear divergence**.

HEALTH⁴

Health spending

105% of EU average

+13.3 pp last year

Converged

Life expectancy

95 % of EU average

+0.8 pp last year

Diverging from EU

Infant mortality

157% of EU average

+65.5 pp last year

Converged

Hospital beds

75% of EU average

+1.2 pp last year

59 years to EU

Physicians

67% of EU average

-1.2 pp last year

100+ years to EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Health** is the area **closest to EU standards**, with **two indicators already converged** to the EU level, and **four of the five indicators improving** in 2024.
- **Public health spending** reached **105% of the EU average** in 2024, with a strong annual increase of **13.3 pp**.
- This means that Montenegro has **fully converged** with EU levels in terms of health expenditure.
- When it comes to **life expectancy**, Montenegro stands at **95% of the EU average**, with a modest improvement of **0.8 pp** over the last year.
- However, despite the recent increase, long-term trends point to **divergence**, suggesting that Montenegro is not catching up sustainably with EU longevity standards.
- **Infant mortality** is at as **157% of the EU average**, meaning that Montenegro performs better than the EU in this area.
- The indicator is classified as **converged**, meaning it is already aligned with the EU level in the methodology used.
- In terms of **hospital beds**, Montenegro currently stands at **75% of the EU average**, increasing by **1.2 pp** last year.
- At the pace from the past five years, the country would need around **59 years** to reach the EU average.
- The availability of **physicians** is the biggest challenge in this area.
- Montenegro has **67% of the EU average**, with the ratio **declining by 1.2 pp** in 2024.
- At the rate of change from the past five years, convergence would take more than **100 years**.

EDUCATION⁵

Education spending

80.9% of EU average

-5.4 pp last year

Diverging from EU

PISA scores

83.9% of EU average

-2.0 pp last year

Diverging from EU

Tertiary enrolment

69.1% of EU average

-2.1 pp last year

Diverging from EU

Tertiary attainment

75.5% of EU average

-1.9 pp last year

Diverging from EU

Tertiary activity

108.7% of EU average

-0.1 pp last year

Converged

NEET rate

64.1% of EU average

+10.9 pp last year

29 years to EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Education** remains **relatively strong overall**, standing at 79% of the EU average, but **recent trends have been mostly negative**.
- **Public spending on education** amounted to **80.9% of the EU average** in 2022, marking a significant decline of **5.4 pp** compared to the previous year.
- The trend over the past five years has been similar, and Montenegro is currently **moving further away from the EU level** in education investment.
- **PISA scores** in 2022 reached **83.9% of the EU average** but declined by **2.0 pp** vis-à-vis the previous measurement.
- This indicates that Montenegro is **diverging from EU standards** in pupils' performance.
- In terms of **tertiary enrolment**, Montenegro stood at **69.1% of the EU average** in 2023, following a decline of **2.1 pp** compared to the prior year.
- If the trend from the past five years persists, the country will **continue to fall behind the EU** in higher-education participation.
- **Tertiary attainment** in 2023 stood at **75.5% of the EU average**, decreasing by **1.9 pp** compared to the previous year.
- This also signals **divergence** given the trends from the past five years, suggesting that Montenegro is not catching up in a sustainable way.
- The picture is better when looking at the **labour force with advanced education**, which is at **108.7% of the EU average**, with a minor decline of 0.1 pp in 2023.
- This means that Montenegro has **fully converged with the EU** in this indicator.
- Finally, the **NEET rate** stood at **64.1% of the EU average** in 2024, improving strongly (by **10.9 pp**) over the past year.
- If the pace from the past five years continues, Montenegro could reach the **EU level in about 29 years**.

GOVERNANCE

Voice&Accountability

78.6% of EU average

+1.2 pp last year

16 years to EU

Political stability

82.0% of EU average

+6.7 pp last year

41 years to EU

Govt. effectiveness

79.6% of EU average

+8.5 pp last year

16 years to EU

Regulatory quality

80.3% of EU average

-4.8 pp last year

100+ years to EU

Rule of law

69.3 % of EU average

+2.0 pp last year

Diverging from EU

Corruption control

70.5% of EU average

+1.5 pp last year

Diverging from EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Governance** was the area with **the biggest improvement** in 2024, with **five of the six indicators** moving in the **right direction**.
- **Voice & accountability** stands at **78.6% of the EU average**, with an improvement of **1.2 pp** over the past year.
- At the pace from the past five years, Montenegro could reach the **EU level in around 16 years**.
- **Political stability** is at **82.0% of the EU average**, increasing by a strong **6.7 pp** last year.
- Despite this improvement, convergence remains relatively slow due to the worsening from the previous years, with an estimated **41 years needed to reach the EU level**.
- **Government effectiveness** performs similarly, reaching **79.6% of the EU average**, after a strong annual gain of **8.5 pp**.
- The momentum here is better, and Montenegro could close the gap with the EU in **roughly 16 years** if things continue as they have in the past five years.
- **Regulatory quality** is currently at **80.3% of the EU average** but declined by **4.8 pp** last year.
- With the trend from the past five years, convergence would require **more than 100 years**.
- In the area of the **rule of law**, Montenegro stands at **69.3% of the EU average**, improving by **2.0 pp** over the past year.
- However, **longer-term patterns show divergence**, meaning the country was gradually moving further away from EU norms in the previous several years.
- **Control of corruption** is at **70.5% of the EU average**, with a small annual increase of **1.5 pp**.
- Despite a slight improvement, the indicator is still classified as **diverging** due to the weak performance from the previous years.

ENVIRONMENT⁷

Pollution deaths

40.2% of EU average

+9.8 pp last year

Diverging from EU

Renewable energy

136.7% of EU average

-8.5 pp last year

Converged

Energy intensity

40.7% of EU average

-0.7 pp last year

Diverging from EU

Carbon intensity

36% of EU average

-0.2 pp last year

Diverging from EU

Waste recovery

7.7% of EU average

+0.2 pp last year

Diverging from EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Environment** is one of the weaker areas in Montenegro, with four of the five indicators on a **diverging** trend from EU standards.
- In terms of **pollution-related deaths**, the country is still far **worse than the EU average** despite the **improvement last year**.
- Trends from past five years **indicate divergence**, meaning that Montenegro is moving further away from EU standards in this area.
- **Renewable energy** performs strongly, reaching **136.7% of the EU average** in 2024 despite the decline from the last year.
- This means that Montenegro has **fully converged with the EU** in renewable energy use.
- **Energy intensity** is far **higher than the EU average**, with a small worsening last year.
- This pattern suggests **divergence**, indicating that Montenegro's economy is becoming less aligned with EU energy-efficiency standards.
- **Carbon intensity** is also **above the EU average**, again **diverging** from the EU standards.
- **Waste recovery** remains extremely low, at just **7.7% of the EU average**, with only a minimal increase of **0.2 pp** last year.
- Despite this minor improvement, trends from past five years indicate **divergence**.

