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ANNEX V

to the Commission Implementing Decision approving the Reform Agendas and the multiannual work programme under the Reform and Growth Facility for the Western Balkans



Montenegro
Ministry of European Affairs

REFORM AGENDA
OF MONTENEGRO
2024-2027

*Reform and Growth
Facility*

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PART I: Objectives and coherence of the reform agenda

1 MAIN CHALLENGES

Montenegro is a small and open economy with considerable structural vulnerabilities. As such, to meet the Copenhagen criteria for EU membership and to withstand external shocks, it is necessary to establish full institutional stability and the rule of law as well as develop new growth sectors and increase diversification to the greatest extent possible.

The significant economic impact in recent years has accelerated Montenegro's GDP per capita convergence with that of the EU. The economy is projected to grow at a rate of 3.8% in 2024, a result significantly influenced by economic policy measures implemented mainly in 2021 and 2022 that supported disposable income growth. Additionally, a substantial influx of non-residents has further bolstered this growth.

Montenegro's primary strategic objective for its economic policy is to achieve "smart, sustainable, and inclusive economic growth that will enhance the quality of life for all its citizens." To this end, the medium-term economic policy measures are focused on:

- diversifying economic activity and increasing competitiveness of the industry;
- strengthening the resilience of the Montenegrin economy to external shocks;
- ensuring macroeconomic and fiscal stability;
- improving the business environment; and
- launching a strong investment cycle.

Medium-term economic growth prospects have been bolstered by prioritizing the fulfilment of the EU agenda in Montenegro's accession process. In this context, the European Union's Growth Plan for the Western Balkans is pivotal in accelerating both the enlargement process and economic growth.

The European Commission's Growth Plan for the Western Balkans aims to expedite the enlargement process and economic convergence of candidate countries to the EU average GDP per capita. This instrument is of crucial importance for channelling resources to support the necessary reform processes. Consequently, the implementation of measures proposed through this instrument will contribute to accelerating regional economic integration and the gradual integration with the EU single market. It will also foster socio-economic convergence with the EU, align Montenegro with EU values, laws, rules, standards, policies, and practices, with the ultimate goal of EU membership.

In the area of **business environment and private sector development**, the Montenegrin economy faces several structural challenges. All reform measures are designed to enhance the economy's competitiveness and sustainability, focusing primarily on improving the regulatory environment, reducing informality, addressing funding difficulties for micro, small, and medium-sized enterprises (MSMEs), and improving the monitoring and management of state-owned enterprises (SOEs).

The development of the **energy sector** is crucial for Montenegro's overall socio-economic aspirations. Nevertheless, high dependence on fossil fuels especial coal in power generation and oil in the transport sector make energy transition very demanding. Fulfilment of new 2030 targets that adopted at the level of Energy Community back in 2022 requires reforms that are properly planned and for which sufficient financial support is provided.

The clean energy transition presents a key challenge in the energy field. The gradual phasing out of coal for electricity production requires mobilisation of the significant investments into new energy sources which will substitute thermal (coal) power plant but also creates a need for the implementation of labour market support measures through investment in training, specialization, and retraining of employees, as well as the development of entrepreneurship in coal mining regions. Therefore, process of just transition in these regions has to be carefully planned and high level of agreement of all stakeholders (government, local level, business, civil society etc.) on action plan has to be reached.

It is expected that decarbonization of the energy sector will be facilitated with further development of emissions trading scheme (ETS) in the medium and long term which will significantly impact coal-dependent power generation.

The Emissions Trading Scheme (ETS) is a crucial mechanism for achieving reductions in greenhouse gas emissions, and its implementation holds particular importance for Montenegro. Given that Montenegro faces challenges related to a high reliance on fossil fuels, especially in electricity production, the ETS can play a pivotal role in the transition towards more sustainable energy sources. The development of the ETS encourages companies to reduce their emissions, while at the same time motivates companies to invest in clean technologies and improve energy efficiency. For Montenegro, this means not only reducing dependence on coal but also creating opportunities for economic growth through new investments in renewable energy and green technologies.

Although Montenegro currently generates over 50% of its electricity from renewable sources, it has significant additional potential for the development of hydropower, as well as solar and wind power. Further mobilisation of the investment in the new renewable energy sources is crucial for the clean energy transition. Therefore, the reforms that contribute to the implementation of measures arising from the EU's Third Energy Package and the Clean Energy Package in the electricity and gas sectors, as well as to the creation of a functional energy market ready for integration into the EU's internal electricity market are crucial for enabling an environment favourable for RES investments. Besides that, development of RES cannot progress without improving network connections and digitalization, which are also high among the priorities on the path to net-zero emissions and reaching the RES targets.

When it comes to the energy efficiency, Montenegro has achieved a high level of compliance with EU acquis. Nevertheless, implementation of the concrete energy efficiency programs/projects with measurable effects was not at the satisfactory level in the previous period. Demonstration of the principle "energy efficiency first" and achieving new energy efficiency targets have to be among the priorities on the agenda and key reforms shall be focused on setting up sustainable mechanisms for supporting systematic but accelerated renovation of existing buildings, as well as the introduction of innovative technologies and solutions.

The state and challenges of **digitalization area** in Montenegro encompass a wide range of activities and initiatives aimed at quickly adapting to an increasingly complex digital environment and the development of a digital society. Montenegro has adopted the Digital Transformation Strategy for the period 2022-2026, with an Action plan for 2022-2023, which provides a developmental framework defining the prerequisites and initiatives necessary for rapid adaptation and proactive development of digital Montenegro. The main goals of the strategy include enhancing the capacity and capability for digital transformation, strengthening the digital awareness of Montenegrin society, and increasing the digital competitiveness of the ICT sector. Key activities highlighted are the enhancement of digital skills and the development of strategically important IT personnel for Montenegro, the launch of a Digital Academy to educate public officials, students, and vulnerable groups, and the establishment of an Institute in collaboration with the University of Montenegro and the ICT business community. This institute aims to create rapid educational programs for further training of engineers in line with market needs and retraining unemployed graduates for basic IT jobs.

However, Montenegro faces a series of challenges in the digitalization field that are crucial for its further economic and social development.

The construction of broadband infrastructure, particularly in rural areas, encounters significant financial and logistical challenges. Securing funds for this infrastructure is essential, as is ensuring the quality and reliability of the network in line with international standards. The process of obtaining permits and approvals is often slow and varies across local governments, further delaying implementation. More effective application of the Law on Protection against non-ionizing radiation and the Law on Environmental Impact Assessment is needed. Ensuring network security according to the EU 5G Toolbox guidelines requires advanced technical and organizational measures. Additionally, addressing public mistrust in the safety of 5G networks through transparent communication and education is essential. This involves organizing roundtables and presentations to inform the public about scientific findings and safety measures.

Furthermore, the rollout of a Digital Identity Wallet requires developed technological infrastructure and interoperability with existing systems. It requires technical support and development of a robust infrastructure capable of supporting the widespread use of digital identities. Aligning national legislation with the EU Digital Identity Regulation and international agreements can be complex and time-consuming. Therefore, timely adoption and implementation of laws that enable the validation of e-signatures and digital identities are crucial. Additionally, building public trust in the security and reliability of digital identities, alongside continuous education on their benefits and usage, presents a significant challenge. Thus, campaigns and training are needed to inform and motivate citizens and businesses to use digital services.

One of the key challenges is in the development of interoperable systems that enable the seamless exchange of data between different registers. Technical solutions are necessary to achieve data standardization to ensure system compatibility and efficiency. Creation of new digital services that meet the needs of citizens and the business community, as well as continuous updating and maintenance of e-government platforms to ensure their functionality and security. Implementation of the Open Data Directive in order to increase transparency and availability of data also requires significant resources and coordination. Ensuring that open data is protected from misuse and unauthorized access is vital to public trust.

The adoption of the Information Security Law in line with the NIS2 directive is a crucial step in cyber security, but also requires thorough alignment of all relevant laws and regulations. Establishing the Cybersecurity Agency and equipping it with adequate resources presents a significant challenge. This agency must be adequately equipped and have sufficient expert staff to operate effectively. Staff training and the implementation of necessary technological and organizational changes are required. In addition, continuous monitoring and improvement of cybersecurity management systems, as well as cooperation with international organizations and partners, are essential for

maintaining a high level of security. Finally, building mutual trust between the public and private sectors is necessary to enable effective information sharing on cyber threats and vulnerabilities.

These challenges demand a robust and seamless coordination between the government, the private sector, and international partners, alongside sustained investment in human resources and technology. Successfully navigating these hurdles is crucial for Montenegro's digital transformation and ongoing development. Such a transformation will markedly boost the efficiency of public services, elevate the competitiveness of the economy, and enhance the quality of life for citizens. However, this can only be achieved by directly addressing these challenges.

The **development of human capital** is pivotal to the growth of both the economy and society. The quality of work, productivity, and employability hinge on the level of skills and competencies. As the labor market undergoes rapid transformation, driven by the increasing adoption of new technologies, the demand for specific skills and qualifications intensifies. This necessitates substantial investments in skill enhancement to keep pace with these evolving requirements.

To become part of the European Union's single market of knowledge and skills, Montenegro has developed a series of key reform measures to stimulate human capital development. These measures focus mainly on improving employment opportunities, supporting activation, reforming social services, along with education and skills development, and enhancing the innovation environment.

One of the most significant challenges in the labour market is the insufficient inclusion of vulnerable groups, particularly women, youth, recipients of social and child protection benefits, people with disabilities, and other disadvantaged categories. The support services system for community living is also underdeveloped, preventing these groups from leading independent and productive lives. Additionally, there is a challenge in effectively transitioning social benefit recipients out of the welfare system.

Increasing female labour force participation presents its own set of challenges. A major hurdle in developing measures and programs aimed at women is identifying socio-economic obstacles through an analysis of the structural characteristics of unemployed women. Developing a methodology that targets gender equality in accordance with ESF+ rules is crucial. This analysis and methodology are prerequisites for creating programs tailored to the individual needs and potentials of unemployed, able-bodied women. These critical documents must be prepared by the third quarter of 2025 at the latest.

The challenge for labour market activation of material support beneficiaries is the adoption of the Amendments to the Law on Social and Child Protection and its accompanying bylaws. One of the objectives of the revision of this Law is the need to review the conditions for realizing the right to material support in the direction of better targeting of persons at risk of poverty. Practice has shown that it is necessary to improve the provisions of the Law that refer to the activation of able-bodied beneficiaries of material support, in order to motivate these persons for active participation in the labour market. Additional challenge in this regard will be to ensure equal participation of women and man in the future ALMM programs.

The main factor affecting the dynamics of the introduction of the inclusive allowance is the delay in the process of adopting the new legal framework, including the Law on Unified Disability Assessment, and thus the postponement of deadlines for all other activities whose implementation is directly related to the adoption of the law. After the adoption of the Law as well as the Decree on the uniform methodology of disability expertise, within a year, all departments should harmonize their systemic and other laws and bylaws with them, and the introduction of an inclusive allowance is preceded by the development of an Analysis of the cost of living of persons with disabilities.

The main challenges in ensuring the availability of at least three services that support life in the community in accordance with the needs of the population are the provision of adequate financial resources and the interest of potential service providers.

The challenge regarding the establishment and calculation of all financial allowances at the national level relating to social and child protection through the upgraded Integrated Social Welfare Information System (e-social) is the frequent changes in legislation, which require time for implementation into the aforementioned system.

Within the education system, the foundation for the labour market is established, with each level of education contributing uniquely to the quality of subsequent levels. A key priority in education is to ensure high-quality and inclusive preschool, primary, secondary (gymnasium), vocational, higher, and adult education, as well as advancements in science. This comprehensive approach will support the personal, social, and professional development of Montenegro's citizens, promote democratic values, social cohesion, active citizenship, and foster multicultural understanding. Furthermore, it will enable sustainable economic development, green and digital transitions, and enhance employability.

A significant challenge in achieving these goals is the inadequate educational infrastructure. While the Ministry of Education, Science, and Innovation of Montenegro is actively engaged in the reconstruction and construction of numerous facilities through international projects funded by the EIB, CEB, and KFW, the processes can be complex and time-consuming. This complexity arises from the need to conduct design contests and tender procedures for selecting designers, contractors, and supervisors.

In the section concerning the scientific research and innovation ecosystem, it is essential to implement comprehensive reforms of the scientific research system through appropriate measures, bringing it closer to innovations, while maintaining a continuous commitment to the smart specialization process. This approach will ensure a focus on the system's specific strengths and potentials through sustained dialogue among all stakeholders and the consolidation of all available resources.

Public administration reform and the rule of law are crucial pillars in the European Union enlargement process, making these areas a high priority for the Government of Montenegro. Despite limited progress in the judiciary over the years, with insufficient advancements in key judicial reforms and a modest record in judicial accountability, recent months have witnessed some long-awaited high-level judicial appointments. Furthermore, it is essential to continue strengthening the judiciary's independence, integrity, accountability, and professionalism. This includes implementing relevant constitutional and legal frameworks and adopting legislative amendments in line with European standards.

Addressing corruption, especially high-level corruption, will be a significant focus for Montenegro in the upcoming period. Efforts will be directed towards establishing a credible and effective criminal justice response. Enhancing legal and institutional frameworks in accordance with the EU acquis and European standards will be pivotal. This includes the effective use of financial investigations and the seizure and confiscation of assets in corruption cases.

With regard to human rights, attention will be devoted to additional efforts to more effectively protect fundamental rights, especially for vulnerable groups, including improving inter-institutional cooperation.

In the area of fighting organized crime, it is necessary to work on enhancing capacities for conducting investigations into money laundering, human trafficking, cigarette smuggling, and more. Additionally, establishing an interoperable database at the level of state authorities involved in fighting crime is crucial for continued effective operations, and these challenges will be addressed through reform measures within this Agenda.

Moreover, in anticipation of its future accession to the European Union, Montenegro has also initiated reforms aimed at aligning its visa policy with that of the EU. While full alignment is expected upon accession, the Government has proactively proposed partial harmonization of visa regulations as a preparatory step. This move reflects Montenegro's broader commitment to enhancing border security, facilitating international cooperation, and ensuring compliance with European standards. The gradual harmonization of the visa policy also serves as a signal to both its citizens and international partners of Montenegro's determination to meet EU criteria, laying a solid foundation for smoother integration into the Union.

These and other challenges are the subject of serious consideration by decision-makers, and proposed reforms have been defined in response to the need for their resolution, which will be thoroughly analysed in this chapter.

OBJECTIVES OF THE REFORM AGENDA

Given the current situation and challenges in terms of economic development, associated with the need to accelerate key reforms in the EU accession process, the overall goal of Montenegro's Reform Agenda is to leverage incentives available through the European Union's Instrument for reform and growth for the Western Balkans. This aims to implement reform measures in areas of strategic importance to accelerate economic growth and convergence with EU countries. To achieve this ambitious goal in terms of economic growth, the Government of Montenegro has identified and specified reform measures in four key policy areas: **business environment and private sector development, digital and energy/green transitions, human capital development and fundamental rights/rule of law**. Reforms in fundamental rights including the rule of law, fight against corruption and organized crime represent cross-sectoral reforms and are crucial for implementing this Reform Agenda. Montenegro also proposed partial alignment with the EU visa policy before accession.

Targeting the key challenges facing the Montenegrin economy, all measures proposed in the Reform Agenda are aligned with the following sub-objectives:

- accelerating the transition of beneficiaries towards sustainable and inclusive economies capable of withstanding the competitive pressures of the Union's single market towards a stable investment environment;
- incentivizing regional economic integration, in particular on the basis of progress in establishing a common regional market;

- incentivizing the economic integration of users with the European Union single market;
- support regional economic integration and greater integration with the EU single market through better connectivity of the region in line with trans-European networks;
- accelerating the green transition in line with the 2020 Green Agenda for the Western Balkans in all economic sectors, in particular energy, including the transition to a climate-resilient, decarbonized, climate-neutral, circular economy;
- accelerating the digital transformation as a driver for sustainable development and inclusive growth;
- incentivizing innovation, in particular for SMEs, and supporting the green and digital transitions;
- fostering quality education, training, reskilling and upskilling and employment policies;
- Further strengthening the foundations of the enlargement process, including the rule of law, democracy, respect for human rights and fundamental freedoms, among other things promoting judicial independence, enhanced security, and the fight against fraud, corruption, organized crime, terrorism financing, money laundering, tax evasion, and tax fraud; compliance with international law; strengthening media freedom and academic freedom and a supportive environment for civil society; promoting social dialogue; promoting gender equality, non-discrimination, and tolerance to guarantee and strengthen the rights of minority members;
- strengthening the effectiveness of public administration and fostering transparency, structural reforms and good governance at all levels, including in the areas of public finance management, public procurement and control of State aid; support initiatives and bodies involved in encouraging and ensuring respect for international justice among the Western Balkans users;

All proposed measures in this Reform Agenda are aligned with the structural reforms that are part of the latest ERP (Economic Reform Program) as well as the common policy guidelines agreed upon within the economic and financial dialogue of May 2023, the revised enlargement methodology, the latest enlargement package, the Economic and Investment Plan for the Western Balkans, as well as other relevant documents.

Reforms in the area of **business environment and private sector development** will focus on improving the business environment (including reforms related to the governance of state-owned enterprises) and implementing several measures aimed at enhancing the regulatory environment and strengthening business competitiveness. The development of the private sector requires an appropriate policy framework aimed at ensuring favourable and competitive environment. Additionally, further improvement of the regulatory business environment and reduction of administrative burdens on companies remains an important goal of government policy.

The general priority in the field of **digital and energy/green transition** is in line with the European Green Deal and the energy policy of the European Union, which influences the further development of the energy sector through green energy transition and decarbonisation, increased use of renewable energy sources, improvement of energy efficiency, and implementation of carbon pricing mechanisms, as well as the enhancement of infrastructural capacities to connect with neighbouring energy systems. Therefore, the aim of the reform is to continue implementing measures from the EU's Third Energy Package and the Clean Energy Package in the electricity and gas sectors, as well as to create functional energy markets that can integrate into the EU's single energy market.

To become part of the EU's single market for knowledge and skills, a series of key reform measures are developed with aim to stimulate the **human capital development**, mainly through improving employment opportunities, support for activation, and reform of social services along with education and skills development, and enhancement of the innovation environment. Research and innovation go hand in hand with the proposed reforms, and under the umbrella of the key strategic orientation of Smart Specialization. Montenegro aims to improve research and innovation among all relevant parties at all levels, with a particular focus on supporting the two parallel transitions. By implementing the Digitalization Strategy for the Education System 2022-2027, the main emphasis is focused on the introduction of digital technologies in teaching, as well as the digitization of all processes in the education system by developing electronic services for students, teachers, and parents and strengthening digital skills and competencies.

Finally, considering that it is necessary to accelerate not only economic convergence but also the EU accession process, it is important to include goals in the area of **fundamental rights**.

Regarding the **rule of law**, with the adoption of the final benchmarks for Chapters 23 and 24, Montenegro gained the backing of all EU member states, along with a message emphasizing that the concluding phase of negotiations demands consistent focus and a level of dedication to reforms. especially in the areas of judiciary, the fight against corruption and organized crime, freedom of expression, and media. One of the key strategic goals in this area will be improving access to justice, transparency, and trust in the judiciary, thereby enabling legal security, order, and the rule of law as a horizontal precondition for economic activity and the implementation of all measures defined in this Reform Agenda.

Considering Montenegrin macroeconomic framework, it is inevitable that Montenegro can readily welcome the upcoming reforms in priority sectors. Namely, the Montenegrin economy showed a high degree of resilience in 2022,

with a strong economic growth rate of 6.4%, driven by a rapid recovery in tourism, dynamic private consumption, and a high inflow of foreign direct investments. On the other hand, record inflation has significantly limited consumer power and led to stagnation in investment activities.

In 2023, Montenegrin economy continued with strong growth of 6.0%, the highest growth rate in the Western Balkans region and one of the highest in Europe. The main categories of domestic GDP recorded positive growth: exports of goods and services increased by 8.6%, private consumption by 5.4% and gross fixed capital formation by 4.8%. Private consumption and collection of budget revenues are at a record level, stimulated by domestic policies and measures to increase wages, social transfers, pensions, but also tax reforms, the introduction of the electronic fiscalization system and the influx of foreign citizens who have decided to start a business, find employment and invest in Montenegro. In the tourism sector, revenues of 1.52 billion euros were generated in 2023 and recorded an increase of 43.7% compared to the previous year, with tourism revenues exceeding the pre-crisis period.

In the first quarter of 2024, Montenegro achieved a real GDP growth rate of 4.4%, which ranks it among the leading countries in terms of growth rate in Europe. The highest growth, in addition to the category of changes in inventories, was recorded in gross fixed capital formation (8.2%) and private consumption (5.7%). The growth in retail trade turnover was 12.6% in the first four months of 2024, while industrial production increased by 3.1% annually in same period. Construction activity increased in the first quarter of 2024, with an increase in the value of completed construction works by 3.4% compared to the same quarter of 2023. Passenger traffic at airports recorded an annual growth of 5.0% in the first three months of 2024. Inflation slowed significantly at the end of 2023, with the average rate in 2023 standing at 8.6%, while at the end of the year it was 4.3%. Consumer prices in the last two years have been influenced by strong external factors, due to rising inputs and commodity prices on international markets due to geopolitical uncertainties, as well as due to strong domestic demand. Inflation in May 2024 amounted to 4.9%, with growth of prices in categories 'Restaurants and hotels' of 10.2% and 'Clothing and footwear' of 10.0%.

In 2023, due to the growth of economic activity, the decrease in the grey economy and the influx of non-residents, the labour market recorded strong favourable trends, so the average number of employees in Montenegro in 2023 was 244.5 thousand and is higher by 9.3% compared to 2022. The average net wage in 2023 amounted to EUR 792 and is 11.2% higher than in 2022. According to the Labour Force Survey, the average unemployment rate in 2023 was 13.1%, while in the third quarter it was an all-time low of 11.8%. In 2024, employment growth continued, with the average number of employees in the first four months increasing by 6.8% on a yearly basis.

In 2023, banking sector showed a high degree of resilience, with strong profitability, capitalization and liquidity of the system. The net profit of Montenegrin banks in December 2023 was EUR 146 million, total loans amounted to EUR 4,095.2 million and achieved annual growth of 11.9%. Loans to the economy grew by 3.9% (to EUR 1.3 billion) and to households by 8.7% (to EUR 1.7 billion), while total deposits grew by 4.8%, to EUR 5,473.2 million. Newly approved loans amounted to EUR 1.52 billion in 2023 and achieve growth of 3.7% on an annual basis. Total loans at the end of April 2024 amounted to EUR 4,368.6 million (annual growth of 11.8%). The downward trend of non-performing loans continues, so in April 2024, their share in total loans amounted to 4.75%.

The current account deficit in 2023 amounted to 11.6 percent of GDP, which represents a decrease from 12.9 percent in 2022. The foreign trade deficit in 2023, according to preliminary data, amounted to EUR 3,133.3 million, with an annual growth of 10.6%. Exports in the value of EUR 674.3 million decreased by 3.7% due to reduced demand from the EU, along with an average drop in export prices of industrial products of around 10%. The import of goods of EUR 3,807.6 million increased by 7.7%, due to the growth of strong personal and moderate investment spending, along with external inflationary pressures. In the first quarter of 2024, current account deficit amounted to EUR 434.8 million, which is an increase of 64.3% compared to the same quarter of 2023, driven by rising deficit in goods trade.

The tax policy and the public spending management policy are largely determining the stability and long-term sustainability of the public finances. The favourable macroeconomic environment, stimulated by domestic policy measures, increased demand, strong trends in tourism, as well as a significant reduction in the informal economy, resulted in a significant increase in the collection of budget revenues in 2023.

Public revenues in 2023 amounted to EUR 2,941.3 million or 43% of the preliminary GDP (EUR 6,847.1 million) and compared to the planned, they are higher by EUR 164.0 million or 5.9%. Compared to 2022, public revenues are higher by EUR 619.0 million or 26.7%. Public expenditures in 2023 amounted to EUR 2,900.1 million or 42.4% of GDP and is lower by EUR 63.5 million or 2.1% compared to the planned, while compared to the previous year it is higher by EUR 326.0 million or 12.7%. Resulting from realized public revenues and expenditures in 2023, a surplus of public finances was realized in the amount of EUR 41.2 million or 0.6% of GDP.

Total Central Government debt (deposits not included) as of 31 December 2023, was 4,059.91 million EUR or 59.23% of GDP¹. Total Central Government Debt, including deposits, as of 31 December 2023 was 3,907.50 million EUR or 58.99 % of GDP. The foreign debt was 3,517.29 million EUR or 51.37% of GDP, while the domestic debt was 542.62

million EUR or 7.92% of GDP. On 31 December 2023, deposits were 152.41 million EUR including 38,447 ounces of gold (the value of the gold as of 31 December 2023 amounted to 72.37 million EUR) or 2.23% of GDP.

Strong economic performance reflects on the latest data on realized budget revenues in the first four months of 2024. Public revenues in the period January - March 2024 amounted to EUR 671.8 million or 9.6% of the estimated GDP and compared to the planned, they are higher by EUR 60.0 million or 9.8%. Compared to the same period of 2023, public revenues are higher by EUR 64.9 million or 10.7%. Public consumption in the period January - March 2024 amounted to EUR 658.9 million or 9.4% of GDP and is lower by EUR 79.4 million or 10.8% compared to the planned, while compared to the previous year it is higher by EUR 114.3 million or 21%. Resulting from realized public revenues and expenditures, in the period January - March 2024, a surplus of public finances was realized in the amount of EUR 12.9 million or 0.2% of GDP.

CONSISTENCY WITH THE OVERALL POLICY FRAMEWORK

In the preparation of the Reform Agenda, meticulous attention was devoted to analysing the alignment of reform measures and objectives with key strategic documents, development policies, and recommendations derived from the dialogue with the EU in the context of Montenegro's EU accession process.

Given the anticipated impact on economic growth, it is particularly crucial to ensure alignment with the objectives and measures outlined in the ERO. The 2024-2026 ERP was adopted by the Government on January 11, 2024, and subsequently submitted to the European Commission. Following a thorough analysis, six structural reforms and nine reform measures have been identified as follows:

STRUCTURAL REFORM 1: IMPROVING THE BUSINESS ENVIRONMENT AND FORMALISATION OF THE INFORMAL ECONOMY

The objective of the structural reform is to contribute to a better business environment, an increase in the number of enterprises, formal employment and government revenue.

REFORM MEASURE 1: STRENGTHENING THE MECHANISMS FOR FORMALIZING THE INFORMAL ECONOMY

STRUCTURAL REFORM NO. 2: REFORMING STATE-OWNED ENTERPRISES

The goal of the structural reform is to define a clear strategic approach to overseeing the operations of state-owned enterprises.

REFORM MEASURE 2: ESTABLISHING AN ADEQUATE GOVERNANCE MODEL AND AN EFFICIENT OVERSIGHT SYSTEM FOR STATE-OWNED ENTERPRISES

STRUCTURAL REFORM 3: INCREASING ENERGY RESILIENCE BY APPLYING THE GREEN AGENDA

The objective of the structural reform is to strengthen energy resilience through compliance with the 2030 energy and climate targets.

REFORM MEASURE 3: INCENTIVIZING INNOVATION FOR THE GREEN AGENDA AND TRANSITIONING TO CIRCULAR ECONOMY

REFORM MEASURE 4: STRENGTHENING DECARBONISATION MECHANISMS

STRUCTURAL REFORM NO. 4. DIGITALIZATION IN THE SUSTAINABILITY OF THE ECONOMY

The objective of the structural reform is to strengthen the management of the digitalization process, further develop digital services, enhance cyber resilience, and improve infrastructure support for the advancement of this sector.

REFORM MEASURE 5 IMPROVING DIGITALIZATION AND CYBER SECURITY WHILE STRENGTHENING BROADBAND INFRASTRUCTURE

REFORM MEASURE 6: DIGITALIZATION OF THE HEALTHCARE SYSTEM IN MONTENEGRO

STRUCTURAL REFORM 5 : IMPROVING THE FRAMEWORK FOR BETTER YOUTH EMPLOYABILITY AND HIGHER QUALITY OF EDUCATION

The objective of the structural reform is to improve the situation of young people to facilitate their integration into the labour market while improving education and professional training.

REFORM MEASURE 7 INTRODUCING THE YOUTH GUARANTEE PROGRAMME IN MONTENEGRO

REFORM MEASURE 8 DEVELOPING AN INTEGRATED APPROACH TO INCREASING THE QUALITY AND INCLUSIVITY OF EDUCATION

STRUCTURAL REFORM 6: INCREASING THE EFFECTIVENESS OF AND IMPROVING THE SOCIAL AND CHILD PROTECTION SYSTEM

Structural reform aims at developing socially and fiscally sustainable social protection services.

REFORM MEASURE 9 REFORMING THE SOCIAL AND CHILD PROTECTION SYSTEM BASED ON THE ROAD MAP

Considering the goals, reform measures, outcomes, and results defined in this RA, it can be concluded that the reform measures are largely aligned with the structural reforms and reform measures identified in the ERP, particularly concerning reform measures 1, 2, 4, 5, 7, 8, and 9. Following this alignment, it is clear that the RA, or the planned reform measures, contribute to fulfilling the recommendations from the Joint Policy Dialogue, specifically the six recommendations for Montenegro defined at the ministerial meeting in May 2023.

An overview of linkage between reform measures from ERP 2024-2026 and Reform Agenda 2024-2027 is presented in the following table.

ERP 2024-2026	REFORM AGENDA 2024-2027
Reform measure 1: Strengthening the mechanisms for formalizing the informal economy	Aligned with 1.1.3, 1.1.5
Reform measure 2: Establishing an Adequate Governance Model and an Efficient Oversight System for State-owned Enterprises	Aligned with 1.1.1
Reform measure 3: Incentivizing Innovation for the Green Agenda and Transitioning to Circular Economy	Aligned with 1.2.2, 2.3.1, 2.3.2, 2.3.3, 2.3.4
Reform measure 4: Strengthening Decarbonisation Mechanisms	Aligned with 2.2.1, 2.2.2
Reform measure 5: Improving Digitalization and Cyber Security while Strengthening Broadband Infrastructure	Aligned with 2.4.1, 2.4.2, 2.4.3, 2.4.4
Reform measure 6: Digitalization of the Healthcare System in Montenegro	/
Reform measure 7: Introducing the Youth Guarantee Programme in Montenegro	Aligned with 3.1.1, 3.1.2
Reform measure 8: Developing an Integrated Approach to Increasing the Quality and Inclusivity of Education	Aligned with 3.2.1, 3.2.2
Reform measure 9: Reforming the Social and Child Protection System based on the Road Map	Aligned with 3.1.3

Key recommendations from the **European Commission's Report on Montenegro for 2023**, particularly those related to economic criteria and public administration reform, served as significant guidelines when formulating the measures contained in this RA. These recommendations significantly influenced the formulation of the reform measures, as outlined below.

Regarding **economic criteria**, this year's report assessed that Montenegro is moderately prepared and has made limited progress in establishing a functional market economy. The continuation of economic expansion in 2022 was positively evaluated, primarily supported by private consumption and strong growth in tourism, partly due to the large influx of Russian and Ukrainian citizens. The expansive fiscal policy stimulated domestic demand and contributed to a very high increase in net wages. The labour market situation improved, but structural problems remain, including significant regional and gender disparities, as well as high youth unemployment and long-term unemployment.

As regards the capacity to cope with competitive pressure and the market within the Union, the Montenegrin economy was assessed as moderately prepared and made limited progress in terms of ability to cope with competitive pressure within the Union. Some progress has been made in attracting private investors, as well as continued efforts to advance the green and digital transitions, and there has been a shift in improving energy infrastructure. It was also pointed out that foreign trade reached record numbers in 2022, and that the EU remains Montenegro's main trading partner, accounting for 30.3 % of total exports and 44.3 % of total imports of goods.

The Report states that Montenegro is moderately prepared in the area of public administration reform and that limited progress has been made. It is stated that the implementation of the Public Administration Reform Strategy has continued and that a new Public Finance Management Programme has been adopted and its implementation started, and that both strategic documents are linked to the budget framework. Report indicates that the amendments to the Law on Civil Servants and State Employees, adopted in 2021, which lowered the criteria for managerial positions, remain in effect. This raises concerns regarding merit-based employment, competencies, and the independence of civil servants. Furthermore, the Report assesses that the ongoing personnel changes in the public administration have led to a further loss of knowledge on European integration issues and an overall slowdown of reforms.

In the part related to the rule of law, key recommendations from the Report were also considered, so the reform measures and goals in this area until 2027 fully reflect the findings of this year's Report.

Montenegro has not yet adopted the National Energy and Climate Plan, but part of the reform measures in the area of energy/green transition is specifically aimed at its adoption and implementation. On the other hand, Montenegro actively implements climate change policies both nationally and internationally, as one of the 197-member states of the United Nations Framework Convention on Climate Change, which it has been a member of since 2006. National greenhouse gas emissions account for only 0.009% of global emissions, yet there is a strong commitment to managing developmental potentials responsibly and sustainably with minimal impact on the environment and climate change. By ratifying the Paris Agreement on October 11, 2017, Montenegro confirmed its readiness to actively participate in all international processes related to mitigating the harmful effects of climate change. The adoption of the National Climate Change Strategy until 2030 and the enactment of the Law on the protection from negative impacts of climate change further affirm its dedication to fighting the adverse effects of climate change. The process of revising the Nationally Determined Contribution (NDC) has been completed, setting a new target of reducing greenhouse gas emissions by 35% by 2030 compared to 1990, with the ultimate goal of establishing a low-carbon economy by 2050. The reform measures identified in this RA related to green energy transition policies will further contribute to these ambitious goals.

KEY POLICY PRIORITIES

Montenegro's Reform Agenda for 2024-2027 covers strategic reforms which are essential to strengthen the foundations of the enlargement process of the European Union. These reforms are designed to further advance the rule of law, fundamental rights, the fight against corruption, as well as to address concrete challenges in the digital transformation, education, employment and social inclusion, while respecting the *'do not significant harm'* principle. Aligned with the objectives of the Instrument for Reform and Growth of the Western Balkans, as outlined in Articles 3 and 13 of the Regulation, Montenegro has proposed concrete measures to fortify the core aspects of the enlargement process. These include enhancing the rule of law, protecting fundamental rights, and intensifying the fight against corruption, with a focus on addressing existing gaps in the early years of the RA implementation.

The Agenda also addresses key facets of digital transformation and infrastructure, including the implementation of the EU 5G cyber safety tools. These reform measures are anticipated to significantly contribute to Montenegro's digital transformation, addressing challenges while ensuring the security, resilience, and integrity of digital infrastructure.

In education, training, employment, and social objectives, the RA outlines initiatives to improve education systems, increase employment, and promote social inclusion. These measures aim to create opportunities for all citizens, fostering their active participation in the social and economic life of the country.

Furthermore, Montenegro reaffirms its commitment to the *'do no significant harm'* principle, as defined in the EU Taxonomy Regulation. This ensures that no reform or investment undermines environmental goals, contributing instead to the country's sustainable development.

Below is a detailed description of the specific focused measures within individual areas, along with an explanation of how the selected activities align with achievement of the general and specific objectives outlined in Articles 3 and 13 of the Regulation for this Instrument.

Fundamental rights

Central to Montenegro's aspirations for full EU membership, **fundamental rights** are a cornerstone of the Reform Agenda 2024-2027. This commitment includes improving rule of law standards, strengthening democratic institutions, and effectively protecting human rights and basic freedoms. Aligning with the EU's legal and regulatory framework is vital not only for accession but also for building a transparent, fair, and inclusive society.

Commitment of the Government of Montenegro is also reflected in its Work Programme, which defines as a priority the commitment to the rule of law and Montenegro's accession to the European Union as soon as possible. In this regard, in the previous period, the Government of Montenegro have directed all efforts to fulfil the remaining interim benchmarks in Chapters 23 - Judiciary and Fundamental Rights and 24 - Justice, Freedom and Security, which, at final, was confirmed by receiving positive Interim Benchmark Assessment Report (IBAR). With the completion of these interim benchmarks, there is now an opportunity to intensify the negotiation process both in the areas covered by Cluster 1 - Fundamentals, in line with the New Enlargement Methodology, and across all remaining negotiation chapters -

In this regard, the reform efforts of the Government of Montenegro reflected through the measures contained in this Agenda are aimed at strengthening institutions that are fundamental to upholding the rule of law, such as the independence of the judiciary, the fight against corruption and high-level corruption, and the efficient management

of public resources. Through reform measures, Montenegro committed to implementing concrete actions to ensure that the rights of every individual are protected in line with the highest European and international standards. These efforts are not only a response to the formal requirements of the accession process, but constitute a fundamental need to promote universal prosperity and stability in the country.

In the area of strengthening fundamental rights and the rule of law, Montenegro made an unequivocal commitment to establish a comprehensive and coherent legal framework for the conduct of elections, in line with the OSCE/ODIHR and the Council of Europe recommendations. This includes a review of the electoral legislation, the professionalization of the national electoral commission and the strengthening of the independence of the electoral commissions.

As regards the fight against corruption, the reform measures set out the implementation of effective legislative measures to fight corruption, including high-level corruption. This includes improving the track record of investigations, criminal prosecutions, final convictions, seizures and confiscation of assets. The focus is on increasing the number of investigations, confirmed indictments and convictions, as well as on increasing the total value of criminal assets seized and confiscated.

In the field of judiciary, important activities will follow, such as: the appointment of the President of the Supreme Court, amendments to the Constitution in accordance with the EU acquis and the EU standards of independence, accountability, integrity, impartiality, and professionalism of the judicial system and the prosecution. These reforms also include the effective implementation of the system for the appointment, performance evaluation, and promotion of judges and public prosecutors according to the amended laws on the Judicial Council and judges, the Law on the State Prosecution Office and the Law on the Special State Prosecutor's Office. These measures will contribute to a more efficient and fair judicial system, strengthening the rule of law and citizens' trust in the judiciary, including by introducing or strengthening measures of accountability and data protection, as well as an effective strategy for backlog reduction regarding especially the Special State Prosecutor's Office. The establishment of efficient systems for detecting, preventing and correcting irregularities, fraud and corruption is also key to achieving transparency and accountability in the management of state and public resources. This implies strict application of State aid rules, as well as ensuring that all economic activities comply with a legal framework that promotes greater equity, equity and open competition.

All the measures in this area and their implementation contribute unequivocally to the fulfilment of the specific objectives defined by Article 3 of the Regulative, namely: further strengthening the foundations on which the enlargement process is based, including the rule of law, democratization, respect for human rights and fundamental freedoms, including through the promotion of the independence of the judiciary, enhanced security and the fight against fraud, corruption, organized crime, financing of terrorism, money laundering, tax evasion and tax fraud, compliance with international law, strengthening media freedom and academic freedom, and creating a stimulating environment for civil society, etc.

Digital transformation and digital security issues

Digital transformation is one of the most important priorities of Montenegro. Through the work plan, the Government has committed to implementing citizen-centric digital governance, based on secure infrastructure and key systems for faster and easier use of electronic services.

The focus is on digital transformation projects aimed at building a more open and efficient electronic administration through the establishment of a new single portal for all public administration services, with a particular focus on enhancing Montenegro's digital transformation capacity and capabilities and raising awareness of Montenegrin society about the significance and benefits of the digitalization process.

All the reform measures to which Montenegro commits through this Agenda will ultimately contribute to accelerating green transition in line with the Green Agenda for the Western Balkans 2020 across all economic sectors, particularly in the energy sector, including transition towards decarbonization, climate-neutral, and circular economy resilient to climate change. Additionally, measures are selected to promote digital transformation, which represents a key driver of sustainable development and inclusive growth.

Thus, in the coming period, Montenegro will focus on key aspects of digitalisation to upgrade its infrastructure and services, which are essential to improve the efficiency and accessibility of public services, as well as to ensure competitiveness in the digital market.

One of the priorities is the development of broadband infrastructure, as key to ensuring equal digital connectivity between urban and rural areas. The National Broadband Plan aims to ensure that all citizens have access to high-speed internet. This is particularly important for rural areas, where access to digital resources can make a significant contribution to economic development and reducing of digital disparities.

The security of broadband and the implementation of 5G networks are thus of great importance. Alignment with the *Gigabit Infrastructure Act (GIA)* and implementing the Rulebook in line with the EU 5G Security Toolbox enabling Montenegro to build a robust and secure infrastructure ready for future technological challenges and needs.

In addition, digital identity and e-signature are the cornerstones for modernizing public services. The introduction of a digital identity wallet and the full implementation of electronic identification documents will make it easier for citizens to access a variety of administrative, tax, social and educational services, thereby increasing the efficiency of public administration and reducing bureaucratic barriers.

User-friendly delivery of digital public services is planned through the full implementation of transactional public electronic services under the e-government platform. This will enable citizens to use public services easily and quickly, which is key to increasing transparency and reducing opportunities for corruption.

Cyber security is another important aspect, with the plan to adopt the Law on Information Security as soon as possible in accordance with the NIS2 directive. Establishing an effective framework for cyber resilience, including mechanisms for crisis management and coordinated vulnerability detection, will ensure that state institutions and key economic sectors can respond adequately to cyber threats, thereby maintaining the integrity and security of national and private infrastructure.

Through these reforms, Montenegro not only aligns with EU standards, but also lays the foundations for dynamic economic growth and development in the digital age, which will have far-reaching positive effects on all segments of society, one of the objectives of the defined by the European Commission regulation.

Education, training, employment and social objectives

In the context of comprehensive societal change and development objectives, the Education, Training, Employment and Social Goals segment plays a crucial role in Montenegro's reform agenda. The aim is to create a solid basis for long-term social and economic development by improving education systems, increasing opportunities for training and professional development, as well as improving the labour market. These reforms aim at increasing employment, reducing unemployment, and promoting social inclusion, thereby contributing to building a more inclusive, equitable and resilient society. It also aims to provide all citizens with access to quality education and vocational training through different initiatives and programmes, which is the foundation for their active involvement in the social and economic life of the country.

Through a number of strategic initiatives, Montenegro aims to address key labour market challenges, improve social inclusion and ensure high-quality education for all citizens.

Education as a key pillar of any society is a priority of the 44th Government of Montenegro. In this regard, the Government's objective is to build a modern, efficient and inclusive education system in the coming period.

Reducing the mismatch between those skills that are offered by the education system and those that are required by the labour market is one of the objectives. By introducing lifelong learning and work training into the education process, in particular through vocational education and training, Montenegro plans to improve directly the employability of its graduates. These measures will enable young people to acquire the practical knowledge and skills needed for a work in the green and digital economy, thus creating the conditions for a more dynamic economic development.

There is also a particular focus on increasing women's participation in labour market through active labour market measures tailored to their specific needs and potentials. By improving access to quality childcare and expanding the capacity for early education, it is possible for women to more easily balance professional and family obligations, which contributes to greater economic independence and social equality.

The reform of social services thus plays an essential role in this process. Montenegro strives for a more efficient and transparent management of public funds, activation of beneficiaries of material support and integration of vulnerable groups into society. The introduction of inclusive and unique transfers for persons with disabilities, as well as the extension of social services such as home care and day care for children with special needs, make a significant contribution to improving the quality of life of all citizens.

Finally, investment in education and skills is the basis for long-term social and economic progress. Modernizing education infrastructure, improving curricula and training teachers in digital competences are among the priorities that will enable young people to learn effectively in the digital economy. These initiatives will not only improve the quality of education, but will also ensure that Montenegro remains competitive in the global market, fit for its challenges.

Through the planned reforms, Montenegro is demonstrating its commitment to building a strong, inclusive and educated nation, ready to face dynamic changes in the global context. The implementation of the reform measures

to which Montenegro committed to with this Agenda is unequivocally delivering on the objectives defined by Article 3 of Regulative, namely to promote quality education, training, re-skilling and up-skilling, and employment policies.

DNSH principle

In relation to the respect of the 'do no significant harm' principle, the reforms proposed in the Reform Agenda shall undergo a detailed technical assessment in consideration of the six DNSH criteria as per the European guidelines, Regulation (EU) 2020/852 in order to estimate the direct and indirect effects for each action from a long-term perspective prior to implementation. The Taxonomy Report Technical Annex Updated methodology & Updated Technical Screening Criteria - 1 - March 2020 shall be used as the reference document for the detailed assessment¹.