DIGITALISATION⁸

HH with internet

89.7% of EU average

+2.4 pp last year

7 years to EU

e-government

46.7% of EU average

-3.2 pp last year

80 years to EU

Firms with websites

112.3% of EU average

+0.4 pp last year

Converged

ICT exports

54.0% of EU average

-2.3 pp last year

10 years to EU

ICT value added

105.8% of EU average

+2.8 pp last year

Converged

ICT employment

67.4% of EU average

-16.5 pp last year

Diverging from EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Digitalisation** is among the better areas in Montenegro, with two indicators already converged to the EU level and two more on the track to do so within a decade.
- **Households** with internet reach **89.7% of the EU average**, with a yearly improvement of **2.4 pp**.
- If the recent pace is maintained, Montenegro could reach the EU level in **around seven years**, indicating steady convergence.
- **E-government usage** is significantly lower, at **46.7% of the EU average**, and declined by **3.2 pp** over the past year.
- At the rate from the past five years, full convergence would require **roughly 80 years**, pointing to very slow progress and continued lagging behind the EU.
- **Firms with websites** perform strongly, standing at **112.3% of the EU average**, improving by 0.4 pp vis-à-vis the prior year.
- This indicator is **already fully converged**, and Montenegro is ahead of the EU average.
- **ICT exports** amount to **54% of the EU average** despite a slight decline of **2.3 pp** last year.
- If the trend of the past five years continues, Montenegro could reach the EU level in about **10 years**, showing relatively fast convergence potential.
- **ICT value added** is also strong, reaching **105.8% of the EU average** and improving further.
- This is the second indicator here that has **converged** to the EU level.
- In contrast, **ICT employment** stands at **67.4% of the EU average**, following a sharp drop of **16.5 pp** over the last year.
- Current trends indicate **divergence**, signalling that Montenegro is falling further behind the EU in terms of its digital workforce.

INFRASTRUCTURE⁹

Motorways

14.5% of EU average
+1.4 pp last year
29 years to EU

Roads

43.8% of EU average
-0.9 pp last year
100+ years to EU

Railway tracks

26.3% of EU average
+0.6 pp last year
100+ years to EU

Airports

49.1 % of EU average
-0.2 pp last year
Diverging from EU

Electricity

18.8% of EU average
-0.7 pp last year
Diverging from EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Infrastructure** is among the weaker areas in Montenegro, with two indicators diverging from the EU level and two more needing 100+ years to converge.
- **Motorways** reach **14.5% of the EU average**, with a small annual improvement of **1.4 pp**.
- At the current pace, convergence would take around **29 years**, indicating a very slow catch-up process.
- **Road density** stands at **43.8% of the EU average**, after a slight decline of **0.9 pp** last year.
- With trends from past five years, Montenegro would need **more than 100 years** to reach the EU level.
- **Railway tracks** perform even weaker, at **26.3% of the EU average**, despite a modest increase of **0.6 pp** last year.
- Convergence is extremely distant, projected at **over 100 years**.
- **Airports** stand at **49.1% of the EU average**, with a small negative change of **0.2 pp** last year.
- Current dynamics suggest **divergence**, pushing Montenegro further from EU standards.
- **Electricity infrastructure** is at just **18.8% of the EU average**, with a drop of **0.7 pp** over the past year.
- The indicator is **diverging**, signalling widening gaps relative to the EU.

WHAT EXPLAINS THESE TRENDS?

ECONOMIC PILLAR

- Montenegro performed relatively well in the economic pillar throughout 2024, with solid GDP per capita convergence but still lagging levels of wages and pensions despite the progress.
- The main drivers of growth were recovering investment (especially in real estate and services) and private consumption.
- Solid wage growth was supported by past increases in the minimum wage, positive labour market trends, and strong output in tourism and construction.
- The pension data refer to 2022, when the gap with the EU remained significant; however, the pension increases introduced in 2024 and 2025 suggest that Montenegro may now be taking initial steps towards gradually reducing this considerable disparity.

SOCIAL PILLAR

- Improvements in employment and reductions in unemployment are largely driven by strong service-sector growth, seasonal tourism jobs and increased labour mobility to and from EU markets.
- However, persistent informality, regional disparities and weak activation policies mean that vulnerable groups and low-skilled workers benefit less from overall improvements in the labour market.
- Poverty and inequality persist largely due to low social benefits, regional disparities and the particularly high vulnerability of children, while gaps in the availability and accessibility of child and family support services further limit progress.
- The widening gender gap is driven by traditional gender roles, a pronounced gender pay gap, insufficient childcare infrastructure, and women's concentration in lower-paid sectors with limited access to decision-making positions.

HEALTH PILLAR

- Domestic general government health expenditure, measured as a share of GDP, increased notably during the COVID-19 period in 2020 and remained at elevated levels in the years that followed, which explains Montenegro's strong relative position and stable convergence in health spending compared to the EU.
- The modest rise in life expectancy reflects gradual service improvements, while the decline in infant mortality stems from better prenatal and paediatric care; however, structural factors (e.g. chronic diseases and regional disparities) still limit faster convergence with EU levels.
- The slow rise in hospital bed capacity suggests that improvements are driven by gradual infrastructure upgrades rather than major investment cycles, which explains why convergence remains a long-term process despite year-to-year progress.
- The extremely slow convergence in physician availability highlights deep and persistent workforce shortages – shaped by limited training capacity, outmigration and difficulties in attracting medical specialists – making this one of the hardest constraints to overcome in the health sector.

EDUCATION PILLAR

- Although education spending declined in 2022, largely as a result of fiscal consolidation measures and under-execution of planned investments in education infrastructure, the significant budget increases in 2024, including higher allocations for teacher development and preschool expansion, suggest that earlier negative trends are now beginning to reverse.
- Declining PISA results reflect deep-rooted structural weaknesses, including outdated and overloaded curricula, insufficient teacher training and modern pedagogical practices, uneven early-education foundations, and limited use of digital tools.
- Drops in tertiary enrolment and attainment reflect a combination of demographic decline, outward student mobility and structural limitations within the higher-education system, factors that together slow Montenegro's convergence with EU participation and completion rates.

- The strong position of the labour force with advanced education (109% of EU average) mainly reflects past trends, but the lack of new improvement suggests that this advantage may not be sustained without deeper reforms.
- The sharp improvement in the NEET (not in education, employment or training) rate in 2024 indicates better labour market conditions and activation measures, though maintaining this pace will require stronger alignment between education and employment.