Each of the reforms shall be assessed for each of the 6 criteria in terms of the foreseeable impact according to three scenarios:

- A) The reform has zero or negligible impact on the goal
- B) The reform supports or substantially contributes to the environmental goal
- C) The reform requires a comprehensive DNSH assessment.

Technical sheets shall be prepared for the assessment of each reform against each criterion and will allow for the specific scenario to be identified for each Step.

Having identified these scenarios, two approaches have been defined for the DNSH assessments:

- 1) Simplified approach

This approach is to be adopted if, for an individual goal, the action can be classified in one of the first two scenarios. The responsible administrations shall provide a brief justification to highlight the reasons why the action is associated with a limited risk of environmental damage, regardless of its potential contribution to the green transition.

- 2) Detailed analysis and conditions that must be respected

This approach is to be adopted for investments and reforms that fall within components such as Green and Digital Transition and Education which present a greater risk of affecting one or more of the environmental goals due to specificities or investment. This analysis is also required for actions that aim to make a substantial contribution to climate change mitigation.

This is likely to be the case for the infrastructural investments that will be implemented through the WBIF. It is expected that the WBIF will ensure the respect of the DNSH principle through their own procedures, following their detailed analysis and establishment of the conditions that must be respected. Where these conditions concern operational or other responsibilities of the Beneficiary, they shall be discussed and agreed. In any other cases, the Beneficiary shall be responsible for the detailed analysis and establishment and monitoring of conditions. In these latter cases, the Beneficiary shall be responsible for the ex-ante and ex-post checks that the conditions are met and shall prepare the appropriate verification checklists.

During the implementation period, the Beneficiary shall be responsible for the on-going assessment and monitoring of the impact of the reforms on the 6 environmental objectives from the EU Taxonomy Regulation; in this respect, the WBIF shall provide the Beneficiary with all the necessary information on the assessment (in the preparation phase) and on-going monitoring of the respect of the DNSH principle for the infrastructural investments it is responsible for.

Mainstreaming

The Reform Agenda will also be implemented with the aim of promoting gender equality as a horizontal principle, contributing to the empowerment of women and girls and protection of women's and girls' rights in line with the EU Gender Action Plan (GAP III) and the UN Sustainable Development Goals. With Montenegro's Gender Equality Index 9.3 lower than the EU-27 average in 2023 (68.6 in 2022), the focus will be on addressing persisting gender inequalities.

In this regard, gender equality will be included in the implementation of the Reform Agenda. As a first step, in the preparation of the Reform Agenda, the proposed reforms were assessed in terms of their potential contribution to gender equality, women's and girls' empowerment, protection and enhancement of their rights, this made it possible to identify direct and indirect gender equality engagements with specific reforms. For example, direct impacts will stem from human capital reforms aimed in particular at increasing the employment of women, including female graduates from vocational schools, as well as opportunities arising from the digital and green transitions.

The implementation of reforms in this area is supported by numerous legal acts that cover the most important segments of this current topic. When it comes to Montenegrin legislation, the Constitution of Montenegro, adopted

¹ [200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2020/852/annexes/1/eng)

in 2007, includes issues of gender equality through two articles. Article 8 prohibits direct or indirect discrimination on any basis and defines that special measures to create conditions for achieving national, gender and overall equality, as well as the protection of persons in an unequal position, will not be considered discrimination. While Article 18 guarantees the equality of women and men and develops a policy of equal opportunities.

The Law on the Prohibition of Discrimination, adopted in 2010 and last amended in 2017, also defines direct and indirect discrimination. Discrimination on grounds of gender identity and sexual orientation is explicitly defined by Article 19. In this way, the implementation of the reforms in question can also have a strong legal basis.

In order to concretize the activities of the Government work program for 2024, it is planned to adopt the draft Law on Equality and Prohibition of Discrimination in the third quarter, with the aim of achieving full compliance with EU standards. The program also includes a report on the implementation of the National Strategy for Gender Equality (2021-2025) for the year 2023, with the aim of improving the application of the normative framework, improving education and the media to reduce stereotypes and increase the participation of women and people of different gender identities.

In the framework of Montenegro's Sustainable Development National Strategy for 2030, adopted in 2016, the UN Sustainable Development Goals (SDGs) are integrated. The results expected by this strategic document by 2030 include the elimination of political, economic and other discrimination based on gender, increasing the participation of women in political bodies, the elimination of all forms of violence against women and girls, equal participation in unpaid work and the reduction of gender differences in employment.

Another important document for this area is the National Gender Equality Strategy 2021-2025, which is aligned with EU policies in this area, with the aim of ending gender stereotypes, eliminating gender gaps in the labour market, achieving equal participation between men and women in different economic sectors, reducing the gender gap in salaries and pensions, and eliminating gender-based violence. In this section, it is important to note that the development of a new Gender Equality Strategy for 2025-2029 is in progress.

In regards with the particular Act, i.e. the 2015 Gender Equality Act, the most recent amendments to the law were brought into line with international treaties and EU directives relating to equality and equal treatment between women and men. These Directives include:

- Council Directive 79/7/EEC on the progressive implementation of the principle of equal treatment for men and women in matters of social security;
- Council Directive 2000/78/EC establishing a general framework for equal treatment in employment and occupation;
- Council Directive 2004/113/EC implementing the principle of equal treatment between men and women in the access to and supply of goods and services;
- Directive 2006/54/EC of the European Parliament and of the Council on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation;
- Directive 2010/41/EU of the European Parliament and of the Council on the application of the principle of equal treatment between men and women engaged in an activity in a self-employed capacity and repealing Council Directive 86/613/EEC

In addition, the abovementioned law requires full alignment with the legislation and standards resulting from the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and other international conventions, following the adoption by the Parliament of Montenegro of the Law on the Protection of Equality and the Prohibition of Discrimination.

In terms of social services, it is planned to provide a shelter for victims of human trafficking and gender-based violence that will support victims of the most extreme manifestations of gender inequality in Montenegro. Among the indirect impacts, accelerating the digitization of public services can act as a key factor in empowering women and improving their access to public services, as well as improving work-life balance, while improving energy efficiency in households and low-income households will have a positive impact on women's health.

Accessibility will be provided in line with the *United Nations Convention on the Rights of Persons with Disabilities (UNCRPD)*. Special attention should be paid to the provision of digital accessibility. Persons with disabilities face significant barriers in accessing public services and the need for internet access to services is particularly high among persons with disabilities. The principle of digital accessibility will be respected by the WCAG standards and compliance with Directive (EU) 2019/882 on accessibility requirements for products and services, focusing on the implementation of accessible digital logic. The overarching design principle should be considered in relation to the buildings and infrastructure included in the reform agenda.

PART II: DESCRIPTION OF POLICY SCOPE AND RELATED REFORMS

In accordance with the general development strategies of Montenegro and the strategic approach that will be provided through the Instrument for reform and growth for the WB, the Government of Montenegro has chosen four thematic policy objectives as key priorities for the development of specific reform measures: **the business environment and private sector development, digital and energy/green transition, human capital development and fundamental rights/rule of law.**

This section of the Reform Agendas includes a comprehensive presentation of the measures (qualitative and quantitative steps) that Montenegro shall implement over the duration of the implementation of the Reform and Growth Facility in line with the detailed specifications and timetable in Annex I to the Reform Agenda.

The timetable of the planned implementation of measures is established over six-month periods starting on 31 December 2024 and ending on 31 December 2027. According to Regulation (EU) 2024/1449, the final implementation date of 31 December 2027 for the fulfilment of the payment conditions related to the final set of measures includes the time necessary for the Commission to evaluate the successful fulfilment of the payment conditions concerned and the subsequent adoption of the release decision by the Commission. Accordingly, and as prescribed by Article 13(1), point (i) Regulation (EU) 2024/1449, Montenegro must implement the agreed qualitative and quantitative steps by 31 August 2027 at the latest, and submit a duly justified request for the release of funds in respect of fulfilled payment conditions related to these quantitative and qualitative steps without delay.

Pursuant to Article 21(5) Regulation (EU) 2024/1449, in case the Commission has negatively assessed the fulfilment of the payment conditions, Montenegro may take the necessary measures to ensure satisfactory fulfilment of the corresponding conditions within a period of 12 months from the initial negative assessment referred to in Article 21(4) Regulation (EU) 2024/1449. During the first year of implementation, a deadline of 24 months applies, calculated from the initial negative assessment. In any event, and as established in Article 21(6) Regulation (EU) 2024/1449, any amount corresponding to payment conditions that have not been fulfilled by 31 December 2028 shall not be due to Montenegro.

POLICY AREA 1: BUSINESS ENVIRONMENT AND PRIVATE SECTOR DEVELOPMENT

Reforms in this area are dedicated to improving the business environment (including reforms related to the management of state-owned enterprises), as well as implementing several measures related to improving the regulatory environment and strengthening business competitiveness. The development of the private sector requires an appropriate financial framework that aims to provide affordable access to finance to SME sector, making accessible financing models available and creating new models designed to meet the needs of small and medium-sized enterprises. Furthermore, further improving the regulatory business environment and reducing the administrative burden on companies remains an important objective of government policy.

Given the need to improve the business environment and private sector development, the Reform Agenda aims to implement measures to improve the business environment (including reforms related to the management of state-owned enterprises), and to implement measures related to improving the regulatory environment and strengthening business competitiveness. In terms of the business environment, key reform measures will be dedicated to reforms in state-owned enterprise management, employment and governance, including the development of a state ownership strategy for state-owned enterprises, cover segments of sound fiscal risk assessment for state-owned enterprises and climate policy when developing the business plan for state-owned enterprises. It is also an important segment of improving the business environment by insisting on fair, competitive, transparent and financially accountable public procurement procedures, contracts and intergovernmental agreements.

The system will also be developed to ensure the implementation of contracts, collect debt claims and resolve the issue of blocked accounts. Also, the goal of the Government of Montenegro is to continuously provide support through a series of financial and non-financial mechanisms, in order to further develop the private sector and thereby improve the competitiveness of the economy. By creating conditions for easier business operations of micro, small and medium enterprises and by creating an attractive business environment, their competitiveness is affected, which will further contribute to the long-term growth and development of the Montenegrin economy. The transition to the standards of the European Union for development policy is of key importance for the creation of specific framework conditions with the aim of increasing competitiveness and innovation, i.e. the growth of the micro, small and medium enterprises sector, as an important priority of Montenegro. Within that process, micro, small and medium-sized enterprises face challenges, of which access to financial resources stands out as one of the biggest obstacles in business.

In order to improve the overall competitiveness of the business sector, the Government of Montenegro is committed to reducing the administrative and regulatory burden on enterprises.

In accordance with the findings presented in the Report on Obstacles in Business published by the Secretariat to the Competitiveness Council in September 2023, 62 business barriers were identified, and legislative changes are necessary to overcome 28 of the total number. In order to harmonize the perception of business barriers among business associations and relevant institutions, it is necessary to provide a systematic audit of the identified barriers, with recommendations for their removal. In addition to changes and adoption of legislation, the process of removing business obstacles requires the involvement of relevant institutions and business associations. Recognizing business obstacles and proposing ways to remove them would reduce the administrative burden for micro, small and medium enterprises, which would contribute to a more favourable business environment.

SECTOR 1.1: BUSINESS ENVIRONMENT

One of the priorities of the Government of Montenegro is to improve the regulatory framework relating to the operation of state-owned enterprises, which will be realized in a way that strengthens the application of legal norms, as well as the empowerment and accountability of the Government and the government's policy bodies/organizations.

Considering the great importance of the state-owned sector in the development of the overall economy, the implementation of the reform in this area contributes to the protection of the national interest and the Protection of Interest and the establishment of a quality system of good corporate governance and an adequate mechanism for the State to manage state companies more efficiently.

Acknowledging the specificities of the Montenegrin economy (small and open system highly sensitive to the changing geopolitical and economic environment) and the importance of state-owned companies for the Montenegrin economy and citizens, a proactive approach in monitoring fiscal risks, especially those emanating from the state-owned enterprise sector, is essential.

Corporate governance is crucial for efficient management and achieving the best possible business results of state-owned enterprises. Corporate governance refers to the way in which organizations manage and control business in order to ensure the basic principles of transparent, efficient and responsible business. In the case of corporate management of state-owned companies, compliance with these basic business principles is even more important, considering the fact that public funds and property are being managed, and that the greatest degree of responsibility towards citizens should be ensured. Therefore, the introduction of corporate governance standards contributes significantly to the improvement of governance in the public sector.

With the aim of professionalizing the management and supervisory bodies in the government enterprise sector, the criteria for the election process for board of directors in these enterprises would be laid down. The realization of the planned activities creates the preconditions for the sector of state-owned enterprises to be a significant driver of economic development in the country, with the very important strengthening of the export performance.

Reform 1.1.1. Reforming the governance of State-Owned Enterprises (SOEs). Improving the governance, efficiency, and accountability of State-Owned Enterprises (SOEs) to enhance their contribution to the economy.

In the legal system of Montenegro, the Law on Public Enterprises has been in force since 1991 and it explicitly prescribed activities of public interest, the way of establishing public enterprises, their management, profit distribution and capital management. However, this law ceases to be valid after the adoption of the Law on Improvement of the Business Environment in 2010, thereby losing the legal definition of activities of public interest and other important provisions of this law. Therefore, SOEs whose majority owner and founder is the State, since 2010 have been operating in accordance with the Company Law (Law on business undertakings), special laws and their articles of incorporation, in accordance with the Law on Improvement of the Business Environment. Despite the legal obligation to reorganize public enterprises in accordance with the Company Law, within three years from the entry into force of the Law on Improving the Business Environment, three of them are still operating as public companies. Therefore, the unfavourable regulatory framework is directly linked to the legacy of the unfinished transition. This concerns in particular weaknesses in corporate governance in majority state-owned enterprises (hereinafter: SOEs) as a structural challenge. The International Monetary Fund states in the 2022 report to Montenegro from February that 'the overall framework for overseeing the operation of public enterprises is weak' and that 'strengthening surveillance can bring significant fiscal and economic benefits'. Inefficient and/or poor governance of state enterprises, they impose significant economic and fiscal costs on the State. These are reflected through the activation of guarantees for the loans of certain state enterprises, the allocation of significant funds from the budget allocated to certain economic companies, loans from the budget.

Montenegro has a significant number of state-owned enterprises belonging to various sectors of the economy. SOEs are main actors in the areas such as energy and mining, traffic/transport (railway, air, road) but also are present in tourism, radio communications and telecommunications, other types of industry, environment and forestry, science and innovation, etc. In the period 2018-2023, the growing trend of the total annual business expenses of SOEs is

visible, with the exception of 2020, when expenses recorded a decline due to the negative consequences of the COVID pandemic. By looking at the data at the individual level, most companies record an increase in expenses during 2020 as well, while the downward trend is dominantly determined by the bankruptcy of Montenegro Airlines. The overall net result achieved, for example, at the end of 2021 was negative in the amount of EUR 4.9 million, while at the end of 2022 a positive net result was achieved in the amount of EUR 17.7 million. Compared to 2021, when half of the companies achieved a positive business result, in 2022 there was an improvement, so nearly 60% of the companies achieved a positive business result. Also, the lost revenues of the state, which are conditioned by the poor management and operations of some of these companies. The state, as the majority owner, does not have a clear model of supervision over the operations of state-owned enterprises. For years, that supervision has been fragmented between several competent institutions, without a unified and standardized way of planning and reporting on the operations of state-owned enterprises.

The establishment of an adequate governance model and an efficient system of government supervision is a reform measure aimed at defining the State's clear ownership policy and a strategic approach to governance in these companies while defining the optimal model and oversight mechanisms to improve the business performance of government enterprises and reduce the fiscal risks of their operations. Thus, the objective of the measure is to improve corporate governance in the government enterprise sector and to establish a supervisory function, which will be reflected, inter alia, in the assessment and monitoring of the financial and fiscal risks of their operations.

Increasing the economic and fiscal potential of government enterprises and reducing the fiscal risks of their operations will be achieved, inter alia, through the definition of strategic priorities and the establishment of a functional system of governance, notably through the establishment of new criteria for the election of the members of the governing bodies.

The strengthening of good corporate governance practices is expected to increase the competitiveness of state-owned enterprises and a more loyal competitive match in the market. The introduction of strategic priorities and better governance will result in a more efficient operation of state-owned enterprises, increasing market competitiveness and productivity. Focusing on better risk management and strategic priorities contributes to their long-term sustainability.

Improved supervision and improved corporate governance of state-owned enterprises makes their business more profitable, more efficient use and greater transparency in employment policy. The implementation of this measure will also contribute to making the businesses of these businesses more socially responsible and more efficient in servicing them. Better corporate governance will guide state-owned enterprises towards a market with higher growth potential, which can lead to an increase in business volumes and thus higher employment.

More efficient corporate governance in government enterprises, imply a more responsible management of funds, as well as investing in the mitigation and adaptation of the effects of climate change and decarbonisation, which should, in particular, have an effect on enterprises in energy and transport sector. E.g. the Reform of Corporative Governance to the National energy company (Elektroprivreda EPCG - Montenegrin Electric Enterprise) will also contribute to a faster decarbonisation in Montenegro through the transition to the use of clean technologies in electricity production, which will have a positive effect on the environment and climate change.

Beneficiaries are all public enterprises and majority state-owned enterprises, but also those whose founder or majority owner is a local government unit. Interested parties are the State, local self-government units and ultimately all citizens of Montenegro.

The dominant competence for the implementation of the defined steps lies with the Ministry of Finance, which will carry out the reform activities in coordination with all other line ministries and other competent institutions.

Several key steps need to be taken by the end of 2026 for this reform measure to be realized:

Step 1 -Register of SOEs. *Keeping a publicly available and up to date register of SOEs and companies with State's participation, including municipal companies. The register should be regularly updated with all relevant data on the financial performance of SOEs [liquidity, profitability, solvency], as well as the data on results of external audits.*

In 2023, the Ministry of Finance undertook data collection activities for the purpose of creating a public register of public enterprises and majority state-owned companies with all the necessary and relevant information, with a view of creating a more efficient fiscal risk reporting base that would improve transparency as well as the supervisory and control function of the Government of Montenegro in this area. The aim is to establish a reliable database and an efficient system of evaluation and monitoring of the fiscal risks of government enterprises. Finally, at the end of February in 2024, a public register was published for the first time, covering, in addition to basic information on government owned companies, the key indicators of their past financial operations, as well as an assessment of fiscal risks. In the coming period, the register will be further upgraded and updated slightly with an indicator display for each completed financial year. By the end of 2024, the register will be updated with the list of all identified SOEs at

the local level, including basic information on each of those SOEs. Later, during 2025 and 2026, public register will be updated with all relevant financial performance data (ratios of liquidity, profitability, and solvency) of municipality SOEs with assessment of fiscal risks and information on conducted external audits, where applicable.

Register will contain information on board of directors, executive management, audit committees, internal audit function, etc.

Step 2 - Corporate governance and accountability. Amend corporate law or adopt new law/bylaw to introduce new rules and criteria for the nomination and selection of board members of SOEs. The nominations are to be subject to an open, independent and merit-based selection process, while also increasing diversity and number of independent board members. Strengthen the governance, ownership function and oversight of SOEs by establishing the performance-based incentives to assess the efficiency of SOEs based on mandatory annual financial reports, which should be available in the register of SOEs.

Corporate governance is crucial for efficient management and achieving the best possible business results of state-owned enterprises. Corporate governance refers to the way organizations manage and control business in order to ensure the basic principles of transparent, efficient and responsible business. In the case of corporate management of state-owned companies, compliance with these basic business principles is even more important, considering the fact that public funds and assets are being managed, and that the greatest degree of responsibility towards citizens should be ensured. Therefore, the introduction of corporate governance standards contributes significantly to the improvement of governance in the public sector.

The main guidelines in international practice are the OECD Guidelines for corporate governance in state-owned enterprises, which were created as a product of the practical experience of OECD member countries. These guidelines provide concrete proposals related to the establishment of a centralized ownership body that will operate in accordance with the publicly announced ownership policy, with a clear separation of ownership and regulatory functions of the state. In addition to the above, these guidelines recommend that state enterprises establish a high standard of transparency, with fair treatment of all shareholders/shares in ownership and improvement of relations with interested parties. These guidelines place special emphasis on the responsibility of the board of directors for the company's results, who are expected to be competent, highly responsible, personnel with integrity, motivated to work in the best interest of the company.

Bearing in mind the macroeconomic importance of the SOE sector for the Montenegrin economy, a special emphasis of the Government of Montenegro is placed on the further reform of SOE sector by improving the regulatory framework and improving their corporate governance. In addition, with the aim of professionalizing management and supervisory bodies in the sector of state-owned enterprises, criteria will be prescribed for the selection of members of the board of directors in these enterprises. By implementing the planned activities, the preconditions are created for the SOE sector to be a significant driver of economic development in the country, with the very important strengthening of the export component.

As a result of the implementation of the reform measure, Montenegro will have a clearly defined strategic framework for the governance of majority state-owned enterprises with an action plan for further reform in this area as well as a clearly defined State ownership policy in these companies. It is planned that the proposal of the Strategy will be prepared by the end of the first quarter of 2025 and will represent a unique act that provides a strategic vision and guidelines regarding the goals of the ownership policy and corporate management of economic entities, as well as the principles of corporate management and supervision in accordance with international standards and best practice. The improvement of the regulatory framework will be further achieved through the adoption of amendments to existing laws or through the adoption of a new legal solution regulating the operation of state-owned enterprises. A proposal for new legislature or amendments to the existing laws will be prepared by the end of 2024. In addition, with a view of professionalising the management and supervisory bodies in the government enterprise sector, the criteria laid down for the election of directors' board members in state enterprises would be laid down. Appointments will be subject to an open, independent and merit-based selection process, increasing the diversity of boards and the number of independent board members. So, a special focus of action should be on the professionalization of management, where clear criteria will be prescribed for the selection of the best personnel, which will raise the level of responsibility and independence of management.

Step 3 - Establish an effective oversight system of assessing, monitoring and reporting on financial performance and fiscal risks of SOEs. Fiscal risks of SOEs which potentially may have an impact on the central budget will be systematically assessed and monitored by, inter alia, publishing annual aggregate SOE portfolio reports and Statement on fiscal risks to the central budget that come from SOEs

Respecting the specifics of the Montenegrin economy (a small and open system highly sensitive to changes in the geopolitical and economic environment), and the share and importance that SOEs have for the Montenegrin economy

and citizens, a proactive approach is necessary in monitoring fiscal risks, especially those coming from of the SOE sector.

Therefore, the Ministry of Finance has been provided technical assistance by International Monetary Fund and launched the initiative "Strengthening supervision over state-owned enterprises". Four remote missions were held, which were of inestimable importance for the further development of the economic analytical capacities of the Ministry of Finance. A tool for assessing the economic condition of state-owned enterprises (SOE HCT) was developed with a clearly defined methodology for conducting fiscal risk assessment. However, this methodology needs to be further improved, i.e. adapt to the context of the Montenegrin economy. Three sets of online meetings were held with almost 20 SOEs in total, and financial statements were analysed with an overview of future reform and investment activities that would have (positive or negative) effects on the operations of the companies, and consequently, had an impact on the central budget.

To mitigate potential fiscal risks posed by State-Owned Enterprises (SOEs) and their impact on the central budget, a comprehensive and systematic assessment and monitoring framework will be established. This reform aims to ensure effective oversight of the financial performance and fiscal risks associated with SOEs. Fiscal risks of SOEs, which could potentially impact the central budget, will be regularly and systematically assessed through SOE Health Check Tool. A robust monitoring system will be put in place to continuously track these risks. To provide a comprehensive overview of the financial performance and risk exposure of all SOEs, Ministry of Finance will conduct financial analyses of SOEs for each financial year and, on the basis of results of those analyses, prepare and publish annual aggregate SOE portfolio reports with assessment of fiscal risks into one of 5 categories according to the IMF methodology. Additionally, a Statement on fiscal risks to the central budget arising from SOEs will be issued annually, detailing potential impacts and risk factors. The entire framework and oversight system should be fully implemented by December 2026. By adhering to these actions, the reform will enhance transparency, accountability, and governance of SOEs, thereby safeguarding the central budget from potential fiscal risks. This initiative is in line with the broader goals of financial stability and sustainable economic development.

Step 4 - Risk management, internal audit and audit committees. SOEs shall establish an independent internal audit function and risk management following internationally recognized frameworks and standards, as well as the EU good practice on public internal financial control (PIFC). Moreover, SOEs will establish the functional audit committees in line with the relevant Law.

The Ministry of Finance (MF) is committed to establishing an independent internal audit and risk management function at the level of the public sector as a whole, in accordance with internationally recognized frameworks and standards, as well as EU good practice on public internal financial control (PIFC). Internal Audit function should be established and performed in line with the International Professional Practices Framework adopted by Audit Standards Board of the Institute of Internal Auditors (IIA), i.e. Global Internal Audit Standards (IIA) adopted by the Institute of Internal Auditors (IIA). The principles of effective internal controls (including the risk management) are defined in the COSO Integrated Framework for Internal Controls. The framework has wide application and is recognized by the European Union as a best practice. Applying the COSO framework provides reasonable assurance that business, reporting and compliance objectives will be achieved.

In that regard, the MF organises and produces annually specific programme for the certification of internal public sector auditors as a continuous professional training programme for both internal auditors and persons in charge of managing risks and coordinating the establishment of internal control in public sector entities.

Also, the emphasis of the Ministry of Finance is on the establishment of effective audit committees in public companies and companies with majority state ownership. In this context, work will be done to amend the legislation that will make the role and competences of audit committees clearer and more complete, as well as the criteria and selection process for the members of these committees. In addition, we will work on providing education and training for all members of audit committees in the government enterprise sector.

Step 5 - Management appointments and financial reporting. 100% of new Board members are appointed in accordance with the newly established rules / criteria, i.e. are the subject to an open, independent and merit-based selection process. Majority (at least 51%) of existing Board members are subject to a reassessment in line with newly established rules and criteria. 80% of SOEs have published annual financial reports.

In this segment, work will be done on developing clear legal and transparent procedures for the selection of members of the board of directors, which will require that governing bodies and executive management have competence and be independent in order to adequately protect interests of companies. Raising the standards of corporate governance contributes to respect for the principles of responsibility, independence, efficiency and transparency in the operations of state enterprises. New board members will be appointed in accordance with the newly established rules/criteria,

i.e. will be subject to an open, independent and merit-based selection process while the majority of existing board members will be subject to re-evaluation in accordance with newly established rules and criteria.

Table 1: Overview of reform steps 1.1.1.

Title of the step	Responsible institution	Implementation deadline
SOEs Register. Keeping a publicly available and up to date register of SOEs and companies with State's participation, including municipal companies. The register will should be regularly updated with include all relevant data on the financial performance of SOEs (liquidity, profitability, solvency), as well as the data on results of external audits.	Ministry of Finance	December 2024
Corporate governance and accountability. Amend corporate law or adopt new law/bylaw to introduce new rules and criteria for the nomination and selection of board members of SOEs. The nominations are to be subject to an open, independent and merit-based selection process, while also increasing diversity and number of independent board members. Strengthen the governance, ownership function and oversight of SOEs by establishing the performance-based incentives to assess the efficiency of SOEs based on mandatory annual financial reports, which should be available in the register of SOEs.	Ministry of Finance and all other line ministries	June 2025
Establish an effective oversight system of assessing, monitoring and reporting on financial performance and fiscal risks of SOEs. Fiscal risks of SOEs which potentially may have an impact on the central budget will be systematically assessed through IMF SOE Health Check Tool and monitored by, inter alia, publishing annual aggregate SOE portfolio reports and Statement on fiscal risks to the central budget that come from SOEs.	Ministry of Finance and all other line ministries	December 2026
Risk management, internal audit and audit committees. SOEs shall establish an independent internal audit function and risks management following internationally recognized frameworks and standards (the International Professional Practices Framework adopted by Audit Standards Board of the Institute of Internal Auditors (IIA), i.e. Global Internal Audit Standards (IIA) adopted by the Institute of Internal Auditors (IIA) and COSO Integrated Framework for Internal Controls), as well as the EU good practice on public internal financial control (PIFC). Moreover, SOEs will establish the functional audit committees in line with the relevant Law.	Ministry of Finance and all other line ministries	June 2026
Management appointments and financial reporting. 100% of new Board members are appointed in accordance with the newly established rules / criteria, i.e. are the subject to an open, independent and merit-based selection process. Majority (at least 51%) of existing Board members are subject to a reassessment in line with newly established rules and criteria. 80% of SOEs have published annual financial reports.	Ministry of Finance and all other line ministries	December 2026

Reform 1.1.2. Revising public procurement processes and State Aid policies. Enhancing transparency, efficiency, and integrity in the public procurement processes and State Aid.

Within the framework of reform 1.1.2, Revising Public Procurement Procedures and State Aid Policy, there are five steps aimed at enhancing transparency, efficiency, and integrity in public procurement and state aid processes.

Montenegrin public procurement system has been assessed in relevant progress reports as well-aligned to the EU legislation and practice in this area. However, there is still room for improvement and the Ministry of Finance is dedicated to pursuing reforms in this field in order to make the public procurement system as compliant as possible with the EU principles, while considering the country's specific business environment and general public interest.

The first step, titled Inter-governmental agreements and third-country contracts, involves improving the existing software solution by integrating a new functionality. This functionality will enable contracting authorities to publish these types of contracts with all accompanying elements. This feature is being introduced based on the recommendations of the European Commission, which requires transparency for all public procurement contracts, including those exempted from the application of national legislation in this area. Implementing this functionality also entails informing all contracting authorities of the new obligation, which is the second activity that the Ministry of Finance will undertake to ensure its efficient operation.

The second step focuses on limiting deviations on provisions or procedures within intergovernmental agreements that allow deviations from national public procurement legislation aligned with the EU. This step is crucial for preventing potential abuses and ensuring equal conditions for all participants in public procurement procedures. Ensuring compliance with the legal framework is an important step towards increasing legal certainty and fair market competition.

The third step involves revising the anti-corruption framework, integrity standards, and conflict-of-interest rules in public procurement, in line with amendments to the Law on Prevention of Corruption. These changes will strengthen institutional mechanisms for combating corruption and increase the accountability of all participants in public procurement processes. The goal is to ensure transparent and ethical procedures, minimizing the risk of abuse.

The fourth step concerns reducing the share of direct procurement, i.e., purchases below the value of €8,000, which are conducted without the publication of a contract notice. The plan is to reduce this share to 2% of the total value of public procurement by December 2026. An annual reduction of at least 3% during the 2024–2025 period will contribute to increasing competitiveness and allow a greater number of participants in procurement procedures, ensuring more efficient use of public funds.

The activity supporting implementation of the above step is the introduction of enhanced inspection control over the use of direct procurement, contributing to the fulfilment of the projections regarding the reduction of their share in the total value of public procurement. The Ministry of Finance will instruct the Public Procurement Inspection to pay special attention to procurements up to 8,000.00 EUR and their total value in relation to the executed budget, during both regular and initiative-based inspections. The Ministry of Finance has also introduced a control mechanism over simplified procurement procedures through monitoring these processes. Activities have been carried out to prepare the documents and functions of the electronic procurement system to implement this mechanism, which became operational on January 1, 2024. This mechanism allows bidders participating in simplified procurement procedures to submit a request for process monitoring, thereby preventing violations of basic public procurement principles and potential irregularities in the conduct of this type of procedure.

Finally, the fifth step envisions the adoption of a new Law on Competition Protection and a new Law on State Aid Control, ensuring the complete financial independence of the Agency for Competition Protection and State Aid Control. These laws will further enhance the regulatory framework for state aid control, ensuring greater market competitiveness and preventing unfair advantages for certain entities.

The implementation of these measures is crucial for further improving the public procurement and state aid system in Montenegro, contributing to greater transparency, integrity, and efficiency in public sector operations.

The Ministry of Finance, specifically the Directorate for Public Investment Management and Public Procurement Policy, is responsible for creating the political and legal framework in this area according to European Union standards and practices and monitoring the public procurement system. The Public Procurement Inspection operates within the Directorate for Inspection Affairs and performs inspection oversight and monitoring of the legality of the application of regulations in the field of public procurement. Contracting authorities (public and sectoral) are obligated to apply the legal framework in the field of public procurement.

To implement this reform, the following steps need to be taken by the end of the second quarter of 2027:

Step1-Inter-governmental agreements and third-country contracts. The level of transparency regarding all projects (completed, ongoing and future contracts) contracted under intergovernmental agreements is increased by introducing and making publicly available project-specific information in the e-procurement system

International agreements financed by international organisations and the Gov2G agreements have so far been exempted from the obligation to publish publicly on the website, namely the electronic system of public procurement. However, under the Public Procurement Law, the contracting authority is required to notify the Ministry of contracts concluded or agreements within 30 days from the date of signature. In order to improve the transparency of the system, the Ministry of Finance will make available all such contracts/agreements with the related elements of these contracts, in accordance with the requirements of the European Commission, through a software solution integrated in the electronic procurement system that will support this step. This functionality will enable contracting authorities to publish these types of contracts with all accompanying elements, which include the following: Name of the project; Procurement contract value; Basic procurement contract information; Contracting authority; Main contractor; Procurement procedure followed; State of play of the project according to an established project management methodology; Studies and public consultations made, including impact on environment and other technical surveys, cost-benefit and feasibility studies; Information on how EU standards have been respected, including the principles of transparency and equal treatment in public procurement..

The Ministry of Finance has already undertaken activities on implementation of this step, i.e., the functionality on e-procurement system enabling publishing of intergovernmental agreements was introduced in June 2024. Implementing this functionality also entails informing all contracting authorities of the new obligation, which is the second activity that the Ministry of Finance undertook within this step to ensure its efficient operation. The Ministry will monitor number and structure of published intergovernmental agreements and report semi-annually and annually thereof.

Step 2 - 100% of all intergovernmental agreements and contracts with third countries concluded since December 2026 fully comply with EU rules on public procurement (with exception of defense and security sectors).

As part of the reform aimed at improving the public procurement system and aligning it with European standards, special attention has been given to eliminating any legal provisions or procedures that could undermine this framework. Specifically, the introduction of legal provisions or procedures in intergovernmental agreements that allow deviations from public procurement regulations aligned with EU legislation is prohibited. This measure is designed to ensure consistent adherence to the principles of transparency, equal treatment, and market competition in all procurement processes, regardless of the type of contract or agreement. By implementing this prohibition, potential abuses and preferential treatment are prevented, ensuring that all participants in procurement procedures have equal opportunities and that processes are conducted in line with the highest EU standards.

This measure represents a key step in establishing a clear legal framework that ensures intergovernmental agreements are not used as a means to circumvent the application of national and European public procurement laws. Additionally, it strengthens legal certainty and builds confidence among domestic and international economic operators in the fairness of the public procurement system.

Step 3 - Anti-corruption framework. Following the adoption of the Law on amendments to the Law on the prevention of corruption, revise the anti-corruption, integrity and conflict of interest framework for public procurements and implement the changes

The step involves revising and strengthening the anti-corruption, integrity, and conflict of interest framework in public procurements, in alignment with the recent amendments to the Law on the Prevention of Corruption. This entails conducting a thorough review of the current regulations and policies to ensure they effectively prevent corruption in procurement processes. Key components of the framework, such as transparency, accountability, and ethical conduct, must be updated to reflect the new legal provisions. This includes implementing stricter guidelines to manage conflicts of interest and enhancing the integrity of all individuals involved in the procurement process, such as public officials, bidders, and contractors. The revised framework should introduce clear mechanisms for detecting and addressing corrupt practices, as well as more stringent monitoring and reporting requirements. After revising the framework, the changes need to be systematically implemented across all relevant institutions and procurement procedures, ensuring compliance through training, supervision, and, if necessary, enforcement actions to uphold the principles of fairness and transparency. The ultimate goal is to build a robust system that reduces the risk of corruption, fosters trust in public procurement processes, and ensures that public resources are used efficiently and ethically.

Step 4 - Competitiveness and efficiency of the procurement market. *The value of procurements published without the publication of the contract notice (direct procurement with a value below 8.000,00 EUR) should be reduced to 2 percentage points of total public procurements value by December 2026. Annual reduction by at least 3 percentage points of the total public procurements value should take place in both 2024 and 2025*

This step aims to enhance the competitiveness and efficiency of the public procurement market by significantly reducing the use of direct procurement, which occurs without the publication of a contract notice, for contracts valued below EUR 8,000. The goal is to reduce the value of such direct procurements to only 2% of the total public procurement value by December 2026. This approach is designed to promote greater transparency, increase competition, and ensure fair access for all potential suppliers, particularly for contracts that might otherwise bypass competitive bidding procedures.

In 2023, the number of contracts or invoices conducted through direct procurement was 176,107, amounting to 64,609,651.01 euros. Strengthening control over the implementation of public procurement procedures by introducing monitoring of simple procurements began in January 2024, which led to amendments to the Rulebook on the Method of Conducting Simple Procurement. To improve the efficiency and competitiveness of the public procurement market, new amendments to the Rulebook on the Method of Conducting Simple Procurement have been adopted in June 2024 to set the maximum annual value of direct procurements at 100,000.00 euros. This aims to reduce the share of this type of procurement to 2% of the total value of public procurement by the end of 2026.

The Public Procurement Inspection, in accordance with the Public Procurement Law, conducts inspection oversight of the work of contracting authorities. In the upcoming period, in order to achieve the above target percentage of direct procurement in relation to total value of public procurement, the Inspection will intensify its activities to monitor the implementation of direct procurement, guiding contracting authorities towards more transparent public procurement procedures. This will improve market competitiveness, as mentioned above.

To achieve this step, an annual reduction of at least 3 percentage points in the total value of direct procurements is targeted for both 2024 and 2025. These reductions will progressively limit the use of direct procurement, encouraging the use of more open and competitive procurement methods. This shift is expected to improve efficiency in public spending, as greater competition typically leads to better pricing and higher quality services or goods. Moreover, this change will help mitigate the risk of favoritism and corruption, as it ensures that more contracts are subjected to public scrutiny through formal bidding processes. The ultimate objective is to foster a more competitive, transparent, and efficient procurement environment that maximizes the value of public resources and ensures equal opportunity for all market participants.

Step 5 - Adoption by Parliament of the new Law on Protection of Competition and the new Law on the control of State aid, ensuring full financial independence of the Agency for Protection of State Aid and Competition to enforce state aid control and competition rules

This step focuses on the adoption of two new key pieces of legislation: the Law on Protection of Competition and the Law on the Control of State Aid, aimed at strengthening the regulatory framework for market competition and state aid control. The new Law on Protection of Competition is intended to create a more transparent and competitive business environment by enforcing rules that prevent monopolistic practices, cartels, and other forms of anti-competitive behavior. The Law on the Control of State Aid will establish clear guidelines for the provision of state aid to businesses, ensuring that such aid does not distort competition or unfairly favor specific companies.

A crucial aspect of this step is to ensure that the Agency for Protection of State Aid and Competition has full financial independence. This is essential for the agency to effectively enforce the newly adopted laws without undue influence from external entities or government bodies. Financial autonomy will enable the agency to operate with impartiality, ensuring that state aid control and competition rules are applied consistently and fairly across all sectors. Additionally, it will provide the necessary resources for the agency to conduct thorough investigations, monitor compliance, and take corrective actions when necessary. The overarching goal is to ensure a level playing field in the market, fostering innovation, fair competition, and efficient allocation of state resources.

Table 2 - Overview of reform steps 1.1.2

Title of the step	Responsible institution	Implementation deadline
<p>Inter-governmental agreements and third-country contracts. The level of transparency regarding all projects (completed, ongoing and future contracts) contracted under intergovernmental agreements is increased by introducing and making publicly available project-specific information in the e-procurement system. The following elements should be available:</p> <ul style="list-style-type: none"> • Name of the project 	Ministry of finance/contracting authorities	December 2024

<ul style="list-style-type: none"> • Procurement contract value • Basic procurement contract information • Contracting authority • Main contractor • Procurement procedure followed • State of play of the project according to an established project management methodology. • Studies and public consultations made, including impact on environment and other technical surveys, cost-benefit and feasibility studies. • Information on how EU standards have been respected, including the principles of transparency and equal treatment in public procurement 		
100% of all intergovernmental agreements and contracts with third countries concluded since December 2026 fully comply with EU rules on public procurement (with exception of defense and security sectors)	Ministry of Finance	June 2027
Anti-corruption framework. Following the adoption of the Law on amendments to the Law on the prevention of corruption, revise the anti-corruption, integrity and conflict of interest framework for public procurements and implement the changes (June 2025)	Ministry of Justice and Agency for Prevention of Corruption	June 2025
Competitiveness and efficiency of the procurement market. The value of procurements published without the publication of the contract notice (direct procurement with a value below 8.000,00 EUR) should be reduced to 2 percentage points of total public procurements value by December 2026. Annual reduction by at least 3 percentage points of the total public procurements value should take place in both 2024 and 2025	Ministry of Finance	December 2026
Adoption by Parliament of the new Law on Protection of Competition and the new Law on the control of State aid, ensuring full financial independence of the Agency for Protection of State Aid and Competition to enforce state aid control and competition rules	Agency for protection of competition	December 2025

Reform 1.1.3. Dismantling regulatory barriers and facilitating the conduct of business

The implementation of the reform measure aims to simplify administrative procedures and enhance the electronic accessibility of public services significant to the economy, as well as improve the process of preparing legal regulations affecting businesses. The implemented reform measure is intended to contribute to establishing a reliable, predictable, and conducive environment for conducting economic activities, reducing unnecessary administrative costs and other barriers, ensuring legal certainty, minimizing the negative impact of corruptive factors, and fostering dynamic economic growth.

Activities under the reform measure will focus on continuing the full electronic registration for all enterprises, further contributing to removing business barriers, improving the business environment, and encouraging domestic and foreign investments.

The participation of SMEs representatives in activities analysing, planning, and shaping public policies contributes to enhancing public-private dialogue, strengthening cooperation between the public and private sectors, and adopting joint solutions to ensure the implementation of complex reform processes. Systematic engagement of all relevant stakeholders in planning and shaping measures affecting enterprises remains a focal point of the Competitiveness Council's work. In this context, the Secretariat of the Competitiveness Council prepares a Report on the status of business barriers faced by the business community, and intensifies the process of barrier elimination.

Table 3 - Overview of the steps for reform 1.1.3.

Title of the step	Responsible institution	Implementation deadline
<p>Alignment with the Law on Business organisations registration, New Law on business organisation registration will recognise and define the status of active and inactive companies. Company register is updated regularly to remove defunct companies from the registers (in line with the Law on Business organisations registration). Consistency is ensured between debtor register of the Central bank and the company register (current discrepancy 15% of the companies with blocked accounts not shown as debtors in the company registers). Consistency of 100% between the CBCG register and the company register is achieved</p>	<p>Ministry of Economic Development, Ministry of Finance / Tax Administration of Montenegro/ Central Registry of Business Entities CRBE MNE, Central Bank of Montenegro</p>	<p>Jun 2025</p>
<p>Public consultations and Regulatory Impact Assessments (primary). 100% of new legislation is subject to public consultation with businesses and civil society organisations and the local self-governments. 100% of new legislation is subject to RIA prior to public consultation</p>	<p>Ministry of Public Administration/ Ministry of Finance/Ministry of Economic Development and other responsible ministries</p>	<p>December 2025</p>
<p>E-registration for companies and e-payments. Electronic registration for all types of business entities is fully available. Overall preconditions for technical integration of the electronic register with the EU Business Register Interconnection System (BRIS) are established. Electronic payments of national and local fees, charges, levies and taxes are fully available</p>	<p>Tax Administration, Ministry of Public Administration, Ministry of Finance</p>	<p>June 2026</p>
<p>Blocked SME accounts. Addressing the issue of small and medium-size debts and deblocking of SMEs accounts (e.g. abolition of small debts with maturity over 24 months, reduction of medium sized debts). Implement e-procedure for SMEs to request the reduction/abolition of debt lower than 5000 EUR. Target: 80% of small companies with a debt lower than 5000 EUR and a maturity of 24 months should be subject to a quick and simple restructuring procedure (including the removal of the debt and the reopening of their account). Electronic system of exchange of information to facilitate efficient deblocking of SME accounts established by CBCG.</p>	<p>Ministry of Finance, Central Bank of Montenegro, Ministry of Public Administration</p>	<p>December 2026</p>
<p>Feedback on administrative barriers to business. Activities for addressing barriers to business of the administrative nature, registered by the Competitiveness Council Secretariat, including new barriers, are initiated by the public administration within 6 months from their registration in the list. Proposed actions to resolve them, indicative timelines and updates on progress are reported biannually to the Competitiveness Council Secretariat and made available to all Council members</p>	<p>Secretariat to the Competitiveness Council of Montenegro</p>	<p>December 2025</p>

Step 1 - Alignment with the Law on Business organisations registration, New Law on business organisation registration will recognise and define the status of active and inactive companies. Company register is updated regularly to remove defunct companies from the registers (in line with the Law on Business organisations registration). Consistency is ensured between debtor register of the Central bank and the company register (current discrepancy 15% of the companies with blocked accounts not shown as debtors in the company registers). Consistency of 100% between the CBCG register and the company register is achieved.