GOVERNANCE PILLAR

- Recent gains in voice and accountability, political stability and government effectiveness stem from a more predictable post-crisis political landscape and gradual rebuilding of administrative capacities. As institutions regain functionality and coordination with the EU framework improves, perceptions of transparency, participation and policy delivery become more positive.
- The deterioration in regulatory quality (-4.8 pp) reflects persistent implementation gaps and uneven policy coordination. While legislation continues to advance on paper, delays in enforcement, frequent institutional restructuring and inconsistent regulatory oversight weaken policy credibility and slow convergence with EU standards.
- Although some improvement was recorded last year, persistent weaknesses in the rule of law and the control of corruption are driven by structural constraints in judicial independence, politicised appointments and limited progress in high-level corruption cases. These systemic issues prevent sustained improvements and anchor Montenegro's scores below EU averages despite incremental reforms.

ENVIRONMENT PILLAR

- Persistent divergence in pollution-related indicators, energy intensity and carbon intensity reflects structural weaknesses (e.g. outdated infrastructure), limited investment in efficiency technologies, and slow adoption of cleaner production practices – all of which hinder alignment with EU environmental standards.

- Montenegro's strong performance in renewable energy, now well above the EU average, is partly rooted in its natural hydropower potential but also in recent investments in wind power, which have expanded generation capacity and solidified the country's relative advantage in this area.
- Extremely low waste-recovery levels point to long-standing gaps in recycling systems, insufficient waste-management infrastructure and weak implementation of circular-economy policies, driving further divergence from EU expectations in this area.

DIGITALISATION PILLAR

- Steady growth in household internet access reflects continuous expansion of connectivity and affordability, supporting relatively fast convergence, while the strong performances of firms with websites and ICT value added show that the private digital sector is already well aligned with EU standards.
- In contrast, weak e-government use and ICT employment reflect slow digital transformation of public administration, skill shortages and limited adoption of digital public services by citizens and businesses.
- Divergence in ICT employment, despite progress in exports, highlights persistent skill shortages, outmigration of qualified professionals, and insufficient alignment between education systems and labour-market needs, which constrain the development of a competitive digital workforce.

INFRASTRUCTURE PILLAR

- Montenegro's slow progress in motorways, roads and railways reflects challenging terrain, chronic underinvestment, limited administrative capacity and repeated project delays. These structural constraints continue to prolong infrastructure convergence timelines and hinder full absorption of funding from the EU and international financial institutions (IFIs).
- Stagnation in airport modernisation and the unresolved concession process point to regulatory uncertainty and weak project governance. As

demand grows, infrastructure development remains out of sync with market needs, widening the gap with EU performance benchmarks.

- The uneven performance of the electricity sector highlights persistent structural weaknesses, including reliance on ageing lignite capacity, delays in adopting the National Energy and Climate Plan (NECP), and limited diversification of renewables. While new solar and wind projects mark progress, slow regulatory alignment and environmental shortcomings continue to push Montenegro further away from EU energy and sustainability standards.

SCENARIOS

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

- **Full EU Membership** – immediate accession with all rights and obligations, including structural funds and policy alignment.
- **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-like reforms domestically (e.g. regarding rule of law, governance) without membership or new external resources.

These scenarios are informed by the post-accession trajectories of **comparators (e.g. Bulgaria, Croatia and Romania)**, whose experiences provide empirical benchmarks. The modelling uses a structural approach examining key transmission channels (e.g. EU budget inflows, increased EU exports, and institutional improvements) as well as their effect on growth and social outcomes.

The analysis is conducted in a panel setting covering the period from the late 1990s to 2023. It includes the three newest EU member states as benchmarks, alongside the six Western Balkan (WB6) economies. One indicator from each of the **eight convergence pillars** is included:

- **Economy:** GDP per capita at purchasing power standard (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

GDP per capita

Status quo:	50 years to EU
Full EU accession:	23 years to EU
Access to EU budget:	30 years to EU
EU single market:	37 years to EU
Institutional reforms:	43 years to EU

Poverty

Status quo:	91 years to EU
Full EU accession:	43 years to EU
Access to EU budget:	43 years to EU
EU single market:	91 years to EU
Institutional reforms:	91 years to EU

Life expectancy

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

Tertiary enrolment

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

Corruption control

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

Energy intensity

Status quo:	Divergence
Full EU accession:	70 years to EU
Access to EU budget:	100+ years to EU
EU single market:	Divergence
Institutional reforms:	Divergence

ICT exports

Status quo:	10 years to EU
Full EU accession:	7 years to EU
Access to EU budget:	7 years to EU
EU single market:	7 years to EU
Institutional reforms:	10 years to EU

Roads

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

ECONOMIC (GDP per capita)

Under the status quo, Montenegro would need around **50 years** to reach the EU income level. Full EU membership more than halves this trajectory, reducing the convergence time to **23 years**, reflecting the strong growth impulse from structural funds, deeper integration and institutional anchoring. Access to the EU budget alone also supports faster catch-up (**30 years**), although not as powerfully as full membership. Single market access produces a more modest effect (**37 years**), as it boosts exports but does not provide investment transfers. Institutional reforms alone accelerate growth, but far less effectively (**43 years**), confirming that although domestic governance improvements do matter, they cannot be a substitute for EU funds and broader integration effects.

SOCIAL (Poverty)

Poverty convergence is extremely slow under most scenarios. In the status quo, Montenegro would need roughly **91 years** to reach EU poverty rates. Full EU membership or access to the EU budget would reduce this gap to **43 years**, signalling the strong role of EU funds and targeted social investment in lifting the bottom 20% of the income distribution. Single market access or institutional reforms, however, do not show any measurable improvement (still **91 years**), demonstrating that trade integration or governance reforms alone do little for the poorest households without redistributive policies and investment programmes.

HEALTH (Life expectancy)

All scenarios show divergence, meaning that Montenegro continues drifting away from EU life-expectancy levels regardless of EU accession, budget transfers or reforms. This reflects deep structural issues (e.g. chronic disease burden, weak prevention and healthcare workforce shortages) that are not automatically improved by higher incomes or EU alignment. The model indicates that EU integration alone cannot fix health outcomes, highlighting the need for direct policy action in prevention, primary care and workforce retention.

EDUCATION (Tertiary enrolment)

The model shows **divergence in all scenarios**, meaning that Montenegro continues to fall further behind the EU in tertiary enrolment regardless of accession status or reforms. Neither full EU membership, EU budget access, single market integration nor institutional reforms produce measurable improvements. This highlights that education convergence depends overwhelmingly on domestic policies (e.g. curriculum quality, teacher training, affordability and transition pathways) and not on EU integration effects. Without deep structural reforms, enrolment trends will continue weakening despite higher incomes or improved market access.

GOVERNANCE (Corruption control)

Governance convergence also shows **persistent divergence** across all scenarios. Even full EU membership does not generate automatic progress in corruption control, mirroring the slow trajectories seen in Bulgaria and Romania. Neither EU funds, single market integration nor institutional reforms alone meaningfully narrow the gap. This implies that governance transformation requires long-term commitment, strengthened enforcement and political stability. Although external anchors do help, they cannot replace sustained domestic reform of judicial institutions, prosecution processes and integrity systems.

ENVIRONMENT (Energy intensity)

Environmental convergence is particularly challenging. Under the status quo, Montenegro continues to **diverge** from EU energy-intensity standards. Full EU membership can reverse this trend but only extremely slowly, requiring **70 years** to converge. Access to the EU budget changes divergence to very slow convergence (**100+ years**), likely because investment inflows boost growth more than they improve energy efficiency. Other scenarios (e.g. single market access or institutional reforms) show continued divergence. The results confirm that, rather than just EU integration, green convergence requires aggressive domestic policies, decarbonisation, efficiency programmes and transition away from coal.

DIGITALISATION (ICT exports)

Digital convergence is one of Montenegro's strongest areas. ICT exports are projected to reach EU levels rapidly across all scenarios. Under full membership, convergence takes only **seven years**, or the same as under access to the EU budget or single market. Even in the status quo, convergence occurs in **10 years**, and institutional reform alone does not change this substantially. This indicates that Montenegro's ICT sector is already competitive and growing with or without EU integration. External scenarios accelerate but do not fundamentally alter the trajectory; the digital sector is on track for near-term full convergence.

INFRASTRUCTURE (Roads)

Infrastructure is the deepest structural constraint. Road density (used as the proxy for infrastructure convergence) shows **no realistic convergence** in any scenario. The status quo remains at '**more than 100 years**', which is the same as with all EU membership scenarios. These results underline that even with EU funds, Montenegro's mountainous geography, limited administrative capacity, slow project execution and high costs prevent rapid convergence. Infrastructure convergence requires not only investment but also major improvements in planning, procurement, governance and absorption capacity.

POLICY DISCUSSION

1. General Policy Discussion

Montenegro's convergence trajectory in the 2024-2025 period reflects a combination of tangible improvements, ongoing structural challenges and uneven reform implementation. Several areas show meaningful progress: GDP per capita continues to converge with the EU, employment is rising, renewable energy penetration remains significantly above EU levels, and connectivity and digital access among households continue to expand. Recent increases in education budgets, new health-sector strategies and advancements in digital-communications alignment signal renewed reform momentum and a stronger commitment to modernisation.

At the same time, many of these gains coexist with enduring structural weaknesses that shape Montenegro's overall development path. Across sectors, a persistent gap between strategic alignment and practical delivery remains one of the main reasons why reforms do not always translate into stronger productivity, better learning outcomes or improved public-service performance. While Montenegro has adopted strategies aligned with EU requirements in the economy, education, health, environment and digitalisation, limited administrative capacity, uneven enforcement and fragmented coordination slow their implementation.

Human capital trends represent another cross-cutting factor. Employment growth and declining unemployment are encouraging, but skills shortages, out-migration and weak links between education and labour market demand continue to constrain productivity, digital transformation and public-service quality. These dynamics also shape other pillars, contributing to slow convergence in physician availability, ICT workforce development and teaching quality.

Economic structure plays a key role, as well. A services-dominated economy with a narrow export base and persistent informality restricts diversification and limits the potential for sustained productivity gains. While consumption and investment support short-term growth, the absence of stronger value chains and technological upgrading slows long-term convergence with EU competitors.

Governance remains an underlying determinant of outcomes across virtually all pillars. Improvements in voice and accountability, political stability and administrative functionality are positive signs, reflecting a more predictable institutional environment. However, implementation gaps, regulatory instability and weaknesses in the rule of law continue to weigh on investment decisions, infrastructure development, environmental compliance and digital-service delivery.

Finally, infrastructure and environmental constraints continue to shape the pace of development. Renewable energy performance is a clear strength, but broader environmental indicators diverge from EU averages due to outdated systems and slow investment. Similarly, persistent gaps in transport and energy infrastructure – combined with limited project-execution capacity – delay connectivity improvements essential for competitiveness and regional integration.

Taken together, these dynamics explain why Montenegro exhibits a **mix of progress and persistent structural constraints**. The country has demonstrated resilience and reform intent, yet translating this into **accelerated convergence will require sustained institutional strengthening, continued sectoral reforms, and deeper integration with EU and regional frameworks**. The following section examines these drivers in greater depth across each policy area.

2. Policy Discussion by Areas

ECONOMIC

Key Findings: GDP per capita is converging, supported by broadly aligned growth in productivity and wages, but structural weaknesses – especially limited export diversification and weak tradable sectors – continue to slow overall convergence.

Policy Context and Reform Developments: Montenegro has implemented several economic measures in recent years, including higher minimum wages and labour tax changes, which boosted incomes but increased labour costs faster than productivity. Still, productivity remains higher than wages (relative to EU levels), implying that there is still some room for wages to grow. The economy remains heavily dominated by services and microenterprises, limiting diversification and reducing the capacity of firms to compete in regional and EU markets. Progress in improving the business environment and reducing informality has been uneven, with slow implementation of reforms, regulatory instability and weak enforcement continuing to weigh on competitiveness.

EU Conditionality and Regional Frameworks: The Reform Agenda 2024-2027¹⁰ sets out reforms in four key areas (i.e. business environment, digital and green transitions, human capital and rule of law), with rule-of-law commitments framed as essential for delivering all economic measures. However, implementation continues to lag behind expectations, reflecting persistent institutional volatility, insufficient administrative capacity and uneven commitment across the bodies responsible for delivering reform. According to the implementation report of Montenegro's Reform Agenda,¹¹ progress in tax administration supported better revenue collection and fiscal stability, which helped to maintain macroeconomic stability. Reforms of the Economic Reform Programme (ERP)¹² reforms supported fiscal consolidation and better revenue administration, yet major capital projects still face delays because of limited preparation and execution capacity. Montenegro's highly concentrated export base, growing import dependence and limited production capacity weaken its ability to benefit from regional and EU market integration

¹⁰ <https://reform-monitor.org/wp-content/uploads/2025/05/Reform-agenda-Montenegro .pdf>

¹¹ <https://www.gov.me/dokumenta/3f7afdf2b-1f7d-4f72-994d-7d1eec8163dc>

¹² <https://enlargement.ec.europa.eu/system/files/2022-05/Montenegro%20ERP%202022-2024.pdf>

despite broad access through the Central European Free Trade Agreement (CEFTA) and the Common Regional Market (CRM).

Scenario Insights: EU membership delivers the strongest acceleration, cutting convergence time from 50 to 23 years, whereas all partial-integration scenarios provide only modest gains. Without both EU entry and deep reforms, Montenegro's income convergence remains slow and vulnerable to structural constraints.

Policy Outlook: Montenegro should prioritise productivity-driven growth through industrial policy, SME upgrading, technology adoption, supply-chain development and innovation support. Strengthening public investment management, reducing regulatory uncertainty and improving the business environment are essential for long-term competitiveness. Strategic diversification into green industries, ecological and high-value agrifood, ICT services and higher-value tourism is necessary to sustain convergence.