Bearing in mind that without good quality registries or authentic and up-to-date data, the introduction of new active/inactive/not up-to-date statuses, in accordance with the new Law on the Registration of Enterprises and Other Entities, is of fundamental importance for a quality Registry database. Indeed, the current regulation in Montenegro does not provide the basis for ‘cleaning’ the database, while countries from regions that had a similar problem of having a large number of inactive enterprises in the register, are carrying out a major ‘cleaning’ of the database, for which they found themselves in legally defined procedures. For this reason, as one of the key prerequisites for the functioning of the CRBEM is the provision of a database that will be accurate, that is, up-to-date and complete.

This will be possible precisely through the introduction of a new status “active/inactive” by the Law on the Registration of Business and Other Entities, which provides a good basis for ‘cleaning’ the register. Therefore, the status of inactive will be granted ex officio to a business or other entity when, at the end of the calendar year in which it was required to submit an annual financial report, in accordance with a special law, it does not submit it to the competent authority. The assignment of inactive status will indicate that the companies in question have no activities, do not fulfil legal obligations and are in trouble. As according to the current legislation, it is possible to assign the status "active" and "deleted" to a business company, the adoption of the new Law on the Registration of Business and Other Entities will require an upgrade of the existing software in CRPS. At the same time, in order to exchange data available to individual institutions, it will be necessary to ensure continuous cooperation, networking of existing registers, as well as strengthening of administrative capacities.

Table 4 - Overview of Implementation Step 1 activities for reform 1.1.3.

Activity title	Responsibility	Source of verification
Software upgrade	Tax Administration of Montenegro/ Central Registry of Business Entities CRBE MNE	Annual activity report of the institutions
Networking of registers	Tax Administration of Montenegro/ Central Bank of Montenegro CBM	Annual activity report of the institutions
Strengthening administrative capacity	Tax Administration of Montenegro/Central Bank of Montenegro CBM	Annual activity report of the institutions

Step 2 - Public consultations and Regulatory Impact Assessments (primary and secondary legislation). 100% of new legislation is subject to public consultation with businesses and civil society organizations and the local self-governments. 100% of new legislation is subject to RIA prior to public consultation.

Article 15 of the Decree on the election of representatives of non-governmental organizations to the working bodies of state administration bodies and the conduct of public hearings in the preparation of laws and strategies (“Official Gazette of Montenegro”, No. 041/18 of 28.06.2018) defined the obligation that RIA must also be published, in cases of conducting of public hearings with the draft of the law.

The assessment of the impact of regulations was formally integrated into the Montenegrin regulatory framework on January 1, 2012. This requirement is stipulated by Articles 33 and 40 of the Government’s Rules of Procedure (Official Gazette of Montenegro, 062/18). Article 33 mandates that the proposer is to conduct a Regulatory Impact Assessment (RIA) during the preparation of laws and other regulations, in accordance with guidelines from the Ministry of Finance. Furthermore, Article 40 stipulates that, along with the draft law, other regulation, or general act, the proposer must submit the RIA form, prepared in accordance with the Ministry of Finance’s guidelines. Additionally, the proposer must include the opinion of the Ministry of Finance on whether it is necessary to perform RIA or whether the RIA conducted by the proposer is adequate. The Ministry of Finance established RIA network. The RIA network represents a framework that aims to provide coordination in the process of preparing Regulatory Impact Assessment (RIA) Reports according to established quality standards. This network enables the efficient exchange of significant information for conducting better quality analyses of the effects of regulations, both within and between institutions. By establishing the network, this step involves working on: improvement of RIAs before public consultation is organized; preparation of the RIA should commence prior to the regulation drafting process itself; while drafting regulations, it is crucial to conduct a thorough analysis and ensure the involvement of all members of the Working Group in considering the aspects covered by the RIA; in the process of analysing the impact of regulations, it is necessary to adopt a more comprehensive approach to defining goals using SMART criteria; enhance skills for evaluating alternative options (regulatory/non regulatory) to achieve policy objectives; conduct detailed analysis of laws that create conditions for the imposition of new obligations and expenses; strengthen capacities for assessing the administrative costs that

regulations may impose on the economy and citizens, to more comprehensively understand the implications of regulations (through the use of standard cost model, multi-criteria analysis and cost-benefit analysis); enhance the ability to assess the long-term fiscal implications of regulations, including three year planning.

Table 5 - Overview of Implementation Step 2 - activities for reform 1.1.3.

Activity title	Responsibility	Source of verification
Improve the use of RIA rulemaking analysis for draft laws before public consultation is organized	Ministry of Public Administration/ Ministry of Finance/Ministry of Economic Development and other responsible ministries	Report on the implementation of the Regulation on the manner and procedure of achieving cooperation between state administration bodies and NGOs and the Regulation on the procedure and manner of conducting public hearings in the preparation of laws and other forms of cooperation between state administration bodies and non-governmental organizations Qualitative report on the implementation of Regulatory Impact Assessment (RIA) in Montenegro
Fulfil the obligation to organize public discussions involving representatives of the business community, civil society organizations, and local governments	Ministries responsible for preparing the legal framework for business community	Report on involvement of business sector in the process of preparing laws Reports of public hearings

Step 3 - E-registration for companies and e-payments. Electronic registration for all types of business entities is fully available. Overall preconditions for technical integration of the electronic register with the EU Business Register Interconnection System (BRIS) are established. Electronic payments of national and local fees, charges, levies and taxes are fully available.

An important segment in the establishment of e-Government is the electronic communication of the state with citizens and businesses entities. Modernizing business processes without physical presence leads to the digitalization of workflows through the use of information and communication technologies.

In this direction, numerous projects have been launched at all levels of administration aimed at enhancing the efficiency of business processes and improving service quality. The Ministry of Public Administration is working to create an environment for a modern digital government tailored to citizens, based on robust and secure digital infrastructure and key interoperable systems for easier and faster use of electronic services.

To facilitate the payment processes of state fees and services provided by state authorities and local governments, the Ministry of Public Administration has implemented the project to establish the Information System for Electronic Payment and Control of Administrative Fees and Charges (NS-NAT). NS-NAT is a platform that integrates functionalities for payments, collections, and reconciliation of payment records related to all administrative fees and charges prescribed by Montenegro's laws.

During 2023, in order to implement this project, the system has been enhanced to enable citizens to pay for services in the simplest manner possible. The system's improvement includes the implementation of a new channel for paying state administrative fees and other payments under the jurisdiction of state administration authorities. In addition to facilitating a straightforward payment process and recording user transactions, one of the main goals is to avoid errors during payments. The system allows for multiple transactions to be paid through a single synthetic transaction.

Currently, the National Electronic Payment System is used in 14 institutions, where through the ePayment (<https://eplacanje.gov.me/>) portal, citizens are able to make payments electronically for 162 administrative fees and 126 fees. In the forthcoming period, all administration bodies will be connected to the ePayment portal in accordance with the Decree on the Organization and Mode of Operation of the State Administration, which was published in the "Official Gazette of Montenegro", no. 88/2009, 3/2010 38/2012, 10/2014, 57/2014 i 3/2016).

Table 6 - Overview of Implementation Step 3 activities for reform 1.1.3.

Activity title	Responsibility	Source of verification
Implementation of the Information System for Electronic Collection and Control of Administrative Taxes and Charges (NS-NAT) in all Ministries, Administration, public authorities and Local Self-Government	Ministry of Public Administration	Information on the implementation of the Information System for Electronic Collection and Control of Administrative Taxes and Charges (NS-NAT), with the Conclusion of the Government

Step 4 - Blocked SME accounts. Addressing the issue of small and medium-size debts and deblocking of SMEs accounts (e.g. abolition of small debts with maturity over 24 months, reduction of medium sized debts). Implement e-procedure for SMEs to request the reduction/abolition of debt lower than 5000 EUR. Target: 80% of small companies with a debt lower than 5000 EUR and a maturity of 24 months should be subject to a quick and simple restructuring procedure (including the removal of the debt and the reopening of their account). Electronic system of exchange of information to facilitate efficient deblocking of SME accounts established by CBCG.

This step focuses on addressing the issue of small and medium-sized enterprises (SMEs) whose accounts are blocked due to small or medium-sized debts. The aim is to alleviate financial pressure on these businesses by implementing specific measures to reduce or abolish debts, particularly those that have been outstanding for over 24 months. For small debts below EUR 5,000, a swift and simplified debt restructuring process will be introduced. The goal is for 80% of SMEs with debts under EUR 5,000 and a maturity period of at least 24 months to benefit from this streamlined procedure.

This step involves conducting a comprehensive analysis to assess the number of blocked enterprises, the amounts involved in their debt, and the underlying reasons for account blockages. The Ministry of Finance and the Central Bank of Montenegro (CBM) will lead this analysis, which will be adopted by the Government through a formal conclusion. The findings from this analysis will provide a clear picture of the scale and nature of the problem, forming the basis for targeted interventions to resolve the issue of blocked SME accounts.

Following the analysis, the focus will shift towards ensuring the efficient integration of the e-system for debt restructuring with key stakeholders, including public bailiffs, the Ministry of Finance, and the Tax Administration. This integration is critical for streamlining the process of reducing or abolishing debts, particularly for small and medium-sized enterprises with debts lower than EUR 5,000 and a maturity of over 24 months. By connecting the e-system with these institutions, information exchange will be more efficient, enabling quicker and more accurate processing of debt relief requests.

The Ministry of Finance, the Tax Administration, the CBM, and the Ministry of Public Administration will be responsible for ensuring that the integration is smooth and functional. Progress will be measured through the annual activity reports of these institutions, which will reflect the outcomes of the debt restructuring efforts and the impact on the financial deblocking of SMEs. The ultimate goal is to enable a swift and simple restructuring process for SMEs, allowing them to unblock their accounts and regain financial stability, which will, in turn, contribute to the overall economic health of the SME sector.

Table 7 - Overview of Implementation Step 4 activities for reform 1.1.3.

Activity title	Responsibility	Source of verification
Prepare an analysis to determine the number of blocked enterprises, the amounts involved, and the reasons for the blockages.	Ministry of Finance, Central Bank of Montenegro CBM	Analysis adopted (Conclusion of the Government) Annual activity report of the institutions
Ensure efficient integration of the e-system with public bailiffs, the Ministry of Finance, and the Tax Administration.	Ministry of Finance, Tax Administration, Central Bank of Montenegro, Ministry of Public Administration	Annual activity report of the institutions

Step 5 - Feedback on administrative barriers to business. Activities for addressing barriers to business of the administrative nature, registered by the Competitiveness Council Secretariat, including new barriers, are initiated by the public administration within 6 months from their registration in the list. Proposed actions to resolve them, indicative timelines and updates on progress are reported biannually to the Competitiveness Council Secretariat and made available to all Council members

On the basis of the Council for Competitiveness’s conclusion, the Competitiveness Council Secretariat (SCC) drew up an **Action Plan for Eliminating Business Barriers s faced by the business community (Action Plan)**. Business barriers were identified from the materials submitted by Council members, primarily representatives of business associations. The objective of this document is to clearly identify **key business barriers** while pinpointing the responsible entities for fulfilling specific tasks to partially or completely eliminate the identified barriers and to set deadlines. In this context, **11 key barriers** have been identified as **specific tasks** to be addressed through **37 individual activities**, aimed at reducing or entirely removing these barriers within the short-term (by the end of 2025) or mid-term (by the end of 2026).

The Action Plan was adopted at the Competitiveness Council meeting held on March 11, 2024, and was subsequently delivered to the institutions identified as responsible for these activities to nominate individuals in charge of implementation. Information on the undertaken activities is planned to be collected and reported to the Competitiveness Council in June.

Through reporting mechanisms, the responsible institutions will provide the SCC with inputs regarding the necessary financial resources for implementing specific steps that are not covered by the approved budget of the organizational unit responsible for implementation. The first report is scheduled for the end of June 2024, coinciding with the 24th session of the Competitiveness Council.

Table 8 - Overview of Implementation Step 5 activities for reform 1.1.3.

Activity title	Responsibility	Source of verification
Implement the activities defined in the Action Plan for Eliminating Business Barriers faced by the business community.	Council for Competitiveness/ Secretariat of the Competitiveness Council (SCC)	SCC Quarterly reports Action Plan implementation report

Reform 1.1.4. Improving e-cadastral and spatial planning

The reform aims to modernize and enhance the cadastral and spatial planning systems in Montenegro. This initiative addresses significant challenges that have long impeded efficient land management and development.

According to the research 90% of the cadastral data in Montenegro meets the necessary accuracy standards for effective land management. The lack of interoperability between different governmental agencies and stakeholders has resulted in inefficiencies and delays, with only 45% of relevant agencies effectively sharing cadastral data, as highlighted by the United Nations Economic Commission for Europe (UNECE).

Public participation in spatial planning processes has been insufficient, limiting transparency and inclusivity. Surveys indicate that less than 30% of the population is aware of or involved in land use planning decisions, undermining public trust and the legitimacy of these processes. For these reasons general public reacts when the construction of the object starts which results in legal procedures with the investors. Existing spatial plans are outdated and do not adequately address the rapid change in development of the country.

This reform includes implementing state-of-the-art e-cadastral systems that standardize data formats and ensure high data quality. Developing interoperable systems will enable seamless data exchange among various stakeholders, including governmental agencies and the public. Promoting public participation through consultations and online platforms aims to enhance transparency and inclusivity in spatial planning. Updating legal frameworks to adapt to technological changes, clarify property rights, and simplify administrative processes is crucial for the reform's success.

Comprehensive training programs will equip stakeholders with the necessary skills to effectively use e-cadastral and spatial planning tools. Incorporating risk management and resilience strategies will help mitigate hazards such as natural disasters and land use conflicts. Ensuring that e-cadastral and spatial planning systems are user-friendly and accessible to all stakeholders will improve overall usability. Establishing robust mechanisms for monitoring progress and evaluating the effectiveness of the reforms will help maintain continuous improvement. Embedding sustainability principles into the planning processes will ensure responsible and long-term land management.

Through these comprehensive efforts, Montenegro aims to achieve a more efficient, transparent, and sustainable cadastral and spatial planning system. The reform is expected to benefit both current and future generations by fostering better land management practices, enhancing public trust, and ensuring that land use decisions are inclusive and well-informed. This multi-year initiative represents a significant step towards modernizing Montenegro's land administration and planning systems, ultimately contributing to the country's socio-economic development.

Below is an overview of the necessary steps to be taken, along with potential challenges:

Table 9- Overview of reform steps 1.1.4

Title of the step	Responsible institution	Implementation deadline
Adoption of Montenegro Spatial Plan	Ministry of Spatial Planning, Urbanism and State Property/Parliament	December 2024
Updating land registries	Real Estate Administration of Montenegro	December 2025
Providing functionality to the e-cadastral	Real Estate Administration of Montenegro	December 2025
E-cadastral is accurate and updated for 100% of real property in the country	Real Estate Administration of Montenegro	June 2027
Addressing illegal constructions	Ministry of Spatial Planning, Urbanism and State Property /All Municipalities	December 2027

Step 1 - Adopting the Spatial Plan of Montenegro

The adoption of the Spatial Plan of Montenegro by the Parliament is crucial for several reasons, particularly given the historical lack of comprehensive planning documents in the past. For many years, Montenegro has faced challenges stemming from the absence of coordinated land use planning, leading to haphazard development and environmental degradation. This lack of a unified spatial framework has resulted in various issues, including unregulated construction, inefficient infrastructure development, and insufficient protection of natural resources.

Without a strategic spatial plan, economic development efforts have often clashed with environmental conservation needs. Uncontrolled tourism expansion, for example, has threatened fragile ecosystems and biodiversity, while unplanned infrastructure projects have led to inefficient land use and urban sprawl. The absence of planning documents has also hindered the ability to attract sustainable investments, as potential investors seek clarity and predictability in land use policies.

The new Spatial Plan aims to address these issues by providing a comprehensive blueprint for balanced development. It will outline clear guidelines and regulations for land use, ensuring that economic growth is achieved in harmony with environmental preservation. By integrating tourism and infrastructure projects with nature conservation, the plan will promote sustainable development practices that protect Montenegro's unique natural heritage.

Furthermore, the plan emphasizes the importance of public participation, ensuring that the voices of citizens and stakeholders are heard in the decision-making process. This transparency and inclusivity are essential for building public trust and support for the plan's implementation.

In summary, the adoption of the Spatial Plan of Montenegro is vital for creating a coherent framework that balances economic development with environmental protection. It addresses the historical lack of planning documents, providing the necessary structure to guide sustainable growth and safeguard natural resources for future generations.

To implement the measure of adopting the Spatial Plan of Montenegro by the Parliament, the process begins with initial planning and research. Stakeholders, including government agencies, environmental organizations, businesses, local communities, and international bodies, need to be involved in the process. Baseline data on current land use, environmental conditions, economic activities, and social demographics in Montenegro must be collected. A needs assessment should be conducted to determine priorities for economic development and environmental protection.

Next, the drafting of the spatial plan involves defining the vision and objectives to balance development and conservation, formulating policies for land use, zoning, infrastructure development, and nature conservation, and creating and analysing different development scenarios to evaluate potential impacts

Public participation and consultation are essential for transparency and inclusivity. A public engagement strategy is developed, followed by public consultations, workshops, and hearings to gather feedback from citizens, businesses, and stakeholders. This feedback is then incorporated into the draft spatial plan, making necessary adjustments to address concerns and suggestions. Public participation finished on 29. April of 2024. and final comments are being drafted by the planning team.

The spatial plan finalization and approval process involves refining the draft spatial plan based public consultations, coordinating with relevant government agencies to ensure alignment with national policies, and submitting the final draft to the Parliament for review and discussion. Securing legislative approval is the final step in this phase.

Ministry of spatial planning, urbanism and state property will send the final draft of the Spatial Plan to the Government of Montenegro in November 2024. After review and adoption by the Government, the final step will be adoption by the Parliament of Montenegro.

Table 10 - Overview of Implementation Step 1 activities for reform 1.1.4

Activity title	Responsibility	Source of verification
Drafting the final version of Spatial Plan	Ministry of Spatial Planning, Urbanism and State Property	Proposal of Spatial plan to the Government
Adoption of Spatial plan by the Government	Government of Montenegro	Decision of GOV on adopted Spatial Plan
Adoption of Spatial plan by the Parliament	Parliament of Montenegro	Adoption of the Spatial Plan

Step 2 - Updating land registries

To implement the measure of updating land registries, the process begins with assessing the current data. This involves reviewing existing land registry data to identify gaps, inconsistencies, and outdated information, and defining clear goals for data accuracy, completeness, and user accessibility. Engaging key stakeholders, including government agencies, local authorities, property rights holders, and community organizations, is essential at this stage.

Challenges include addressing data quality issues such as gaps and inconsistencies, conducting thorough verification processes, and managing technical aspects like system upgrades and data security. On the other hand, benefits include improved accuracy and reliability of property information, enhanced accessibility and efficiency in transactions, transparency, and long-term sustainability through better governance and legal clarity.

Digitalization and system enhancement are also crucial. Upgrading the existing e-cadastre system to handle new data and improve the user interface and experience is necessary. Integrating updated data into the digital system ensures seamless access for users, while enhancing data security protects sensitive information from unauthorized access.

A quality control system is essential to regularly check the accuracy and reliability of the data. Ensuring that all updates and corrections comply with relevant laws and regulations is critical. The most important task is entering all data from cadastre books to e-cadastre system.

Migration, conduct thorough testing and verification to confirm data integrity and system functionality. Provide training and support for users transitioning to the new system. Document the entire process for reference and compliance, and establish governance for ongoing maintenance and updates.

Table 13 - Overview of Implementation Step 2 - Updating land registries 1.1.4

Activity title	Responsibility	Source of verification
Updating the database	Real Estate Administration of Montenegro	All data is entered onto e-cadastre

Step 3 - Providing functionality to the e-cadastre

A functional e-cadastre system enhances efficiency and accuracy in land record management, reducing errors and increasing the speed of transactions. Digital records are easier to update, retrieve, and maintain, providing clear and accessible land records that enhance transparency and accountability. This transparency helps reduce corruption, ensures accountability, and fosters trust among stakeholders. Accurate and accessible cadastral records prevent property disputes by providing clear information on property boundaries and ownership, leading to quicker and fairer conflict resolution.

The aim is to developing and/or upgrading the current software in order to provide new functionalities to all citizens. System will allow for electronic request submission, and changes of the date when needed. Mortgages will be entered more efficiently which will allow more economic growth, while the taxes will be collected more efficiently.

Implementing the measure of "Providing functionality to the e-cadastre" involves several steps to modernize business processes as part of e-Government initiatives.

First, develop a regulatory framework by drafting and enacting legislation and regulations that define clear procedures for internal and external users of the e-cadastre system. This framework should support data accuracy, security, and user privacy.

Next, create strategic documents outlining personnel requirements, including necessary skills and training programs. Specify hardware and communication infrastructure needs, develop a financial plan that includes budgeting for both initial setup and ongoing maintenance, and detail the scope of new e-services and the upgrades required for existing services under the administration's authority.

Implement continuous training programs for both internal users (government employees) and external users (public and private entities) of the e-cadastre. Schedule regular training sessions and update training materials as needed.

Raising awareness about the importance of accurate and up-to-date cadastral data is essential. Launch awareness campaigns to educate users on this importance, providing guidelines and best practices for data entry and maintenance.

Ensuring system stability and security is another key step. Design the e-cadastre system with robust architecture to handle technical errors and ensure high availability. Implement cybersecurity measures to protect the system from cyber-attacks and data breaches, conduct regular security audits, and update security protocols as needed.

By following these steps, the e-cadastre can be successfully implemented and maintained, providing modern, efficient e-services for cadastral records.

Table 14 - Overview of Implementation Step 3 Providing functionality to the e-cadastre 1.1.4

Activity title	Responsibility	Source of verification
Drafting legal framework	Ministry of Spatial Planning, Urbanism and State Property-	Legal documents are adopted by the government
Developing new software	Ministry of Spatial Planning, Urbanism and State Property / Real Estate Administration of Montenegro	New software is developed

Implement continuous training programs	Real Estate Administration of Montenegro	Completed trainings
Raising awareness	Real Estate Administration of Montenegro	Public campaigns

Step 4 - E-cadastre is accurate and updated for 100% of real property in the country

The issue of not having a 100% accurate cadastre in Montenegro is multifaceted, impacting various aspects of land management and development. One major problem is the ownership of land is still managed by the cadastre books which are kept in hard copies, particularly in rural areas, which can be difficult to track. This lack of e-cadastre records leads to inefficient tax collection while legalisation process is challenged due the inaccurate data land plots.

Another significant issue is the maintenance of cadastral data. Keeping the e-cadastre updated requires continuous data collection and verification processes. This can be resource-intensive, and without regular updates, the information quickly becomes outdated. Inaccurate data can result in inefficient land use, planning errors, and difficulties in enforcing property rights.

Implementing an accurate and updated e-cadastre system offers numerous benefits. For landowners, a transparent and efficient land management system simplifies processes such as property sales, inheritance, and the use of property as collateral. It provides clear legal recognition of ownership, reducing disputes and enhancing security of tenure.

For citizens, access to accurate land information through an online e-cadastre system promotes transparency in land use and development projects. This can lead to increased public trust in government processes and better community involvement in spatial planning.

Mostly in rural areas the cadastre books still exist while the transfer to the e-cadastre still is a challenge because most the land owner in the rural areas live abroad or are deceased. This is the main task that will need to be implemented during this process. Because of the challenges mentioned this step will take the longest before implemented.

Table 15 - Overview of Implementation Step 4 cadastre is accurate and updated 1.1.4

Activity title	Responsibility	Source of verification
e-cadastre is accurate and updated	Real Estate Administration of Montenegro	All data is entered and accurate

Step 5 - Addressing illegal constructions

Illegal construction also poses a challenge. Addressing unauthorized structures is complex, requiring clear criteria for legalization and a robust system for compliance with safety and environmental standards. Without a reliable e-cadastre, tracking and managing these structures is nearly impossible.

Addressing illegal constructions in Montenegro presents several complex challenges. These structures often disrupt urban planning efforts, as they are typically built without adherence to zoning regulations or building codes. This can lead to irregularities in city layouts and infrastructure development, complicating the efficient use of land and resources.

Safety concerns arise from illegal constructions that do not comply with established building codes and safety standards. Such structures pose risks to occupants and neighbouring properties, potentially compromising community safety. Ensuring compliance with safety regulations is crucial to mitigate these risks and uphold public welfare.

Legal compliance is essential for property owners of illegal structures. Legalization provides legal recognition and clarity on property rights, enabling owners to access essential services such as utilities and formal financial instruments. It also resolves uncertainties regarding property ownership, facilitating property transactions and improving economic opportunities.

Implementing a structured approach to legalize constructions involves developing clear criteria for legalization, establishing a dedicated agency to oversee the process, raising public awareness about the benefits and procedures of legalization, and simplifying application processes. These efforts aim to integrate unauthorized constructions into formal urban planning frameworks, enhance safety and environmental stewardship, clarify property rights, and promote inclusive and sustainable urban development in Montenegro. Also, the most important benefits are taxation, connection to water, electricity, telecommunication and waste collection grids. This means more funding to the local budgets which can be used for developing underdeveloped areas and treating ecological issues.

Firstly, clear and transparent criteria for legalization need to be developed. This involves collaboration among the Ministry of Spatial Planning, Urbanism, and State Property, local governments, urban planners, and environmental experts. Criteria should be established and communicated. Public consultations are crucial to gather feedback and ensure the criteria are well-understood and accepted. After criteria is established new law is drafted and adopted by the Parliament.

Secondly, a dedicated Legalization Agency must be established through legislative action by the Government. This agency will oversee the legalization process, ensuring compliance with the established criteria. It should have a structured organizational setup, including departments for inspections, compliance, and public relations. Staff should be recruited and trained with expertise in urban planning, construction, environmental science, and law.

Thirdly, public awareness campaigns are essential to inform citizens about the legalization process, criteria, and benefits. These campaigns should utilize various media platforms and include community meetings in areas with significant unauthorized construction. A simplified and user-friendly online application system should be developed to facilitate easy submission of legalization applications and tracking of their progress. Help desks or support centres can assist property owners through the process.

The legalization process itself involves thorough application review by the Legalization Agency, including initial screening and on-site inspections to verify compliance with health, safety, and environmental standards. Approved applications should receive official documentation of legalization, while non-compliant structures should be provided with guidance on necessary modifications.

Continuous monitoring and improvement are crucial. Regular inspections of legalized structures should be conducted to ensure ongoing compliance with standards. A comprehensive database should be maintained to track legalized structures and their compliance status. Periodic reviews of legalization criteria and processes should be conducted based on feedback and outcomes, with adjustments made as necessary to enhance efficiency and fairness.

Implementing these steps will enable Montenegro to effectively manage unauthorized structures, ensuring they contribute positively to urban development while meeting legal, safety, and environmental requirements.

Table 16 - Overview of Implementation Step 5 Addressing illegal constructions 1.1.4

Activity title	Responsibility	Source of verification
New law is drafted	Ministry of Spatial Planning, Urbanism and State Property	Adoption of the Law
Government Legalization Agency	Ministry of Spatial Planning, Urbanism and State Property	Legalization Agency is established
Public awareness campaigns	Ministry of Spatial Planning, Urbanism and State Property	Completed public awareness campaigns
Legalization is finished within 5 years	Ministry of Spatial Planning, Urbanism and State Property	Legalization process is over

Reform 1.1.5. Reforming inspections services. Increasing integrity, efficiency and performance of inspection services and reducing the informal economy

The Customs Administration is continuously committed to improving integrity, and in this sense undertakes measures and activities in accordance with customs legislation and obligations from strategic documents, especially the Strategy for the fight against corruption and its Action Plan, as well as recommendations from the negotiation chapters, especially from PP 29 Customs union. In addition to the Customs Administration, the Tax Administration has a key role in the implementation of this reform.

Beside Custom Administration, Tax Administration, as main authority, continuously monitors the regularity of taxpayers' operations through comprehensive audits of their accounting and inspections of specific segments of their business. For all taxpayers found to be operating irregularly, tax inspectors apply strict penalties ranging from issuing misdemeanour warrants to temporary bans on business activities and closure of premises, adhering to the Tax Administration's core principles of non-selectivity and zero tolerance for the informal economy.

The Tax Administration acknowledges that unregistered businesses, operating without permits, conduct business illegally, evading taxes and other duties, thereby offering cheaper but less quality and safe products. Engaging in any activity involving production, trade, or service provision without prior registration constitutes informal business. This category often includes services provided by painters, plumbers, electricians, parquet layers, hairdressers, cosmetologists, massage therapists, food production and delivery (catering), online traders (sales via Facebook and other social networks), as well as services offered by tourist agencies, guides, escorts or entertainers, providers of accommodation and apartment rentals owned by domestic and foreign individuals, providers of beach furniture, ski equipment, rafting services, adventure services, services in nautical, rural, health, and sports tourism.

Assessing the revenue segment from unreported income is challenging, given that it occurs on private property. It is important to note that one of the Tax Administration's priorities is reducing the number of taxpayers operating in the grey market and expanding the tax base. Therefore, it conducts regularity checks of taxpayers to the fullest extent of its jurisdiction. Consequently, any individual engaged in unreported activities is subject to criminal penalties. However, under the current regulations, Tax Administration's inspection procedures could not be carried out in private premises or on private property of the subjects under inspection without prior court authorization. Recognizing that

this limitation hampers the effectiveness of inspections in detecting and sanctioning illegal activities, amendments to the Law on inspection supervision have been initiated to enable inspections to conduct searches in residential spaces when there is suspicion of wrongdoing.

On December 21, 2023, the Government adopted the Program for the Suppression of the Informal Economy in Montenegro for the period 2024-2026, along with an Action Plan. The Program incorporates existing and measures to suppress the informal, providing a set of control and incentive measures to enhance efficiency in inspections and prevent informal economy activities, while facilitating business operations for the economy.

The Programme for the suppression of Informal Economy objectives include a general objective and operational objectives. The general objective of the Programme for the suppression of Informal Economy is reducing the share of the informal economy in total economic activity. Its achievement will be monitored by means of surveys on the share of the informal economy in the operations of registered companies and entrepreneurs and surveys on the share of unregistered economic activities in the economy.

The general objective will be operationalised through the five operational objectives, as follows:

OO1 - Improving the business environment by simplifying the tax administration and reducing the levies;

OO2 - Support to fair entrepreneurship and transition to the formal economy;

OO3 - Transforming unreported work into formal employment, with a greater focus on youth, women and green jobs;

OO4 - Improving the public administration's e-services, institutional setup and administrative capacities for reducing the informal economy;

OO5 - Reducing the social acceptability of the informal economy.

BENEFICIARIES

The public sector (both central and local levels) holds significant interest and influence in addressing the issue of suppressing the informal economy. It acts as both the policy creator and the implementer of activities in this area. Furthermore, it is crucial for public finances as it represents a means to increase budget revenues, thereby expanding funding opportunities for expenditures such as infrastructure, education, culture, and more. The Commission for the suppression of the informal economy², supported by the Ministry of Finance, is tasked with coordination, monitoring and reporting on the achieved results of implementation of the activities from the Programme for the suppression informal economy. On the basis of the reports shared by the working teams, the Ministry of Finance will, in cooperation with all the relevant institutions, prepare reports on the implementation of the Programme for the suppression informal economy and its Action Plan

Citizens have a direct and indirect impact on suppressing the informal economy. Directly, they can support the public sector in implementing measures to combat the informal economy. Indirectly, they benefit from the results of its suppression primarily through larger budgets and increased funding for infrastructure, education, culture, etc.

The private sector is highly interested in resolving issues related to the informal economy because doing so contributes to reducing unfair competition, which business associations often highlight as a major barrier to economic functioning. Similarly, **unions** are strongly interested in fighting the informal economy, primarily to protect workers' rights and ensure full compliance with obligations towards employees.

Step 1 - Improving integrity in the inspection services. Obligatory annual asset declaration and conflict of interest declaration for the inspectors introduced and subject to checks by the Agency for Prevention of Corruption

Pursuant to the provisions of Article 6a of the Law on Tax Administration, since 2015, tax inspectors regularly submit reports on assets and incomes to the Agency for Prevention of Corruption, until the end of March of the current year for the previous year. The report is submitted to the Agency electronically and in written form. Article 6a also requires tax inspectors and authorized officials conducting investigative actions to report on their assets and incomes, as well as the assets and incomes of spouses and common-law partners, same gender life partners, and children living in the same household, in accordance with a specific law. The Agency for the Prevention of Corruption, as an independent and autonomous body, established by the Parliament of Montenegro, controls and verifies the accuracy of data in the reports on income and assets.

Additionally, in accordance with Article 55 of the Law on Customs Service, which addresses the records and reports on assets and income, it is necessary to foresee the obligation of authorized customs officers under Article 62 of this Law regarding the submission of reports on assets and income. It should be noted that through amendments to the

² Decision on the formation of the Commission for the suppression of the informal economy was adopted and published in the Official Gazette of Montenegro No. 60/2024 of June 24, 2024.

aforementioned Law, this obligation should be extended to all ranks of authorized officers, which is currently not the case. Furthermore, it is essential to implement the provisions of the Law on Customs Service (Article 51) related to employment, particularly in the part that specifies the special condition requiring "that the person meets the security requirements for working in the customs service, and that employment can be established after obtaining appropriate information from the competent authorities regarding the existence of security obstacles."

Step 2 - Improving legal framework and focusing on informal economy. Adopt and implement changes to the Law on Misdemeanours, the Law on Inspection Supervision, the Law on Prevention of Illegal Business, as well as the Criminal Code of Montenegro, to increase the supervisory oversight of inspectors (including right of entry to residential premises where suspected unregistered activities are carried out), introduce appeal procedures, lift their territorial assignments, remove the possibility of discretionary decisions and to ensure the prerequisites are met for a systematic fight against the informal economy

Right to enter an apartment or other residential premises requires a court decision. The only exception when an authorized police officer may enter someone else's apartment and other residential premises, and if necessary, conduct a search, is prescribed in Article 83 paragraph 1 of the Criminal Code of Montenegro, and refers to specially defined situations, inter alia, when the owner of the apartment so requests, and in order to prevent the commission of a criminal offense.

By amending the Law on Misdemeanours in the section concerning measures to ensure the presence of the accused and the unobstructed conduct of misdemeanour proceedings, it is necessary to stipulate the jurisdiction of the Misdemeanour Court so that, if there is a reasonable suspicion that a certain person has committed a misdemeanour, it may issue an order to enter residential premises where there is suspicion that unregistered business activities are being conducted.

This abovementioned provision will enable inspectors to practice their competencies under Article 144 of the Law on Misdemeanours, i.e. to issue misdemeanour warrants based on the inspection of documentation, premises and goods, and allow them to report a potential criminal offense under Article 266 of the Criminal Code (Illicit Business, Banking, Stock Exchange and Insurance Activities) as officials in the performance of their official duties, in accordance with the Article 254 of the Criminal Code of Montenegro.

Representatives of the tax authority will participate in working teams/groups formed to prepare legislative amendments aimed at reducing the informal economy. Deadlines for legislative amendments are set by the Action Plan, which is an integral part of the Program for suppressing the Informal Economy in Montenegro 2024-2026.

After the Law on Misdemeanours is amended, in the manner mentioned above, Amendments to the Law on Inspection Supervision will be initiated in order to prescribe authorizations of inspector, that in cases where there is a suspicion that a person is engaged in illegal business, i.e. where there is a suspicion that unregistered economic activities are being carried out, can enter the apartment, i.e. private premises, for the purpose of conducting inspection supervision.

Step 3 - Increasing efficiency of inspections. The Labour and Tax Inspectorates increase the number of inspections by 50% compared to the 2020-2023 period average.

With the amendments to the Law on Inspection Supervision, which allow the tax inspection to conduct inspections in private premises, i.e., on private property, in cases where there is an indication that an offense is being committed, an increase of 50% in the number of inspections in the area of general tax registration and illegal business activities is expected compared to the average number of inspections carried out for this purpose during the period 2020-2023.

Given that tourism is a priority sector for the overall economic development of Montenegro, it is clear that the most significant budget revenues are generated during the months referred as the tourist season. Consequently, the highest number of inspections aimed at curbing the grey market is conducted during the summer tourist season.

In this context, it is important to emphasize the results of the tax inspection's work during the summer tourist seasons of 2023 and 2022, when the tax authority's activities to suppress the grey market were intensified.

In the period from May 1 to August 27, 2023, intensified inspections were conducted in the coastal and northern municipalities concerning general tax registration, submission of tax returns, recording of sales, cash deposits, and employee registration. During partial inspections, targeted inspections of taxpayers were carried out, particularly those who had committed offenses in the previous year or were known to the tax authority for not recording sales and not issuing receipts to service users. During this period, tax inspectors conducted 3,987 inspections of taxpayers' business regularity and found irregularities with 339 taxpayers. Based on these findings, 440 misdemeanour orders and 6 requests for initiating misdemeanour proceedings were issued, with a total of EUR 1,391,800 in fines imposed. The charge based on fines amounts to EUR 1,036,267.59, of which EUR 842,900.98, or 81.34%, has been collected.

The collection of fines applies to taxpayers who accepted misdemeanour liability and paid the imposed fines within 8 days (reduced by 1/3 according to the Law on Misdemeanours). In accordance with the authorizations from Articles 87 and 88 of the Law on Tax Administration, measures of temporary prohibition of business activities were taken against 18 taxpayers during the reporting period.

From May 28 to August 31, 2022, tax inspectors (in coastal municipalities) conducted 4,097 inspections of taxpayers' business regularity and found irregularities with 429 taxpayers. As a result, 572 misdemeanour orders were issued, with a total of EUR 1,795,150 in fines imposed. The charge based on fines amounts to EUR 1,260,432.72, of which EUR 1,071,124.75, or 84.98%, has been collected. The collection of fines applies to taxpayers who accepted misdemeanour liability and paid the imposed fines within 8 days (reduced by 1/3 according to the Law on Misdemeanours). During the inspection process, a tax debt of EUR 128,800.68 was collected from fined taxpayers. Business activity bans were imposed on 65 taxpayers, in accordance with the authorizations from Articles 87 and 88 of the Law on Tax Administration.

Based on the above, regarding inspections in the area of sales recording, a decrease (rather than an increase) in the number of inspections by up to 20% is expected. This is because the implementation of the Law on Fiscalization in the turnover of goods and services has created conditions for effective risk analysis in the Tax Administration, enabling efficient and economical inspection supervision through a mechanism of targeted inspections of high-risk taxpayers. Therefore, this indicator, while showing a decrease in the number of inspections, indicates an increase in tax discipline and the efficiency of the tax inspection's work.

After the adoption of the Law on Amendments to the Law on Inspection Supervision, which allows inspections to be conducted in private property premises when there is an indication that an offense is being committed, as mentioned, an increase of 50% in the number of inspections in the area of general tax registration and illegal business activities is expected compared to the average number of inspections carried out for this purpose during the period 2020-2023.

Step 4 - The size of total handed penalties increases by 100% compared to 2020-2023 period

It is not possible to estimate the increase in the total amount of fines imposed, as the number of fines varies depending on the type of offense determined. For example, the provisions of Article 26 of the Law on Fiscalization in the Traffic of Products and Services prescribe a fine ranging from EUR 8,000 to EUR 40,000 for a legal entity if it does not issue fiscal receipts using a fiscal service, as well as a fine ranging from EUR 1,300 to EUR 4,000 for the responsible person in the legal entity. The same article prescribes a fine ranging from EUR 2,000 to EUR 12,000 for an entrepreneur and from EUR 1,300 to EUR 4,000 for an individual for the same offense.

The provisions of Article 105 of the Law on Tax Administration prescribe a fine ranging from EUR 1,000 to EUR 15,000 for a legal entity if it does not submit a registration application to the tax authority within five working days from the date of registration in the appropriate register, and a fine ranging from EUR 100 to EUR 1,000 for the responsible person in the legal entity. The same article prescribes a fine ranging from EUR 500 to EUR 6,000 for an entrepreneur and from EUR 100 to EUR 1,000 for an individual for the same offense.

Following the amendments to the Law on Inspection Supervision, which allow inspections to be conducted in privately-owned premises where illegal business activities are being carried out, a 100% increase in the fines imposed is expected compared to the period 2020-2023, in terms of the determined offenses based on general tax registration and illegal business activities.

Step 5 - Implementation of the Government programme for the suppression of the informal economy: At least 75% of the targets set in the action plan for 2024 - 2026 are achieved

Activities carried out by the Tax administration, which will continue to be realised in accordance with the deadlines set by the Action Plan, which is an integral part of the Program for Suppression of the Informal Economy in Montenegro for the period 2024-2026,

Step 6 - Inspections are carried on the principle of sectorial risk-based approach. At least 75% of inspections focus on economic sectors sensitive to grey economy (e.g. construction, gambling, tourism and agriculture)

In accordance with the Tax Compliance Improvement Program, which is annually adopted by the Tax Administration, priority will be given to audits that will cover the most high-risk areas in terms of irregular business operations.

The Tax Compliance Improvement Program identifies the most significant risks to tax compliance relevant to the Montenegrin economy and business environment in general, such as under-the-table wage payments, cash transactions, and the construction industry, along with a range of measures to address each specific risk.

The implementation of the Program enables Tax Administration officers to structure their efforts in the most productive way, directing inspection capacities towards taxpayers with the highest risk on one hand, and service,

communication, and educational activities towards those with lower risk on the other hand, all aimed at maximizing collection efficiency while minimizing the necessary resources.

Table 17 - Overview of Step 1 for Reform 1.1.5.

Title of the step	Responsible institution	Implementation deadline
Improving integrity in inspection services. Mandatory annual asset declaration and conflict of interest declaration for inspectors, subject to checks by the Anti-Corruption Agency	Tax Administration	December 2024 Submission of reports within the legally prescribed deadline (March 31 of the current year for the previous year)
Improving legal framework and focusing on informal economy. Adopt and implement changes to the Law on Misdemeanours, the Law on Inspection Supervision, the Law on Prevention of Illegal Business, as well as the Criminal Code of Montenegro, to increase the supervisory oversight of inspectors (including right of entry to residential premises where suspected unregistered activities are carried out), introduce appeal procedures, lift their territorial assignments, remove the possibility of discretionary decisions and to ensure the prerequisites are met for a systematic fight against the informal economy	Competent ministries as proponents of amendments to the law	December 2025
Increasing efficiency of inspections. The Labour and Tax Inspectorates increase the number of inspections by 50% compared to the 2020-2023 period average	Tax Administration	December 2026
The size of total handed penalties increases by 100% compared to 2020-2023 period	Tax Administration	December 2026
Implementation of the Government programme for suppression of the informal economy: At least 75% of the targets set in the action plan for 2024 - 2026 are achieved	Ministry of Finance, which coordinates the implementation of the Programme for suppression of the informal economy and the Tax administration in part of the realisation of activities under the responsibility of tax administrative authority	June 2027
Inspections are carried on the principle of sectorial risk-based approach. At least 75% of inspections focus on economic sectors sensitive to grey economy (e.g. construction, gambling, tourism and agriculture).	Tax Administration	December 2027

SECTOR 1.2: BUSINESS SECTOR COMPETITIVENESS

Competitiveness in the business sector is a critical component of economic development and sustainable growth. It involves the ability of companies to successfully compete in the market, achieve profit and growth, while providing value to their customers. Competitiveness results from a combination of various factors, including innovation, productivity, product and service quality, efficiency of business processes, and the ability to adapt to market changes.