SOCIAL

Key Findings: Employment is improving and unemployment is falling, but poverty and inequality remain persistent. Vulnerable groups benefit less from labour-market gains, and the gender gap has sharply widened.

Policy Context and Reform Developments: Within the Reform Agenda, Montenegro has committed to a major restructuring of its social and child-protection system (Reform 3.1.3), including the adoption of a new Law on Social and Child Protection aimed at better targeting material support beneficiaries and improving activation of work-capable individuals. Several new strategic documents have been adopted, including the Social and Child Protection Strategy (2024), the Strategy for Deinstitutionalisation (2024), and the Law on the Unified Disability Determination System, marking progress in aligning Montenegro's social-protection system with EU expectations. However, implementation remains slow, with municipalities lacking the capacity, funding and coordination needed to provide quality services to children, families and vulnerable groups. Poverty reduction is held back by weak targeting, low social benefits, high informality and persistent regional disparities, particularly in the north. Gender equality in employment also

remains constrained; limited childcare availability, traditional care burdens and weak enforcement of equality legislation continue to widen gender gaps despite legal alignment.

EU Conditionality and Regional Frameworks: EU conditionality in the social field centres on Chapter 19 (Social Policy and Employment) and the European Pillar of Social Rights, which require Montenegro to strengthen social protection, inclusion, childcare provision and support for vulnerable groups. According to the European Commission's 2025 Annual Report on Montenegro,¹³f progress has been made in aligning the legal and strategic framework, but key challenges remain in the targeting of social benefits, the development of integrated community-based services, and the effective implementation of disability assessment and child-protection standards. Commitments under the Growth Plan further emphasise expanding childcare, improving access to quality social services, and enhancing activation for recipients of material support. Regional cooperation frameworks also contribute to this agenda, with programmes of the Regional Cooperation Council (RCC) on social inclusion (e.g. the Employment and Social Affairs Platform, ESAP), skills development and support for vulnerable groups providing technical assistance and shared regional standards.

Scenario Insights: Only full EU membership or access to EU budget transfers significantly reduces poverty convergence times (from 91 to 43 years). Market access and institutional reforms alone do not have any effect, showing that redistribution and investment – rather than trade – drive social catch-up.

Policy Outlook: Montenegro should expand childcare and early-education services to improve women's participation and reduce gender gaps while scaling up activation measures and youth programmes to sustain gains in employment. Higher and better-targeted social benefits, especially for children and low-income households, together with stronger municipal service delivery is essential for meeting EU expectations under Chapter 19. Advancing the new Social and implementation of measured planed under the Reform Agenda Sector 3.1¹⁴ (employability, activation support and social services) remains key to translating economic progress into real social inclusion.

¹³ https://enlargement.ec.europa.eu/montenegro-report-2025_en

¹⁴ <https://reform-monitor.org/wp-content/uploads/2025/05/Reform-agenda-Montenegro .pdf>

HEALTH

Key Findings: Health spending has reached EU levels, but outcomes lag behind. Life expectancy does not improve and hospital capacity grows gradually, while physician shortages remain one of the most binding constraints to convergence.

Policy Context and Reform Developments: Montenegro has advanced its health-sector reform framework with several new strategic documents, including the Strategy for Improving the Quality of Healthcare and Patient Safety (2025-2028) and the National Digital Health Development Strategy (2024-2028), aiming to modernise care standards and strengthen e-health systems. Digitalisation of health is also one of the reform measures in the Reform Agenda. Progress was also made in specialised-service provision with the opening of new clinics for infectious diseases and psychiatry. However, primary care is still underdeveloped despite upgraded digital tools, while preventive programmes advance slowly. Workforce shortages continue due to out-migration, limited training capacity and insufficient incentives for working in rural areas. Hospital-governance reforms progress slowly, procurement systems remain inconsistent, and regional disparities affect access and quality. Montenegro's move from contribution-based to tax-funded health financing created new pressures on the budget, particularly as primary healthcare allocations continue to decline and existing reimbursement mechanisms offer little incentive to improve service quality.

EU Conditionality and Regional Frameworks: EU conditionality in health under Chapter 28 (Consumer and Health Protection) requires Montenegro to meet EU standards on patient safety, disease prevention, digital health, cross-border care and overall quality of services. Although the reform framework has expanded, alignment remains incomplete in key public-health areas, such as tobacco control, vaccination coverage, nutrition policy and the EU Health Technology Assessment (HTA) requirements. Montenegro also engages in broader EU and regional health initiatives (including EU4Health and digital-health cooperation in the Western Balkans), which support its alignment efforts and offer opportunities for faster modernisation of public-health systems. Overall, legislative progress is evident, but practical convergence will depend on strengthening prevention, improving primary care and embedding EU-based decision-making tools across the health sector.

Scenario Insights: All scenarios show continued divergence, indicating that neither EU integration nor higher incomes automatically improve health outcomes. Convergence requires targeted domestic reforms in prevention, primary care and population health.

Policy Outlook: Montenegro should prioritise primary care and prevention, ensuring that new strategies on quality, digital health and mental health lead to tangible improvements in screening and community services. Modernising hospital governance, strengthening workforce retention, completing digital-health interoperability and aligning with rules of the EU's Health Technology Assessment (HTA) regulation remain essential reform steps – alongside closer coordination with governance, education and environmental policies – to support sustainable convergence.

EDUCATION

Key Findings: Montenegro is moving further away from EU education standards, as declining PISA results, reduced tertiary enrolment and uneven investment point to deep structural weaknesses in teaching quality and system governance. Recent improvements in NEET outcomes and 2024 budget increases signal potential for reversal, but current reforms remain insufficient to close the widening skills gap.

Policy Context and Reform Developments:

Education spending declined in 2022 due to fiscal constraints and weak capital execution, but the substantial 2024 budget increase and planned investment in Reform Agenda 2024-2027 – especially for teacher development and preschool expansion – marks the start of a corrective trend. The newly adopted Education Reform Strategy 2025-2035 and amendments to the General Law on Education introduce system-wide changes focused on quality, teacher support, governance and infrastructure, yet implementation of curriculum reforms remains slow and external assessment still inconsistent, contributing to weak PISA performance. Montenegro's education system continues to face core challenges, including weak links to labour-market needs, limited practical learning opportunities and uneven inclusion across municipalities. Digitalisation is progressing, but in-classroom use remains limited, and recent

NEET improvements reflect labour-market trends rather than structural reform. The forthcoming 2025-2035 strategy can unify reforms, but its impact will depend on realistic sequencing and stronger implementation capacity.

Link to EU Conditionality and Regional Frameworks: Montenegro's reforms in education are guided by EU requirements under Chapter 26 (Education and Culture), the European Education Area and Bologna commitments, which prioritise quality assurance, teacher professionalism and stronger links between education and labour-market needs. EU programmes (e.g. Erasmus+) – along with regional cooperation under the Western Balkans Agenda for Education and Research (as part of the WB Agenda on Innovation, Research, Education, Culture, Youth and Sport) and RCC initiatives on human capital and digital skills – support institutional capacity-building and mobility. The European Investment Bank (EIB) also finances education- and social-infrastructure investments, helping address long-standing gaps in school facilities. Montenegro's participation in international assessments (e.g. PISA and TALIS) provides essential benchmarking for improving learning outcomes. While formal alignment with EU frameworks is advancing, the European Commission (EC) highlights several persistent implementation gaps – especially in quality assurance, inclusion and practical relevance of education – that continue to slow convergence with EU standards.

Scenario Insight: All scenarios produce divergence, meaning EU integration does not meaningfully influence tertiary education participation. Education convergence depends almost entirely on domestic reforms in teaching quality, affordability and school-to-work transitions.

Policy Assessment and Reform Outlook: Montenegro's education reforms now need to prioritise modernising curricula and improving teaching practices, as these are the core factors behind weak PISA performance. The new Education Reform Strategy 2025-2035 creates space for such changes, but success will depend on clear sequencing, stronger teacher training and consistent implementation across schools. Expanding preschool access, strengthening inclusion, and improving the practical relevance of vocational education and training (VET) and higher education remain essential, while digital tools must be integrated into everyday instruction. Only by combining curriculum reform, better pedagogy and stronger system governance can

Montenegro accelerate learning outcomes and converge more quickly with EU standards.

GOVERNANCE

Key Findings: Montenegro saw an improvement in governance in 2024, with all indicators except regulatory quality improving. However, rule of law and corruption control have been worsening during the past several years and, despite the improvement in 2024, the country is on a diverging trend in this area. This pattern reflects structural weaknesses in enforcement, fragmentation and inconsistent policy making.

Policy Context and Reform Developments: The latest EC Report¹⁵ highlights that despite recent political stabilisation, key governance institutions remain fragile and heavily affected by political turnover, limited professionalisation and episodic institutional blockages. Montenegro now operates within a comprehensive strategic framework for governance consisting of several strategies, including the Public Administration Reform Strategy 2022-2026, the Justice Reform Strategy 2024-2027 and the Anti-Corruption Strategy 2024-2028. However, the EC notes that implementation remains the central weakness in public administration policy coordination; that HR management and merit-based recruitment remain inconsistent across the public administration; that the judiciary continues to struggle with slow proceedings, inconsistent application of laws and political influence; and that anti-corruption bodies deliver limited results in high-level cases. In addition, frequent restructuring of state institutions, especially within the executive branch, has reduced regulatory predictability. As a result, despite having solid strategies in place, Montenegro's governance performance is constrained by weak enforcement, insufficient administrative capacity and persistent rule-of-law bottlenecks.

Link to EU Conditionality and Regional Frameworks: Governance remains the central determinant of Montenegro's EU accession pace, with Chapter 23 (Judiciary and Fundamental Rights) and Chapter 24 (Justice, Freedom and Security) functioning as 'gatekeeper chapters'. The EC Report 2025¹⁶ confirms

¹⁵ European Commission's Montenegro Report 2025, November 2025, available at:

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

¹⁶ Ibid.

that interim benchmarks cannot be closed without demonstrable improvements in judicial independence, consistent prosecution of high-level corruption, and credible enforcement of integrity rules. Alignment with EU public-administration principles under the Support for Improvement in Governance and Management (SIGMA) initiative remains partial, particularly in human-resource management (HRM), transparency and accountability. Participation in RCC governance initiatives and CEFTA transparency mechanisms provides useful tools, but Montenegro's limited administrative absorption capacity reduces their impact. The country's ability to benefit from the EU Growth Plan financing is directly tied to governance performance, including effective anti-corruption enforcement, stable policy coordination and credible rule-of-law reforms.

Scenario Insights: Governance gaps persist in every scenario, confirming that even EU accession cannot rapidly close corruption-control deficits. Only sustained, internally driven reforms can shift long-term trajectories.

Policy Assessment and Reform Outlook: Montenegro needs to shift from formal alignment to tangible implementation, prioritising depoliticisation of institutions, professionalisation of the civil service, and consistent enforcement of regulatory rules. Strengthening judicial independence, speeding up court proceedings and improving the effectiveness of the prosecution, especially in high-level corruption cases, remain essential for restoring public trust in institutions¹⁷ and meeting EU expectations. Public-administration reforms should focus on stable organisational structures, better HRM and stronger coordination across ministries, while digitalisation must move from technical upgrades to real improvements in service delivery. Delivering measurable and tangible results under Chapters 23 and 24 is not only crucial for EU accession progress but also for unlocking Growth Plan potential and improving overall convergence outcomes across education, investment, digitalisation and infrastructure.

¹⁷ According to the RCC Balkan Barometer 2025 (www.rcc.int/balkanbarometer/results/2/public), 29% of citizens in Montenegro have no confidence in the government while 34% do not have much confidence in it.

DIGITALISATION

Key Findings: Digital convergence in Montenegro is mixed. Household internet coverage is improving steadily, and ICT sectors show strength, but e-government usage and ICT employment are diverging from EU levels. The gap reflects persistent weaknesses in public-sector digital transformation and insufficient digital skills.

Policy Context and Reform Developments: Digitalisation is one of the four core pillars of Montenegro's Reform Agenda, with all of Chapter 2.4 dedicated to accelerating broadband deployment, strengthening digital identity and trust services, expanding e-government and improving cybersecurity. Guided by the Digital Transformation Strategy 2022-2026, the government advanced several structural reforms. For example, legislation on electronic communications was aligned with the EU Electronic Communications Code and the National Plan for Broadband Infrastructure 2025-2029 was adopted, supporting 5G rollout and improved rural connectivity. The EC Report 2025 confirms that although Montenegro made progress in connectivity infrastructure, the public administration has not translated these advances into higher-quality digital services. The central e-government portal integrates key systems, but the number and functionality of online services remain limited, with many procedures still requiring physical presence. Digital governance is weakened by fragmented IT systems across ministries, outdated legacy platforms and inconsistent cybersecurity practices, prompting the establishment of the new Cybersecurity Agency in 2024, which is still in its early operational phase. Digital skills remain insufficient, as education and training systems have not caught up with labour market needs, contributing to the sharp decline in ICT employment despite growing ICT output and exports.