Investments in infrastructure and transport networks are crucial for the competitiveness of the economy for several reasons. Efficient and modern infrastructure enables faster, safer, and cheaper transportation of goods and people, directly influencing the ability of companies to compete in both domestic and international markets.

Additionally, the implementation of e-transport and Intelligent Transport Systems (ITS) in the economic sector can significantly enhance the competitiveness of companies by increasing their efficiency, reducing costs, improving safety and sustainability, and enabling better customer service. These technologies represent key tools for achieving long-term success in an increasingly dynamic and demanding market environment.

On the other hand, the role of science and innovation in the smart and competitive development of Montenegro is becoming increasingly noticeable under the strategic orientation of Smart Specialization. Montenegro aims to improve research and innovation among all relevant ecosystem actors at all levels, with a particular focus on supporting dual transitions. Developing human resources, enhancing skills related to innovation, improving infrastructure development, and ensuring continuous access to innovation financing are key prerequisites for full integration into the European Research Area and better positioning Montenegro as a credible partner of Europe in implementing the New Innovation Agenda.

By placing innovation on Montenegro's policy agenda systematically since 2016, and especially by adopting the Smart Specialization Strategy 2019-2024, which marked a key shift in the strategic approach and implementation of innovation and science in Montenegro, a continuous growth trend is recorded. This progress is reflected in the ongoing increase in investments in science and innovation from the national budget, expanding support for these activities, establishing and operationalizing a strong innovation management system, and effective role distribution within the system, along with monitoring and evaluating achievements.

However, for the research and innovation ecosystem to function at full capacity, several remaining challenges must be addressed. Increasing investments in science and innovation requires not just additional funding but also strengthening human resources to properly absorb available support and use it to enhance excellence and competitiveness at the EU level. In this context, the adequate identification of areas of excellence that will drive specific market niches and internationalize knowledge and innovation through connections with the economy is a key direction that needs to be pursued.

The prioritization brought by smart specialization requires the unification of investment priorities, pooling all actors and available investments to more effectively stimulate the development of competitive advantages. Therefore, larger and key initiatives within the priorities of smart specialization must be continuously improved to consolidate potential and achieve a higher degree of centralized support.

To achieve this, it is necessary to start with the reform of the scientific research system, aligning it more closely with innovation, while maintaining a continuous commitment to the smart specialization process. This process will ensure a focus on the specific strengths and potentials of the system through a long-term dialogue among all stakeholders and the consolidation of all available resources.

Reform 1.2.1. Deployment of e-freight and Intelligent Transport Systems

- Align with Regulation (EU) 2020/1056 on electronic freight transport information (eFTI) (December 2025)
- Ratify road international convention (eCMR) needed to deploy eFTI (June 2026)
- Implement ITS frameworks and standards for road and rail (December 2026),
- ITS on 62 Kms of the TEN-T road network is operational (December 2027)

The law that refers to the development and implementation of ITS on the state road network in Montenegro is the Law on Roads. This act incorporates EU Directives regulating this field.

The document addressing proposals for the development of ITS in Montenegro is the Transport Development Strategy of Montenegro 2019-2035. Additionally, based on the proposal from the Ministry of Transport, the Government of Montenegro adopted at the end of 2021 Program for the development and introduction of ITS in road traffic 2022-2026.

Currently, Montenegro has several systems related to ITS, including:

- i. Traffic Data Collection System (traffic counters)
- ii. Road Meteorological Information System/Stations
- iii. Radio Systems
- iv. Toll Collection System: Currently established only at the Sozina Tunnel and the first section of the Bar-Boljare highway. Users of electronic toll collection can use the ENP services on roads in Serbia and benefit from the advantages provided by JP Putevi Srbije. Plans are in place to extend such cooperation to companies managing highways in Croatia, Bosnia and Herzegovina, and North Macedonia.
- v. Traffic Control and Management System: Established in the Sozina Tunnel and its access roads, as well as on the Smokovac-Mateševo section of the highway. Efforts are underway to establish traffic control systems on main and regional roads (legal regulations are being established, working groups have been formed, and an EBRD-funded project is in progress).

The institutions responsible for implementing activities related to the development of ITS on state roads are:

- i. **Ministry of Transport:** This ministry proposes strategies and programs to the Government of Montenegro, prepared in collaboration with the Directorate for Transport and "Monteput" d.o.o. Podgorica. These organizations manage state roads and will execute the planned activities.
- ii. **Ministry of Interior:** This ministry handles tasks related to the analytical monitoring and strategic planning of road traffic safety.
- iii. **Local Self-Government Units:** In this context, they have jurisdiction over municipal roads and parking areas.

The implementation of activities planned through Program for the development and introduction of ITS in road traffic will follow the steps outlined in Table 14.

Table 18 - Overview of reform steps 1.2.1

Title of the step	Responsible institution	Implementation deadline
Align with Regulation (EU) 2020/1056 on electronic freight transport information eFTI	Ministry of Transport	December 2025
Ratify road international convention (eCMR) needed to deploy eFTI	Ministry of Transport	Jun 2026
Implement ITS frameworks and standards for road and rail	Transport Administration	December 2026
ITS on 62 Kms of the TEN-T road network is operational	Transport Administration	December 2027

Table 19 - Overview of Implementation Step 1 activities for reform 1.2.1.

Activity title	Responsible institution	Implementation deadline
Supplementing the system of traffic counters on state roads	Transport Administration	2026
Upgrade of the Meteorological Information System on State Roads	Transport Administration	2027
Upgrade of the variable signalling system	Transport Administration	2027
Implementation of Secure and Protected Parking Systems for Freight and Commercial Vehicles	Monteput doo Podgorica	2027
Introduction of Traffic Control and Management System on the Bar-Boljare Highway, Mateševo-Andrijevisa Section	Ministry of Transport Monteput doo Podgorica	2027
Implementation of Electronic Toll Collection System on the Bar-Boljare Highway, Mateševo-Andrijevisa Section	Monteput doo Podgorica	2027
Implementation of Traffic Safety Management Systems	Ministry of Interior	2027
Implementation of Stationary Radar Systems on State Roads	Ministry of Interior	2024
Deployment of Variable Traffic Signage (Main, Regional, and Municipal Roads)	Transport Administration and Local Self-Government Units	2027
Upgrade of the system of preventive stationary radar meters with vehicle speed indicators on national roads (Main and regional roads)	Transport Administration	2027
Parking management system	Local self-government unit	2027

In the railway sector, the most important ITS systems recognized by EU regulations and strategic documents are the European Rail Traffic Management System (ERTMS), Telematic Applications for Freight Service (TAF-TSI), and Telematic Applications for Passenger Services (TAP-TSI). Therefore, the implementation of these systems needs to be considered, analysing relevant benefits and costs, and carefully planning their deployment.

ERTMS is a relatively new concept in EU railway systems, and its level of implementation varies across different countries. In the Western Balkans (WB6), ERTMS implementation is still in its early stages. The first step towards implementing ERTMS/ICT systems involves preparing legislation in each of the countries based on the implementation of railway interoperability directives. Achieving full access to EU railway networks faces institutional (technical, organizational, and operational) barriers, which hinder the full application of this freedom of access. This is the ultimate goal of the Transport Community Treaty signed by the WB6 and EU11 and their Action Plans.

The primary purpose is to improve how railways provide services across the borders of EU member states. Unlike other modes of transport, railway traffic depends heavily on the technical compatibility between infrastructure and rolling stock. Safe and efficient railway operations require a high level of standardization in infrastructure, rolling stock, signalling systems, gauge clearances, communication systems, etc. Therefore, harmonization is necessary to enable international railway traffic.

Significant changes regarding the ERTMS system have been introduced through the technical pillar of the 4th Railway Package. This enhances the role of the European Union Agency for Railways (ERA) as the body maintaining, monitoring, and managing the requirements of subsystems, including the technical specifications for the European Train Control System (ETCS) and the Global System for Mobile Communications - Railway (GSM-R). Additionally, the 4th Railway Package introduces a new process concerning ERA's prior approval of implementation alongside railway tracks. All of

the above will lead to improved interoperability and compatibility between on-board subsystems and trackside subsystems.

Montenegro can decide on the level of ERTMS system that best suits its needs. However, the legislative basis for implementation is clear. During the decision-making process, it is important to be aware of the objectives that can be achieved through the implementation of the ERTMS system.

In decisions-making process, important factors must be considered, such as the situation in neighbouring countries regarding connectivity, potential sources of funding (EU priority funds for core/comprehensive TEN-T networks), development plans, ongoing projects, connectivity with important hubs (maritime and river ports), etc. It is also crucial to note that for Level 2 preconditioning, the GSM-R network must be prepared and ready, simplifying the decision-making tree for ERTMS implementation.

National regulations should only be defined under specific conditions, as defined in the Interoperability Directive (EU) 2016/797 and the Safety Directive (EU) 2016/798. The Ministry of Transport has sought a long-term advisor through available sources to assist the administration and railway companies in planning steps, finding sources, and gradually implementing this system.

Table 20- Overview of Implementation Step 3 activities for reform 1.2.1.

Title of the step	Responsible institution	Implementation deadline
Transposition of the Directive on the Interoperability (EU) 2016/79714 and the Directive on security (EU) 2016/79815	Ministry of Transport	End of 2024
Railway Infrastructure of MNE (ŽICG)	Planning and implementation	
Rus (operators)	Planning and implementation	

The Third Railway Package has been transposed into national law, along with several TSIs. With the planned adoption of the new Law on Railway, expected to be finalized by the end of this year, it is imperative to adopt the new Law on Safety and Interoperability to meet the requirements of the National Security Authority.

Table 21 - Overview of Implementation Step 4 activities for reform 1.2.1

Activity title	Responsibility	Source of verification
Technical assistance in establishing the deployment plan	Ministry of Transport THEM RU	Ministry of Transport

Reform 1.2.2 Further development of the Research and Innovation (R&I) ecosystem for knowledge-based economy (in accordance with the Smart Specialization Strategy)

One of the main objectives of this reform measure is to strengthen support mechanisms the research and innovation (R&I) development in Montenegro, empowering all actors within the national ecosystem - researchers, innovators, research institutions, companies, clusters, and non-governmental organizations - to engage in these activities and thereby contribute to the country's economic development. In this context, it is essential not only to ensure continuous access to finance through a clearly diversified programme framework supporting various stages of R&I development, but also to support international networking of Montenegrin ecosystem's actors. This involves creating conditions and enhancing capacities to better absorb EU funds through targeted programmes, such as the EU Framework Programme for Research and Innovation "Horizon Europe."

Aligned with these objectives, special focus is placed on the systemic measures to support small and medium-sized enterprises, aiming to improve their positioning within the ecosystem and strengthen their innovation capacities to enter the global market effectively.

Furthermore, the measure aims to strengthen the range of services of innovation infrastructures to adequately support the R&I community. Significant emphasis is placed on fully operationalizing the Science and Technology Park of Montenegro (STP MNE) during the planned period, positioning it as a centre for infrastructure support for innovation and technology development in Montenegro. This includes linking the research community with industry (through the establishment and operation of the Technology Transfer Office - TTO), as well as serving as a newly established nucleus for developing creative and innovative ideas, supported by a range of services leading to commercialization, both domestically and globally.

In this framework, the already fully operational Innovation Entrepreneurship Centre (IPC) Tehnopolis will enhance its support to the innovation community through an innovative set of specialized services. The strategic goals of IPC

Technopolis will be defined based on segments supporting entrepreneurship and innovation, where IPC Technopolis has already gained crucial experience and achieved notable results over the years of its operation, that will be further strengthened by enhancing its infrastructure capacities and service offerings.

As a result of coordinated and focused efforts by all stakeholders supporting the development and advancement of the R&I ecosystem in accordance with national innovation policy, the effects of these reform efforts are expected to reflect in increased investments in research, innovation, and development, thereby positioning Montenegro more favourably across various economic and innovation parameters.

A prerequisite for achieving the goals of this reform measure is the adoption and implementation of the Strategy of Scientific and Research Activity 2024-2028 and the new cycle of the Smart Specialization Strategy, as well as amendments to the legislative framework for research and innovation activities.

In the European Commission's Annual Report on Montenegro for 2023, the Negotiation Chapter 25 on Science and Research received high ratings, particularly due to Montenegro's good cooperation with the European Innovation Council (EIC) and the support programmes implemented by the relevant ministry, the Innovation Fund of Montenegro, and innovation infrastructures. The EC's recommendation for 2024 includes further strengthening cooperation between academia and industry and continuing to support knowledge transfer, which is a key focus of the national R&I policy.

Additionally, the recommendations focus on continuing the implementation of the smart specialization concept while defining strategic directions for the development of research activities for the next five-year period.

The stakeholders involved include individuals engaged in R&I activities - scientists, researchers, inventors, and innovators - as well as legal entities such as licensed research institutions, companies, start-ups, spin-offs, innovation infrastructures (Science and Technology Parks, innovation entrepreneurship centres, cluster organizations, technology transfer centres, business-technology incubators), and universities.

The primary responsibility for implementing the identified steps lies with the line ministry responsible for Science and Innovation (Ministry of Education, Science and Innovation), the Innovation Fund of Montenegro as the implementing body for innovation programmes and projects, state-established innovation infrastructures, and relevant ministries responsible for implementing key activities in the priority domains of smart specialization.

To realize this reform measure, several key steps need to be taken by the end of 2027:

Step 1 - Number of funded R&I actors (physical persons - researchers and innovators, and legal entities - scientific research institutions, companies, clusters, NGOs) in the National R&I System is increased by 50% and the impact is demonstrated through improved figures in research and innovation statistical reporting

Since the end of 2021, Montenegro's national research and innovation system has been operating under a new implementation framework for innovation and smart specialization policies, clearly defining the roles of all stakeholders and modalities of their communication and collaboration. This institutional setup has led to the establishment of a dedicated implementation body for innovation - the Innovation Fund of Montenegro, which has taken over national support lines for innovation development. Meanwhile, the Ministry responsible for Science and Innovation retains jurisdiction over the implementation of strategic innovative programmes, projects, R&I incentives, as well as support programmes for participation in EU and international R&I initiatives.

Taking 2023 as the starting year, 294 stakeholders within Montenegro's national R&I system (148 private entities and 146 individuals) received support available through the national research and innovation system. As the system's financing of research activities is set to be strengthened programmatically and the innovation funding framework enhanced, a projected increase of 50% is expected by December 2025.

This step also involves working on improving national research and development (R&D) statistics and maintaining continuity in the statistics of innovative business activities.

Step 2 - Number of companies benefiting from the services of the Innovation Centres / Technology Centres as a result of their launched and publicly made available list of services for companies increased by 50%

Since its establishment in September 2016 until December 2023, the first innovation infrastructure in Montenegro, the IEC Tehnopolis in Nikšić, has supported a total of 196 companies. It has provided a range of services including residency support through space utilization, support programs, incubation, a Data Centre, TechLab, BioLab, Craftinno, JICA mentoring, and Code Hub.

Through the infrastructure strengthening of Technopolis, along with the full establishment of the potential of the STP and the establishment of the Technology Transfer Office, a 50% increase in users of innovation infrastructure services from the business sector is expected by December 2026.

Step 3 - R&D expenditure of the business sector in MNE reaches 15% of the EU average

Montenegro’s current position in relation to this indicator compared to the EU average is 9.7 % (2023), with a planned increase to 15 % by 2027. While private sector investment in R&D is a category largely outside the control of the State, sub-incentives for R&I development in various forms by the State can contribute to motivating the private sector to increase R&D investment. There is no long-term competitiveness and sustainability in the private sector without innovation processes and related (R&D) activities. The creation of new products and services and the improvement of existing products and services must involve a range of research, technology, organizational and financial activities, which will be linked to commercialisation as the ultimate goal. In a technologically fast-changing ambition on a daily basis, the private sector in Montenegro can only defeat its flexible and efficient response with innovation, where the right measure is to boost the sector’s investment by developing its products and services with the support of the state.

Step 4 - R&D expenditure of the public sector in MNE reaches 35% of the EU average

Montenegro’s current position in relation to this indicator compared to the EU average is 28.1 % (2023), with a planned increase to 35 % by 2027. Reforming the innovation system and active reform efforts in the learning system has seen a continual increase in R & D spending by the State over the years. Looking at the Law on the Budget of Montenegro, only through the line ministry, there was 55 % increase in funding in 2023 compared to the former largest learning budget in 2020, while in 2024 there was an increase of 16 % compared to the previous year. This approach has opened up many opportunities for access to finance, but also made it possible to differentiate the support aspects relating to the different stages of innovation development and allow for continuity of support, which will also be observed through a new programme basis for funding research activities. By increasing investment in learning innovation, states are directly driving the dynamics of technological development and the expansion of the knowledge pool, which is the ultimate lever and the basis for increasing investment by the private sector.

Table 22- Overview of Step 1 for reform 1.2.2.

Title of the step	Responsible institution	Implementation deadline
Number of funded R&I actors (physical persons - researchers and innovators, and legal entities - scientific research institutions, companies, clusters, NGOs) in the National R&I System is increased by 50% and the impact is demonstrated through improved figures in research and innovation statistical reporting	Ministry of Education, Science and Innovation, Innovation Fund of Montenegro	December 2025
Number of companies benefiting from the services of the Innovation Centres / Technology Centres as a result of their launched and publicly made available list of services for companies increased by 50%	Innovation and Entrepreneurial Centre “Tehnopolis” Nikšić, Science and Technology Park of Montenegro STP, innovation infrastructure	December 2026
Business (business-entrepreneurial) R & D expenditure in Montenegro reaches 15 % of the EU average	Ministry of Education, Science and Innovation with line ministries responsible for MSME policy	June 2027
Government R & D expenditure in Montenegro reaches 35 % of the EU average	Ministry of Education, Science and Innovation and line ministries responsible for the priority sectors of smart specialization	June 2027

Step 1 - Number of funded R&I actors (physical persons - researchers and innovators, and legal entities - scientific research institutions, companies, clusters, NGOs) in the National R&I System is increased by 50% and the impact is demonstrated through improved figures in research and innovation statistical reporting

The first step contributing to the realization of this reform measure involves expanding the scope of supported actors in the science and innovation system through clearly defined support programmes, for which continuity of funding needs to be ensured.

In addition to establishing this step as the foundation of new strategic guidelines for the development of research activities in Montenegro and drafting a new Smart Specialization Strategy, enhanced monitoring activities, primarily through improved research and development statistics, will be crucial. Key activities will focus on improving the system for identifying relevant actors in the science and innovation system through enhanced mechanisms for registering research and innovation activities, particularly targeting the private sector. Clearer identification of actors in the system leads to more precise articulation of needs and interests, especially those of the growing private sector and its role in the innovation system, which requires a clear programmatic basis of support for research and development.

Table 23 - Overview of Implementation Step 1 activities for reform 1.2.2.

Activity title	Responsibility	Source of verification
Improving the programming basis for R & D financing	Ministry of Education, Science and Innovation, The Innovation Fund of Montenegro	Semi-Annual reports of the Government of Montenegro on the Implementation of the Reform Agenda

Step 2 - Number of companies benefiting from the services of the Innovation Centers / Technology Centers as a result of their launched and publicly made available list of services for companies increased by 50%

Innovation infrastructures play a crucial role in enhancing the innovation system performance. Apart from providing infrastructural support, such as spatial capacities where economic entities can develop innovative products and services and connect with various other actors in the innovation system, these infrastructures offer various incubation, acceleration, mentoring, business development and marketing support programmes, investment facilitation, and intellectual property management enhancement

This step entails enhancing the support framework of the IEC Tehnopolis in Nikšić, strengthening the capacities of the STP-MNE, and advancing technology transfer initiatives. These entities serve as primary hubs to strengthen the innovation capacities of the private sector and prepare them for better absorption of available financial and non-financial support, progress into more mature stages of technological readiness, and entry into the market.

Table 24 - Overview of Implementation Step 2 - activities for reform 1.2.2.

Activity title	Responsibility	Source of verification
Strengthening infrastructure and programme support with a set of enhanced services of the Innovation-Entrepreneurial Centre "Tehnopolis" Nikšić	Line ministry for science and innovation	Semi-annual reports of the Government of Montenegro on the Implementation of the Reform Agenda
Strengthening the operational capacities of Montenegro's learning and technology park through an upgrading programme for tenants and members of the NTP CG	STP MNE/Line ministry for science and innovation	Semi-annual reports of the Government of Montenegro on the Implementation of the Reform Agenda
Support to the Technology Transfer Initiative	STP MNE/Line ministry for science and innovation /Universities	Semi-annual reports of the Government of Montenegro on the Implementation of the Reform Agenda

Step 3 - R&D expenditure of the business sector in MNE reaches 15% of the EU average

This step concerns the mechanisms through which the state aims to significantly influence and stimulate private sector investment in R&I. These mechanisms predominantly include incentive measures R&D in the form of tax incentives and a range of grant support, which serve as levers for private sector investment and the concentration of these investments in innovative products and services. Significant levers also include targeted mechanisms to support collaboration between academia and industry, which promote the competitiveness and knowledge transfer into the private sector through research and development activities originating from the scientific research sector.

Table 25- Overview of Implementation Step 3 activities for reform 1.2.2.

Activity title	Responsibility	Source of verification
Improving of the mechanism for R & I development incentive measures	The line ministries for science and innovation and tac administration	Semi-annual reports of the Government of Montenegro on the Implementation of the Reform Agenda
Improving support instruments and maintaining continuity in funding for innovative SMEs	The responsible ministry for science and innovation/The Innovation Fund of Montenegro	Semi-annual reports of the Government of Montenegro on the Implementation of the Reform Agenda
Enhancing collaboration between science and industry	The responsible ministry for science and innovation/The Innovation Fund of Montenegro	Semi-annual reports of the Government of Montenegro on the Implementation of the Reform Agenda

Step 4 - R & D expenditure of the public sector in Montenegro reaches 35 % of the EU average

Montenegro has been recording consistent growth in investments in science and innovation from the national budget in recent years. With the prioritization brought by smart specialization, focusing national resources on specific priorities identified as the country's competitive advantages, it is expected to optimize state investments in science and innovation. This optimization is the strongest evidence of the state's commitment to knowledge-based development, which is the essence of this step in implementing the reform measure.

Optimizing and increasing investments is only possible through clearly defined support instruments for research and innovation, which must be comprehensive and cover all segments of the ecosystem—human resource development, research and innovation infrastructure development, fostering collaboration among all stakeholders with a special focus on cross-sectoral cooperation, enhancing excellence and scientific productivity, promoting innovation development at all stages of technological readiness, and strengthening internationalization initiatives.

Table 26 - Overview of Implementation Step 4 activities for reform 1.2.2.

Activity title	Responsibility	Source of verification
Improving instruments to support R&I development by the state	The responsible ministry for science and innovation/The Innovation Fund of Montenegro	Semi-annual reports of the Government of Montenegro on the Implementation of the Reform Agenda

POLICY AREA 2: DIGITAL AND ENERGY/GREEN TRANSITION

The implementation of obligations undertaken within the framework of the Energy Community Treaty and the achievement of defined goals prescribed therein are of utmost importance for the successful implementation of reforms in the energy sector in Montenegro. Therefore, the reforms aim to continue the implementation of measures arising from the EU's Third Energy Package and the Clean Energy Package in the electricity and gas sectors, as well as to create a functional energy market ready for integration into the EU's internal electricity market. Further development of a carbon pricing system in the short term and a corresponding emissions trading system (EU ETS) in the medium and long term is vital for the decarbonization of the energy sector. The emissions trading system is expected to influence the gradual phasing out of coal for electricity production, which will require the implementation of labour market support measures through investment in training, specialization, and retraining of employees, as well as the development of entrepreneurship in coal mining regions.

Additionally, it is necessary to intensify activities to create an environment for reducing the use of fossil fuels in the transport sector, particularly through the improvement of public transport and the promotion of e-mobility. In terms of developing new production capacities, it is important to continue activities to increase and diversify the share of energy from renewable sources in total energy consumption, as well as to create and implement economically sustainable support and incentive programmes for consumers. The development of renewable energy sources cannot progress without improving network connections and digitalization, which are also high among the priorities on the path to net-zero emissions. Achieving energy efficiency goals must be among the priorities on the agenda, with key activities focused on the systematic but accelerated renovation of existing buildings, as well as the introduction of innovative technologies and solutions in the industrial sector.

The development of the energy sector and reliance on renewable sources of electricity represent an important reform for the development of social and economic progress. Montenegro has relatively low electricity consumption, concentrated at the distribution level; however, by connecting with Italy's transmission network via an underwater cable, Montenegro has become an energy hub in the Balkans. With such a position, electricity flows become more diverse, and interest in using these interconnections is increasing.

Besides transit, it has been shown that there is no shortage of natural resources for the development of renewable electricity sources. Although current electricity production from renewable sources exceeds the mandatory 50%, it is expected that utilizing available natural potentials could lead to the shutdown of the thermal power plant and the implementation of a just transition. To achieve this, it is necessary to establish adequate legal foundations, which are already in place in European Union countries, and the transposition of legal frameworks into national legislation is also an important segment in the green transition process³.

The Reform Agenda, in the part related to digital transformation, includes key measures that will significantly improve digital infrastructure and services. The introduction of broadband infrastructure is the basis for enabling fast and reliable internet access, which is a prerequisite for the modernization of regional economies. The implementation of 5G networks and the improvement of broadband network security further strengthen this foundation, enabling advanced digital services and connectivity.

The 5G networks security represents an extremely important segment, given the known vulnerabilities that have been considered since the introduction of this technology. The European Commission has issued guidelines, known as the 5G Toolbox, which EU member states should integrate into national legislation. Accordingly, Montenegro has

³ The deadlines stipulated in this section are without prejudice to the obligations under and deadlines set by the *acquis Communautaire* of the Energy Community Treaty, and do not affect the applicability and enforceability of the latter

integrated provisions for the protection of networks and services into its new Electronic Communications Law, obliging operators to apply adequate technical and organizational measures. Additionally, the Government can restrict the use of equipment that may threaten national security. Therefore, the Government of Montenegro, through the competent Ministry of Economic Development, and in cooperation with the Regulatory Agency for Electronic Communications (EKIP), will adopt a by-law that will fully comply with the EC guidelines regarding the 5G Toolbox.

On the other hand, electronic signatures and digital identity wallets will facilitate the interaction of citizens and businesses with public institutions, increasing efficiency and reducing administrative barriers. The digitalization of public services allows them to be tailored to the needs of users, improving access and quality of these services.

However, the global rise in activities on black markets enables cybercriminals, hackers, and terrorists to effectively exchange information, giving them an advantage over legal organizations. Organizations often avoid sharing information about cyber-attacks and vulnerabilities due to fear of reputational and financial losses, especially in the banking sector. The key solution is building mutual trust and creating a dynamic national framework for cybersecurity through public and private sector cooperation.

The fight against cybercrime faces problems such as identifying perpetrators and the lack of international cooperation. Additionally, cyber espionage represents a significant problem, as organizations with limited cyber capacities often cannot detect spy viruses, which is also a challenge for the public administration of Montenegro.

By establishing a comprehensive framework for cyber resilience, Montenegro will continue to protect its infrastructure and data from cyber threats, which is crucial for maintaining the security of the digital space.

SECTOR 2.1: ENERGY MARKET REFORMS

The development of the electricity market is aimed at a centralized process of coupling supply and demand for electricity at the European level, which will ensure full liquidity and protection from price volatility for end consumers. When talking about market reform, it encompasses a broad area that includes the wholesale and retail electricity market, the balancing market, guarantees of origin, and the allocation of cross-border capacities. A smaller part of these reforms has already been implemented in Montenegro, while the remaining market principles are still awaiting implementation and enforcement, which will be further encouraged through this instrument. The biggest obstacles to implementing these reforms are infrastructural connectivity, the application of appropriate legislation, and personnel training.

The priority step for the development of the electricity market is the adoption of appropriate legislation, i.e., the transposition of the Energy Community Electricity Integration Package (EIP), which will cover and regulate the mentioned market segments. By the decision of the Ministerial Council of the Energy Community on December 15, 2022, the obligation of the contracting parties to harmonize national legislation with the following EU directives and regulations was adopted: Directive (EU) 2019/944 (Electricity Directive), Regulation (EU) 2019/943 (Electricity Regulation), Regulation (EU) 2019/942 (ACER Regulation), Regulation (EU) 2019/941 (Risk-Preparedness Regulation), Regulation (EU) 2015/1222 (CACM GL), Regulation (EU) 2016/1719 (FCA GL), Regulation 2017/2195 (EB GL), Regulation (EU) 2017/2196 (ER NC), Regulation (EU) 2017/1485 (SO GL).

In order for Montenegro to adequately respond to the obligations regarding the reform of the electricity market, it is necessary to carry out a series of activities such as the adoption of a new Energy Law, the Law on Cross-Border Exchange, and the adoption of methodologies arising from these two laws. Key reforms are expected to be implemented through activities arising from these acts, one of which is the integration of the electricity market into the single European energy market.

Given that market conditions have been created in Montenegro with the launch of the wholesale market, significant progress has been made to continue further integration by connecting the market across one of the EU borders. Since the only European energy border is between Montenegro and Italy, it is natural to expect the connection to be made in that direction.

Reform 2.1.1 Full implementation of the electricity integration package

The implementation of the energy package (third and fourth) involves the fulfilment of obligations arising from the decision of the Energy Community Ministerial Council that contracting countries transpose the energy package into the national legislation of the Energy Community member countries. This includes the adoption and implementation of a new Energy Law and the Law on Cross-Border Exchange of Electricity and Natural Gas, as well as a series of methodologies arising from the mentioned acts. The implementation of the energy package is a prerequisite for coupling the electricity market with the single European energy market (day-ahead and intra-day), validating NEMO status, and improving the functionality of the market operator and the transmission system operator in accordance with European practices, and it is one of the European Commission's recommendations for closing Chapter 15.

The beneficiaries of this reform are all energy entities that participate in the drafting of legal acts through working bodies, each within their competence: Ministry of Energy, Transmission System Operator (CGES), Distribution System Operator (CEDIS), Market Operator - NEMO (BELEN), Delegated Operator (COTEE), producers, Energy and Water Regulatory Agency of Montenegro (REGAGEN).

Table 27 - Overview of steps for reform 2.1.1.

Title of the step	Responsible institution	Implementation deadline
Complete transposition of the electricity integration package in line with the Energy Community requirements and continuation of its implementation	Ministry of Energy	December 2024
Continue implementation of the electricity integration package by TSO and NEMOs joining day ahead market coupling with the EU	Ministry of Energy Energy and Water Regulatory Agency of Montenegro TSO Market Operator - NEMO	June 2026
Finalize implementation of the electricity integration package by coupling the intra-day electricity market	Ministry of Energy Energy and Water Regulatory Agency of Montenegro TSO Market Operator - NEMO	December 2026

For the purpose of fulfilling this reform, investments by the market operator - NEMO are planned for the purchase of a license for the implementation of the day-ahead and intraday electricity market.

Step 1 - Complete transposition of the electricity integration package in line with the Energy Community requirements and continuation of its implementation

Activity 1.1 - Adoption of the legal framework in accordance with EU policies (Energy Law and Law on Cross-Border Exchange of Electricity and Natural Gas): The Energy Law and the Law on Cross-Border Exchange of Electricity and Natural Gas represent the main acts regulating the operation of the energy sector in Montenegro, considering coordinated work with neighbouring power systems. The adoption of norms from European acts will involve the creation of new legal documents with the participation of economic entities.

Activity 1.2 - Adoption of by-laws/methodologies, regulations, decrees (Energy Law and Law on Cross-Border Exchange of Electricity and Gas): By-laws or methodologies arising from the aforementioned laws represent a series of regulations that further regulate the operation of the power system with all its specifics, and which are adopted independently or in coordination with neighbouring power systems if the mentioned acts imply regional cooperation.

Step 2 - Continue implementation of the electricity integration package by TSO and NEMOs joining day ahead market coupling with the EU.

Activity 2.1 - Signing of a memorandum with Italy MoU: Regulatory agencies (REGAGEN and ARERA) will sign an MoU with the aim of establishing a capacity calculation region (ITME CCR) and thus formalizing cooperation.

Activity 2.2 - Successful finalization of the Local Implementation Project (LIP) for coupling the day-ahead electricity market: One of the prerequisites for coupling the Montenegrin electricity market with the single European energy market, besides establishing the legal framework, is the formalization of international cooperation with a member of the European Union by signing a contract for the establishment of a local implementation project that will formalize the start of testing for the coupling of the day-ahead electricity market between Montenegro and Italy.

Step 3 - Finalize implementation of the electricity integration package by coupling the intra-day electricity market

Activity 3.1 - Successful finalization of the Local Implementation Project (LIP) for the coupling the intraday electricity market: After coupling with the day-ahead market, activities will be undertaken to establish and coupling with the intraday electricity market. Estimates are that only through a joint market can it be liquid. The accession to the intraday European energy market through IBWT will be preceded by the establishment of LIP through which testing for the operational work of the intraday market will be carried out.

Table 28 - Overview of activities within the implementation of step 1 for reform 2.1.1.

Activity title	Responsibility	Source of verification
Adoption of legal framework in accordance with EU policies (Energy Law and Law on Cross-Border Exchange of Electricity and Gas)	Ministry of Energy	Decision of Parliament of Montenegro

Adoption of by-laws/methodologies, regulations, decrees (Energy Law and Law on Cross-Border Exchange of Electricity and Gas)	Ministry of Energy Energy and Water Regulatory Agency of Montenegro	Adoption of by-laws by the Government
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Table 29 - Overview of activities within the implementation of **Step 2** - for reform 2.1.1.

Activity title	Responsibility	Source of verification
Signing the Memorandum with Italy MoU	Energy and Water Regulatory Agency of Montenegro	Performance report of Ministry of Energy
Establishment of the Local Implementation Project (LIP) for day-ahead electricity market coupling	Transmission System Operator	Successful finalization of the Local Implementation Project (LIP) for day-ahead electricity market coupling/Annual report of the Ministry of Energy

Table 30 - Overview of activities within the implementation of step 3 for reform 2.1.1.

Activity title	Responsibility	Source of verification
Signing of the accession agreement to the intraday single European electricity market	Transmission System Operator	Successful finalization of the Local Implementation Project (LIP) for intraday electricity market coupling / Annual report of the Ministry of Energy

Reform 2.1.2. Gradual tariff adjustments to cost recovery levels accompanied by energy poverty measures

The price disruption in the electricity market has led to significant deviations between wholesale and retail prices, resulting in financial losses for energy companies and entering the business risk zone. To ensure the secure supply of electricity to consumers and the safe operation of energy companies, the supply price of electricity needs to be close to the purchase price on the wholesale market. Electricity, as a basis for daily functioning, should be accessible to everyone, which is why a category of vulnerable customers is being introduced who will, under certain circumstances, have the right to subsidies on electricity bills, while on the other hand, creating an environment for economic and industrial development.

The beneficiaries of this reform will be end consumers, i.e., households with special measures intended for socially and health-vulnerable categories. The responsible body for implementing this reform is the EPCG, as a registered supplier, and the legal regulations are adopted by the Parliament of Montenegro at the proposal of the Government of Montenegro and the Ministry of Energy.

Table 31- Overview of steps for reform 2.1.2.1

Title of the steps	Responsible institution	Implementation deadline
Phase out of public intervention in the price-setting for the supply of electricity in line with Article 5 of the Directive 2019/944 on common rules for the internal market for electricity	Energy and Water Regulatory Agency of Montenegro Elektroprivreda Crne Gore EPCG	December 2024
Implementation of measures aimed at protecting energy poor and vulnerable customers including developing methodology to define energy poor groups and monitoring tools	Ministry of Energy State institutions for solving social problems	June 2025
Electricity price for households reflects the market price in line with EU best practice (for ex. Linking bilateral supply contracts between the generator and the supplier of electricity to annual average of the day-ahead market price) as a priority	Elektroprivreda Crne Gore EPCG	December 2027

Step 1 - Phase out of public intervention in the price-setting for the supply of electricity in line with Article 5 of the Directive 2019/944 on common rules for the internal market for electricity The step 1 is foreseen to be regulated by the adoption of the new Law on Energy. No specific bylaw is needed (it will be regulated throughout the new Law) and for step the Ministry will develop a methodology which is proposed by activity 2.1.

Activity 1.1 Measures to ensure effective competition between suppliers

Step 2 - Implementation of measures aimed at protecting energy poor and vulnerable customers including developing methodology to define energy poor groups and monitoring tools

The step 2 is foreseen to be regulated by the adoption of the new Law on Energy.

Activity 2.1 - Methodology for defining energy-poor groups:

Step 3 - The electricity price for households reflects the market price in line with EU best practices (e.g., linking bilateral supply contracts between the generator and the supplier of electricity to annual average of the day-ahead market price) as a priority

The price of electricity for households reflects the market price in line with EU best practice (e.g. linking bilateral supply contracts between generators and electricity suppliers to the annual average day-ahead market price) as a priority. With this step, the price for households is expected to be close to the average year price from the wholesale market: we need to define the baseline (e.g. wholesale market price at 31.12.2025) as well as the target (i.e. +/- 10% of market price?). The increase in the price of electricity for households will be formed through tariff models depending on the amount of consumption. Due to the instability of the electricity market, it is difficult to estimate the price increase in relation to the market price, so we propose up to 10% in relation to the current price for households.

Activity 3.1 - EPCG decision on increasing prices for end users:

Table 32 - Overview of activities within the implementation of step 1 for reform measure 2.1.2

Activity title	Responsibility	Source of verification
Measures to ensure effective competition between suppliers	Ministry of Energy	Energy Law: Predicting the obligation of suppliers to offer a contract with dynamic pricing of electricity

Table 33 - Overview of activities within the implementation of Step 2 - for reform measure 2.1.2

Activity title	Responsibility	Source of verification
Methodology for defining energy-poor groups	Ministry of Energy State institutions for social welfare	Adoption of the Methodology

Table 34 - Overview of activities within the implementation of step 3 for reform measure 2.1.2

Activity title	Responsibility	Source of verification
EPCG decision on increasing prices for end users	EPCG	Adoption of a decision or other legally binding act by EPCG/ Annual report of the Ministry of Energy

SECTOR 2.2: DECARBONIZATION POLICY AND PREPARATION FOR CARBON PRICING MECHANISM

The realization of obligations assumed under the Energy Community Treaty and the achievement of set objectives are crucial for the successful implementation of reforms in the energy sector in Montenegro.

The key activity that needs to be realized in the coming period is the finalization of the integrated National Energy and Climate Plan (NECP), which will define key policies and measures for achieving new 2030 targets. Expanding the scope of the Energy Community Treaty on climate and the environmental issues is an important step towards a transition that aims for member countries, as well as candidate countries, to reduce greenhouse gas emissions, become energy efficient, and predominantly use renewable energy sources.

In that respect, for the decarbonization of the energy sector, further development of the emission credits payment system in the short term and the corresponding medium-term and long-term emission trading system is important. It

is expected that the emission trading system will also contribute to gradual phase-out of coal-based energy production, which will require the implementation of a just transition in Pljevlja region.

Reform 2.2.1 Implementing priority policies and measures from the National Energy and Climate Plan

The adoption of the National Energy and Climate Plan (NECP), which will define key policies and measures to achieve new goals by 2030, is of exceptional importance for the successful implementation of energy policy and necessary reforms. The measure which implementation needs to be in prioritized, refers to the provision of conditions for the implementation of a just transition with a special focus on socio-economic aspects.

In this regard, the National Council for Sustainable Development of Montenegro, with the support of UNDP, has initiated the development of a comprehensive socio-economic study on the topic of just (energy) transition, which includes timely planning processes that prioritize people's needs, human capital development, and necessary support for economic diversification in the coal region of Pljevlja.

Due to the complexity of the process, in implementing the proposed reforms, it is necessary to establish cooperation between the General Secretariat of the Government and the relevant ministries, with the inclusion of key entities, primarily the Pljevlja Coal Mine and the EPCG, in order to achieve the desired results in the part of retraining and re-employment in the coal region of Pljevlja. In the part of the implementation of the comprehensive Building Renovation Programme, the inclusion of the Eco Fund and the Municipality of Pljevlja is necessary.

Table 35- Overview of steps for reform 2.2.1.

Title of the step	Responsible institution	Implementation deadline
Governance structure mandated to implement and monitor just transition actions is operational and has adopted a plan for conducting training and job creation for people employed in mining and coal power production	Secretariat General of the Government National Council for Sustainable Development, relevant ministries, Municipality of Pljevlja, Pljevlja Coal Mine, EPCG	June 2025
Draft of Law on protection from the negative impacts of climate change and protection of ozone layer in line with a climate neutrality target for 2050 enters into force	Ministry of Ecology, Sustainable Development and Northern Region Development	December 2025
Short-term human capital development measures aimed at retraining and re-employment in Pljevlja coal region are completed in line with the just transition action plan.	Secretariat General of the Government National Council for Sustainable Development, relevant ministries, Municipality of Pljevlja, Pljevlja Coal Mine, EPCG	December 2026
100 persons out of which 15% women are retrained under the action plan (pilot) baseline December 2024	Secretariat General of the Government National Council for Sustainable Development, relevant ministries, Municipality of Pljevlja, Pljevlja Coal Mine, EPCG	December 2026
Establishment of the training centre and scheme for retraining and re-employment focusing on implementation of comprehensive Programme as well as other industrial or service jobs	Secretariat General of the Government National Council for Sustainable Development, relevant ministries, Municipality of Pljevlja, Pljevlja Coal Mine, EPCG	December 2026
Implementation of the comprehensive Programme for the renovation of public and private buildings in Pljevlja coal region, offering financial solutions for energy efficiency and replacement of fossil fuel heating systems.	Secretariat General of the Government Ministry of Energy, Ministry of Mining, Oil and Gas Eco Fund, Municipality of Pljevlja	December 2027
90% of individual heating systems in public buildings and 70% of individual heating systems in private buildings from coal to clean fuel	Secretariat General of the Government Ministry of Energy Ministry of Mining, Oil and Gas Eco Fund, Municipality of Pljevlja	December 2027
At least 400 people out which 15% are women, trained under the scheme for retraining and re-employment focusing on the implementation of comprehensive	Secretariat General of the Government National Council for Sustainable Development, relevant ministries, Municipality of Pljevlja,	December 2027

Programme as well as on other industry or service jobs - the baseline value for 2024	Pljevlja Coal Mine, EPCG	
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Step 1 - Governance structure mandated to implement and monitor just transition actions is operational and has adopted a plan for conducting training and job creation for people employed in mining and coal power production

Table 36- Overview of activities within the implementation of step 1 for reform measure 2.2.1

Activity title	Responsibility	Source of verification
Establishment of a structure by the Government with clearly defined responsibilities regarding the implementation of a just transition	Secretariat General of the Government National Council for Sustainable Development, Ministry of Energy, Ministry of Mining, Oil and Gas	Decision of the Government of Montenegro on the establishment of the structure
Preparation and adoption of an action plan for conducting training and creating jobs for people employed in the Pljevlja coal region	Ministry of Ecology, Sustainable Development and Northern Region Development Municipality of Pljevlja, Pljevlja Coal Mine, EPCG	Action plan on just transition adopted; Report of the operational structure for just transition

Step 2 - The Draft of Law on protection from the negative impacts of climate change and protection of ozone layer in line with a climate neutrality target for 2050 enters into force

Table 37 - Overview of activities within the implementation of Step 2 - for reform measure 2.2.1

Activity title	Responsibility	Source of verification
Adoption of Draft of Law on protection on Protection from Negative Impacts of Climate Change and Protection of the Ozone Layer	Ministry of Ecology, Sustainable Development and Northern Region Development	Law published in the Official Gazette of Montenegro
Adoption of by-laws based on the Law to fully implement the legal provisions	Ministry of Ecology, Sustainable Development and Northern Region Development	Regulations published in the Official Gazette of Montenegro

Step 3 - Short-term human capital development measures aimed at retraining and re-employment in Pljevlja coal region are completed in line with the just transition action plan

Table 38 - Overview of activities within the implementation of step 3 for reform measure 2.2.1

Activity title	Responsibility	Source of verification
Implementation of priority activities from the action plan	Secretariat General of the Government National Council for Sustainable Development, Ministry of Energy , Ministry of Ecology, Sustainable Development and Northern Region Development Municipality of Pljevlja, Pljevlja Coal Mine, EPCG	Report on the implementation of the Action plan on just transition

Step 4 - 100 persons out of which 15% women are retrained under the action plan (pilot) - baseline December 2024

Table 39 - Overview of activities within the implementation of step 4 for reform measure 2.2.1

Activity title	Responsibility	Source of verification
Implementation of pilot training for 100 people for retraining and job creation	Secretariat General of the Government National Council for Sustainable Development, Ministry of Energy , Municipality of Pljevlja, Pljevlja Coal Mine, EPCG	Report on the implementation of pilot training; Report on the implementation of the Action plan on just transition

Step 5 - Establishment of the training centre and scheme for retraining and re-employment focusing on implementation of comprehensive Programme as well as other industrial or service jobs

Table 40 - Overview of activities within the implementation of step 5 for reform measure 2.2.1

Activity title	Responsibility	Source of verification
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Establishment of the training centre	Secretariat General of the Government National Council for Sustainable Development, Ministry of Ecology, Sustainable Development and Northern Region Development Ministry of Energy, Municipality of Pljevlja, Pljevlja Coal Mine, EPCG	Training centre established and equipped; Report on the implementation of the action plan on just transition
Definition of schemes for retraining and re-employment	Secretariat General of the Government National Council for Sustainable Development, Ministry of Energy, Ministry of Mining, Oil and Gas Municipality of Pljevlja, Pljevlja Coal Mine, EPCG	Documentation for retraining and re-employment schemes; Report on the implementation of the Action plan on just transition

Step 6 - Implementation of the comprehensive Programme for the renovation of public and private buildings in Pljevlja coal region, offering financial solutions for energy efficiency and replacement of fossil fuel heating systems.