Link to EU Conditionality and Regional Frameworks: Montenegro's digital transformation is closely shaped by EU conditionality, which requires alignment with rules on electronic communications, digital identity, data protection, cybersecurity and online platforms. The EC Report 2025 stresses the need to complete alignment with the Digital Services Acts, the new EU Digital Identity framework, the Network and Information Security Directive 2 (NIS2), and the Gigabit Infrastructure Act as well as to operationalise the future Cybersecurity Agency and Cyber Incident Response Teams (CIRTs). At

the regional level, Montenegro participates in the Common Regional Market digital agenda and RCC initiatives supporting interoperability, digital skills and cross-border services. OECD-SIGMA also provides targeted support in digital governance and public-administration interoperability, helping Montenegro strengthen regulatory quality and data-exchange frameworks. Alongside broadband and e-government projects funded by the EU and the Western Balkans Investment Framework (WBIF), these instruments offer a strong enabling framework, though implementation capacity and institutional coordination remain the main barriers to translating alignment into practical digital-service improvements.

Scenario Insights: ICT convergence is rapid across all scenarios, with or without EU integration, reflecting a highly dynamic sector. EU entry slightly accelerates the timeline, but the sector converges on its own due to existing competitiveness.

Policy Assessment and Reform Outlook: Montenegro now needs to move from drafting strategies to faster implementation, with priority on broadband expansion, interoperability of public registers, and wider use of digital public services. Strengthening coordination, operationalising key digital institutions and improving uptake of digital identity tools will be essential for building trust and improving service quality. Linking digitalisation with broader governance reforms and stronger digital skills in public administration will be crucial to sustain convergence with EU standards.

ENVIRONMENT

Key Findings: Environmental convergence is diverging: pollution-related deaths, energy intensity, carbon intensity and waste recovery remain far below EU standards. Renewables perform strongly due to hydropower and recent wind and solar investments, but structural inefficiencies hinder broader alignment with EU climate goals.

Policy Context and Reform Developments: Montenegro's environmental and climate policies are anchored in the Reform Agenda, which defines environmental protection, waste management, climate resilience and sustainable resource use as key reform priorities, aligned with the Green

Agenda for the Western Balkans. Recent developments include the adoption of several key documents (e.g. the National Waste Management Plan 2025-2029, several implementing acts and the Strategy for Disaster Risk Reduction 2025-2030), alongside Montenegro's full participation in the EU LIFE Programme. However, major strategic acts, notably the Law on Nature Protection and the Biodiversity Strategy, remain pending. The ecological reconstruction of the Pljevlja coal-fired power plant continues without addressing core compliance issues, and there is still no comprehensive approach to a just transition.

Link to EU Conditionality and Regional Frameworks: Montenegro's reforms in environment and climate are driven primarily by obligations under EU accession Chapter 27 (Environment and Climate Change), which requires full alignment with EU standards on waste, water, nature protection, air quality, industrial pollution, chemicals and climate action. The Green Agenda for the Western Balkans and the Energy Community Treaty further reinforce decarbonisation, pollution control and the transition away from coal. Full participation in the EU LIFE Programme since 2025 provides access to EU funding but also requires adherence to EU-level environmental planning and project standards. Montenegro is also bound by the EU Civil Protection Mechanism, which sets requirements for disaster-risk reduction and emergency preparedness. Overall, EU frameworks set the strategic direction for Montenegro's environmental reforms, while regional initiatives (e.g. Green Agenda, Energy Community) serve to operationalise and accelerate alignment.

Scenario Insights: Environmental convergence remains out of reach under most scenarios, with only full EU membership producing slow improvement (70 years). This shows that decarbonisation requires strong domestic green reforms rather than relying on integration effects.

Policy Assessment and Reform Outlook: Priorities include adopting and operationalising the NECP, accelerating the ecological transition of the Pljevlja plant, and scaling investment in energy efficiency across households and industry. Strengthening waste-management infrastructure, expanding recycling systems and enforcing environmental permitting are essential to reverse current divergence trends. Montenegro should use Energy Community and Green Agenda mechanisms to leverage technical and financial support

while improving environmental governance, monitoring and local-level implementation capacities.

INFRASTRUCTURE

Key Findings: Montenegro is diverging from EU levels in transport and energy infrastructure, with motorways, roads, railways, airports and electricity infrastructure all far below EU averages. Progress is slow due to chronic underinvestment, difficult terrain and limited administrative capacity, resulting in extremely long convergence timelines.

Policy Context and Reform Developments: Transport reforms remain slow despite a clear EU-alignment agenda and dedicated measures in Montenegro's Reform Agenda under the connectivity and green-transition pillar. The Transport Development Strategy 2019-2035, Montenegro's key sector framework, is now under full revision with World Bank support to align it with EU requirements, Transport Community priorities and modern mobility standards. Progress is uneven. For example, a new mid-term road maintenance and rehabilitation programme was adopted in 2025, but major connectivity projects continue to face delays. Rail reform advanced with a new Law on Railways, yet the Railway Agency is still not operational and financial pressures on rail companies persist, while frameworks for European Rail Traffic Management System (ERTMS) implementation remain missing. In aviation, the unresolved airport concession process continues to block critical investments. In the energy sector, new solar and wind projects mark some diversification, but the ageing grid and the absence of a NECP still hinder strategic alignment with EU expectations.

Link to EU Conditionality and Regional Frameworks: Transport reforms are closely tied to EU requirements under Chapter 14 (Transport Policy), including alignment on road-safety standards, rail liberalisation, dangerous-goods transport, aviation (SES2+) and passenger-rights obligations. The EC Report 2025 stresses that Montenegro must operationalise the new Law on Railways, strengthen road-safety governance, and complete alignment with key EU rules (e.g. on tachographs and digital transport systems). Regionally, Montenegro participates in Transport Community action plans and benefits from Trans-European Transport Network (TEN-T) and WB6 connectivity initiatives, but slow implementation and weak coordination limit the impact of

these EU and regional frameworks on actual convergence in transport safety and efficiency.

Scenario Insights: No scenario brings Montenegro meaningfully closer to EU infrastructure standards, with projected timelines exceeding a century even with EU membership. Structural constraints (e.g. terrain, capacity, procurement and cost overruns) dominate over integration benefits.

Policy Assessment and Reform Outlook: Montenegro needs to replace project-by-project progress with a strategic and sequenced transport reform approach. The revision of the Transport Development Strategy is an opportunity to set realistic priorities, focus on maintaining and upgrading existing infrastructure, and ensure that major projects are financially and institutionally feasible before commitments are made. Completing the Bar-Boljare corridor, modernising rail infrastructure and resolving the airport concession issue are essential for connectivity and competitiveness. Strengthening administrative capacity – especially in procurement, planning and EU-fund absorption – is crucial to deliver the scale of infrastructure investment needed for convergence.