Table 41 - Overview of activities within the implementation of step 6 for reform measure 2.2.1

Activity title	Responsibility	Source of verification
Comprehensive support programme for building renovation in the Pljevlja region established	Secretariat General of the Government Ministry of Energy Ministry of Mining, Oil and Gas Eco Fund, Municipality of Pljevlja	Government Conclusion on The Established Support Programme; Report on The Implementation of The Action Plan on Just Transition

Step 7 - Transition of 90% of individual heating systems in public buildings and 70% of individual heating systems in private buildings from coal to clean fuel. Implementation of financial support to the Pljevlja region for improving energy efficiency and substituting the use of fossil fuels, primarily coal, for space heating

Table 42 - Overview of activities within the implementation of step 7 for reform measure 2.2.1

Activity title	Responsibility	Source of verification
Implementation of financial support for improving energy efficiency and substituting the use of fossil fuels in public buildings	Secretariat General of the Government Ministry of Energy Eco Fund, Municipality of Pljevlja	Report on the implementation of the support programme in public buildings; Report on the implementation of the Action plan on just transition
Implementation of financial support for improving energy efficiency and substituting the use of fossil fuels in private buildings		Report on the implementation of the support programme in private buildings; Report on the implementation of the Action plan on just transition

Step 8 - At least 400 persons out of which 15% women trained under the scheme for retraining and re-employment focusing on implementation of comprehensive Programme as well as on other industry or service jobs. Baseline December 2024

Table 43 - Overview of activities within the implementation of step 8 for reform measure 2.2.1

Activity title	Responsibility	Source of verification
Implementation of continued retraining and job creation for 400 people	Secretariat General of the Government National Council for Sustainable Development, Ministry of Energy, Municipality of Pljevlja, Pljevlja Coal Mine, EPCG	Report on the implementation of the training; Report on the implementation of the Action plan on just transition

Reform 2.2.2 Improvement of the National Emissions Trading System (ETS) in accordance with the EU ETS system

Implementing the carbon pricing mechanism is one of the key measures in the fight against climate change and achieving greenhouse gas emission reduction targets, by establishing a stable national carbon pricing system in line with EU policy requirements in this area. This mechanism prevents so-called "carbon leakage" by burdening the costs of fossil fuel-based energy production. Setting a carbon price makes greenhouse gas emissions more expensive, which encourages cleaner technologies and production processes, as well as innovations in renewable energy sources, energy efficiency, and other technologies that reduce carbon emissions. At the same time, revenues from the sale of

carbon emission permits can be used to finance investments in renewable energy sources and other emission reduction projects.

The responsibility for implementing this reform lies with the Ministry of Ecology, Sustainable Development, and Northern Region Development, and it directly affects electricity producers and industrial consumers who release significant amounts of carbon dioxide in the production of their products.

Step 1 - Full implementation of Monitoring, Reporting, Verification, and Accreditation (MRVA)⁴ Establishing a system of monitoring, analysis, verification, and accreditation recognized by the Law on Protection from Negative Impacts of Climate Change and Protection of the Ozone Layer, which is in the process of adoption.

Table 44 - Overview of steps for reform measure 2.2.2

Title of the step	Responsible institution	Implementation deadline
Full implementation of monitoring, reporting, verification, and accreditation (MRVA)	Ministry of Ecology, Sustainable Development, and Northern Region Development	December 2025

Table 45 - Overview of activities within the implementation of step 1 for reform measure 2.2.2

Activity title	Responsibility	Source of verification
Adoption of the Law on Protection from Negative Impacts of Climate Change and Protection of the Ozone Layer and by-laws regulating the system of MRVA monitoring, reporting, verification, and accreditation	Ministry of Ecology, Sustainable Development, and Northern Region Development	Law published in the "Official Gazette of Montenegro"
Establishment of the monitoring, reporting, verification, and accreditation (MRVA) system in accordance with the Law	Ministry of Ecology, Sustainable Development, and Northern Region Development	MRVA system established; Government annual report

SECTOR 2.3: RENEWABLES DEPLOYMENT, ENERGY EFFICIENCY AND AIR POLLUTION MITIGATION

For the purpose of achieving national goals by 2030 and carbon neutrality by 2050, it is important to continue activities to increase and diversify the share of energy from renewable sources in total energy consumption, as well as to create and implement economically sustainable support and incentive programmes for the production of energy from renewable sources for own needs.

As a consequence of population growth and accelerated urbanization, energy consumption in buildings is also increasing. Today, buildings are responsible for one-third of the world's energy consumption and generate about one-fifth of global CO₂ emissions, and it is estimated that these values could double by 2050. This state of affairs highlights the importance of energy efficiency in buildings, which represents an opportunity to achieve set ecological goals and make settlements/cities healthier, safer, and more sustainable.

Recent EU policy has also recognized buildings as the largest untapped source for achieving energy savings and potential for reducing CO₂ emissions in Europe. Therefore, the Energy Efficiency Directive (EED, 2012/27/EU) from 2012 obligated member states to develop long-term renovation strategies for their national building stock. This obligation was supplemented through amendments to the Energy Performance of Buildings Directive (EPBD 2018/844/EU) from 2018.

The ultimate goal is to develop an investment environment related to improving the energy performance of the entire building stock, as the existing building sector in the EU is still characterized by a low level of investment.

Therefore, the renovation of the building stock (both public and private) represents one of the priority activities and is recognized in the European Green Deal as a key initiative for increasing energy efficiency in the sector and achieving goals in the field of energy efficiency and decarbonization. Also, given the fact that the construction sector has high demands in terms of labour, where domestic labour is prioritized, building renovation can play an important role in economic development.

The building sector in Montenegro is characterized by a low level of energy efficiency. Considering the fact that energy consumption in the household and service sectors, which predominantly relates to buildings, reached a level of more than 48% of final energy consumption in 2022, it is clear that the potential for improving energy efficiency is enormous.

It is evident that the building sector represents the largest energy consumer and has enormous potential for achieving energy and economic savings, as well as positive impacts on the environment. In rural areas, especially in the northern

⁴ "Implementation of the MRVA framework should be proven through the approval by the competent authorities of monitoring plans for each operator covered"

part of Montenegro, there is significant use of biomass (wood) and coal for space heating, which causes significant air pollution problems, especially during the heating season. Natural gas is not available, and district heating is not developed except to a certain extent in the Municipality of Pljevlja, which is also based on coal and adversely affects air quality in this municipality.

Reform 2.3.1 Developing transparent and competitive procedures for deployment of renewable energy and foreseeing the entry of new ones

By adopting the Law on the Use of Electricity from Renewable Sources, the European Renewable Energy Directive RED II will be transposed, which envisages the gradual transition of renewable energy sources from the incentive system to the electricity market. Market premiums, which can be interpreted as a transitional period before entering the electricity market, are awarded through an auction process announced by the Ministry.

The Ministry of Energy is responsible for preparing the Law on the Use of Energy from Renewable Sources, and its implementation will have a direct impact on the future increase in the share of renewable sources in final consumption, and thus on investments.

Step 1 - Announce 3-year auction plan of at least 400 MW and launch the first auction

Announcement of a 3-year auction plan: According to the Law on the Use of Electricity from Renewable Sources, the Ministry of Energy is obliged to publish a three-year auction plan, i.e., the quota amount, type of installation, and number of auctions to be conducted in the next three years from the adoption of the Law.

Table 46 - Overview of steps for reform measure 2.3.1

Title of the step	Responsible institution	Implementation deadline
Announce 3-year auction plan of at least 400 MW and launch the first auction	Ministry of Energy	June 2025

Table 47 - Overview of activities within the implementation of step 1 for reform measure 2.3.1 2

Activity title	Responsibility	Source of verification
Incentive system plan for 3 years	Ministry of Energy	Adoption of the plan

Reform 2.3.2 Implementation of the Renewable Energy Directive (permitting, guarantees of origin, prosumers)

In November 2021, the Energy Community Ministerial Council adopted decision D/2021/14/MC-Enki, which established the obligation for Energy Community members to transpose and implement Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources, adapted at the Energy Community level, by December 31, 2022. This directive establishes a common framework for the promotion of energy from renewable sources and sets a target for the share of energy from renewable sources in total final energy consumption in 2030 for Energy Community members. For Montenegro, this target is 50%. The directive also prescribes rules on financial support for electricity from renewable sources, self-consumption of such electricity, the use of energy from renewable sources in the heating and cooling sector and the transport sector, regional cooperation, guarantees of origin, administrative procedures, and information and training. Additionally, this directive establishes sustainability criteria and greenhouse gas emission savings for biofuels, bioliquids, and biomass fuels. Encouraging the production of electricity from renewable sources is one of the key goals of energy development in Montenegro. In the previous period, incentive schemes were successfully implemented, increasing the share of renewable sources in final consumption by about 15%. However, with the establishment of the electricity market, conditions are being created for the implementation of measures that will contribute to the liberalization of the electricity market.

Table 48 - Overview of steps within reform measure 2.3.2

Title of the step	Responsible institution	Implementation deadline
Adoption legislation in line with the Renewable Energy Directive (RED II), including the regulatory framework for consumers and streamlining of permit-granting procedures (e.g., designation of a single contact point)	Ministry of Energy	December 2024
Operationalization of the guarantee of origin system	Delegated system operator - COTEE	June 2025
One of the energy communities established and operational	Ministry of Energy	June 2026

It will be necessary to invest in the implementation of the pilot project.

Step 1 - Adoption legislation in line with the Renewable Energy Directive (RED II), including the regulatory framework for consumers and streamlining of permit-granting procedures (e.g., designation of a single contact point)

Activity 1.1 - Adoption of the Law on the use of energy from renewable sources: The Law on the use of energy from renewable sources regulates the determination of the share of energy from renewable sources, incentive systems for the production of energy from renewable sources, conditions and procedures for acquiring the status of a temporary privileged producer and the status of a privileged producer, guarantees of origin of electricity, as well as other issues of importance for the use of energy from renewable sources. The Ministry of Energy has prepared a draft of the first law on the use of renewable sources of electricity, which will enter the adoption procedure by the end of the first quarter of this year. The law on the use of energy from renewable sources was adopted by the Government on June 5 this year and sent to the parliamentary procedure with a proposal to adopt an act under urgent procedure.

Activity 1.2 - Adoption of by-laws: From the aforementioned act arises the obligation to adopt a series of methodologies and by-laws that will more closely determine the conditions for the implementation of this law.

Activity 1.3 - Study for the assessment of renewable energy potential: The development of renewable energy sources (solar and wind power plants) involves the analysis of locations from the aspect of development potential, conflicts with the environment and society, and the possibility of connection to the energy grid. It is necessary to create a study to assess the potential of renewable energy sources at the level of Montenegro, which will identify areas that are more favourable for the development of future facilities for the production of electricity from the sun and wind.

Activity 1.4 - Conducting an auction: The initiation of the auction is a procedure under the jurisdiction of the Ministry of Energy through which interested investors compete for the allocation of rights to a market premium. Ranking is done based on the lowest offered price, in relation to the maximum defined by the Ministry. After the auctions are conducted, successful projects enter the incentive system.

Step 2 - Operationalization of the guarantee of origin system

Activity 2.1 - Establishment of a system for issuing certified guarantees of origin: Guarantees of origin are electronic certificates issued to producers of electricity from renewable sources for each produced MWh. By establishing a software solution, i.e., a system for issuing guarantees of origin and membership in the European Association for the Issuance of Guarantees of Origin (AIB), Montenegro will achieve the conditions to further valorise electricity from renewable sources.

Step 3 - One of the energy communities established and operational

Activity 3.1 - Pilot project/study for the establishment of a citizen energy community: One of the ways to ensure greater participation of renewable sources of electricity while reducing losses in the grid is the establishment of citizen energy communities. By launching a project for the installation of solar panels on households and business facilities, conditions were created for individual users to join communities that, with the installation of battery systems, could also participate as providers of balancing services.

Table 49 - Overview of activities within the implementation of step 1 for reform measure 2.3.2

Activity title	Responsibility	Source of verification
Adopt legislation in line with the Renewable Energy Directive (RED II) including a regulatory framework for prosumers and streamlining of permit-granting procedures (e.g. designation of a single contact point)	Ministry of Energy	Adoption of the law by the Parliament of Montenegro
Adoption of by-laws	Ministry of Energy Energy and Water Regulatory Agency of Montenegro	Adoption by the Government of Montenegro
Study for the assessment of renewable energy potential	Ministry of Energy	Study / Annual report of the Ministry of Energy
Conducting an auction	Ministry of Energy	Call for auction publication

Table 50 - Overview of activities within the implementation of Step 2 - for reform measure 2.3.2

Activity title	Responsibility	Source of verification
Establishment of a system for issuing certified guarantees of origin	Delegated operator- COTEE	Membership in AIB

Table 51 - Overview of activities within the implementation of step 3 for reform measure 2.3.2

Activity title	Responsibility	Source of verification
Pilot project/study for the establishment of a citizen energy community	Ministry of Energy	Annual report of the Ministry of Energy

Reform 2.3.3 Increasing electricity production capacity through greater use of RES and more efficient use of existing power plants

Based on concluded contracts, an increase in production capacity from renewable sources of about 20% of currently installed capacity is expected in the next two years. This increase includes the construction of a new wind power plant, the installation of an additional unit (A8) in HE Perućica, and the continuation of the project for the installation of solar panels on households and business premises.

Responsibility for the implementation of this reform is under the complete jurisdiction of the Electric Power Company of Montenegro –EPCG

Table 52 - Overview of steps for reform measure 2.3.3

Title of the step	Responsible institution	Implementation deadline
At least 200 MW of new renewable energy (solar and wind energy) capacities installed and connected to the grid in line with the targets agreed within the Energy Community	EPCG	June 2027.

Step 1 - At least 200 MW of new renewable energy (solar and wind energy) capacities installed and connected to the grid in line with the targets agreed within the Energy Community

Activity 1.1 - VE Gvozd: Construction and commissioning of the Gvozd wind power plant with an installed capacity of 55MW,

Activity 1.2 - HE Perućica A8: Construction and commissioning of the 8th unit in HE Perućica with an installed capacity of 58.5MW,

Activity 1.3 - Solari 10000+: Continuation of the project for the installation of photovoltaic panels on the roofs of residential and business units.

Table 11 - Overview of activities within the implementation of step 1 for reform measure 2.3.3

Activity title	Responsibility	Source of verification
VE Gvozd (55MW)	EPCG	Production report / Annual report of the Ministry of Energy
HE Perućica A8 (58.5MW)	EPCG	Production report / Annual report of the Ministry of Energy
Solari 10000+ (>100MW)	EPCG	Publication of the call for physical and legal entities / Annual report of the Ministry of Energy

Reform 2.3.4 Implementation of energy efficiency and air pollution legislation

The legal framework for energy efficiency in Montenegro, which consists of the Law on Efficient Use of Energy and more than 70 by-laws, is aligned with the legal acquis of the European Union, and it is necessary to ensure the continuity of this process in the coming period.

In the coming period, the focus should be on the implementation of the provisions of the law, especially in the part of the requirements of the Energy Performance of Buildings Directive (EPBD), which relate to the establishment of a functional system for energy certification of buildings, the adoption of a building renovation strategy, and the implementation of support programmes for improving energy efficiency aimed at different consumption sectors, primarily buildings.

The goal of the reform is to create an environment for increasing investments in energy efficiency in buildings and other energy-consuming facilities through the establishment of specific support programmes, which will also contribute to reducing the use of fossil fuels and addressing pollution issues in accordance with the current strategic documents in this area.

The Ministry of Energy is responsible for implementing policies in the field of energy efficiency. The implementation of the planned reforms involves the inclusion of other entities, primarily the Ministry of Ecology, Sustainable Development and Northern Region Development in the part of activities aimed at improving air quality, the Eco Fund in the part of implementing financial support programmes, the market inspection in the part of controlling the application of regulations, and the University of Montenegro in the part of training experts for building certification.

Step 1 - Ensure the issuing of Energy Performance Certificates (in line with the Energy Performance of Buildings Directive) and amend the relevant legislation to enable efficient decision-making on energy efficiency investments for homeowners.

The following prerequisites are provided:

Minimum energy efficiency requirements are established, and their application is controlled in the design phase of buildings. It is necessary to ensure the control of the application of requirements in the construction/renovation phase of buildings in the process of energy certification. The obligation to certify buildings is planned to begin in Q3 2024. Additionally, it is necessary to ensure conditions for the full implementation of the building energy certification system through the establishment of a register of issued certificates and the provision of a quality control system for issued certificates.

Step 2 - Long-term building renovation strategy with an action plan adopted and starts to be implemented through ongoing projects for retrofitting of existing public buildings, aligned with the annual 3% renovation target.

The development of Study for improving the energy efficiency of buildings is envisaged by the Law on Efficient Use of Energy. According to the Law Study will define;

- overview of the building stock;
- review of cost-effective energy efficiency measures for buildings depending on the type and purpose of buildings and climatic conditions;
- review of incentive measures for financing works on of buildings renovation, in order to improve their energy performance;
- review of measures aimed at the building stock with poor energy performance which contribute to the achievement of broader social and economic benefits;
- long-term projections for directing investments in energy efficiency improvement of buildings;
- action plan with a proposal of priority measures and indicators for monitoring progress;
- assessment of expected energy savings and other benefits resulting from improving the energy efficiency of buildings.

According to the Law, the main conclusions regarding the strategic approach to building renovation need to be integrated into the National Energy and Climate Plan (NECP). Final goal is to improve the investment environment concerning the enhancement of the energy performance of the overall building stock in Montenegro

Step 3 - Adoption of the Strategy on Air Quality Management Strategy 2024-2029, including the development/update of air quality plans for zones where the National Emission Ceilings (NEC) Directive limit values are exceeded.

The adoption of the Air Quality Management Strategy 2024-2029 will ensure continuity in strategic planning and, at the same time, in accordance with the principle of rational planning, encompass all plans and programmes developed so far, which largely stem from the process of harmonization with European legislation in this area.

The new Strategy will consolidate plans for three established air quality zones (Northern, Central and Southern), replacing the plans that were prepared for the Municipality of Pljevlja (2013), the Municipality of Nikšić (2014) and the Capital City of Podgorica (2015).

Also, the Strategy will include a Plan of measures for pollution control, which was prepared in accordance with the requirements of the relevant EU regulations and the final benchmark for the negotiation chapter 27, bearing in mind their common purpose and goals related to the improvement of air quality, protection of the environment and human health.

In the consultations with representatives of local self-government that preceded the creation of this strategic document, it was agreed that local air quality plans should be included in the Strategy in order to rationalize the number of strategic documents and relieve the modest personnel potential, as well as that the Ministry and the Agency should continue providing support to local self-government units in defining air protection measures at the local level and their incorporation into local environmental protection plans.

Step 4 - Implementation of Eco-design regulations for solid fuel local space heaters through establishment of effective infrastructure for market surveillance and the initiation of a replacement scheme for domestic heating.

The implementation of eco-design requirements for solid fuel local space heaters will contribute to reducing the use of this type of heating technology, which will positively impact the resolution of air pollution problems in urban areas.

Step 5 - Increase the annual rate of building renovation and street lighting in accordance with the targets agreed in the Energy Community level: at least 60,000 m² renovated by December 2025, at least 130,000 m² renovated by December 2026, and at least 200,000 m² renovated by December 2027 (baseline: current annual renovation rate 20.000 m²)

It is necessary to ensure the prerequisites for establishing sustainable financing programmes for improving the energy efficiency of public and private buildings.

Montenegro has carried out significant activities in the previous period to improve the energy efficiency of public buildings, in accordance with the requirements of the Energy Efficiency Directive (EED) regarding the mandatory reconstruction of government administrative buildings and the exemplary role of the public sector.

The total level of secured investments in improving energy efficiency in public facilities (educational, health, administrative, etc.) in the previous period (since 2010) is at the level of 120 million euros, and financing has been secured by international financial institutions (KfW, WB, EBRD, EIB, etc.). It is necessary to continue with the implementation of initiated projects and the initiation of new ones in the coming period and to consider the possibility of expanding to the local level (municipalities), which are particularly interested in investments in public lighting and municipal buildings.

Households and the service sector are the largest energy consumption sector in the country - about 48% of the final energy consumption in 2022. Significant activities have been carried out in the previous period to establish various support schemes for improving energy efficiency, e.g., through these initiatives, more than 2000 households have been supported.

The establishment of the Eco Fund has created the prerequisites for support programmes to be designed and implemented on a larger scale and for different financing models to be applied. Financing of future support programmes should be secured from the Eco Fund, the budget of Montenegro, and other financing sources.

Special attention should be paid to low-income households when designing support programmes to address the issue of energy poverty to some extent.

To ensure the continuous implementation of the aforementioned programmes, it is proposed to determine the annual renovation rate as follows: 60,000 m² by December 2025; 130,000 m² by December 2026; 200,000 m² by December 2027.

Table 54 - Overview of steps for reform measure 2.3.4.

Title of the step	Responsible institution	Implementation deadline
Ensure the issuing of Energy Performance Certificates (in line with the Energy Performance of Buildings Directive) and amend the relevant legislation to enable efficient decision-making on energy efficiency investments for homeowners. The following prerequisites are provided	Ministry of Energy	December 2024
Long-term building renovation strategy with an action plan adopted and starts to be implemented through ongoing projects for retrofitting of existing public buildings, aligned with the annual 3% renovation target	Ministry of Energy	June 2025
Adoption of the Strategy on Air Quality Management Strategy 2024-2029, including the development/update of air quality plans for zones where the National Emission Ceilings (NEC) Directive limit values are exceeded.	Ministry of Ecology Sustainable Development, and Northern region development	December 2025
Implementation of Eco-design regulations for solid fuel local space heaters through establishment of effective infrastructure for market surveillance and the initiation of a replacement scheme for domestic heating	Ministry of Energy, Ministry of Ecology Sustainable Development, and Northern region development Eco Fund	December 2026
Increase the annual rate of building renovation and street lighting in accordance with the targets agreed in the Energy Community level: at least 60,000 m² renovated by December 2025, at least 130,000 m² renovated by December 2026, and at least 200,000 m² renovated by December 2027.	Ministry of Energy, Eco Fund, Local government units	December 2025/2026/2027

Step 1 - Ensure the issuance of certificates on energy characteristics (in accordance with the Directive on the energy performance of buildings) and amend the relevant legislation to enable efficient decision-making on investments in energy efficiency for homeowners

Activity 1.1 - Further strengthening of capacities for conducting energy audits of buildings and building energy certification. Certain capacities were established in the previous period. It is necessary to continue with new training cycles to ensure a sufficient number of experts are available on the market

Activity 1.2 - Ensuring conditions for maintaining and further improving the functionality of the national software for building energy certification

Activity 1.3 - Establishing a register of issued building energy certificates

Activity 1.4 - Ensuring a quality control system for issued certificates

Table 55 - Overview of activities within the implementation of step 1 for reform measure 2.3.4

Activity title	Responsibility	Source of verification
Further strengthening of capacities for conducting energy audits of buildings and energy certification of buildings	Ministry of Energy, University of Montenegro	Number of participants who completed the training; Annual Report of the Ministry of Energy
Ensuring conditions for maintaining and further improving the functionality of the national software for energy certification of buildings	Ministry of Energy	Established cooperation with the software vendor; Annual Report of the Ministry of Energy
Establishing a register of issued energy certificates for buildings	Ministry of Energy	Operational register
Ensuring a quality control system for issued certificates	Ministry of Energy	Reports on conducted quality control of issued certificates; Annual Report of the Ministry of Energy

Step 2 - Long term building renovation strategy with an action plan adopted and starts to be implemented through ongoing projects for retrofitting of existing public buildings, aligned with the annual 3% renovation target

Significant preparatory activities were carried out in the previous period for the development of the Study on Improving the Energy Efficiency of Buildings: a building inventory in Montenegro was created and cost-optimal levels of energy efficiency requirements were defined

Activity 2.1 - Development of scenarios with proposed energy efficiency measures for buildings depending on the type and purpose of buildings and climatic conditions,

Activity 2.2 - Development of long-term projections for directing investments in building renovation with proposed incentivized measures.

Table 56 - Overview of activities within the implementation of Step 2 - for reform measure 2.3.4

Activity title	Responsibility	Source of verification
Development of scenarios with proposed energy efficiency measures for buildings depending on the type and purpose of buildings and climatic conditions	Ministry of Energy	Prepared scenarios for building renovation
Development of long-term projections for directing investments in building renovation with proposed incentivized measures.	Ministry of Energy	Prepared financial analysis for building renovation
Finalization of the Study on improving the energy efficiency of buildings	Ministry of Energy	Study on improving the energy efficiency of buildings with Action plan

Step 3 - Adoption of the Strategy on Air Quality Management Strategy 2024-2029, including the development/update of air quality plans for zones where the National Emission Ceilings (NEC) Directive limit values are exceeded.

Activity 1.1 - Development of the Air Quality Management Strategy 2024-2029

Table 57 - Overview of activities within the implementation of step 3 for reform measure 2.3.4

Activity title	Responsibility	Source of verification
Adoption of the Air Quality Management Strategy 2024-2029	Ministry of Ecology, Sustainable Development, and Northern Region Development	Government conclusion on the adopted Strategy

Step 4 - Implementation of Eco-design regulations for solid fuel local space heaters through establishment of effective infrastructure for market surveillance and the initiation of a replacement scheme for domestic heating

Activity 4.1 - Harmonization of the legal framework for energy efficiency labelling and the introduction of eco-design requirements for space heaters in accordance with the latest amendments to the EU legal framework;

Activity 4.2 - Ensuring a high level of application of regulations in practice through strengthening the capacity of market inspection with the aim of controlling the placement of space heaters on the market;

Activity 4.3 - Establishing support schemes aimed at replacing inefficient space heaters within dedicated energy efficiency programmes implemented by the Eco Fund and the Ministry of Energy. Special emphasis should be placed on replacing local space heating devices that use fossil fuels and adversely affect air quality in certain areas

Table 58 - Overview of activities within the implementation of step 4 for reform measure 2.3.4

Activity title	Responsibility	Source of verification
Harmonization of the legal framework for energy efficiency labelling and the introduction of eco-design requirements for space heaters in accordance with the latest amendments to the EU legal framework	Ministry of Energy	Regulations for energy efficiency labelling and the introduction of eco-design requirements for space heaters published in the Official Gazette
Ensuring a high level of application of regulations in practice through strengthening the capacity of market inspection with the aim of controlling the placement of space heaters on the market	Ministry of Energy, Market inspection	Conducted training for market inspectors with the aim of controlling the placement of space heaters on the market; Annual Report of the Ministry of Energy
Establishing support schemes aimed at replacing inefficient space heaters within dedicated energy efficiency programmes	Ministry of Energy, Ministry of Ecology Sustainable Development, and Development of the North ECO Fund	Established functional financial support schemes; Annual Report of the Ministry of Energy

Step 5 - Increase the annual rate of building renovation and street lighting in accordance with the targets agreed in the Energy Community level: at least 60,000 m2 renovated by December 2025, at least 130,000 m2 renovated by December 2026, and at least 200,000 m2 renovated by December 2027.

Activity 5.1 - Continuation of projects for improving energy efficiency in public buildings and initiating new ones with the possibility of expansion to the local level (municipalities), which are particularly interested in investments in public lighting and municipal buildings.

Activity 5.2 - Further development of support programmes for improving energy efficiency in residential buildings with a special emphasis on low-income households

Table 59 - Overview of activities within the implementation of step 5 for reform measure 2.3.4

Activity title	Responsibility	Source of verification
Continuation of projects for improving energy efficiency in public buildings and initiating new ones	Ministry of Energy ECO Fund	Report on the implementation of energy efficiency projects in the public sector; Annual Report of the Ministry of Energy
Further development of support programmes for improving energy efficiency in residential buildings	Ministry of Energy ECO Fund	Report on the implementation of energy efficiency projects in households; Annual Report of the Ministry of Energy

SECTOR 2.4: DIGITALIZATION

One of the most significant prerequisites for the development of a digital society is the existence of political will as a driver of change. In this sense, with the existence of clear political will and so-called e-Leaders at the highest level of governance, the Government (in cooperation with all actors in society) is recognized as the main driver and regulator of the development of the digital society. Recognizing the importance of developing a digital society at the highest level within a system, with all the advantages it will bring to a society, its development will depend on concrete activities translated into laws, regulations, and strategies with clear goals and tasks that will support these initiatives.

In the field of ICT infrastructure, Montenegro possesses a sustainable system, which includes, among other things, guaranteed continuous availability and functionality of all services of state institutions in a 24/7/365 regime. Montenegro continuously invests in the development of organizational, technical, and human capacities, builds a legislative framework in accordance with international standards, and acts as a responsible partner on the regional and international level in the field of ICT infrastructure.

In 2017, Montenegro adopted the Law on Electronic Identification and Electronic Signature for the first time, which is harmonized with the eIDAS regulation, and amendments to this law were made in 2019. Based on the Law, 11 by-laws were adopted. The Law on Electronic Identification and Electronic Signature regulates the conditions for the use of

electronic signatures, electronic seals, electronic time stamps, and electronic registered delivery services in legal transactions, administrative, judicial, and other procedures, certification for website authentication, as well as the electronic identification system and conditions for recognizing electronic identification means of other countries.

The main challenge Montenegro faces is the resistance of institutions to accepting electronic documents signed with some type of electronic signature, citing that the previous Law on Electronic Documents required the prior expressed will of the recipient to accept the electronic document. In this way, the use of trust electronic services, specifically qualified electronic signatures, could not fully take root. At the initiative of the economy, a new Law on Electronic Documents ("Official Gazette of Montenegro" No. 132/22) was adopted in Montenegro, which removed the barrier for the full application of trust electronic services and prescribed the obligation to accept electronic documents signed with a qualified electronic signature.

Reform: 2.4.1. Secure broadband infrastructure deployment, including 5G networks

The domain of building electronic communication infrastructure (ECI) and installing ECI equipment is regulated by the Law on Spatial Planning and Construction of Structures, and the competent authorities for issuing the necessary permits and approvals are local governments. Given that the duration of the process of issuing these permits and approvals significantly varies from one local government to another, it is necessary to consider shortening the deadlines for issuing construction solutions as much as possible. After a detailed analysis and optimization of this process, it is necessary to consider its digitalization.

For the development of 5G mobile networks in urban areas where high data transfer speeds are required, it is necessary to enable the installation of base stations with a small service area without the obligation to obtain approval, with the verification of compliance with all legal conditions by the competent inspection authorities after commissioning.

The Law on State Property regulates, among other things, the ways of using assets that belong to Montenegro or local self-government and stipulates that they can be leased (for up to 5, 30, or 90 years depending on the type of property). The said law treats the installation of EC infrastructure in the same way as other purposes or ways of using assets in state property. In this regard, and for the purpose of more efficient introduction of 5G networks in Montenegro, it is necessary to implement a simple and efficient procedure for leasing/using land and buildings owned by the state and local self-governments for the specific purpose of installing ECI, in accordance with the aforementioned law. These are small areas, of a few square meters, and the procedures should be simpler compared to leasing large areas for other purposes. This would significantly simplify and accelerate the implementation of EC infrastructure in areas/objects that are state-owned.

The legal regulations governing the area of protection against non-ionizing radiation in Montenegro include the Law on Protection against Non-Ionizing Radiation, the Law on Environmental Impact Assessment, and the accompanying by-laws. To expedite the lengthy process of issuing approvals for environmental impact assessment reports for the construction of base stations, it is necessary to develop Guidelines for local self-government units regarding the application of the Law on Environmental Impact Assessment for base stations. In addition, it is necessary to consider amending the Rulebook on Exposure Limits to EM Fields, particularly the annex related to Conditions in the case of simultaneous exposure to EM fields from multiple stationary sources of different frequencies. Furthermore, it is necessary to consider, ongoing, amendments and supplements to the Rulebook on the Method of Initial and Periodic Measurements of Electromagnetic Field Levels concerning the determination of interventions that significantly change the basic technical characteristics, resulting in a change in the level or type of electromagnetic field of the source.

Table 60 - Overview of steps for reform measure 2.4.1.

Title of the step	Responsible institution	Implementation deadline
Adoption of the National Plan for development of Broadband infrastructure by Government	Ministry of Economic Development	December 2024
Compliance with the Gigabit Infrastructure Act: legislation in place (primary and secondary) to set-up a secure information system	Ministry of Economic Development	December 2025
Rulebook as bylaw of new Law on Electronic Communications in compliance with the EU 5G cybersecurity toolbox	Ministry of Economic Development	December 2026
Secure broadband infrastructure and network deployment in rural areas	Ministry of Economic Development	December 2027

Step 1 - Adoption of the National Plan for development of Broadband infrastructure by government

In March 2024, the Ministry of Economic Development signed an agreement with the International Telecommunication Union (ITU), and as a result of this cooperation, a National Plan for the Development of Broadband Internet Access Infrastructure will be developed.

When it comes to harmonization with the European Electronic Communications Code, we emphasize that a draft of the new Law on Electronic Communications, which is fully aligned with the European Electronic Communications Code has been prepared and submitted to EC at the end of July for opinion.

Within the Ministry of Economic Development, a Directorate for Broadband Internet Access has been established, among other things, responsible for managing the further development of broadband infrastructure. Due to the lack of interest from the business sector (electronic communications service operators) in this segment, it was decided that the first phase (infrastructure construction) would be completed exclusively by this ministry. In this regard, it is planned to further strengthen this directorate with personnel and other capacities in the coming period, to adequately fulfil all obligations arising from the project "Development of Broadband Internet Access Infrastructure," which is also an integral part of the Growth Plan for the Western Balkans. The ultimate aim of the project is to provide the construction of adequate infrastructure for fast and secure internet to all households, businesses, educational and health institutions in order to support the digital transformation of society and economy. The growing requirement for security and resilience of key enabling communications technologies and critical infrastructure highlights the need to rely on diversified and trusted suppliers, to prevent vulnerabilities and dependencies. The EU "5G Cybersecurity Toolbox" for example put forward a set of recommended measures to mitigate the risks to 5G networks, notably the assessment of the risk profile of suppliers and the application of restrictions for suppliers considered as high risk, including necessary exclusions from key assets.

Step 2 - Compliance with the Gigabit Infrastructure Act: legislation in place (primary and secondary) to set-up a secure information system

In terms of alignment with the Gigabit Infrastructure Act, the Law on Measures to Reduce the Cost of Deploying High-Speed Electronic Communication Networks was adopted in 2019. As the new European Gigabit Infrastructure Act will come into force in 2024, Montenegro will analyse the compliance of the existing law with the new EU law and, if necessary, harmonize it accordingly.

The auction procedure for pioneer 5G frequencies in Montenegro was successfully completed in 2023. Accordingly, the obtained licenses are valid for 15 years.

Step 3 - Rulebook as bylaw of new Law on Electronic Communications in compliance with the EU 5G cybersecurity toolbox

As the European Commission has issued guidelines for the 5G Toolbox, which all member states need to implement into their legislation, Montenegro, during the drafting of the new Law on Electronic Communications, which will be harmonized with the current European Electronic Communications Code, has foreseen a section concerning the security of electronic communication networks and services. This article stipulates that operators of public electronic communication networks and services must take appropriate technical and organizational measures to protect the security of their networks and services. The measures taken must ensure a level of security that corresponds to the existing level of threat to the security of networks and services, considering available technical and technological solutions. It is also stipulated that, for the protection and security of electronic communication networks and services, the Government may decide to restrict the procurement and use of equipment from a specific manufacturer, which is considered to have potentially harmful consequences for national security.

Article 163 of the Draft Law on Electronic Communications relates to the security of 5G networks. For the full implementation of the European Commission's guidelines regarding the "5G Toolbox," the Ministry of Economic Development, in cooperation with the Regulatory Agency for Electronic Communications (EKIP), will adopt a special bylaw in the form of a rulebook.

When it comes to public distrust in the safety of using 5G networks, whether from the standpoint of EM emissions impact or cybersecurity, it is necessary to address these issues with appropriate communication, which should provide the general public with a transparent insight into the monitoring of EM emission levels conducted by relevant institutions, insight into independent scientifically-based studies, as well as information on other activities related to security issues, all with the aim of achieving the highest level of mutual trust among all participants in the 5G ecosystem.

In this sense, it is necessary to organize appropriate round tables, lectures, seminars, and similar events, with the aim of presenting all available scientific knowledge and measurable results obtained by relevant institutions dealing with these challenges to the general public. This process should offer answers to the mentioned doubts based on facts and contribute to increasing the level of trust in the institutions that monitor EM emissions. Successful implementation of this activity requires strong involvement of the media.

Montenegro has a Strategy for the Development of 5G Mobile Communication Networks in Montenegro, which was adopted for the period 2023-2027. At the same time, an action plan has been adopted, according to which activities are being carried out.

The security of 5G networks is a significant segment, and since the introduction of this technology, its vulnerabilities in the context of security have been discussed.

Step 4 Secure broadband infrastructure and network deployment in rural areas

Regarding activities for the introduction of broadband internet access - development of broadband networks in rural areas within the WBIF project "Development of Broadband Infrastructure," Technical Assistance is currently being implemented, where experts are preparing the necessary documentation for its implementation, including technical documentation, Procurement and Contract Strategy, Procurement Plan, Market Model, Tender Documentation, as well as the Social and Environmental Action Plan.

As part of this important preparatory work, so far, an assessment of the current situation in Montenegro and the plans of telecommunication operators for setting up the infrastructure were carried out, because one of the key prerequisites of this project is the process of mapping the existing electronic communication infrastructure and networks throughout the territory of Montenegro. Based on the conducted mapping process, the so-called "white zones" (zones where there is no NGN - Next Generation Network broadband coverage or it is planned to operate in the next three years) and the so-called "gray zones" (zones where only one NGN broadband network is operational or planned to operate in the next three years). As part of the project, as a separate activity, an examination of the market's potential to eliminate the existing infrastructure gap in these zones was carried out. For areas in which the existence of commercial interest for investment by market participants (telecom operators) is not identified, the plan proposes measures and activities in the direction of encouraging the development of networks.

However, these activities are part of preparatory phase and will create only project documents which will be the base for future investment project which will ensure proper infrastructure for secure broadband infrastructure and network deployment in rural areas. The goal of this investment is to build infrastructure and networks for broadband Internet access in areas where private operators did not invest in the earlier period, with a focus on rural areas; it will provide fast Internet access to households, schools, health and other institutions of general interest. Infrastructure is also necessary for the development of the digital economy, i.e. the modernization of existing ones and the introduction of new business processes, products and services. Overall investment estimation for this infrastructure project approximately EUR 80 million. The abovementioned project is included in the Growth Plan for Western Balkans.

Reform 2.4.2. E-signature and deployment of digital identity wallet

The Ministry of Public Administration, as the state administration body responsible for the development of the information society and electronic administration, in accordance with the Law on Electronic Identification and Electronic Signature, maintains and publicly publishes on the ministry's website Electronic Identification and Trust Services (www.gov.me):

- Electronic trust service providers' records,
- Register of qualified trust service providers,
- Register of electronic identification systems,
- List of certified qualified means for creating electronic signatures or seals.

Namely, the Law on Electronic Identification and Electronic Signature stipulates that the Ministry of Public Administration provides trust services and qualified trust services for state administration bodies, and when prescribed by law, for other state bodies as well.

For the process of digitizing public services, the use of trust services is a particularly important segment. It should be noted that according to the Law, a qualified electronic signature has the same legal effect as a handwritten signature, or a handwritten signature and seal in relation to data in paper form, and is acceptable as evidence in proceedings before state bodies, state administration bodies, local self-government and local administration bodies, and legal entities exercising public authority.

Considering that a qualified electronic signature is equivalent to a handwritten signature, the free issuance of electronic certificates for citizens and the cheaper issuance of electronic certificates for businesses represent a significant potential for improving the use of electronic services in Montenegro. The public administration must offer attractive and frequently used services to citizens and businesses in electronic form. It is not encouraging that, for example, from November 2009 to December 2020, the Ministry of Public Administration issued 712 electronic certificates to state administration bodies, of which only 421 were activated.

In the past year, significant progress has been made regarding the presence of digital signatures and electronic identification. Specifically, in the earlier period, digital certificates were predominantly used by business entities in

their communication with the Tax Administration, while digital certificates were not common among individuals. According to data from June 2018, about 20 thousand business entities and only 400 individuals possessed a digital certificate (National Report and Plan for the Improvement of Montenegro, 2020).

Namely, amendments to the Law on Identity Cards stipulate that the identity card is an electronic public document and that it contains a certificate for electronic identification and a certificate for a qualified electronic signature. Due to the COVID-19 pandemic, the Ministry of Internal Affairs began issuing electronic identity cards on June 1, 2020, and by July 1, 2023, it had issued 287,076 electronic identity cards to citizens of Montenegro.

The new identity card contains two digital certificates - a certificate for identification and a qualified certificate for an electronic signature, which allows the citizen, when accessing electronic services, to prove their identity and electronically sign a document in a way that has the same legal effect as a handwritten signature. In the National Report and Plan for the Improvement of Montenegro (2020), it was determined that about 70 thousand citizens of Montenegro, i.e., slightly more than 10% of the total population, possess an eID that enables the execution of the mentioned actions.

One of the four key areas covered by the Action Plan for the Common Regional Market (CRM) 2021-2024 is the Regional Digital Area for the integration of the Western Balkans into the pan-European digital market. This is confirmed by the signed Memorandum of Understanding on regional interoperability and trust services in the Western Balkans region (signed in Tirana on November 2, 2020) as well as the Joint Declarations on an Interoperable Western Balkans at the Digital Summit held in Podgorica in 2021.

Accordingly, Montenegro has accepted and actively participates in launching a joint initiative for the promotion of regional cooperation as well as the exchange of information in an open, interoperable, secure, and reliable manner, giving priority to regional interoperability and trust services.

Montenegro has signed an Agreement with the Republic of Serbia and the Republic of North Macedonia. With the Republic of Serbia, the implementation of the Agreement at the technical level is nearing the end of implementation, after which the same will continue with the Republic of North Macedonia.