3. Conclusions and Policy Recommendations

The analysis shows that Montenegro's convergence path is shaped less by progress in individual sectors than by the interaction between reforms across policy areas and the depth of EU integration. Scenario results consistently point to full EU membership as the most effective accelerator of convergence, as it combines market access, financial transfers and binding institutional discipline. However, the modelling also demonstrates that integration effects only materialise where domestic institutions are sufficiently advanced to absorb them. Visible progress in areas such as income convergence, employment and digital connectivity illustrates Montenegro's capacity to deliver results when reforms align across sectors, while persistent gaps in governance, human capital and infrastructure continue to limit spill-overs elsewhere. Accelerating convergence therefore requires a dual approach: deepening reform implementation at home while maximising early integration into EU frameworks where readiness already exists.

a. National Policy and Decision Makers

- **Strengthen institutional and administrative capacity to ensure consistent implementation of the Reform Agenda and sectoral strategies**, including improved coordination between ministries and stronger monitoring systems, in line with EU public administration principles (SIGMA).
- **Improve public investment planning and execution** by enhancing project preparation, procurement and supervision capacities while ensuring alignment with EU standards on transparency, value for money, and infrastructure governance.
- **Enhance the business environment and support productivity growth** through stable regulation, predictable policy implementation and targeted assistance to SMEs related to digitalisation, innovation and quality standards required for access to EU and regional markets.
- **Implement a proper industrial policy** that concentrates on several priority sectors with strong growth prospects and supports them with tailored, effective measures.

- **Advance education reforms with a focus on quality and system governance**, ensuring that increased spending is accompanied by stronger implementation capacity, new educational curriculum and teaching methods, improved teacher training and alignment with EU recommendations under Chapter 26.
- **Reinforce primary healthcare, prevention and workforce retention policies**, ensuring that digital and quality-of-care strategies translate into better outcomes and support alignment with Chapter 28 requirements.
- **Raise social benefits, strengthen social-protection targeting, and improve activation measures** while ensuring full and timely implementation of the new Social and Child Protection Law and improving municipal capacities to deliver EU-aligned, community-based services.
- **Accelerate environmental and climate alignment** under Chapter 27 by strengthening enforcement, improving waste-management systems and expanding energy-efficiency measures, with clear coordination between national and local authorities.
- **Advance digital transformation of the public sector** by expanding interoperable public registers, improving IT standards and increasing the use of digital ID and e-services, consistent with the requirements of the EU digital acquis.
- **Address regional disparities by supporting municipal capacity-building**, especially in social services, environmental management and local infrastructure, ensuring that convergence benefits are more evenly distributed.

b. EU Institutions and EU Member States

- **EU institutions should enable earlier and more targeted gradual integration** of Montenegro into selected EU programmes prior to accession, particularly in areas where readiness already exists (e.g. health, education, environment and digitalisation). Earlier participation would strengthen implementation capacity, support faster convergence and ease Montenegro's transition to full EU membership.
- **Increase grant-based and front-loaded financial support** for Montenegro, particularly in areas that present the most significant

convergence constraints (e.g. energy efficiency, infrastructure, digital interoperability, and education and health infrastructure) to accelerate progress without adding administrative burdens.

- **Simplify administrative procedures for accessing EU funds** and technical assistance by reducing compliance burdens and providing stronger support to state institutions and municipalities, thereby improving absorption capacity and easing institutional strain.
- **Increase bilateral cooperation and support** with and by EU member states across all instruments-twinning, targeted investments, staff exchanges and skills partnerships focusing on critical shortage sectors (e.g. health, education and ICT).
- **Encourage greater engagement of EU investors and companies** in Montenegro, especially in renewable energy, ICT, sustainable tourism and light manufacturing, using EU guarantees and blended-finance instruments to reduce investment risk and strengthen long-term convergence.

c. Regional and International Organisations

- **Deploy targeted technical missions and hands-on implementation support** through RCC, CEFTA and the Energy and Transport Communities to help Montenegro harmonise regulations, prepare secondary legislation and apply EU-aligned procedures in trade, transport, energy and environmental standards.
- **Deepen regional cooperation** within CEFTA, the Common Regional Market and the Energy and Transport Communities, using shared standards and joint initiatives to strengthen market integration, reduce fragmentation and support compliance with the EU acquis.
- **Provide structured, multi-year capacity-building programmes** through OECD/SIGMA, the World Bank and relevant UN agencies to strengthen Montenegro's capabilities in project preparation, procurement, HRM, digital governance and regulatory enforcement.
- **Scale up concessional financing and blended-finance instruments** via the European Bank for Reconstruction and Development (EBRD), the EIB and the World Bank to support Montenegro's green transition and digital transformation while prioritising grid modernisation, energy-

efficiency upgrades, waste and wastewater systems, and interoperable public registers.

- **Support Montenegro in building local-level capacities**, especially in northern municipalities, by providing training and tools for social-service delivery, environmental monitoring and digital-service deployment – that is, the areas with the weakest institutional capacities.

d. Civil Society Organisations and Think Tanks

- **Civil society organisations (CSOs) in Montenegro should prioritise monitoring and supporting reforms** in areas where persistent gaps and weak institutional capacity remain – notably in education quality, primary healthcare, digital public services and environmental enforcement – including through a focus on vulnerable groups, poverty reduction and gender-responsive approaches. Given the state's limited administrative capacity and Montenegro's need to move towards closing reforms, CSO engagement is essential to support effective delivery and sustainability
- **Think tanks should develop practical, data-driven tools for tracking reform delivery**, such as public-investment dashboards, education-quality trackers or environmental-compliance scorecards, helping address implementation gaps across sectors.
- **Civil society should strengthen citizen engagement in northern and smaller municipalities**, supporting community-level feedback on health, social and environmental services where local capacities are weakest and convergence is slowest.
- **Montenegro's research organisations should expand regional cooperation** with WB6 and EU partners on digital governance, justice reform, green transition and skills development, enabling domestic institutions to adopt successful European practices.
- **CSOs should improve public communication on EU reforms and convergence outcomes** by translating complex issues (e.g. rule of law, environmental standards, digital identity and curriculum reform) into clear messages that build trust in state institutions and sustain public support for EU integration.

METHODOLOGICAL NOTE

What do the different numbers reported here 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 (pp).
- **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 while assuming that the recent pace of change continues.

How do 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 monthly wage in Serbia is EUR 1,150 and the average monthly 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 (e.g. unemployment, child mortality), the calculation is reversed** so that a higher percentage always indicates better performance.

Example: If the unemployment rate is 11% in Kosovo and 6% in the EU, 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 a percentage 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 do we calculate the numbers for the pillar/area 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 five environment indicators are 50%, 55%, 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 a 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'?

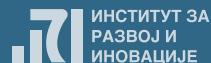
Converged: an indicator is considered converged if its value (measured as a percentage of the EU average) is at or above 100%. This means the country has reached or exceeded the EU average in that area.

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 a percentage 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 percentage of the EU average) has been declining by 0.4 pp per year, the country is diverging. A categorisation of 'Not Possible' may be used when a convergence calculation cannot take place due to missing data.



Explore the dashboard at:
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