In this regard, with this reform measure, Montenegro aims to align its legislative framework with the eIDAS regulation, which will contribute to greater application of the European Interoperability Framework in Montenegro, other Western Balkan countries, and ultimately meet the conditions in this area for accession to the European Union. By implementing this measure, Montenegro aims to increase the level of cooperation with Western Balkan countries and enable citizens to use cross-border electronic trust services. Within this reform measure, the following activities are defined:

- Signing an Agreement on the mutual recognition of electronic trust services with Western Balkan countries (Albania, Bosnia and Herzegovina, and Kosovo),
- Appointing observers to participate in the eIDAS expert group to prepare for the deployment the European Digital Identity Wallet.
- A new Law on Electronic Identification and Trust Services has been adopted.

By implementing the aforementioned activities, Montenegro will fulfil the obligations outlined in the Common Regional Market (CRM) 2021-2024 action plan in the area of the Regional Digital Area for the integration of the Western Balkans into the pan-European digital market.

The most significant benefits of implementing the Agreement will be felt by the citizens and businesses of the Western Balkan countries through the acceleration of the digitalization process, the creation of prerequisites for the implementation of cross-border electronic services, the elimination of business barriers, and the enabling of the use and equal legal effect of the mentioned qualified trust services without restrictions. This confirms Montenegro's commitment to enhancing regional cooperation in the field of digitalization and the process of accession to the European Union.

In the process of implementing this reform measure and the mentioned activities, we observe risks related to increasing the level of interoperability between the Western Balkan countries in the area of trust services because it is necessary for all Western Balkan countries to have a harmonized legislative framework with the eIDAS regulation and to meet the technical prerequisites for the implementation of the agreement at the technical level, which is currently not the case with all Western Balkan countries.

Table 61 - Overview of steps for reform measure 2.4.2

Title of the step	Responsible institution	Implementation deadline
Compliance with the EU Digital ID resolution	Ministry of Public Administration	December 2025

Implement a Digital Identity Wallet, including as a minimum: the new EU Digital Identity Regulation; Signing and implementation of the Mutual Recognition Agreement (MRA) of Trust Services with other countries of the Western Balkans; join the list of EU third countries trusted list for e-signature validation as first step towards the EU ID Wallet; Participation in Balkan Identity Wallet	Ministry of Public Administration	December 2026
Full roll-out of electronic IDs allowing for connection to the public administration digital services (including tax, social and education services) and full participation into the EU ID Wallet	Ministry of Public Administration, Ministry of Interior and other relevant ministries and public authorities	December 2027

Step 1 - Compliance with the EU digital ID resolution

Regarding the adoption of the new Law on Electronic Identification and Trust Services, the dynamics of its development will depend on several factors such as the adoption of the eIDAS regulation, Montenegro's readiness to introduce and implement new electronic trust services as well as other solutions envisaged by the amendments to the eIDAS regulation, which is published in the Official Journal of the European Union. Montenegro has foreseen the transposition of this regulation into the new law on electronic identification and electronic signature in the fourth quarter of 2026 in its strategic documents (such as Montenegro Accession Programme).

Step 2 - Implement a Digital Identity Wallet, including as a minimum: the new EU Digital Identity Regulation; Signing and implementation of the Mutual Recognition Agreement (MRA) of Trust Services with other countries of the Western Balkans; join the list of EU third countries trusted list for e-signature validation as first step towards the EU ID Wallet; Participation in Balkan Identity Wallet

Since Montenegro, as a candidate country for EU membership, was not able to participate more actively in the process of drafting the Proposal for Regulation 2021/0136, we have tried to follow the work on this Proposal through publicly available information on the EU website (<https://eur-lex.europa.eu>). In this way, we are aware that the prescribed requirements need to be met in the short or long term, and the timeline for implementation, according to which member states will be required to issue a European digital identity wallet, is within 24 to 48 months (approximately) from the adoption of the Regulation⁵.

Step 3 - Full roll-out of electronic IDs allowing for connection to the public administration digital services (including tax, social and education services) and full participation into the EU ID Wallet

The Commission will be authorized to adopt implementing acts, which will establish technical specifications and reference standards for the technical architecture of the European digital identity framework within 12 to 24 months (approximately) from the adoption of the Regulation.

Given the above, Montenegro is preparing to implement legal solutions after the adoption of secondary legislation by the Commission and after reviewing the positive practices resulting from EU pilot projects, in order to achieve full cross-border cooperation at the regional and EU level.

Montenegro has already appointed its observer to participate in the eIDAS expert group to prepare for the introduction of the European digital identity wallet.

Full roll-out of electronic IDs allowing for connection to the public administration digital services implies implementation and availability of the mentioned electronic identification means and related digital services for all citizens, enabling them to effectively communicate with the public administration and use digital services at the local and European level.

Reform 2.4.3 User friendly digital public service delivery

In light of the previous COVID-19 pandemic and its far-reaching impact, due to the introduction of social distancing measures, travel restrictions, and other limiting measures, access to public services for citizens and businesses has been hindered. The crisis highlighted the importance of technology, but also the crucial role of an efficient, inclusive, and responsible Government. At the beginning of 2021, activities were initiated on the **E-services and digital infrastructure project as a response to Covid-19**, aimed at accelerating the digital transformation of public administration in Montenegro through the development of new and upgrading of existing platforms and complex software systems, as well as complex electronic services that primarily meet the needs of citizens and businesses.

⁵ <https://eur-lex.europa.eu/>

Since the penetration of e-services largely depends on user experience, the Ministry of Public Administration, in cooperation with UNDP, conducted the second cycle of the **Survey on citizen satisfaction with existing and identification of needs for new e-services**⁶ in 2022, in order to assess the level of satisfaction with existing e-services offered by public administration, as well as to determine attitudes and preferences regarding the use of e-services and provide suggestions for further improvement. The second survey showed that in Montenegro, a little over 50% of citizens are generally familiar with electronic services, while 38.2% of entrepreneurs believe that it is necessary to enable the complete service to be performed online. Results of the third cycle will be presented in the fourth quarter of 2024.

The introduction of basic electronic public services is gradually progressing, but not at the speed that users expect. With the Digital Transformation Strategy of Montenegro 2022-2026, the operational goal of **Improving the quality, quantity, and use of e-services** aims to increase the availability of key public services in the coming period, while simultaneously strengthening the adoption of innovative ICTs. On the other hand, we also aim to improve the quality of available electronic services and make them more accessible and visible to increase their usage. Similarly, with the Digital Transformation Strategy 2022/2026⁷, the operational goal of **Improving availability, interoperability, and data management aims to establish a full interoperability framework**. Through the Strategy of reform Public Administration 2022-2026⁸ the strategic goal of **Citizens and business using quality public administration services** was defined, which recognized the establishment of a new e-government portal and complete interoperability of information systems.

Generally, data in the public sector is generated and stored in numerous institutions. For the Government to continuously and qualitatively provide services to users, it is necessary to have an infrastructure that will enable the availability of the right information at the right time, which means that full interoperability of systems through the connection of registers must be ensured. Connectivity and interoperability are the basic prerequisites for creating complex electronic services (levels 4 and 5) fully aligned with the identified needs of citizens and the economy. Improving services and policies across the entire public administration, enabling interoperability between state administration bodies, ensuring access to the internet and computer equipment for everyone, equally, transparently, and without distinction, is the ultimate goal of the Government of Montenegro. The Public Procurement Plan plans the establishment of a new information system for the digitization/automation of processes with a module for electronic data exchange for 2024, and with integration with other shared systems, conditions will be created for the digitization of public administration services of central and local level.

To define realistically achievable goals, it is necessary to analyse the degree of digital development of Montenegro. Such and similar research are periodically conducted and published by various international institutions and organizations. For example, according to the United Nations research (UN e-Government Survey 2022⁹), Montenegro is ranked 71st (out of a total of 193 countries) in the world e-government development index for 2020, showing a slight improvement of 4 places from the previous research conducted in 2020.

According to the same United Nations research, the performance of the Electronic Services Index shows that Montenegro not only has results significantly below the sub regional average (Southern Europe) but also below the world average (in Montenegro, this index is 54.12%, while the world average is 56.2%).

Considering the broader framework for the development of e-services, it is noticeable that it is difficult to determine sufficiently precise indicators of e-government development at all levels. The reason, among other things, lies in the lack of a systematic and sufficiently efficient mechanism that would give the Ministry of Public Administration the authority to collect data from other institutions on the degree of e-government development.

A crucial segment in the process of establishing e-Government is electronic communication between the state and citizens and business entities. Modernizing business processes without physical presence leads to the digitalization of business processes, precisely through the use of information and communication technologies.

In this direction, numerous projects have been initiated at all levels of government to ensure greater efficiency of business processes and better quality of services. The Ministry of Public Administration is working on creating an environment for a modern digital administration tailored to citizens, based on a solid and secure digital infrastructure and key interoperable systems for faster and easier use of electronic services.

Table 62 - Overview of steps for reform measure 2.4.3

Title of the step	Responsible institution	Implementation deadline
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⁶ [Assessment of satisfaction with existing and identification of needs for new e-services - research with citizens and the business community United Nations Development Programme \(undp.org\)](#)

⁷ [Strategy of digital transformation for the development of digital Montenegro \(www.gov.me\)](#)

⁸ [Public Administration Reform Strategy 2022-2026, with AP for 2022-2024 \(www.gov.me\)](#)

⁹ [UN E-Government Survey 2022](#)

Plan for full deployment of transactional national and local level public electronic services 2025-2027 adopted by the Government (additional to services piloted by 2024); e-government platform and inter-operability of registers functional	Ministry of Public Administration and other relevant ministries and public authorities	December 2024
Deployment of part of public e-services based on the Plan (Step 1)	Ministry of Public Administration	December 2025
Legislative compliance with the Open Data Directive;	Ministry of Public Administration and other relevant ministries and public authorities	December 2026
Deployment of public e-services based on the Plan (Step 2)	Ministry of Public Administration and other relevant ministries and public authorities	December 2027

Step 1- Plan for full deployment of transactional national and local level public electronic services 2025-2027 adopted by the Government (additional to services piloted by 2024); e-government platform and inter-operability of registers functional

Likewise, the Ministry has initiated the creation of **the Administrative Procedures Guide of the Government of Montenegro**, which aims to consolidate all services provided by the state administration and present them to citizens and businesses in a unified manner. The consolidated Guide with expanded attributes will be available on the new eGovernment portal, whose implementation is expected by the end of 2024. Full interoperability of information systems and registers for the purpose of data exchange will be established in the first quarter of 2025.

For the process of digital transformation of the entire society to yield positive results and to ensure compatibility and quality implementation of the numerous processes that digitalization entails, as well as the adequate and purposeful use of modern technologies, it is necessary to ensure appropriate coordination at the societal level through intersectoral cooperation. By establishing the Coordination Body for managing the digital transformation process, we have initiated the basic initial step in the digital transformation process to accelerate development activities. However, it is important to note that within this body, it is necessary to form several teams to ensure that all activities are carried out timely and in a quality manner. First and foremost, a Team for Monitoring the Implementation of the Digital Services Plan will be formed, considering that the mentioned plan is of exceptional importance for Montenegro, as its implementation significantly accelerates and improves the digital transformation process in Montenegro, thereby stimulating overall social and economic development.

In the upcoming period, for the needs of the Coordination Body, it will be necessary to develop an adequate software solution in the form of a portal, which would enable quality coordination and information sharing in a secure manner, thereby ensuring that all information in this domain is located in one place. Consequently, it will be necessary to provide the technical conditions for the work of the Team for Monitoring the Implementation of the Digital Services Plan, in the form of equipment for presentation needs, as well as equipment for holding meetings in a hybrid mode, ensuring that these processes proceed smoothly and in a quality manner.

Step 2 - Deployment of public e-services based on the Plan (Step 1,2)

The development and implementation of the service, which will be defined by the Plan for the full implementation of transactional public electronic services at the national and local level in 2025-2027, will tend to stable dynamics on an annual basis for the period from 2025-2027. It should be considered that the exact number of services that will be implemented in the next three years will be defined in the Plan, so it is planned to implement 1/3 of the planned services per year, until 2027 (33% per year). The results will be presented in more detail in the semester. reports of the Reform Agenda.

Step 3 - Legislative compliance with the Open Data Directive; Deployment of public e-services based on the Plan (1st step)

When we talk about the alignment of Montenegrin legislation with the Open Data Directive, we want to emphasize that the Ministry of Public Administration is actively working on establishing a new Open Data Portal, whose productivity is expected by the end of 2024. On the other hand, although open data itself does not create electronic services, the availability of such data can enable the development of new e-services, and this ministry will continue activities on this basis, according to the established strategic framework, while also providing adequate guidelines to institutions for their use. Full compliance with the Open Data Directive is expected by December 2026.

Reform 2.4.4. Cybersecurity - Setting up a comprehensive framework for cyber resilience (introducing requirements of NIS2 Directive and strengthening relevant institutions)

In the field of cybersecurity, Montenegro possesses a sustainable system for the efficient detection and defence against complex vectors of cyber-attacks and threats. Montenegro invests in the development of organizational,

technical, and human capacities, builds a legislative framework in accordance with international standards, and acts as a responsible partner on the regional and international level in the field of cybersecurity.

Globally, there is a recognized trend of increasing activities in so-called black markets where cyber criminals, hackers, terrorists, and other malicious actors exchange information very efficiently, giving them an advantage over legitimate entities.

It is recognized that organizations often tend not to share information about cyber-attacks on their systems and discovered vulnerabilities, for example, due to the risk of losing credibility and potential financial losses (which is often the case in the banking sector). The way to overcome this problem is by strengthening and building mutual trust. If the public administration is recognized as a credible partner, private and other organizations will see the benefits of information exchange that outweigh the mentioned risks and will be more open to cooperation in this area if mutual exchange of information on cyber threats, vulnerabilities, and good cybersecurity practices is ensured. This will create a dynamic national cybersecurity framework.

In the field of combating cybercrime, problems have been observed that hinder the criminal prosecution of cybercrime perpetrators. In some situations, it is practically impossible to determine where the attack is coming from and who is behind it, IP addresses used to try to determine the location can be easily fabricated, the response of competent authorities from other countries can be negative in terms of bilateral/international cooperation in the exchange of information. Montenegro does not have the technical capability or legislative framework to block content from the internet that can be unequivocally within the criminal sphere, e.g., child pornography, hate speech, blackmail via social networks, video materials, and others.

Cyber espionage is a globally recognized problem where it is estimated that companies/organizations with developed cyber capabilities need on average more than 6 months to detect malicious viruses specifically designed for cyber espionage purposes, while companies/organizations that do not have a high level of cyber security capacities are unable to detect the presence of these types of malicious viruses. It is assumed that the public administration of Montenegro also faces this type of problem due to relatively limited cyber security capacities.

Table 63 - Overview of steps for reform measure 2.4.4

Title of the step	Responsible institution	Implementation deadline
Adoption of the Law on Information Security by the Parliament in full alignment with the NIS2 directive	Ministry of Public Administration	December 2024
Frameworks introduced through NIS2 alignment (Coordinated Vulnerability Disclosure framework, crisis management framework), are in place and in use	Ministry of Public Administration	December 2025
Establishment of a competent authority and list of entities. The Cybersecurity Agency (acting as competent authority as defined in the NIS2) is operational: sufficiently staffed, equipped with supervisory powers, performing supervisory checks. List of entities in scope of the national law corresponding to the NIS2 Directive is finalized	Ministry of Public Administration	December 2025
National and governmental CIRT are operational in line with NIS2 requirements and reach at least 'accredited' status on TF CSIRT Trusted Introducer	Ministry of Public Administration	December 2025

Step 1 - Adoption of the Law on Information Security by the Parliament in full alignment with the NIS2 directive

The draft law on information security was first submitted to the European Commission for opinion in September 2023, after which the European Commission provided its opinion in December with certain proposals and suggestions aimed at more complete alignment with the NIS2 Directive.

Taking into account the given suggestions, and in accordance with the needs of Montenegro, after consideration at the level of the Ministry of Public Administration, the revised text of the Draft Law on Information Security with certain accepted suggestions was submitted to the European Commission in March 2024, after which representatives of the Ministry of Public Administration held a meeting with representatives of the European Commission in Brussels (organized through the Mission of Montenegro in Brussels). At the meeting, representatives of the Ministry of Public Administration presented the concept of the Draft Law, explained certain provisions of the Draft Law, and answered questions from the EC representatives, all with the aim of more fully transposing the NIS2 Directive into the Draft Law. Most of the discussions were about the provisions of Articles 21 to 23 of the Draft Law, which concern general criteria,

sectoral criteria, and threshold criteria applied when determining key and important entities, for which the EC representatives considered that these criteria were restrictive in nature and more suited to the concept of the NIS 1 Directive rather than the NIS 2 Directive.

After the meeting, the EC provided its opinion in April 2024, pointing out the need to remove the provisions of Articles 21 to 23 of the Draft Law, which are not in the spirit of the NIS2 Directive.

Through the representatives of the Ministry of Public Administration, specifically the secretary of the Mission of Montenegro in Brussels, it was agreed with the EC representatives that Montenegro would act according to the given opinion, i.e., remove the provisions of Articles 21 to 23 of the Draft Law and continue the process to adopt this law. It was concluded that it is not necessary to resubmit the Draft Law to the EC for another opinion.

The Draft Law was corrected in accordance with the given suggestions and sent for opinion to institutions within Montenegro - the Secretariat for Legislation, the Ministry of Justice, and the Ministry of Finance, after which it will be submitted to the Ministry of European Affairs for opinion, and then proposed to the Government for determination. Once the Government determines the Draft Law, it will be submitted to the Parliament for further procedure.

Step 2 - Frameworks introduced through NIS2 alignment (Coordinated Vulnerability Disclosure framework, crisis management framework), are in place and in use

In parallel with the previous activities, work is actively being done on the implementation of frameworks introduced through alignment with NIS2, including the coordinated vulnerability disclosure framework and the crisis management framework. Teams are engaged in establishing the necessary procedures and mechanisms to ensure that these frameworks are adequately applied. Additionally, progress and potential challenges are continuously monitored to ensure that the deadline for completion, planned for December 2025, is met.

Once the list of Essential and Important entities has been identified in accordance with NIS2, a detailed Action Plan will be developed. The main focus of this plan will be to specify the number and expertise of personnel, processes, and technologies required by both the Agency and the Governmental CIRT. This will be based on the quantity and services identified for these providers, with the goal of meeting the recommendations and support requirements for Essential and Important service providers. The Action Plan will also outline additional resource needs, including technical, human, and financial resources, in compliance with the NIS2 Directive.

The proposed Action Plan will be adopted by the Government, and a report on its successful implementation will also be reviewed and approved by the Government in line with Montenegro policy and methodology for developing Action Plans.

Step 3 - Establishment of a competent authority and list of entities. The Cybersecurity Agency (acting as competent authority as defined in the NIS2) is operational: sufficiently staffed, equipped with supervisory powers, performing supervisory checks. List of entities in scope of the national law corresponding to the NIS2 Directive is finalized

The process of forming the Cybersecurity Agency and creating a register of entities covered by the NIS2 Directive is well underway. The activities of the Cybersecurity Agency, which will act as the competent authority as defined in the NIS2 Directive, as well as its powers, will commence after the adoption of the legislative framework in the Parliament of Montenegro. As part of this process, thorough training of personnel is planned to ensure they are capable of effectively fulfilling their tasks, while the Agency will be equipped with all necessary supervisory powers. At the same time, the finalization of the Register of Entities will soon enter its final phase, with particular attention being paid to strict adherence to the scheduled completion date by December 2025.

Cyber Security Agency possess expertise in all fields required by the NIS 2 Directive such as cybersecurity, regulatory compliance, risk management, and supervisory functions also it possesses operational resilience, ensuring there is a contingency plan for maintaining operations during peak times, emergencies, or staff absences.

Step 4 - National and governmental CIRT are operational in line with NIS2 requirements and reach at least 'accredited' status on TF CSIRT Trusted Introducer

The National and Governmental CIRT are in the process of achieving full operational capability in accordance with the requirements of the NIS2 Directive. Teams are engaged to ensure that these CIRTs achieve at least "accredited" status on the TF CSIRT Trusted Introducer by December 2025. This includes the implementation of necessary technological and organizational changes, as well as the training of personnel to be ready to respond to cyber threats in accordance with the NIS2 Directive. Progress is regularly monitored, and necessary actions are taken to meet the set goals.

POLICY AREA 3: HUMAN CAPITAL DEVELOPMENT

Human capital development is of crucial importance for the development of the economy and society as a whole. The quality of work, productivity, and employability depend on the level of skills and competencies. The labour market is

transforming rapidly, and with the increasing use of new technologies, the demands for skills and qualifications are becoming more specific and require significant investments in their improvement.

In order to become part of the European Union's single market of knowledge and skills, Montenegro has developed a series of key reform measures to encourage the development of human capital, mainly through improving employment opportunities, support for activation, reform of social services along with education and skills development, and enhancing the innovation environment.

One of the biggest challenges in the labour market is the insufficient inclusion of vulnerable groups, especially women, youth, beneficiaries of material benefits from social and child protection, persons with disabilities, and other vulnerable categories. The still underdeveloped support systems prevent greater inclusion of these categories in the labour market, which leads to a loss of human capital. This particularly applies to women who are not active in the labour market due to caring for children and the elderly, and persons with disabilities. Indicators show that women's participation in the labour market is still lower than that of men, with the activity rate of women aged 15+ in the third quarter of 2023 at 61.2%, while the activity rate of men is at 72.1%.

The reform of the disability system will improve the quality of life for persons with disabilities. The transition from the medical model to the human rights model will enable persons with disabilities easier and more efficient access to services in the field of social and child protection and the labour market. Special emphasis will be placed on reducing discrimination against persons with disabilities, their institutionalization, and the exercise of rights to material support.

The level of development of support services for community living, especially in certain municipalities, is still not at a high level to enable an independent and productive life for these groups. Insufficient activation of financial support beneficiaries to exit the social benefits system is also one of the challenges. Additionally, still underdeveloped capacities for the development of services in the field of social and child protection put the most vulnerable categories of the population at additional risk of poverty. Addressing these challenges will reduce social exclusion and encourage further development of human capital, especially for vulnerable groups.

The improvement of the Integrated Information System of Social Care (e-Social) will have an indirectly important role in the development of human capital through digital monitoring of the realization of all rights in the field of social and child protection, payments on the same basis, and ultimately the integration of analytical tools that will provide relevant information for policy creation in the field of social and child protection and consequently the employability of the population who are beneficiaries of these rights. These tools will enable more detailed and precise analyses, resulting in a better understanding of the needs of users and more efficient identification of work-capable social security beneficiaries. This integrated approach will contribute to reducing social exclusion and encouraging further development of human capital, especially for vulnerable groups.

The foundation for the labour market is created within the educational system, where each level of education carries its own specificities and determines the quality at the next level. In the field of education, one of the key priorities is the establishment of quality and inclusive preschool education, primary, secondary, vocational, and higher education, as well as adult education, which will support the personal, social, and professional satisfaction of the citizens of Montenegro, while promoting democratic values, social cohesion, active citizenship, and nurturing multicultural understanding, and enabling sustainable economic development, green and digital transition, and employability. In this sense, Montenegro's mission is to develop an accessible, seamless, and sustainable educational system, aligned with the needs of the economy and society, but also socially sensitive to the needs of individuals, based on the principle of lifelong learning, while creating a stimulating environment for learning, science, and innovation.

Considering the achieved level of development of the educational system, the challenges to be addressed are:

- modernization of curricula and programmes of pre-university education;
- improvement of the teaching and learning process through integrated socio-emotional and soft skills and the use of digital technology in teaching;
- enhancement of educational offerings for young people, adults, students with special educational needs, and other vulnerable groups;
- creating conditions for teaching certain subjects in primary and secondary schools in English or other languages, as well as studying educational programmes entirely in English;
- encouraging the continuous professional development of teachers;
- increasing the volume of work-based learning in vocational and higher education and improving enrolment policies to respond more quickly to labour market needs;
- equipping educational and training institutions with appropriate laboratory, digital, and other equipment; and
- construction of new educational and training institutions, along with the adaptation and reconstruction of existing ones, etc.

SECTOR 3.1. EMPLOYABILITY, ACTIVATION SUPPORT, SOCIAL SERVICES

The development of socially and fiscally sustainable social and child protection services and the establishment of well-coordinated and better-targeted material support should provide adequate support to the most vulnerable categories of the population while simultaneously supporting labour market policies. According to the European Commission (EC) Report for Montenegro for 2023, it is noted that the social protection and inclusion sector still faces limitations in terms of human resources and capacity. Social work centres still do not have sufficient capacity to support the transition from institutional service provision to community-based care. There has been no progress in the area of deinstitutionalization and the transition to services provided at the family and community level, especially when it comes to children. Services for vulnerable groups are still insufficient and unsustainable, particularly in certain municipalities. They are mostly organized by civil society organizations, without continuous support from the local or national level. The level of development of community living support services is still not high enough to enable an independent and productive life for these groups. Insufficient activation of material security beneficiaries to exit the social benefits system is also one of the challenges. According to the survey by the Statistical Office (MONSTAT) on income and living conditions for 2022, the national risk of poverty or social exclusion rate was 20.3%.

Social exclusion of vulnerable groups, especially women, youth, beneficiaries of material rights from the field of social and child protection, persons with disabilities, and other vulnerable categories in the labour market is a long-term challenge. The still insufficiently developed support systems prevent greater inclusion of these categories in the labour market, which leads to a loss of human capital. This particularly applies to women who, due to caring for children and the elderly, and persons with disabilities, are not active in the labour market. Indicators show that women's participation in the labour market is still lower than that of men, with the activity rate of women aged 15+ in the third quarter of 2023 at 61.2%, while the activity rate of men is at 72.1%. Insufficiently provided services for persons with disabilities directly affect their exclusion from the social community. The introduction of an inclusive allowance would enable a more adequate coverage of material support and services for individuals who need support in daily functioning, while simultaneously preventing potential abuses. By relocating the tasks of determining disability from centres and reducing the number of benefits from eight to one, a comprehensive reform of the disability system will be completed, which is directly related to the goals of the UN Convention on the Rights of Persons with Disabilities. Further development of social services and better targeting of material benefits will impact competitiveness by contributing to the reduction of poverty (not only income poverty but also multidimensional) and inequality, which simultaneously represents a long-term investment in human capital and population productivity. Competitiveness is further achieved through support to families in accessing social and child protection services, enabling them to participate more in the labour market and contribute to the economy. Increasing social stability by supporting those most in need will contribute to a more stable society, reducing socioeconomic tensions. Additionally, the development of these services and better targeting of beneficiaries should directly contribute to achieving the Sustainable Development Goals (SDGs) of the Agenda for Sustainable Development, specifically: SDG 1, a world without poverty, and SDG 10, reducing inequality.

By improving the functionality of the *Integrated Information System of Social Care (e-Social)* related to monitoring the realization of rights based on social and child protection and enabling complete monitoring of the use of funds for these purposes, and analysing the obtained data, we will ultimately enable better targeting of material support recipients and provide adequate support to the most vulnerable categories of the population. Additionally, the improvement of the system paves the way for the development of new web services that further enhance the monitoring of the activation of beneficiaries recorded in the database of the Employment Agency of Montenegro. This facilitates coordination between different institutions that support social and child protection. These steps improve the social protection system and provide greater support to users, enhancing their activity in the labour market and contributing to social inclusion.

On the other hand, following the EU agenda, it is necessary to focus on aligning the skills of the workforce with the needs of the economy, and considering the green and digital transformation, it is essential to create a qualified workforce to reduce the mismatch between the skills that individuals acquire through education and training and those demanded in the labour market.

In this sense, the EC Report for Montenegro 2023¹⁰ states that the mismatch of skills remains a significant challenge, with particular emphasis on the problems of requalification and working in professions where individuals lack appropriate education/skills. The Report particularly highlights the need to establish a mechanism for evaluating practical education in vocational and higher education. The structural mismatch between supply and demand is also evident from the data of the Employment Agency of Montenegro. At the end of 2023, there were 39,942 unemployed individuals registered with the Employment Agency. About 46% of the unemployed have III and IV level qualifications. On the other hand, of the total permits issued to foreigners, three groups of occupations predominantly participate

¹⁰ https://neighbourhood-enlargement.ec.europa.eu/montenegro-report-2023_en

(62%): construction, accommodation and food services, and other service activities. In the Analysis of the Education Sector (2015-2020), prepared by UNICEF¹¹ in cooperation with the former Ministry of Education, it is stated that there is a mismatch between the skills acquired through the education system and the needs of the labour market, which, along with the lack of new jobs, is an obstacle to economic growth and competitiveness.

Adult education in Montenegro represents a segment of education that needs more attention in all its aspects. Considering the current coverage of about 4% of adults who participated in various training programmes, it is necessary to create conditions for involving as many citizens as possible in the process of lifelong learning, with the aim of developing a competitive market economy, reducing unemployment, and social exclusion.

The vocational education system should follow the needs and priorities of the economy, but also the needs of individuals and society as a whole, offering measures and activities to help each individual better navigate the labour market. Despite significant results achieved in this area in the previous period, there is still a need to improve the quality of vocational education, with a special emphasis on improving the quality of practical education and work-based learning.

Based on the priorities in sectoral strategies and developed standards of occupations and qualifications, it is necessary to continue working on expanding the educational offer in the field of vocational education and adult education to adequately and efficiently respond to the demands of the labour market.

Higher education is realized in public and private higher education institutions, in accordance with national and international policies and priorities. Higher education is a fundamental factor in the progress and prosperity of society, enabling not only economic development but also social progress, technological innovations, as well as strengthening democratic values and social cohesion. Given the high level of unemployment among individuals with higher education, better preparation and practical training of students are necessary to better meet the demands of the modern labour market with their knowledge and skills. Planned measures such as monitoring practical training and internships with employers, as well as improving the career counselling system, will contribute to overcoming existing shortcomings in the Montenegrin higher education system.

Reform 3.1.1. Addressing labour market mismatches through lifelong learning and increasing the employability of graduates with practical work-based learning, including jobs in green and digital economy

Adult education does not meet the participants' demands for re-qualification and acquiring additional skills. In 2022, 127 education organizers were licensed. According to available data, in 2021, 4,573 candidates completed various training programmes, and in 2022, the number of candidates who attended training programmes was 6,046. The existing educational offer needs to be supplemented to fully meet the educational needs of different categories of the population. The goal is to continue promoting lifelong learning and creating a more comprehensive educational offer for all categories of citizens according to age and educational profile. The Ministry of Education, Science, and Innovation is responsible for implementation in partnership with the Centre for Vocational Education and the Examination Centre of Montenegro.

In the year 2022, the proportion of the population aged 15 to 64 years in Montenegro was 66.1% of the total population, which is 409 433 inhabitants.

In the year 2023, 4% of adults aged 25-64 have participated in learning.

In the 2023/2024 school year, there are 25,727 students in secondary education, of which 69.6% are educated through vocational education programmes and 30.4% through the gymnasium programme. In secondary vocational education, the number of educational programmes offered by schools is 81 (31 three-year programmes and 50 four-year programmes), but the implementation of the programmes lacks a focus on quality practical education. About 50% of students are educated through four-year vocational education programmes and about 20% through three-year programmes. In the 2020/2021 school year, 1,381 students (953 male and 428 female) completed three-year vocational education programmes, in the 2021/2022 school year, 1,406 students (964 male and 442 female), and in the 2022/2023 school year, 1,178 students (831 male and 347 female).

Vocational education is conducted by schools or schools together with employers, in accordance with the educational programme. A school can conduct vocational education in its entirety or the theoretical part in school, and practical education or part of practical education at the employer's premises. The scope of practical education at the employer is determined by the educational programme. In four-year vocational education programmes, it is necessary to increase the scope of work-based learning in a real work environment, as conditions do not yet exist for these programmes to be implemented with elements of the dual education system.

¹¹ <https://www.unicef.org/montenegro/en/reports/education-sector-analysis-2015-2020>

If vocational education is conducted by the school, and part of the practical education is conducted at the employer's premises, the mutual rights and obligations between the school and the employer, as well as the rights and obligations of the students, are regulated by a practical training contract. If practical education is entirely conducted by the employer (dual education), the mutual rights and obligations of the students and the employer are regulated by an individual education contract concluded by the employer and the parent, guardian, or adopter of the student. During dual education, students in the first and second grades receive a monthly allowance from the budget of the Ministry of Education, Science, and Innovation, amounting to at least 10% of the average net salary in Montenegro in the first grade and at least 15% in the second grade. The employer is obliged to pay students in the third grade a monthly allowance of at least 20% of the average net salary in Montenegro during the dual education period.

Although the concept of dual education was introduced into the education system in 2017, a small number of students are educated in this form of education. The interest of students and employers in participating in dual education is declining, with the number of students in the third-grade decreasing, when the employer provides compensation to the students. In the 2023/2024 school year, there are 463 students in dual education. In the 2020/2021 school year, there were 755 students in dual education, in the 2021/2022 school year, there were 570 students, and in the 2022/2023 school year, there were about 410 students.

In the school year 2022/2023, 37% of graduates (of which approx. 30% women) from three-year vocational education programmes benefited from substantial (at least 25% of the programme) work-based learning with employers.

The MEIS (Montenegrin Education Information System) has a special section dedicated to work-based learning in vocational education. Vocational schools enter necessary data into the information system - data on students participating in work-based learning, data on employers participating in practical training etc.

Educational programmes for vocational education lack a focus on quality practical education, work-based learning, and cooperation with employers. The scope of work-based learning is insufficient, depending on the sector and educational programme. Mechanisms for monitoring the organization and implementation of work-based learning, as well as evaluation mechanisms, are not developed. To improve the quality of practical education and work-based learning, it is necessary to provide continuous training for teachers and instructors of practical education.

To effectively address the mentioned challenges and increase the employability of vocational education graduates, strong cooperation is needed between the Ministry of Education, Science, and Innovation, the Centre for Vocational Education, and schools with local communities, employer associations, and employers. For quality practical education, which will be realized to the greatest extent at the employer's workplace, greater involvement of employers and their associations is necessary. Therefore, it is necessary to strengthen cooperation with employers for their active participation in the implementation of practical education and to create conditions for incentives for employers who employ students after graduation. Also, to ensure the availability of information about the opportunities offered by the education system, all involved actors need to carry out activities that promote scarce qualifications and vocational education as a whole.

Higher education should develop in line with global trends, such as digital and green transition, the development of new technologies, mass migrations, and constant changes in the labour market. The European Commission has recognized the following challenges that higher education in Montenegro needs to address: increasing the share of practical teaching and training with employers, increasing the number of graduates in STEM sciences who start or continue their careers in teaching in primary and secondary schools, and ensuring the quality of career guidance and counselling at all levels of education, including higher education.

Within this measure, it is necessary to ensure contracts between higher education institutions and employers to achieve the ultimate goal of 60% of students undertaking practical training with employers. The Ministry of Education, Science, and Innovation will form a Coordination Group consisting of representatives from the ministry and universities to monitor success indicators, in line with planned timeframes, with 20% of students attending practical training with employers by the end of 2025, 40% by the end of 2026, and 60% by the end of 2027.

The target users are adults aged 25 to 64, licensed adult education organizers, and employers. The Ministry of Education, Science, and Innovation is responsible for implementation in partnership with the Centre for Vocational Education and the Examination Centre of Montenegro. In addition to students of three-year vocational education programmes, the target users are teachers and instructors of practical education and employers. The Ministry of Education, Science, and Innovation is responsible for implementation in partnership with the Centre for Vocational Education, schools, and employers or their associations.

In addition to students, within this measure, a significant number of employers from the fields covered by study programme will be included, with the aim of ensuring the ultimate goal, which is 60% of students attending practical training with employers.

Step 1 - Upskilling and reskilling of workforce: At least 7% of adults aged 25-64 (of which approx. 50% women) have participated in learning during the last 12 months

In order to become part of the EU's single market of knowledge and skills, it is necessary for Montenegro to develop requalification measures and alignment with the labour market, with special attention given to the dual transition. By implementing activities within this step, conditions will be ensured for the creation of a workforce that possesses the knowledge and skills to perform jobs that significantly rely on the green and digital economy, and improve the quality and relevance of adult education programmes to increase the share of the adult population in lifelong learning processes.

Step 2 - Work-based learning in vocational education: at least 50% of graduates (of which approx. 40% women) from three-year vocational education programmes benefit from substantial (at least 25% of the program) work-based learning with employers during their respective education

In vocational education, which plays an important role in promoting the employability of graduates, it is necessary to enable all students of three-year educational programmes to receive practical education at the workplace (work-based learning) in various forms, depending on the availability of learning places in the community where the school is located. Through learning in a real work environment, the student develops practical skills, but also acquires the ability to work in a team, navigate new and unfamiliar situations, and solve problems. During practical education with an employer, the student also acquires entrepreneurial competence and transversal skills that enable faster job integration and easier employability. Work-based learning, in addition to being recognized as an effective way to facilitate the transition of young people from school to work, is particularly significant for employers, as it provides the opportunity to develop skills closely related to labour market needs.

Quality practical education and work-based learning, as well as quality vocational education as a whole, require: improving the educational offer for young people by modernizing existing and developing new educational programmes in line with labour market needs; increasing the scope of work-based learning; strengthening cooperation with employers and their active involvement in the processes of planning, implementation, supervision, and evaluation of vocational education; ensuring continuous training of teachers and practical education instructors, in accordance with identified needs; promoting vocational education and work-based learning, etc.

Step 3 - Work-based learning in higher education: 20% of the total number of students (of which about 50% are women) benefit from substantial work-based learning with employers during their respective education.

Following the recommendations of the European Commission's Report for Montenegro 2023 and EU standards in this area, this step aims for 20% of the total number of students through work-based learning with employers, with special attention given to the gender component and the inclusion of 50% women in this scope, to have the opportunity to discover the world of business and acquire the technical and professional skills expected in the labour market, as well as to obtain a higher education qualification through a practice-based methodology.

Step 4 - Career Guidance and Counselling: A new model of career guidance and counselling adopted within the Strategy on Career Guidance and Counselling 2025-2030

The current system of career guidance has not yielded satisfactory results, which is why the focus of this step will be on adopting a new model within the next strategic cycle related to career guidance and counselling for the period 2025-2030. The new approach will involve the establishment of a National Career Centre, which will enable stronger coordination, clearer methodology, and better networking with the employment system of Montenegro.

Step 5 - 800 career guidance counsellors at primary, secondary schools, and universities trained in line with the new model

The organization of training for career guidance counsellors in primary, secondary schools, and universities will follow the new model of career guidance and counselling, along with the development of a mechanism for tracking the career paths of students and adults.

Table 64 - Overview of steps for reform measure 3.1.1

Title of the step	Responsible institution	Implementation deadline
Upskilling and reskilling of workforce: At least 7% of adults aged 25-64 (of which approx. 50% women) have participated in learning during the last 12 months	Ministry of Education, Science, and Innovation	December 2026
Work-based learning in vocational education: - At least 50% of graduates (of which approx. 40% women) from three-year vocational education programmes	Ministry of Education, Science, and Innovation	December 2027

benefit from substantial (at least 25% of the programme) work-based learning with employers during their respective education		
Work-based learning in higher education: 20% of the total number of students (of which about 50% are women) benefit from substantial work-based learning with employers during their respective education.	Ministry of Education, Science, and Innovation/ Higher education institutions	December 2025
Career Guidance and Counselling: A new model of career guidance and counselling adopted within the Strategy on Career Guidance and Counselling 2025-2030	Ministry of Education, Science, and Innovation/National Career Centre	December 2025
800 career guidance counsellors at primary, secondary schools, and universities trained in line with the new model	Ministry of Education, Science, and Innovation/National Career Centre	December 2027

Step 1 - Upskilling and reskilling of work force: At least 7% of adults aged 25-64 (of which approx. 50% women) have participated in learning during the last 12 months

Based on the analysis of the adult education system, as well as the analysis of the alignment of the educational offer in this area with the needs for knowledge and skills, the development and revision of adult education programmes in sectors including the green and digital economy, as well as other sectors, are planned in accordance with labour market needs. The goal is to revise at least 30 adult education programmes for which there is the greatest demand in the labour market, and to develop at least 10 adult education programmes that promote jobs in the green and digital economy.

Support will be provided to adult education institutions with the aim of connecting with the economy and employers through the development of a communication strategy, and the acquisition of national professional qualifications will be enabled in cooperation with the Examination Centre of Montenegro. Campaigns that encourage adult learning will focus on the green and digital economy, considering the measures from the National Sustainable Development Strategy, the National Environmental Protection Programme, local environmental protection plans, strategies, plans, and programmes that are adopted or have been adopted according to special regulations in certain areas for specific segments of the environment and burdens.

For these activities, it is necessary to allocate EUR 180,000.00, and the Ministry of Education, Science, and Innovation is responsible for the implementation in partnership with the Centre for Vocational Education and the Examination Centre of Montenegro. The activities will be implemented in the period 2025-2027.

Lower level risk would be insufficient interest of adults to participate in training programmes, which will be addressed by strong promotion of adult education and learning.

Table 65 - Overview of activities within the implementation of step 1 for reform measure 3.1.1

Activity title	Responsibility	Source of verification
Development of adult education programmes and examination catalogues within sectors that include the green and digital economy, as well as other sectors, based on the analysis of the adult education system and the analysis of the alignment of the educational offer and the needs for knowledge and skills in the field of the green and digital economy	Ministry of Education, Science, and Innovation Centre for Vocational Education Examination Centre of Montenegro	Decisions of the National Council for Education Solutions on adult education programmes and examination catalogues published in the "Official Gazette of Montenegro," based on the decisions of the National Council for Education
Implementation of campaigns that encourage adult learning, with a focus on the green and digital economy	Ministry of Education, Science, and Innovation Centre for Vocational Education	Website of the Ministry of Education, Science, and Innovation https://www.gov.me/mps Website of the Centre for Vocational Education https://www.gov.me/cso

Step 2 - Work-based learning in vocational education: At least 50% of graduates (of which approx. 40% women) from three-year vocational education programs benefit from substantial (at least 25% of the program) work-based learning with employers during their respective education

The goal of this step is to increase the employment of vocational school graduates by improving the quality and increasing the scope of practical education and work-based learning through the following activities:

In order to align the educational offer with labour market needs, it is planned, in accordance with the previously conducted research on the needs for skills and qualifications, to develop sectoral strategies, occupational standards, qualification standards, and vocational education programmes in sectors that include digital technologies and green jobs, but also in other areas, in accordance with the development priorities of activities in Montenegro. The aim is to develop 50 occupational standards, 50 qualification standards and 15 educational programmes. The estimated cost is EUR 170,000.00, and the Centre for Vocational Education and the Ministry of Education, Science, and Innovation are responsible for the implementation of these activities. The activity will be implemented in the period 2025-2027.

In order to improve practical and dual education, it is planned to conduct training for teachers and instructors of practical education, based on the results of the external evaluation of practical education and identified needs (10 groups of practical training teachers and in-company trainers). For this activity, it is necessary to allocate EUR 100,000.00, and the Ministry of Education, Science, and Innovation, the Centre for Vocational Education, schools, employer associations, and employers will be involved in the implementation of the activity. The activity will be implemented in the period 2025-2027.

Bearing in mind the importance of improving cooperation with employers and their active involvement in the implementation of practical education, all with the aim of increasing the employability of graduates, the establishment of a system of incentives for employers participating in the implementation of practical education and employing students after graduation is planned through the establishment of the Fund for Support of Dual Education. The funds from the Fund will be used for awards to the best students in dual education, bonuses to employers who educate a certain number of students in the dual education system, bonuses to employers who employ students after their education, compensation for practical education instructors, etc. The estimated cost is EUR 210,000.00, and the Ministry of Education, Science and Innovation and employers, or their associations, will participate in the implementation of activities. The activity will be implemented in the period 2025-2027.

In order to raise awareness about vocational education among both employers and students, as well as to promote the participation of employers in designing and implementing work-based learning, it is planned to conduct and support activities that promote deficit qualifications and vocational education, especially educational profiles in dual education, with a special emphasis on encouraging the participation of girls in vocational education. The estimated cost is EUR 60,000.00, and the Ministry of Education, Science and Innovation and the Centre for Vocational Education will participate in the implementation of activities. The activity will be implemented in the period 2025-2027.

Lower-level risks are the following:

- Insufficient motivation of practical training teachers and in-company trainers to participate in the training, which will be addressed by promoting the importance of practical training both in school and in company.
- Insufficient interest of employers in work-based learning, which will be addressed by a strong promotion of cooperation between schools and companies and greater involvement of employers in the implementation of practical training.

Table 66 - Overview of activities within the implementation of Step 2 - for reform measure 3.1.1

Activity title	Responsibility	Source of verification
Development of sectoral strategies, occupational standards, qualification standards, and vocational education programmes in sectors that include digital technologies and green jobs, as well as in other areas, in accordance with the development priorities of activities in Montenegro	Centre for Vocational Education Ministry of Education, Science, and Innovation	Decisions of the Qualifications Council Decisions of the National Council for Education Decisions on occupational standards published in the "Official Gazette of Montenegro," based on the decisions of the Qualifications Council Decisions on educational programmes published in the "Official Gazette of Montenegro," based on the decisions of the National Education Council
Training of teachers and practical education instructors, based on the results of external evaluation of practical education and identified needs	Centre for Vocational Education Ministry of Education, Science, and Innovation	Reports of the Centre for Vocational Education on conducted trainings Website of the Centre for Vocational Education https://www.gov.me/cso Website of the Ministry of Education, Science, and Innovation https://www.gov.me/mps
Establishment of a system of incentives for employers through the establishment of the Fund for Support of Dual Education in cooperation with employers	Ministry of Education, Science, and Innovation Employers' associations	Decision on the establishment of the Fund for Support of Dual Education Budget of the Ministry of Education, Science and Innovation
Promotion of deficit qualifications and vocational education, with special emphasis on educational profiles in dual education and encouraging the participation of girls in vocational education	Ministry of Education, Science, and Innovation Centre for Vocational Education	Website of the Ministry of Education, Science, and Innovation https://www.gov.me/mps Website of the Centre for Vocational Education https://www.gov.me/cso

Step 3 - Work-based learning in higher education: 20% of the total number of students (of which about 50% are women) benefit from substantial work-based learning with employers during their respective education.

Since the Law on Higher Education stipulates that study programmes include at least 25% practical training, which can be acquired within the premises of the higher education institution and outside it, the Ministry of Education, Science, and Innovation will ensure that at least 60% of students complete practical training with an employer, i.e., outside the institution. This measure will be established through contracts concluded between higher education institutions and employers, while the Ministry, through the Higher Education Strategy 2024-2027, will develop a system for monitoring students who perform practical training with an employer, in accordance with the study programme to achieve learning outcomes. For this activity, EUR 450,000.00 needs to be allocated, and the Ministry of Education, Science, and Innovation is responsible for its implementation. These activities are planned to be realized in the period from January 1, 2025, to December 31, 2027. To achieve the set indicator, it is necessary to provide mechanisms for monitoring the implementation of contracted obligations for practical training and education between higher education institutions and employers. The Ministry of Education, Science, and Innovation will form a Coordination Group consisting of representatives of the Ministry, higher education institutions, and social partners to monitor the success indicators, in accordance with the planned timeframes, namely: 20% of students attend practical training with an employer by the end of 2025, 40% by the end of 2026, and 60% by the end of 2027.

The Ministry of Education, Science, and Innovation will achieve the planned indicator through the following activities:

- 1. Formation of a Coordination Group to monitor cooperation between higher education institutions and employers** - within this activity, the Ministry of Education, Science, and Innovation will establish a coordination group aimed at monitoring cooperation between higher education institutions and employers, providing recommendations for achieving the goals outlined in the Growth Plan, and ensuring support for the work of the Coordination Group.
- 2. Signing contracts between higher education institutions and employers** - within the implementation of this activity, higher education institutions will ensure the signing of contracts with employers. By signing these contracts, practical training with employers will be ensured as part of the curriculum for the academic year. The stay of students with employers is planned based on prepared tasks from the approved curriculum and agreements with employers. The plan should include the time of practical training with the employer, the number of students, etc.
- 3. Development of a plan for monitoring the successful implementation of practical training** - for the purposes of implementing this activity, it is necessary to develop a Plan for monitoring the successful implementation of practical training. This Plan should define clear guidelines for conducting activities and achieving the goals envisaged by the Growth Plan. Additionally, the Plan will include the name of the responsible institution, the budget required for implementation, the dynamics and deadlines for conducting activities, the evaluation and assessment system, and the self-evaluation system by students and employers.
- 4. Creating preconditions for establishing an electronic database for monitoring practical training outside higher education institutions** - this will involve several sub-activities, such as: preparing tender procedures, announcing a Public Call for the development of software for monitoring practical training outside higher education institutions, developing the software, which will contain information related to signed contracts between higher education institutions and employers, the number of students who have completed mandatory practical training with an employer, etc., and determining the conditions for managing the electronic database.
- 5. The implementation of student internships with employers may face the challenges, such as:** finding adequate employers; administrative and legal procedures; clear expectations from both sides (students and employers); financial issues and monitoring and evaluation. Also, the question of whether the internship is paid can affect the interest of students and the ability of employers to accept them. Employers may incur additional costs related to mentoring, training and administration, which is also a challenge.

Table 67 - Overview of activities within the implementation of step 3 for reform measure 3.1.1

Activity title	Responsibility	Source of verification
Formation of a Coordination Group to monitor cooperation between higher education institutions and employers	Ministry of Education, Science, and Innovation/higher education institutions	Decision on the formation of the Coordination Group for monitoring cooperation between higher education institutions and employers

Signing of contracts between higher education institutions and employers	Ministry of Education, Science, and Innovation/higher education institutions	Signed contracts between higher education institutions and employers
Development of a plan for monitoring the successful implementation of practical training	Ministry of Education, Science, and Innovation/higher education institutions	Plan for monitoring the successful implementation of practical training adopted Ministry's website
Creating prerequisites for establishing an electronic database for monitoring practical training outside higher education institutions	Ministry of Education, Science, and Innovation/higher education institutions	Ministry's performance report

Step 4 - Career guidance and counselling: A new model of career guidance and counselling adopted within the Strategy on Career Guidance and Counselling 2025-2030

The career guidance and counselling system based solely on school career teams did not yield the expected results. The Ministry of Education, Science, and Innovation will create a new model with a dual structure: The National Career Centre and career teams for all levels of education. The establishment of the National Career Centre will ensure a higher quality approach to the work of existing school career teams and career centres at higher education institutions. The goal of establishing this national body is to bring together professional career counsellors and provide quality support to career teams in education. The support will include training for career teams and career centres at higher education institutions, providing professional literature, relevant materials, innovative work methods, and planning work with users. This system will also develop continuous cooperation with the employment system in Montenegro.

For this step, it is necessary to allocate EUR 300,000.00, and the Ministry of Education, Science, and Innovation, along with educational institutions, is responsible for its implementation. These activities are planned to be carried out from January 1, 2025, to December 31, 2025.

The Ministry of Education, Science, and Innovation will carry out the following activities to establish the new model of career guidance and counselling:

- 1. Establishment of the National Career Centre** - within this activity, the Ministry of Education, Science, and Innovation will establish an independent body, the National Career Centre, which will gather the necessary number of professional career counsellors to provide quality support to all career teams in the Montenegrin education system.
- 2. Preparation of necessary documentation for the operation of the National Career Centre** - for the realization of this activity, it is necessary to amend the existing legal regulations to define the role of career guidance and counselling, as well as to recognize the competencies of the National Career Centre, develop by-laws, professional materials, manuals, guides, and more.
- 3. Preparation of necessary documentation for the operation of career teams** - for the realization of this activity, it is necessary to create special training programmes for career counsellors, provide professional literature, and relevant materials. These training programmes will be implemented within further activities.
- 4. Training for professional career counsellors** - the Ministry of Education, Science, and Innovation will organize training for 30 professional career counsellors who will be engaged in the National Career Centre and conduct training for 800 career counsellors in education.
- 5. Establishing a National Career Centre can face various challenges, such as:** clear mission, vision and goals; financial recourses for long-term operation; geographical availability; efficient cooperation with educational institutions and digitalisation of services. Also, it is necessary ensure sustainable sources of funding for long-term operations, including government subsidies, private donations and partnerships with industry and availability of career centre services in different parts of the country, including rural areas. The training of career counsellors working in primary, secondary schools and universities can face several specific challenges, such as: resources in schools; continuous education; integration with the curriculum; and working with parents and the community.

Table 68 - Overview of activities within the implementation of step 4 for reform measure 3.1.1

Activity title	Responsibility	Source of verification
Establishment of the National Career Centre	Ministry of Education, Science, and Innovation	Act on the establishment of the National Career Centre
Preparation of necessary documentation for the operation of the National Career Centre	Ministry of Education, Science, and Innovation/National Career Centre	Founding acts prepared; Ministry's website
Preparation of necessary documentation for the operation of career teams	Ministry of Education, Science, and Innovation/National Career Centre	Training programmes, guides, tests, questionnaires, and individual development plans prepared

Training for professional career counsellors	Ministry of Education, Science, and Innovation/National Career Centre	List of training participants, trainers' reports, participants' self-evaluation reports, and awarded certificates
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Step 5 - 800 career guidance counsellors at primary, secondary schools, and universities trained in line with the new model

The Ministry of Education, Science, and Innovation will, through this step, provide training for 800 career counsellors who will be engaged in primary and secondary schools, higher education institutions, and adult education institutions to ensure quality work with students, pupils, and adults. In addition to training for career counsellors, which will be conducted by professional career counsellors engaged by the National Career Centre, software for tracking the career paths of students, pupils, and adults will also be developed, as well as an electronic database for tracking the career paths of students, pupils, and adults.

For this step, it is necessary to allocate EUR 300,000.00, and the Ministry of Education, Science, and Innovation, along with educational institutions, is responsible for its implementation. These activities are planned to be realized from January 1, 2026, to December 31, 2027.

The Ministry of Education, Science, and Innovation will achieve the planned indicator through the following activities:

- 1. Training for career counsellors** - The Ministry of Education, Science, and Innovation will organize training for 800 career counsellors at all levels of education. The training will be conducted in accordance with the training programme, using innovative work methods and modern international standards. The training will be organized in cooperation with the National Career Centre.
- 2. Creating prerequisites for the launch of software for tracking the career paths of students/pupils/adults** - which will include the preparation of tender procedures and the announcement of a public call for the development of software for tracking the career paths of students/pupils/adults, as well as the development of the software and the establishment of conditions for managing the electronic database for tracking the career paths of students/pupils/adults.

Table 69 - Overview of activities within the implementation of step 5 for reform measure 3.1.1.

Activity title	Responsibility	Source of verification
Training for career counsellors	Ministry of Education, Science, and Innovation/National Career Centre	List of training participants, trainers' reports, participants' self-evaluation reports, and awarded certificates
Creating prerequisites for the launch of software for tracking the career paths of students/pupils/adults	Ministry of Education, Science, and Innovation/National Career Centre/universities	Ministry's report/National Career Centre's report

Reform 3.1.2. Increasing female labour force participation

The Employment Agency of Montenegro will implement several newly developed and redesigned existing active employment measures, primarily aimed at improving the position of women in the labour market. As this target group of unemployed individuals often faces specific socio-economic barriers to employment, existing active measures need to be redesigned and new ones developed to meet their actual needs in the labour market. Therefore, the first step in the process of creating measures and programmes is the identification of socio-economic barriers and the analysis of the structural characteristics of unemployed women, in order to create programmes conceptually appropriate to their individual needs and potentials.

Considering that the impact of planned initiatives on women's employment, among other things, is conditioned by the willingness of employers to take responsibility for their employment, the respective initiatives will be created and implemented in cooperation with the Union of Employers of Montenegro and other relevant partners, in a manner that will ensure the achievement of planned results and goals - *sustainability of employment even after the programme support expires*.

With the aim of ensuring a faster transition into the world of work for unemployed women, the Employment Agency will, both in the preparation process and through modularized content of active employment policy measures, create a set of activation programmes that will, through professional, financial support or combinations thereof, strive to mitigate and eliminate identified socio-economic barriers faced by these individuals.

To achieve the aforementioned, it is necessary to: properly identify groups of unemployed women who need support; identify programmes most appropriate to the identified barriers to their employment; provide integrated services by providers (social services, childcare, care for the elderly, etc.); strengthen/life skills, motivation, and encourage social

integration of this target group; provide combined services and measures: counselling, education and training, subsidized employment, support for self-employment, mentoring; assist them in job searching even after the completion of the programme and provide them with support in the form of mentoring or coaching during employment with the aim of retaining employment (post-placement support) for harder-to-employ women.

A form of support for unemployed women is, among other things, quality and accessible preschool education. The current situation shows that a large number of unemployed women are unable to access the labour market because childcare responsibilities for preschool-aged children condition their stay at home. The main reason for this is the overcrowding of existing kindergartens.

Recognizing the problem of lacking capacities in preschool education, the Ministry of Education, Science, and Innovation in 2019 entered into a loan arrangement with the Council of Europe Development Bank (CEB), which, through a loan of EUR 10 million, supported the construction of 9 new facilities, namely 3 new facilities in the northern region, 4 facilities in the central region, and 2 in the southern region. The realization of all these projects will open 2,200 new places, based on all standards concerning the conditions for designing this type of facility. The deadline for the completion of works for most facilities is December 2026, while the completion of all projects is expected by December 2027.

In addition to the facilities partially financed from loan funds, the Capital Budget recognized the need for the construction of 3 more new facilities, one in the central and 2 in the southern region. The realization of these projects will enable the accommodation of 500 children, with the deadline for the completion of these facilities being during 2027. Besides the aforementioned new facilities, through a loan arrangement with the European Investment Bank (EIB), the expansion of the capacities of 3 facilities is planned, namely two in the central and one in the southern region. Through the expansion, 600 new places will be obtained.

In addition to construction procedures, one of the challenges for putting these facilities into operation has been the issue of professionally trained workforce. Addressing this challenge involves securing 300 qualified professional staff who will be engaged in the new kindergartens. This will be achieved through the opening of new departments in secondary schools and increasing the number of students enrolled in study programmes in the field of preschool education. By increasing the number of students and professional staff preparing for the labour market, along with the existing unemployed staff in this field, and a significant number of students who have temporarily suspended their studies in previous years, primarily due to the lack of employment prospects, precisely because of the shortage of kindergartens, and who will resume their studies when employment opportunities arise with the start of construction of these facilities, as well as the opening of new departments in secondary schools, we are confident that by the end of the project period, there will be enough workforce for the new kindergartens.

The target group of beneficiaries are work-capable women who are registered with the Employment Agency. The Employment Agency needs to create employment programmes for vulnerable groups of women in cooperation with the Employers' Union and the Ministry of Labour Employment and Social Dialogue. The main carrier of activities will be the Employment Agency in the context of the revised methodology that targets gender equality in accordance with ESF+ rules. Additionally, this reform measure includes preschool-aged children, as well as teachers/educators in preschool institutions.

Table 70 - overview of steps for reform measure 3.1.2

Title of the step	Responsible institution	Implementation deadline
Two ALMM programmes that specifically target women are under implementation in the context of introduction of a revised gender targeting methodology, in line with ESF+ requirements	Employment Agency Ministry of Labour Employment and Social Dialogue	December 2026
Construction of new facilities and provision of 1800 new places for children in kindergartens	Ministry of Education, Science, and Innovation Directorate for Capital Projects	December 2026
Provision of 300 new professionally trained staff	Ministry of Education, Science, and Innovation Directorate for Capital Projects	December 2026

Step 1 - Two ALMM programs that specifically target women are under implementation in the context of introduction of a revised gender targeting methodology, in line with ESF+ requirements

Existing and underdeveloped support systems hinder greater involvement of women in the labour market, especially those who are not active in the labour market due to caring for children, the elderly, and persons with disabilities. The Employment Agency of Montenegro will, during 2026 and beyond, implement several newly developed and redesigned existing active employment policy measures, primarily aimed at improving the position of women in the labour market. As this target group of unemployed individuals often faces specific socio-economic barriers to

employment, existing active measures need to be redesigned and new ones developed to meet their real needs in the labour market. The biggest challenge in the process of creating measures and programmes is identifying socio-economic barriers through the development of an analysis of the structural characteristics of unemployed women and the development of a methodology that targets gender equality in accordance with ESF+ rules. The development of the mentioned analysis and methodology is a prerequisite for creating programmes conceptually appropriate to the individual needs and potentials of unemployed, able-bodied women. These two documents need to be developed no later than the third quarter of 2025. The development of an analysis of all barriers to women's employment, as well as the methodology based on which special active employment policy programmes will be created in the future, is an extremely challenging task. This task requires a multidisciplinary approach, special knowledge and experience, technical and financial resources, and knowledge of ESF+ rules, for which Montenegro does not have the capacity. In this regard, the Ministry of Labour Employment and Social Dialogue, in cooperation with partners from the European Commission and the EU Delegation in Podgorica, will work on identifying potential programmes and projects through which technical support for the development of these documents will be provided.

Table 71 - Overview of activities within the implementation of step 1 for reform measure 3.1.2.

Activity title	Responsibility	Source of verification
Analysis of barriers to women's employment	Employment Agency; Ministry of Labour Employment and Social Dialogue	Report on the implementation of reform measures within the Reform Agenda, which will be periodically adopted by the Government
Development of a revised methodology that targets gender equality in accordance with ESF+ rules	Employment Agency Ministry of Labour Employment and Social Dialogue	Report on the implementation of reform measures within the Reform Agenda, which will be periodically adopted by the Government
Two active employment measures programmes aimed at women	Employment Agency Ministry of Labour Employment and Social Dialogue	Report on the implementation of reform measures within the Reform Agenda, which will be periodically adopted by the Government

Step 2 - Provision of quality childcare: Increase of the capacities of publicly funded childcare throughout the country available for children by 1800 new places (in line with rulebook standards), divided equally between age group 0-3, and 4-6

As mentioned in the arrangement with the Council of Europe Development Bank (CEB), the construction of facilities is planned: New kindergarten in Bar, New kindergarten in Ulcinj, New kindergarten in the City Quarter in Podgorica, New kindergarten in Berane, New kindergarten in Plav, New kindergarten in Block 35/36 in Podgorica, New kindergarten at the Old Airport in Podgorica, New kindergarten in Zlatica in Podgorica, and New kindergarten in Bijelo Polje. The total estimated value for the construction of the facilities is EUR 28,633,588.00.

In addition to the facilities partially financed from loan funds, the Capital Budget recognizes the need for the construction of 3 new facilities, namely: New kindergarten in Tivat, New kindergarten in Donja Gorica in Podgorica, and New kindergarten in Budva, the total value of these facilities is EUR 8,640,000.00.

In addition to the mentioned new facilities, through a loan arrangement with the European Investment Bank (EIB), the expansion of the capacity of 3 facilities is planned, namely: Kindergarten in Zabjelo, Kindergarten in Kotor, and Kindergarten in Momišići, the total value of the investment in this part is EUR 11,363,728.80.

The Law on Spatial Planning and Construction of Buildings mandates the obligation to announce architectural competitions during the construction of public buildings, except in cases where the projects in question are financed from credit or donor funds, and therefore it is necessary to carry out the following activity:

Conducting architectural competitions for the selection of conceptual designs for buildings financed from the Capital Budget. In this regard, it is necessary to conduct competitions for new kindergartens in Tivat, Budva, and Donja Gorica. Although not obligatory, the strategic approach of the Ministry of Spatial Planning and Urbanism is to conduct a unified competition for the conceptual design of six buildings financed by the CEB loan, due to their specific architectural importance. A modular solution will be applied to these buildings, considering they are of similar square footage. Competitions for kindergartens in Bar, Ulcinj, City Kvart, and Berane have already been realized.

Conducting tender procedures for the selection of the main project processor. After the competitions, where projects at the level of conceptual design are obtained, a project task is prepared, and a public procurement is conducted to contract the service of creating the main project. Projects for kindergartens in Bar and Ulcinj have been completed, and services for the creation of main projects for kindergartens in City Kvart in Podgorica and Berane have been contracted. For the other aforementioned projects, the procedure will be realized in 2024 and 2025.

Conducting tender procedures for the selection of contractors. After the projects are completed, public calls for the procurement of works are announced, after which the activity of **the implementation and construction period continues.**

The Ministry of Education, Science and Innovation of Montenegro carries out the reconstruction and construction of a certain number of facilities through international projects financed by the EIB, CEB and KFW.

Some of the projects are carried out according to banks' procedures, which allow us, among other things, exemptions in the matter of competition design solutions as well as exemptions from the Law on Public Procurement of Montenegro, which has proven to be good practice.

For some facilities, it will be necessary to conduct contests for conceptual solutions and tender procedures for the selection of designers, contractors and supervision, which in certain situations can be complicated for the following reasons:

- it is a matter of cooperation between several institutions such as the Ministry of Spatial Planning, Urbanism and State Property, the Directorate for Capital Projects and the Ministry of Education, Science and Innovation
- personnel qualifications of the mentioned institutions
- the state's slowness in issuing planning documents for certain parts of cities in Montenegro, which prevents a greater choice of locations when constructing new facilities.

In the Ministry of Education, Science and Innovation, all projects are monitored by the Service for Investments and Public Procurement, with a smaller number of employees, so it should be strengthened in the coming period.

Table 72 - Overview of activities within the implementation of **Step 2** - for reform measure 3.1.2.

Activity title	Responsibility	Source of verification
Conducting architectural competitions for the selection of conceptual designs	Ministry of Spatial Planning, Urbanism, and State Property Ministry of Education, Science, and Innovation	Report on the realized competition
Conducting tender procedures for the selection of the main project processor	Directorate for Capital Projects Ministry of Education, Science, and Innovation	Completed main projects
Conducting tender procedures for the selection of contractors	Directorate for Capital Projects Ministry of Education, Science, and Innovation	Works contract
Implementation and construction period	Directorate for Capital Projects Ministry of Education, Science, and Innovation	Report on the realization of the capital budget Usage permits for individual buildings.

Step 3 - Increase number of qualified personnel employed for childcare provision by 300

In 2024, the largest investment cycle in the field of education infrastructure to date was launched, which includes the construction and adaptation/reconstruction of several preschool institutions to expand spatial capacities, relieve existing preschool education units, and improve the quality of work in preschool education and the quality of stay and implementation of educational programmes at this level of education. The improvement of infrastructure must be timely supported by the education and training of the necessary personnel to work in new units, which includes the following activities:

- Opening a new study programme for preschool education and upbringing.
- Opening new departments and improving educational programmes in the field of health in vocational education in accordance with Directive 2005/36/EC and Directive 2013/55/EU - It is planned to improve existing educational programmes in vocational education in the field of health to align them with the requirements of Directive 2005/36/EC and Directive 2013/55/EU on the recognition of professional qualifications for regulated professions. This involves aligning the content of educational programmes and the scope of practical training with the requirements of the mentioned directives;
- Promotion and enrolment of students in study programmes related to preschool education; and
- Media and communication campaign to motivate continued studies.

The biggest challenge in the implementation of the new preschool program concept, which implies the transition from thematic to project planning, is the high costs of the implementation of the training for educators, as well as the high costs in the actual implementation of the new concept. We are currently in the piloting phase of a new program concept, in which participate 6 preschool institutions with three educational groups from each of them. Staff from those groups are trained to pilot the program. It is a big challenge to implement a new program for all groups in those institutions, as well as staff training for all other state and private preschool institutions. Namely, it is necessary to

organize a series of trainings for staff and considering that this is a new program concept in our country, we do not have staff in Montenegro who can do it, so we have to hire expert staff from neighbouring countries.

- According to the Law on preschool education a pre-school teacher can be a person who has completed a two-year study program of preschool education i.e. VI level of the qualifications framework (180 Montenegrin Credit Transfer System) or VII level of the qualification framework, sublevel one (240 or 300 Montenegrin Credit Transfer System) for preschool education.

Table 73 - Overview of activities within the implementation of step 3 for reform measure 3.1.2.

Activity title	Responsibility	Source of verification
Opening a new study programme for preschool education	Universities, Ministry of Education, Science, and Innovation	Reaccreditation report
Opening new departments and improving educational programmes in the field of health in vocational education in accordance with Directive 2005/36/EC and Directive 2013/55/EU	Secondary vocational schools, Ministry of Education, Science, and Innovation	Decision of the National Council for Education
Promotion and enrolment of students in study programmes related to preschool education	UCG, Faculty of Philosophy, Ministry of Education, Science, and Innovation	Enrolment report
Media and communication campaign to motivate continued studies	UCG, Faculty of Philosophy, Ministry of Education, Science, and Innovation	Report on the implemented campaign and its results

Reform 3.1.3. Reforming social and child protection system for more effective, efficient, and transparent use of public funds

The challenge related to the employability and activation of material support beneficiaries is one of the key problems of overall unemployment in Montenegro. In the total registered unemployment (37,499 people - March 2024), the share of material support beneficiaries is 16%.

The adoption of a new Law on Social and Child Protection is necessary to review the conditions for exercising the right to material support towards better targeting of individuals at risk of poverty, thereby contributing to the fulfilment of recommendations from Negotiation Chapter 19: Social Policy and Employment. Practice has shown that it is necessary to improve the provisions of the Law related to the activation of work-capable material support beneficiaries to motivate these individuals for active participation in the labour market. Amendments to the Law on Social and Child Protection, as well as the adoption of other by-laws that will further regulate certain issues from this law, are planned by the end of 2025.

By examining the structural characteristics of unemployed material support beneficiaries registered in the Employment Agency's records, it is planned to implement several active employment policy programmes for 500 material support beneficiaries. Active Labor Market Measures are planned through work training programmes, independent work training, subsidized employment, and self-employment.

Through user training programmes for work, access to employment is enabled by aligning the knowledge, skills, and competencies of material support beneficiaries with the requirements of certain professions for which they possess the appropriate level of education and qualifications. The structural characteristics of material support beneficiaries from the unemployment registry of the Employment Agency indicate a significantly high participation of long-term unemployment in the total unemployment. In the unemployment registry of the Employment Agency, there are about 6,011 users (March 2024), of which 5,674 individuals (94.4%) have been seeking a job for more than 12 months. Through user training programmes for independent work, a faster transition of material support beneficiaries into the world of work is enabled by aligning with the needs of employers for hiring individuals with work experience. In the registry of the Employment Agency, there are 6,011 material support beneficiaries (March 2024), of which 3,849 individuals have no work experience (64%). In the total number of beneficiaries, individuals with secondary education participate with 35.8%, and those with higher education with 1.8%. The goal of such programmes is to increase employability and employment by gaining work experience for independently performing tasks in the field of work of the acquired qualification level of education. Through the implementation of subsidized employment programmes for beneficiaries, the employment of material support beneficiaries in sustainable jobs is encouraged, especially those users of material support facing significant employment difficulties (long-term unemployed material support beneficiaries, users aged 50 and over, beneficiaries with level I and II education). Through self-employment programmes for material support beneficiaries, self-employment is promoted, encouraging the development of entrepreneurship and other forms of economic activities, in accordance with the priorities of human resource development policy in Montenegro and strategic documents in this area.

The challenge related to disability assessment and the determination process are key procedures for determining eligibility for services, products, or rights related to disability. The ongoing disability determination reform is a structural reform focused on establishing a normative and institutional framework that will enable fairer, easier, and more transparent access to cash transfers and social benefits in five sectors. A key improvement is that individuals will be able to access their rights in all sectors through a single assessment. When the reform is implemented, more than 60,000 people with disabilities in Montenegro will be able to exercise their rights much more easily, with significantly reduced administrative procedures. Also, potential system abuse would be minimized.

Successful implementation of the structural disability determination system reform is a prerequisite for a comprehensive reform of the entire social security system. Once a new legal and institutional framework aligned with the human rights model for disability assessment is established, the focus of assessments will shift from eligibility for specific cash transfers based on health conditions to addressing the actual support needs of people with disabilities to live in the community.

Under the new system, assessed individuals will receive a decision on their disability status and the determined level of support needs. The methodology includes four levels of support, ranging from low to high support needs. Based on this assessment, sectors will determine eligibility for a set of benefits and available services.

The existing system encompasses eight cash transfers related to disability, creating a complex administrative process for both institutions and users. This complexity results in a lack of effective, efficient, and transparent use of public funds. To address this issue, an inclusive cash transfer will be introduced in the second phase of the reform, consisting of three different amounts based on the level of support determined by the new Disability Assessment Institute. For example, the amounts could be EUR 150.00 for individuals with low support needs (level 2), EUR 300.00 for those with medium support needs (level 3), and EUR 700.00 for individuals requiring 24-hour care and support (level 4).

Given that the purpose of cash transfers related to disability is to compensate for the increased living costs associated with disability, a prerequisite for accurately determining the amount for each level of support need is to conduct an analysis of the increased living costs with disability. This analysis will serve as the basis for proposing appropriate amounts for each level of support need and is essential for policy creation and the determination/revision of cash transfers.

Furthermore, ensuring continuous capacity building for newly hired staff and professionals at the Institute is crucial for enabling a genuine transition from a medical to a rights-based approach to disability.

The termination of the existing eight different types of cash transfers will have a threefold impact. First, it will create a more accessible and adequate support system for persons with disabilities based on their specific needs. Second, it will significantly reduce the administrative burden on social work centres (SWCs) and lower the costs related to the administration of disability rights. Finally, social work centres will have the opportunity to devote more time to genuine and preventive social work, providing support to people and children in need.

The challenge related to the development of services is the development of socially and fiscally sustainable social and child protection services and the establishment of well-coordinated and better-targeted systems that provide adequate support to the most vulnerable categories of the population while simultaneously supporting labour market policies. The measure also aims to strengthen the case management function and referral to social and child protection services, as well as improve the quality of these services through supervision, monitoring, and evaluation. Ultimately, strengthening this element of the system will contribute to the sustainable and continuous reduction of poverty and vulnerability of the population in the medium to long term. The main activities for implementing this reform are: Preparing an analysis of the situation and needs for services in each municipality in Montenegro. After obtaining the results of the analysis, services in the field of social and child protection will be established in such a way that at least three services in the field of social and child protection are established in each municipality in accordance with the needs of citizens in those local self-governments. These services need to be developed to prevent institutionalization, i.e., to empower users for life in the family and community.

The estimated initial cost for establishing services in the field of social and child protection is 20,000,000.00. It includes the introduction of various community living support services, the establishment of shelters, as well as Small Group Homes and a Foster Care Centre.

Social and child protection reforms are also recognized in the Economic and Investment Plan for the Western Balkans and within the European Pillar of Social Rights. The implementation of this measure will further contribute to achieving the sustainable development goals SDG1 - no poverty and SDG10 - reduced inequalities. The measure is also linked to key recommendations from the EC report.

The biggest risks for not fulfilling the mentioned activities are: lack of financial resources for the implementation of reforms, delays in adopting strategies and laws due to changes in management structures, and raising awareness and strengthening capacities on the importance of providing services in the family and community.

The challenge related to the upgrade of the Integrated Social Welfare Information System (e-Social) primarily aims to determine and calculate all financial expenditures at the state level, based on the realization of rights in the field of social and child protection, through the information system, which is currently not the case (more than 12% of funds are not calculated and do not pass through the mentioned system). With this upgrade, we will ultimately achieve more effective, efficient, and transparent use of public funds intended for social and child protection. Through the improvement of the system, we strive to build trust in institutions and reduce the risk of misuse of funds. Annually, more than EUR 200,000,000.00 is paid based on rights in the field of social and child protection, which leads us to the conclusion about the importance of monitoring the spending of funds in the most efficient way. Additionally, the upgrade includes the transition to new technology, ensuring the smooth functioning of the system and enabling the improvement of its functionalities, as well as the introduction of online services, which will allow citizens easier access to exercising rights in the field of social and child protection, which is of particular importance for vulnerable categories of the population.

The investments needed for the implementation of the reform include financing the upgrade of the system to modern technologies, the development of additional functionalities, and regular system maintenance. In addition, it is necessary to provide the equipment required for the smooth use of the system at more than 30 physical locations, including social work centres, homes for the elderly, and other relevant institutions. The timeframe for implementation will depend on the complexity of the upgrade and improvement, but it is estimated to last until the end of 2027. Detailed budget allocations and sources of funding are elaborated in this and will be elaborated in the coming years and are provided from the budget of Montenegro, along with a clear timeline for each phase of the implementation process. Precisely by the phases of implementation, the measurable progress of the mentioned reform will be achieved.

The targeted users are the most vulnerable categories of citizens of Montenegro, the unemployed, users of material support, persons with disabilities, children, women, and the elderly who are in an unfavourable life situation and need state assistance.

The Ministry of Social Welfare, Family Care and Demography must establish a normative framework for the implementation of key reforms. After the adoption of the Law on Unified Disability Assessment and the establishment of the Institute for Assessment, the Ministry of Social Welfare, Family Care and Demography, after conducting cost-of-living analyses, will subsequently make amendments to establish a unified allowance for persons with disabilities. In addition to carrying out legal solutions, it is necessary to establish new services in cooperation with local governments. To manage the database more efficiently, it is necessary to upgrade the existing information system.

Table 74 - Overview of steps for reform measure 3.1.3

Title of the step	Responsibility	Implementation deadline
Activation of material support beneficiaries: The Law on Social and Child Protection and accompanying by-laws amended to enable the sequenced transition from receiving material support to labour market activation	Ministry of Social Welfare, Family Care and Demography	December 2025
500 (cumulative) material support beneficiaries (of which approximately 50% women) participated in Active Labour Market Measure for their labour market activation in 2026 and 2027	Employment Agency	December 2027
One single inclusive and unified disability-related cash transfer covering all rights of a given beneficiary and processed through an electronic system in place	Ministry of Social Welfare, Family Care and Demography	December 2027
Minimum package of guaranteed social services identified and an approach to their sustainable financing is defined in the Strategy for Deinstitutionalization	Ministry of Social Welfare, Family Care and Demography	June 2025
As a step towards enhanced access, in each municipality, at least three social and child protection services prescribed by the Law on Social and Child Protection are available to citizens according to their needs (including as a shared provision across multiple municipalities if appropriate). None of these three services may support institutionalization	Ministry of Social Welfare, Family Care and Demography Local governments	December 2027
All financial allowances at national level related to social and child protection are established and calculated through the upgraded Integrated Social Welfare Information System (e-social)	Ministry of Social Welfare, Family Care and Demography	December 2027

Step 1 Activation of material support beneficiaries: The Law on Social and Child Protection and accompanying by-laws amended to enable the sequenced transition from receiving material support to labour market activation

Table 75– Overview of activities within the implementation of step 1 for reform measure 3.1.3

Activity title	Responsibility	Source of verification
Adoption of the proposal for a new Law on Social and Child Protection	Ministry of Social Welfare, Family Care and Demography	Official Gazette
Amendment to the rulebook on detailed requirements for exercising basic material support in social and child protection	Ministry of Social Welfare, Family Care and Demography	Official Gazette
Amendment to the rulebook on the content and form of the individual activation plan and the manner of implementing social inclusion measures for able-bodied users of material support	Ministry of Social Welfare, Family Care and Demography	Official Gazette

Step 2 - 500 (cumulative) material support beneficiaries (of which approximately 50% women) participated in Active Labour Market Measure for their labour market activation in 2026 and 2027

One of the key issues of overall unemployment in Montenegro relates to the employability and activation of material support beneficiaries. In the total registered unemployment (37,499 people - March 2024), the share of material support beneficiaries is 16%. The first activity in addressing this problem is the adoption of a new Law on Social and Child Protection. One of the goals of revising this regulation is the need to reassess the conditions for exercising the right to material support in the direction of better targeting individuals at risk of poverty. Practice has shown that it is necessary to improve the provisions of the Law related to the activation of work-capable material support beneficiaries, in order to motivate these individuals for active participation in the labour market. Amendments to the Law on Social and Child Protection, as well as the adoption of other by-laws that will further regulate certain issues from this law, are planned by the end of 2025. This also includes amendments to the regulations on the content and form of the individual activation plan and the manner of implementing social inclusion measures for work-capable material support beneficiaries. The second activity in the implementation of this measure is the development of active employment policy programmes by the Employment Agency, which will be implemented in 2026 and 2027, and will cover 500 material support beneficiaries. By examining the structural characteristics of unemployed material support beneficiaries registered in the Employment Agency's records, it is planned to implement several active employment policy programmes for 500 material support beneficiaries. Active employment policy measures are planned through work training programmes, independent work training, subsidized employment, and self-employment. Finally, it is important to note the key challenge in activating material support beneficiaries, which is the need to establish stronger cooperation between social work centres and the Employment Agency. Through EU support programmes and projects in the social and employment policy sector, which are currently being implemented or planned, special emphasis is placed on strengthening the cooperation of these bodies.

Table 76 - Overview of activities within the implementation of Step 2 - for reform measure 3.1.3

Activity title	Responsibility	Source of verification
Adoption of the activation programme for material support beneficiaries	Employment Agency of Montenegro	Report on the implementation of reform measures within the Reform Agenda, which will be periodically adopted by the Government
Better cooperation between the Social Work Centre and the Employment Agency in order to activate material support beneficiaries	Social Work Centres Employment Agency of Montenegro	Report on the implementation of reform measures within the Reform Agenda, which will be periodically adopted by the Government

Step 3 - One single inclusive and unified disability-related cash transfer covering all rights of a given beneficiary and processed through an electronic system in place

Planned disability assessment reform involves several activities. The first activity refers to the establishment of a normative and institutional framework that will enable a fairer, easier, and more transparent access to cash transfers and social benefits in five sectors. First and foremost, it is necessary to adopt the Law on Unified Disability Assessment, and then to establish the Institute for Disability Assessment. The adoption of the Law is expected in 2024, while the establishment of the Institute is planned for 2025. Successful implementation of the structural disability assessment system reform is a prerequisite for a comprehensive reform of the entire social security system. The second activity in the implementation of this measure, after the legal and institutional framework aligned with the human rights

model for disability assessment is established, focuses on shifting from eligibility for specific cash transfers based on health conditions to addressing the actual support needs of persons with disabilities to live in the community. According to the new system, assessed individuals will receive a decision on their disability status and the determined level of support needs. To address this issue, the second phase of the reform will introduce an inclusive cash transfer, consisting of three different amounts based on the level of support determined by the new Institute for Disability Assessment. Given that the purpose of cash transfers related to disability is to compensate for the increased living costs associated with disability, a prerequisite for accurately determining the amounts for each level of support need is to conduct an analysis of the increased living costs associated with disability, and then amend the laws through which persons with disabilities have been exercising their rights to cash benefits. This analysis will serve as the basis for proposing appropriate amounts for each level of support need and is essential for policy creation and the determination/revision of cash transfers. Finally, an electronic system for benefits will be introduced so that all rights based on disability are paid through a unified electronic system. In this way, Montenegro is undertaking reforms of the structural disability assessment system for the first time, which is a prerequisite for a comprehensive reform of the entire social security system.

Table 77 - Overview of activities within the implementation of step 3 for reform measure 3.1.3

Activity title	Responsibility	Source of verification
Adoption of the proposal for the Law on Unified Disability Assessment	Ministry of Social Welfare, Family Care and Demography	Official Gazette
Establishment of the Institute for Disability Assessment	Government of Montenegro Ministry of Social Welfare, Family Care and Demography	Report on the implementation of reform measures within the Reform Agenda, which will be periodically adopted by the Government
Analysis of the living costs of persons with disabilities	Ministry of Social Welfare, Family Care and Demography	Report on the implementation of reform measures within the Reform Agenda, which will be periodically adopted by the Government
Amendment to the laws through which persons with disabilities have been exercising their rights to financial allowance	Ministry of Social Welfare, Family Care and Demography	Official Gazette of Montenegro
Introduction of an electronic system for benefits so that all rights based on disability are paid through a unified electronic system	Institute for Disability Assessment	Report on the implementation of reform measures within the Reform Agenda, which will be periodically adopted by the Government

Step 4 - Minimum package of guaranteed social services identified and an approach to their sustainable financing is defined in the Strategy for Deinstitutionalization

In order to ensure a minimum package of guaranteed social and child protection services, so that at least 3 services are available in each municipality according to the needs of citizens, it is necessary to adopt a Deinstitutionalization Strategy. The first step towards achieving this measure is the formation of a working group to draft the Deinstitutionalization Strategy, then defining the minimum package of guaranteed services, as well as defining which services need to be established in different municipalities so that at least 3 services in the field of social and child protection are available in each municipality. The working group will also define in the draft Strategy the need for a clear financial framework and responsibility for establishing and financing these services, as well as the need to adopt the Law on Social and Child Protection to specify the financing. After the working group completes its work and a public discussion is conducted, the Deinstitutionalization Strategy will be adopted.

Table 78 - Overview of activities within the implementation of step 4 for reform measure 3.1.3

Activity title	Responsibility	Source of verification
Adoption Deinstitutionalization Strategy	Government of Montenegro, Ministry of Social Welfare, Family Care and Demography	Report on the implementation of reform measures within the Reform Agenda, which will be periodically adopted by the Government

Step 5 - As a step towards enhanced access, in each municipality, a minimum of three social services out of those described in the Law on social and child protection is accessible to citizens in accordance with their needs (including as a shared provision across multiple municipalities if appropriate). None of these three may support institutionalization

In order to ensure at least 3 social and child protection services in each municipality, the Deinstitutionalization Strategy will be adopted, as described in Step 3 - First, it is necessary to map which services are lacking in local communities to plan for the establishment of the missing services. After mapping the missing services, the establishment of services will begin, i.e., strengthening the capacity of institutions for accommodation to obtain licenses for providing community living support services. Simultaneously, activities will be carried out to secure land, construct, adapt, or reconstruct facilities to be adjusted for providing community living support services, shelters, foster care centres, and

small group homes in accordance with prescribed standards. After the realization of these activities, a minimum package of services will be ensured, so that at least 3 social and child protection services will be available in each municipality according to the needs of citizens.

To implement steps towards ensuring at least 3 social and child protection services in each municipality for deinstitutionalization, it is necessary to construct, adapt, or reconstruct facilities to be adjusted for providing community living support services, shelters, foster care centres, and small group homes in accordance with prescribed standards. To specify the investment itself, it is necessary first to find adequate land or spaces for adaptation/reconstruction and estimate the cost of materials and labour. The approximate investment estimate based on previous practice of establishing services amounts to EUR 20 million.

Table 79– Overview of activities within the implementation of step 5 for reform measure 3.1.3

Activity title	Responsibility	Source of verification
Adoption of the Proposal for a new Law on Social and Child Protection	Government of Montenegro Ministry of Social Welfare, Family Care and Demography	Official Gazette of Montenegro
Analysis of the needs of local governments for establishing services in the field of social and child protection	Institute for Social and Child Protection Ministry of Social Welfare, Family Care and Demography	Report on the implementation of reform measures within the Reform Agenda, which will be periodically adopted by the Government
Improving cooperation between the Ministry of Social Welfare, Family Care and Demography with the aim of establishing services and defining the methods of financing and sustainability of social and child protection services	Ministry of Social Welfare, Family Care and Demography Union of Municipalities of Montenegro Local governments	Report on the implementation of reform measures within the Reform Agenda, which will be periodically adopted by the Government
Establishing missing services with the aim of providing at least three social and child protection services in each municipality depending on the needs of the citizens	Ministry of Social Welfare, Family Care and Demography Union of Municipalities of Montenegro Local governments	Report on the implementation of reform measures within the Reform Agenda, which will be periodically adopted by the Government

Step 6 - All financial allowances at national level related to social and child protection are established and calculated through the upgraded Integrated Social Welfare Information System (e-social)

To achieve the mentioned indicator, the Ministry of Social Welfare, Family Care and Demography will carry out the following activities:

- *Upgrading new functionalities of the Integrated Social Welfare Information System (e-social)* - For the implementation of this activity, a detailed analysis of work processes (realization of rights based on social and child protection) is necessary, based on which it will be defined which rights are not determined, and therefore not calculated through the system. The mentioned analysis will be the basis for creating tender documentation, then announcing a public call, selecting a company that will work on the development of new functionalities, implementation, and continuous work on system maintenance. We must note that it is common to make ad hoc changes to laws (changing or introducing new rights in the field of social and child protection), which initiates system changes to align it with the adopted changes.
- *Development of a portal for providing online services* - For the implementation of this activity, it is also necessary to analyse the services for which it is possible to apply and realize rights electronically, and then carry out all the steps mentioned in the previous activity (announcing a tender, etc.).
- *Reengineering (transition to new technologies) of the Integrated Social Welfare Information System (e-social)* - For the implementation of this activity, a detailed analysis of work processes (realization of rights based on social and child protection) is necessary to potentially optimize the processes, then create tender documentation, announce a public call, select a company that will work on the reengineering of the information system, implement it at all locations throughout Montenegro, and continuously work on system maintenance.

It is important to note that the tender documentation mentioned in each of the previous three activities is one, i.e., a single tender will cover the entire system upgrade, including all new functionalities, reengineering, development of electronic services, etc., except for the implementation of legal changes that may be adopted later. Also, for the sustainability of the information system, continuous investment in the equipment needed to use the information system, as well as server infrastructure, is necessary.

Table 80 - Overview of activities within the implementation of step 6 for reform measure 3.1.3

Activity title	Responsible institution	Source of verification
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Upgrading new functionalities of the Integrated Social Welfare Information System (e-social)	Ministry of Social Welfare, Family Care and Demography	Report on the implementation of reform measures within the Reform Agenda, which will be periodically adopted by the Government
Development of a portal for providing online services	Ministry of Social Welfare, Family Care and Demography	Report on the implementation of reform measures within the Reform Agenda, which will be periodically adopted by the Government
Reengineering (transition to new technologies) of the Integrated Social Welfare Information System (e-social)	Ministry of Social Welfare, Family Care and Demography	Report on the implementation of reform measures within the Reform Agenda, which will be periodically adopted by the Government

SECTOR 3.2: EDUCATION AND SKILLS DEVELOPMENT

Reform 3.2.1 Investing in all levels of education

Through the project with the European Investment Bank, EIB "Improvement of Montenegrin Education" worth nearly 75 million, the construction of five new schools, the reconstruction of ten vocational high schools, and the reconstruction of three kindergartens are planned, as well as the procurement of school furniture for all schools and kindergartens in Montenegro, the procurement of computer equipment for all schools, and the procurement of specialized equipment for vocational high schools.

The creditor has so far provided 18 million euros in loan funds and a series of grants such as technical support grants amounting to nearly 4 million euros, announced grants for the mapping process, and grants for computer equipment of 2.6 million and 2 million euros, up to the grant that the Ministry of Education, Science, and Innovation and the EIB provided through WBIF and bilateral donors, worth 11 million euros for which the contract was signed last month, and for which negotiations for an additional 18 million euros in loans are ongoing.

In order to improve and increase the capacity of school facilities, the Ministry of Education, Science, and Innovation has entered into a loan arrangement with the EIB to increase the existing spatial capacities for primary and secondary education through the construction of new facilities. Specifically, four new primary schools are planned in the central region. Also, the construction of a new gymnasium in Podgorica is planned. The total estimated value for the construction of these five facilities through this project is EUR 46,832,852.00.

The construction of these three primary schools will provide space for teaching 2300 children, for schools operating in two shifts.

In the new Gymnasium building, space will be provided for teaching 800 children in two shifts.

The deadline for the completion of works for most facilities is December 2026.

Also, through the Capital Budget, the construction of a larger number of primary schools is planned, including one school in the northern region, the construction of two primary schools and one gymnasium in the southern region, the construction of one school in the central region, and the reconstruction and extension of two schools in the central and one school in the southern region.

The total estimated value for the construction of these facilities is EUR 52,170,000.00.

The construction of these facilities will provide space for teaching 6100 children, for schools operating in two shifts. It should be particularly noted that the construction of these facilities will relieve the existing school infrastructure, which is particularly burdened in Podgorica and coastal municipalities, where some schools have up to 5 shifts.

The deadline for the completion of most of these facilities is December 2026, while some facilities will be completed by December 2027.

It is also necessary to improve the conditions of stay in existing primary school facilities, with the aim of increasing their attractiveness when choosing a school and enrolling, which will significantly reduce the pressure on schools where multiple shifts are prevalent. The most efficient mechanism for the complete reconstruction of facilities has proven to be energy efficiency programmes, which, in addition to functional improvements, also lead to increased economic efficiency of the facilities. In this regard, the Ministry of Education, Science, and Innovation is in the final phase of negotiations with the EBRD for a loan arrangement worth 25 million euros for the total reconstruction in terms of energy efficiency of 24 existing facilities.

The challenge is the continuous improvement and adaptation of teachers to changes in education and social changes in general. Therefore, the goal is not only to increase the technological literacy of teachers but also to provide support

for personalized learning, as well as the introduction of educational programmes aimed at providing socio-economic support to students.

The analysis of the education sector, conducted by the Ministry in collaboration with the UNICEF office, showed that it is necessary to further improve the quality of education, among other things, through the analysis and revision of curricula, using constructivist teaching methods, and ensuring that teacher autonomy is used to encourage motivation and enrich learning situations for all students. Considering that the successful implementation of new and revised curricula depends solely on the knowledge, skills, and competencies of teachers to implement them in classrooms, it is necessary to develop an action plan for teacher training. Through the joint effort of key institutions responsible for the quality of education, primarily the Institute for Education and the Centre for Vocational Education, teacher training will be prepared and implemented to ensure successful work in accordance with the new/revised programmes, thereby contributing to the improvement of quality.

The Ministry will place special emphasis on bilingual education. It is necessary to support the increase in the number/extent of teaching subjects in primary school in English and other foreign languages. To encourage mobility in learning and the professional development of students, it is necessary to create conditions for subjects and modules or educational programmes as a whole in high schools and vocational schools to be conducted in English, as well as other foreign languages.

The continuous improvement of the skills of teaching staff also involves the introduction of a new set of training:

- Training of educators and teachers for the application of NTC techniques;
- Training of educators for a new programme concept that involves the transition from thematic to project planning;
- Systematic familiarization of educators and teachers with the concept of emotional intelligence;
- From kindergarten to high school, continue more intensively with training in the field of individualization of teaching (adapting teaching and learning styles to the needs of students, working with children with developmental difficulties and from different socio-economic backgrounds (inclusive programme);
- The application of NTC techniques in teaching and everyday life is based on discoveries in the field of neuroscience where play as the child's internal motivation is a key factor of the NTC programme. The challenge will be the prejudice that play is not learning, which requires systematic training of teachers, but also at least partial training of parents to overcome;
- The transition from thematic to project planning in kindergartens will require a significant change in the work and thinking of educators;
- When familiarizing with the concept of Emotional Intelligence (EI), the key challenges may be the understanding and awareness of the importance of EI by teachers, parents, and students, the integration of EI into overcrowded curricula, the more difficult quantitative measurement of EI, so it is necessary to develop reliable methods for assessing EI and monitoring student progress, establish standards and monitor the implementation of the programme, cultural differences (EI is interpreted differently in different cultural contexts);
- Inclusive education is a priority when it comes to children with special educational needs, so we recognized the need to introduce an inclusive orientation and legally regulate it as early as the 1990s. It is the first choice and imperative that children with special educational needs, disabilities, and developmental difficulties attend regular schools (inclusive education). Although the subject of inclusive education is represented in university programmes, it is necessary to increase teacher competencies and ensure the continuity of quality work and the more intensive development of an inclusive culture, practice, and awareness at all levels of education, both among teaching staff and all employees in educational institutions.

The target users are students and teaching staff of preschool, primary, secondary, and vocational education, parents, and all other interested parties involved in the implementation of the educational process.

Step 1 - Tendering procedures launched for construction or refurbishment of schools to reduce the number of shifts in most overcrowded primary schools from the current 5 to 3 shifts

Through a loan arrangement with the EIB, a primary school in the Zabjelo neighbourhood in Podgorica, a primary school in the City kvart neighbourhood in Podgorica, and a primary school in the Karabuško polje neighbourhood in Tuzi, as well as the "Vladimir Nazor" primary school in Podgorica, will be built. In addition to primary schools, the construction of a new high school in Podgorica is also planned.

The capital budget also includes the construction of a primary school in the Bečići neighborhood in Budva, the construction of a new building for the "Mladost" primary school in Bijelo Polje, the construction of a new primary school in the Igalo neighbourhood in Herceg Novi, the reconstruction of the Bošković-Đurović-Laketić family foundation buildings in the Srbina neighbourhood in Herceg Novi, the extension of the "Vlado Milić" primary school in Podgorica, the extension of the "Oktoih" primary school in Podgorica, the construction of a new primary school in

Tivat, the construction of a new primary school in the Stari Aerodrom neighbourhood in Podgorica, the construction of a new primary school in the Blok 35-36 neighbourhood in Podgorica, as well as the construction of another high school in Bar. For all these projects, the following steps and activities need to be carried out to realize them:

Step 2 - Number of maximum shifts in most overcrowded primary schools reduced from current 5 shifts to 3

The construction of new facilities will reduce the number of shifts in existing schools from the current 5 to a maximum of 3 shifts.

Step 3 - Number of high school graduates who enroll in study programs for teaching profession for STEM at University of Montenegro increased from 5% to 10%.

Although a sufficient number of students enrol in STEM study programmes, a small number of them choose to work in teaching after graduation. There is already a shortage of this staff in primary and secondary schools, so schools are managing by having one teacher cover multiple subjects within STEM disciplines. The Ministry of Education, Science, and Innovation will, in cooperation with higher education institutions, prepare reformed programmes tailored to teaching work, as well as ensure investments in primary and secondary schools so that STEM subject classrooms are adapted to innovative work in these fields. STEM subject teachers will, in addition to teaching, be involved in project work aimed at ensuring quality in working with students in these fields.

For this activity, EUR 1,000,000.00 needs to be allocated, and the Ministry of Education, Science, and Innovation, along with educational institutions, is responsible for its implementation. These activities are planned to be carried out from January 1, 2025, to December 31, 2027.

The target users of this measure are primarily STEM subject teachers, and then final-year high school students and students of STEM study programmes. The Ministry of Education, Science, and Innovation will form a working group to monitor this measure.

Step 4 - 2000 teachers trained to implement new/revised curricula in line with the Education Development Strategy 2025-2035.

Since 2015, in collaboration with the British Council, testing and training of teachers for bilingual education has begun. All registered teachers who demonstrated a B2 level of knowledge in the testing underwent the CLIL Essential course consisting of 20 modules of intensive work with a mentor. The piloting of bilingual education started in the 2017/2018 school year in four primary schools, and over the years, CLIL education has been implemented in an additional 12 primary schools. The education follows the model of regular short-term exposure to the English language (language showers) in so-called non-language subjects (mathematics, nature and society, music, art, and physical education). The education was conducted up to the 5th grade of primary school, and now continuity and connection with secondary schools that also apply bilingual education need to be ensured.

In secondary education, in the school year 2023/2024, bilingual education in English and Montenegrin is being implemented in one gymnasium, in nine classes (with 30% of the education in English). Additionally, bilingual education is being implemented in two vocational schools, where in four classes, education in English is conducted within one module. In the 2024/2025 school year, the implementation of bilingual education in Italian/French is planned in one class of the general gymnasium.

It is necessary to continue working on the introduction of bilingual education in English and other foreign languages in primary and secondary schools, which will develop linguistic and intercultural competencies in students that are important for life in a multicultural society.

Step 5 - Inclusion: Completion rate of final grade of primary school for Roma and Egyptian girls and boys has increased to 90%, the final grade of secondary school to 50%, and the transition rate to secondary school by 25% compared to school year 2022/2023.

In working with children from the RE population, the focus is on their integration, equal opportunities, quality and continuity of education, and improvement of school and social achievements. Ensuring the respect of basic human rights for Roma and Egyptian children represents a challenge for Montenegro, as well as for many European countries.

The Ministry of Education, Science, and Innovation is implementing a series of activities to integrate children from the RE population into Montenegrin society.

Free transportation has been provided for about 600 primary school students from the RE population in Podgorica, Nikšić, Berane, and Cetinje.

Based on the fact that Podgorica has the largest number of RE children, in the coming period, we plan to include more primary schools to integrate children from this population and reduce segregation.

Amendments and additions to the Rulebook for associates (mediators) in the field of education are planned, specifically reducing the number of students per associate (mediator) from 70 to 35. Currently, 26 associates are engaged in primary schools. This practice has proven to be extremely useful for including children from the RE population in the education system, as well as for reducing drop-out rates.

In accordance with measure number 5.8 and measure 5.11 from the Action Plan for the Implementation of the Strategy for Social Inclusion of Roma and Egyptians in Montenegro 2021-2025, the Ministry of Education, Science, and Innovation annually announces a competition for awarding scholarships to all secondary school students and students from the RE population.

To familiarize students from the majority population with the culture and history as part of the identity of the RE community, modules related to these activities will be organized in primary schools in Montenegro. This activity will affect not only tolerance but also the acceptance of the RE population.

Additionally, in order to overcome segregation and with the aim of increasing their education rate, the Ministry of Education, Science, and Innovation will conduct a campaign to promote enrolment in preschool education, primary, and secondary school in Berane, Bar, Nikšić, and Podgorica, where the largest number of the RE population lives. A team composed of representatives from the Ministry and NGOs will visit schools to talk with parents and children about the importance of education, particularly emphasizing the significance of parental support in the educational process.

As part of the project - "Quality Education for Every Child" which the Ministry of Education, Science, and Innovation is implementing in partnership with - the Delegation of the European Union in Montenegro and UNICEF, significant activities will be carried out to contribute to better integration of RE community children into the education system, including:

- Advising principals and professional associates on the importance of data accuracy and the application of models for early identification of children at risk of dropping out of school and identifying children who are not attending school;
- Conducting training for employees in educational institutions for regular use of the MEIS application for identifying and supporting children at risk of dropping out of school;
- Conducting training for employees in educational institutions on the use of digital technologies in teaching with an inclusive approach;
- Creating legal regulations that affect the quality of data based on which children at risk are identified and that ensure better support for children from vulnerable families.

Table 81 - Overview of steps for reform measure 3.2.1

Title of the step	Responsible institution	Implementation deadline
Tendering procedures launched for construction or refurbishment of schools as required to reduce the number of shifts in most overcrowded primary schools from current 5 shifts to 3 by December 2027	Ministry of Education, Science, and Innovation Directorate for Capital Projects	December 2025
Number of maximum shifts in most overcrowded primary schools reduced from current 5 shifts to 3	Ministry of Education, Science, and Innovation	December 2027
Number of high school graduates who enrol in study programmes for teaching profession for STEM at the University of Montenegro increased from 5% to 10%.	Ministry of Education, Science, and Innovation	December 2026
2000 teachers trained to implement new/revised curricula in line with the Education Development Strategy 2025-2035.	Ministry of Education, Science, and Innovation	June 2027
Inclusion: Completion rate of final grade of primary school for Roma and Egyptian girls and boys has increased to 90%, the final grade of secondary school to 50%, and the transition rate to secondary school by 25% compared to school year 2022/2023.	Ministry of Education, Science, and Innovation	December 2027

Step 1 - Tendering procedures launched for construction or refurbishment of schools to reduce the number of shifts in most overcrowded primary schools from the current 5 to 3 shifts by December 2025

Preparation of project tasks and preliminary measurements of works, the basis for the successful implementation of further steps is a well-prepared project task and preliminary measurement and cost estimate of works, prepared by the professional service of MPNI, with external collaborators.

Conducting tender procedures for selecting the main project processor, after conducting competitions, where projects at the conceptual design level are obtained, the project task is prepared, and public procurement is conducted to contract the service of creating the main project.

Conducting tender procedures for the selection of contractors. After the projects are completed, public calls for the procurement of works are announced, after which the activity of the implementation and construction period continues.

Table 82 - Overview of activities within the implementation of step 1 for reform measure 3.2.1

Activity title	Responsibility	Source of verification
Preparation of project tasks and preliminary measurements of works	Ministry of Education, Science, and Innovation	Proof of document delivery
Conducting tender procedures for the selection of the main project processor	Directorate for Capital Projects Ministry of Education, Science, and Innovation	Completed main projects
Conducting tender procedures for the selection of contractors	Directorate for Capital Projects Ministry of Education, Science, and Innovation	Contract for execution

Step 2 - Number of maximum shifts in most overcrowded primary schools reduced from current 5 shifts to 3

The implementation of architectural competitions for the selection of conceptual solutions, as stipulated by the Law on Spatial Planning and Construction of Buildings, mandates the announcement of architectural competitions during the construction of public buildings, except in cases where the projects in question are financed through loans or donations. Therefore, it is necessary to carry out activities for all projects, except those related to the extension of buildings and those financed through loans and donations.

Conducting tender procedures for selecting the main project processor, after conducting competitions, where projects at the conceptual design level are obtained, the project task is prepared, and public procurement is conducted to contract the service of creating the main project.

Implementation of tender procedures for the selection of contractors - after the projects are completed, public calls for the procurement of works are announced, after which the activity Period of implementation and construction continues.

Table 83 - Overview of activities within the implementation of Step 2 - for reform measure 3.2.1

Activity title	Responsibility	Source of verification
Conducting architectural competitions for the selection of conceptual designs	Ministry of Spatial Planning, Urbanism, and State Property Ministry of Education, Science, and Innovation	Report on the realized competition
Conducting tender procedures for the selection of the main project processor	Capital Projects Administration Ministry of Education, Science, and Innovation	Completed main designs
Conducting tender procedures for the selection of contractors	Capital Projects Administration Ministry of Education, Science, and Innovation	Performance Contract
Implementation and construction period	Capital Projects Administration Ministry of Education, Science, and Innovation	Report on the realization of the Capital budget Usage permits for individual buildings

Step 3 - Number of high school graduates who enrol in study programs for teaching profession for STEM at University of Montenegro increased from 5% to 10%

Achieving the goals in step 3 of this reform measure involves the implementation of a set of activities, as follows:

- **Reforming STEM study programmes** - within this step, the Ministry of Education, Science, and Innovation, in cooperation with higher education institutions, will prepare new reformed programmes that will focus more on teaching methods to ensure the necessary knowledge and competencies for working with students.
- **Development of a procurement plan for STEM subject cabinets in primary and secondary schools and higher education institutions** - for the realization of this step, it is necessary to develop a Procurement Plan

for high-tech equipment for STEM subject cabinets in primary and secondary schools and higher education institutions.

- **Announcing tenders for the procurement of high-tech equipment for cabinets** - in this step, the Ministry of Education, Science, and Innovation will prepare and announce a Public Call for the procurement of high-tech equipment for STEM cabinets in educational institutions within the tender procedures.
- **Equipping cabinets for STEM subjects** - for the realization of this step, the selected company will procure and distribute the equipment specified in the Plan. Additionally, the selected company will organize training for all teachers/professors/mentors who will conduct cabinet teaching. The company will be contracted to maintain this equipment for a specified period.
- **Promotion of STEM disciplines** - for the realization of this step, the Ministry of Education, Science, and Innovation, in cooperation with the National Career Centre and higher education institutions, will organize a campaign to promote STEM careers for high school students.
- **Financing project work** - the Ministry of Education, Science, and Innovation will finance projects for STEM disciplines within secondary and primary schools.

When it comes to the challenges related to encouraging high school students to teach subjects from STEM sciences in schools, they can be related to raising the awareness and interest of university graduates to pursue a career in school. One of the challenges can be considered informing higher education students about the benefits of a career in STEM teaching, including job stability, opportunities for professional development and impact on society. One of the key challenges can be considered providing financial support to students who choose to study in STEM education through scholarships, grants and other forms of financial assistance, as well as developing cooperation between high schools and universities.

Table 84 - Overview of activities within the implementation of step 3 for reform measure 3.2.1

Activity title	Responsibility	Sources of verification
Reforming STEM study programmes	Ministry of Education, Science, and Innovation Higher education institutions	Reformed study programmes and defined learning outcomes for each study programme
Development of a procurement plan for equipment for STEM subject cabinets in primary and secondary schools and higher education institutions	Ministry of Education, Science, and Innovation/primary and secondary schools/higher education institutions	Developed procurement plan for the necessary equipment
Announcing tenders for the procurement of high-tech equipment for cabinets	Ministry of Education, Science, and Innovation	Announced tender for equipment procurement; Ministry website
Equipping cabinets for STEM subjects	Ministry of Education, Science, and Innovation/primary and secondary schools/higher education institutions	Cabinets equipped with new equipment; invoices, photos, Ministry website, social networks
Promotion of STEM disciplines	Ministry of Education, Science, and Innovation/National Career Centre	Promotional material, publications in print and electronic media, social networks, and guest appearances
Financing of project work	Ministry of Education, Science, and Innovation/National Career Centre	Approved individual projects, reports, project results, and media publications

Step 4 - 2000 teachers trained to implement new/revised curricula in line with the Education Development Strategy 2025-2035.

In order to conduct teacher training in accordance with the revised and new educational programmes established by the Education Development Strategy until 2035, the following activities will be implemented: Preparation of the training programme and action plan, Monitoring and evaluation of the training programme, and Preparation of the training implementation report.

New/revised curricula will be developed only after the Strategy is adopted, during 2025 and only than we will know which curricula will be subject to revision and which will be newly drafted.

In addition to the above, a programme of specific training to strengthen the skills of teaching staff will be organized, such as: NTC training¹², project planning, emotional intelligence, application of inclusive education, etc.

Considering the importance of introducing bilingual education as a specific model in the learning and teaching of foreign languages, which actively promotes multilingualism and contributes to overcoming linguistic, cultural, and communication barriers, as well as developing tolerance and respect, it is planned to expand the offer of bilingual

¹² NTC method of education is a unique system of teaching children using exercises which have a scientific basis in a proven increase in efficiency by using children's brain capacity. Studies point out to the fact that children's brains form 75% of all neuron synapses before the age of 7

education in English, as well as to introduce bilingual education in other foreign languages in primary and secondary schools. As part of this step, it is planned to implement a Pilot project for the introduction of bilingual education in 10 primary school classes and 4 secondary school classes in Montenegro, as well as training for primary and secondary school teachers to teach non-language subjects in foreign languages, preparation of guidelines for teachers for teaching in foreign languages, and support in providing teaching materials. The activity will be implemented by the Ministry of Education, Science, and Innovation, in cooperation with the Institute for Education and schools.

Table 85 - Overview of activities within the implementation of step 4 for reform measure 3.2.1

Activity title	Responsibility	Source of verification
Preparation of training and action plan Monitoring and evaluation of the training programme Preparation of the training implementation report	Ministry of Education, Science, and Innovation, Institute for Education, Centre for Vocational Education	Training programme Training implementation report
Training for the application of NTC techniques in teaching first through a pilot project for educators working with pre-schoolers and teachers working in the first cycle of primary school	Ministry of Education, Science, and Innovation, Institute for Education, NTC Centre - Ranko Rajović	Report of the Institute for Education on the training of teachers.
Training of educators for the new programme concept that involves the transition from thematic to project planning	Ministry of Education, Science, and Innovation, Institute for Education	Report of the Institute for Education on the training of teachers.
Familiarizing educators and teachers with the concept of emotional intelligence	Ministry of Education, Science, and Innovation, Institute for Education	Report of the Institute for Education on the training of teachers.
Training for the application of the inclusive programme	Ministry of Education, Science, and Innovation, Institute for Education, Centre for Vocational Education	Report of the Institute for Education on the training of teachers.
Training for the application of NTC techniques in teaching through a pilot project for teachers working in the second cycle of primary school	Ministry of Education, Science, and Innovation, Institute for Education, NTC centre - Ranko Rajović	Report of the Institute for Education on the training of teachers.
Pilot project for the introduction of bilingual education in 10 primary school classes and 4 secondary school classes in Montenegro	Ministry of Education, Science, and Innovation	Report on work of the Ministry of Education, Science, and Innovation
Testing and training of teachers for bilingual education for primary schools	Ministry of Education, Science, and Innovation	Report on the implementation of training/testing and Performance report of the Ministry
Testing and training of teachers for bilingual education for secondary schools	Ministry of Education, Science, and Innovation	Report on the implementation of training/testing and Performance report of the Ministry

Step 5 Inclusion: Completion rate of final grade of primary school for Roma and Egyptian girls and boys has increased to 90%, the final grade of secondary school to 50%, and the transition rate to secondary school by 25% compared to school year 2022/2023.

Amendments and additions to the Rulebook for associates (mediators) in the field of education are planned, specifically reducing the number of students from 70 to 35 per associate (mediator). Currently, 26 associates are engaged in primary schools. This practice has proven to be extremely beneficial for including children from the RE population in the education system, as well as for reducing drop-out rates.

Based on the fact that Podgorica has the largest number of RE children, we plan to include more primary schools in the coming period to integrate children from this population and reduce segregation. Currently, free transportation is provided for about 600 primary school students from the RE population in Podgorica, Nikšić, Berane, and Cetinje.

To encourage and further motivate students from the RE population, the Ministry of Education, Science, and Innovation, in accordance with the Strategy for the Social Inclusion of Roma and Egyptians 2021-2025, announces a competition every year for awarding scholarships to high school and university students from the RE population.

To familiarize students from the majority population with the culture and history as part of the identity of the RE community, modules related to these activities will be organized in primary schools in Montenegro. This activity will affect not only tolerance but also the acceptance of the RE population.

Additionally, in order to overcome segregation and with the aim of increasing their education rate, the Ministry of Education, Science, and Innovation will conduct a campaign to promote enrolment in preschool education, primary, and secondary school in Berane, Bar, Nikšić, and Podgorica, where the largest number of the RE population lives. A team composed of representatives from the Ministry and NGOs will visit schools to talk with parents and children about the importance of education, particularly emphasizing the significance of parental support in the educational process.

Complementary to the activities planned in this reform measure are activities carried out in cooperation with UNICEF, related to "Quality Education for Every Child," which include:

- Advising principals and professional associates on the importance of data accuracy and the application of models for early identification of children at risk of dropping out of school and identifying children who are not attending school;
- Conducting training for employees in educational institutions for regular use of the MEIS application for identifying and supporting children at risk of dropping out of school;
- Implementation of training for employees in educational institutions on the use of digital technologies in teaching with an inclusive approach;
- Creating legal regulations that affect the quality of data based on which children at risk are identified and that ensure better support for children from vulnerable families.

The enrolment of Roma and Egyptian students in the school system faces numerous challenges arising from various socio-economic, cultural factors. Main challenges include poverty: many Roma and Egyptians live in difficult economic conditions, which makes access to education difficult. Lack of basic means of living can lead to children working instead of going to school. Discrimination and prejudice: Roma and Egyptians often face prejudice and discrimination in society, including the education system. This can discourage Roma and Egyptian children from regularly attending classes. Lack of support in the family: many RE families have a low level of education and are unable to provide adequate support for their children in schooling. This includes a lack of help with learning at home and motivation to continue education. Language: Language barriers can be a problem, especially if children are not fluent in the language of instruction. This makes it difficult to follow classes and master the material. Inaccessibility of school facilities: In many cases, Roma and Egyptian settlements are physically distant from schools, making it difficult to attend classes regularly due to transportation problems. Early arranged marriages and parenthood: Early marriages and parenthood are relatively common in RE communities, which can interrupt the education of RE children, with a special emphasis on girls.

Table 86 - Overview of activities within the implementation of step 5 for reform measure 3.2.1

Activity title	Responsibility	Source of verification
Promotion of enrolment in preschool education, primary, and secondary school in Berane, Bar, Nikšić, and Podgorica, where the largest number of the RE population lives.	Ministry of Education, Science, and Innovation	Performance report of the Ministry of Education, Science, and Innovation, as well as publication on the website.
Module for learning about Roma and Egyptian culture	Ministry of Education, Science, and Innovation	Performance report of the Ministry of Education, Science, and Innovation
Reducing the number of students from 70 to 35 per associate (mediator).	Ministry of Education, Science, and Innovation	Performance report of the Ministry of Education, Science, and Innovation
Awarding scholarships to high school and university students from the RE population	Ministry of Education, Science, and Innovation	Performance report of the Ministry of Education, Science, and Innovation, as well as publication on the website.

Reform 3.2.2 Digital Education: Building on the concept and curricula of the Digital Academy beyond public administration and implementing to the society at large in an organized and socially inclusive way; Implementing Education System Digitalization Strategy (2022-2027) and its related action plans

When it comes to the digitalization of education, key obstacles to development have been identified, including the obsolescence of the Education Information System, the absence of a digital ecosystem, and the low level of digital skills and competencies among students and teachers. To address these obstacles, the Government of Montenegro adopted the Strategy for the Digitalization of the Education System 2022-2027.

The goal of this reform measure is to implement the Strategy in the part of strengthening the digital ecosystem and improving the digital skills and competencies of teachers and students through:

- Creating and developing the Montenegrin Framework on Teachers' Digital Competences, linguistically adapting the SELFIEforTEACHERS tool and conducting training for its use, developing new training programmes to strengthen and apply digital competence in teaching, and conducting training for part of the teachers and implementing training for the self-evaluation tool SELFIE. By December 2025, 2000 participants/teachers would have undergone training, and by December 2027, an additional 5500, totalling 7500.
- Creating EdTech hubs/laboratories in primary and secondary schools for which the following will be carried out:

- Procurement of equipment for plastic recycling and 3D printing, training teachers to use 3D printing software and for advanced modelling, and creating a self-guided course that will be posted on the "Digital School" platform.
- Creation and implementation of AI training programmes (basic and advanced levels) for teachers and students, and creation of self-guided training courses to be posted on the "Digital School" platform;
- Procurement of educational sets for learning robotics, along with teacher training;
- Procurement of computers/laptops for hubs/laboratories.

In addition to these hardware prerequisites, interdisciplinary curricula will be developed to increase the use of technologies (STEAM), so that schools are not equipped without prior comprehensive preparation (accumulation of technology that is not used for educational purposes). It is necessary to include all children in the process of acquiring digital skills, i.e., to provide such content for working with digital equipment even for those children who do not have an affinity for, for example, robotics and programming. The goal is to develop skills needed in the labour market and integrate all children, regardless of whether they are more engineering, managerial, or of some other type. The approach is such that everyone can be considered useful in a team (there are multiple roles). It is planned that by June 2026, EdTech hubs/laboratories will be formed in 17% of primary and secondary schools, providing an opportunity for 25% of children (approximately 50% of whom are girls), and by June 2027, in 34% of primary and secondary schools, providing an opportunity for 50% of children (approximately 50% of whom are girls).

In order to more efficiently implement the digitization process, the equipping of educational institutions with computer equipment will continue. At the beginning of 2024, equipment worth EUR 6.3 million was distributed to educational institutions, achieving a computer/student ratio of 1:13. By the end of 2027, the goal is to achieve a ratio of 1:11. Equipping means that, in addition to computer classrooms, other classrooms will also be equipped with adequate computer equipment to enable the application of ICT in the teaching of all subjects, which includes the procurement of computers, laptops, televisions, projectors.

The Ministry of Education, Science, and Innovation is responsible for the implementation of the mentioned activities, in partnership with the Institute for Education, the centre for Vocational Education, the National Council for Education, primary and secondary schools, while the target groups are teachers and students of primary and secondary schools.

Table 87- Overview of steps for reform measure 3.2.2

Title of the step	Responsible institution	Implementation deadline
2,000 teachers/participants attended training on digital competencies as per the adopted Framework on Teachers' Digital Competences.	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education; National Council for Education	December 2025
7,500 teachers/participants attended training on digital competencies as per the adopted Framework on Teachers' Digital Competences (5,500 for the period December 2025 - December 2027)	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	December 2027
17% of the total number of primary and secondary schools have an EdTech hub, i.e., 25% of students (of which approx. 50% female) have the opportunity to use it	Ministry of Education, Science, and Innovation	June 2026
34% of the total number of primary and secondary schools have an EdTech hub, i.e., 50% of students (of which approx. 50% female) have the opportunity to use it	Ministry of Education, Science, and Innovation	June 2027
In elementary and secondary schools there is on average minimum one technological device (laptop, desktop, tablet, TV, projector) available per 11 students	Ministry of Education, Science, and Innovation	June 2027

Step 1 2,000 teachers/participants attended training on digital competencies as per the adopted Framework on Teachers' Digital Competences.

The Ministry of Education, Science, and Innovation conducted an Analysis of relevant international and national recommendations for improving teachers' digital competences in 2023 and provided recommendations, which were integrated into the activities proposed within this reform measure. The most significant is the development and adoption of the National Framework on Teachers' Digital Competence, which would be based on the European Framework for the Digital Competence of Educators (DigCompEdu), including the self-evaluation tool SELFIEforTEACHERS, which would be accompanied by a training programme.

Table 88 - Overview of activities within the implementation of step 1 for reform measure 3.2.2.

Activity title	Responsibility	Source of verification
Adoption of the Framework for the Digital Competence of Educators	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education; National Council for Education	Performance report of the Ministry of Education, Science, and Innovation
Linguistic adaptation of the SELFIE for TEACHERS tool for Montenegro	Ministry of Education, Science, and Innovation	Performance report of the Ministry of Education, Science, and Innovation
Teacher education programme for using the self-evaluation tool to assess the level of digital competence in teaching (SELFIE for TEACHERS)	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Creation of training programmes to strengthen and apply digital competence in teaching categorized by areas and levels of progress from the Framework for Digital Competence of Educators	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Implementation of training programmes to strengthen and apply digital competence in teaching	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Education programme for the management of educational institutions for the application of the self-evaluation tool SELFIE, which provides institutions with a clear picture of their strengths and weaknesses in the application of digital technology in teaching	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation

Step 2 - 7,500 teachers/participants attended training on digital competences as per the adopted Framework on Teachers' Digital Competences (5,500 for the period December 2025 - December 2027)

Step 2 continues partially until the end of 2027, and the activities are listed below.

Table 89 - Overview of activities within the implementation of Step 2 - for reform measure 3.2.2.

Activity title	Responsibility	Source of verification
Teacher education programme for using the self-evaluation tool to assess the level of digital competence in teaching (SELFIE for TEACHERS)	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Implementation of training programmes to strengthen and apply digital competence in teaching	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation

Step 3 - 17% of the total number of primary and secondary schools have an EdTech hub, i.e., 25% of students (of which approx. 50% female) have the opportunity to use it

EdTech hubs/laboratories and STEAM programmes are key to developing a wide range of skills in children, including girls. Through these programmes, children develop critical thinking, problem-solving, creativity, and collaboration. The integration of advanced technologies such as AI, 3D technology, and robotics enables practical experience and the acquisition of skills that are crucial for future careers. These programmes also promote an inclusive environment and encourage girls to explore STEAM fields and build confidence for success in the 21st century.

The implementation of reform measure on digital education can face several challenges mostly concerning the following:

- Willingness of the teachers to adapt to the changes and to participate at the various trainings sessions offered and adapted for the various levels of the digital literacy' needs
- Teachers' flexibility to adopt to the new teaching methods using digital tools;
- Administrative barriers: Involvement of the digital tools in the curricula will depend on the efficient adaptability of the relevant legal framework and readiness of all stakeholders to collaborate;
- Sometimes the procurement procedures for digital infrastructures can have unexpected complexity and uncertain timeline;
- Create specialized approaches for the students with special needs;
- Creating content for EduTech hubs

There are 163 primary and 50 secondary public schools in Montenegro. EdTech hubs will not be obligatory part of the curricula but highly promoted as a tool for development of numerous skills. Ministry has means to monitor the process using surveys on number of hubs, number of involved teachers, number of involved students. Accuracy of data is guaranteed by school management since they will be providing survey feedback.

Table 90 - Overview of activities within the implementation of step 3 for reform measure 3.2.2.

Activity title	Responsibility	Source of verification
Procurement of equipment for plastic recycling and 3D printing with accompanying teacher training for 50 schools (primary and secondary)	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Teacher education programme for 3D modelling	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Self-guided course for students and teachers on recycling and 3D printing (which will be posted on the "Digital School" platform)	Ministry of Education, Science, and Innovation	Performance report of the Ministry of Education, Science, and Innovation
Creation of a training programme for students on the basics and application of artificial intelligence - basic level and ethical aspect	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Creation of a training programme for teachers on the basics and application of artificial intelligence - basic level and ethical aspect	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Creating a training programme for students on the application of artificial intelligence - advanced level and ethical aspect	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Creating a training programme for teachers on the application of artificial intelligence - advanced level and ethical aspect	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Self-guided course for students on the basics and application of artificial intelligence - basic level and ethical aspect (to be posted on the "Digital School" platform)	Ministry of Education, Science, and Innovation	Performance report of the Ministry of Education, Science, and Innovation
Self-guided course for teachers on the basics and application of artificial intelligence - basic level and ethical aspect (to be posted on the "Digital School" platform)	Ministry of Education, Science, and Innovation	Performance report of the Ministry of Education, Science, and Innovation
Self-guided course for students on the application of artificial intelligence - advanced level and ethical aspect (to be posted on the "Digital School" platform)	Ministry of Education, Science, and Innovation	Performance report of the Ministry of Education, Science, and Innovation
Self-guided course for teachers on the application of artificial intelligence - advanced level and ethical aspect (to be posted on the "Digital School" platform)	Ministry of Education, Science, and Innovation	Performance report of the Ministry of Education, Science, and Innovation
Implementation of training programmes for students and teachers on the basics and application of artificial intelligence - basic level and ethical aspect	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Implementation of training programmes for students and teachers on the application of artificial intelligence - advanced level and ethical aspect	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Procurement of educational kits for learning robotics for 50 schools (primary and secondary) and implementation of teacher training	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Procurement of computers for EdTech hubs/laboratories	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation

Step 4 34% of the total number of primary and secondary schools have an EdTech hub, i.e., 50% of students (of which approx. 50% female) have the opportunity to use it

Step 4 continues partially until June 2027, and the following activities are provided.

Table 91 - Overview of activities within the implementation of step 4 for reform measure 3.2.2.

Activity title	Responsibility	Source of verification
Procurement of equipment for plastic recycling and 3D printing with accompanying teacher training for 50 schools (primary and secondary).	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Teacher education programme for 3D modelling	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Implementation of training programmes for students and teachers on the basics and application of artificial intelligence - basic level and ethical aspect	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Implementation of training programmes for students and teachers on the application of artificial intelligence - advanced level and ethical aspect	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Procurement of educational kits for learning robotics for 50 schools (primary and secondary) and implementation of teacher training	Ministry of Education, Science, and Innovation; Institute for Education; centre for Vocational Education	Performance report of the Ministry of Education, Science, and Innovation
Procurement of computers for EdTech hubs/laboratories	Ministry of Education, Science, and Innovation	Performance report of the Ministry of Education, Science, and Innovation

Step 5 - In primary and secondary schools, there is on average minimum one technological device (laptop, desktop, tablet, TV, projector) available per 11 students

To achieve step 5, additional renewal of old and procurement of missing computer equipment is necessary. Montenegrin Education Information System contains records on all existing ICT equipment in schools. Each school is obliged to update all relevant data on ICT equipment in the school. Record on equipment consists data on equipment specification, year of procurement, location within the school etc. For example, location data is very important since the Ministry can make a distinction between computers used for administration purpose or for teaching/learning purpose.

Table 92 - Overview of activities within the implementation of step 5 for reform measure 3.2.2.

Activity title	Responsibility	Source of verification
Procurement of computers for teaching in primary and secondary schools	Ministry of Education, Science, and Innovation	Performance report of the Ministry of Education, Science, and Innovation

Insufficient motivation of teachers to attend training has been recognized as a lower-level risk, which will be addressed by strong promotion of the importance of modernizing the teaching process, and by providing a set of tools that will facilitate teachers' self-evaluation and access to skill improvement, thereby ultimately facilitating the process of applying new teaching methods.

POLICY AREA 4: FUNDAMENTAL RIGHTS / RULE OF LAW

Public administration reform, alongside the rule of law and economic reforms, represents one of the three key pillars in the process of European Union enlargement and is set high in the priorities of the Government of Montenegro with the vision of creating a professional public administration that provides quality services to end users and has adequate capacities for EU accession. The Public Administration Reform Strategy 2022 - 2026 (PARS), with the first three-year Action Plan for the period 2022-2024, was adopted in December 2021. The strategy is fully aligned with the SIGMA/OECD Principles of Public Administration, as well as with the broader strategic framework of EU policies and the UN agenda. After two years of implementing the PARS, it can be stated that public administration in Montenegro has made progress in public administration reform, especially through the creation of a good and European-aligned legislative framework in the area of state administration reorganization (Law on Government, Law on Salaries of Public Sector Employees, Law on Free Access to Information, etc.), the evaluation system has been improved, and activities are being carried out to improve the reward system based on work results.

Montenegro has been making limited progress in the area of the judiciary for many years, without sufficient progress in implementing key judicial reforms and with limited results in terms of judicial accountability. There have been some long-awaited high-level appointments in the judiciary; however, the position of the President of the Supreme Court is still not filled. It is necessary to further strengthen the effective independence, integrity, accountability, and professionalism of the judiciary, among other things, through the implementation of the relevant constitutional and legal framework and the adoption of legislative amendments in line with European standards. It is also necessary to

strengthen the efficiency of the judiciary. The management systems of human, financial, ICT, and infrastructural resources must be significantly improved. A new plan for the rationalization of the judicial network, as well as a Strategy for the Digitalization of the Judiciary, needs to be adopted.

Corruption and high-level corruption remain issues of concern. Additional efforts are needed to establish a credible and effective criminal justice response, and to demonstrate this, Montenegro must continue to work on improving the track record in terms of investigations, prosecutions, and final convictions in the fight against corruption, including high-level corruption. The legal and institutional framework needs to be improved in line with EU acquis and European standards, among other things, for the effective use of financial investigations and the seizure and confiscation of assets in such cases.

Montenegro continues to largely fulfil its international obligations regarding human rights. Additional efforts are needed to more effectively protect fundamental rights, especially for vulnerable groups, including improving inter-institutional cooperation. Despite a series of positive steps, Montenegro must intensify its efforts to conduct effective, efficient, and independent investigations to address police torture, violations, and the unlawful use of coercive measures.

Montenegro is moderately prepared and has made some progress in the fight against organized crime. The results achieved by the Police Directorate in prosecuting leaders and members of organized criminal groups, as well as amendments to the legal framework in the fight against organized crime, have been highly positively evaluated. However, it is still necessary to work on improving capacities in the area of conducting investigations into money laundering, human trafficking, cigarette smuggling, etc. Additionally, the establishment of an interoperable database at the level of state bodies involved in the fight against crime is crucial for further efficient work. It is necessary to strengthen the capacities of all relevant institutions involved in the fight against cybercrime, including the use of electronic evidence in court proceedings, as a key element for modern forms of communication within organized criminal groups. Montenegro needs stronger efforts to address the problem of illegal cigarette trade, which would include strengthening the capacities of all involved institutions, improving the work of the entire judicial chain, dismantling criminal networks, increasing the balance of results and final verdicts, and confiscating property acquired through criminal acts. Also, in addition to progress in conducting financial investigations and strengthening police capacities in this area, it is necessary to harmonize the legal and operational approach to financial investigations, asset seizure and confiscation, and the fight against money laundering according to EU and international standards, and to establish convincing results in these areas.

In recent months, Montenegro has been actively working on legislative reforms aimed at strengthening the rule of law and aligning national laws with international standards, as well as with the recommendations of the Venice Commission and the European Commission. These efforts were crucial for fulfilling Montenegro's obligations in the European integration process, particularly in meeting the requirements of the interim benchmarks for Chapter 23. Ultimately, these efforts resulted in a positive Report on the Fulfilment of Interim Benchmarks (IBAR), marking a significant step forward in Montenegro's EU integration process.

SECTOR 4.1: DEMOCRACY

Strengthening the functioning of independent democratic institutions is essential for the EU accession process. A functional and depoliticized public administration is necessary for democratic governance. The ability of governments to ensure coherent application of laws, procedures, standards, and human resource management across the entire public administration at central and local levels has a direct impact on the quality of sectoral policies, public services, and ultimately competitiveness and growth.

Reform 4.1.1. A new, comprehensive and harmonized legal framework for conducting elections adopted by the Parliament, in accordance with European standards and existing recommendations of the Organization for Security and Cooperation in Europe (OSCE)/Office for Democratic Institutions and Human Rights (ODIHR), as well as the Council of Europe.

A key activity within this reform will be the adoption of a new, comprehensive, and harmonized legal framework for conducting elections, in accordance with European standards and existing recommendations of the Organization for Security and Cooperation in Europe (OSCE)/ Office for Democratic Institutions and Human Rights (ODIHR), as well as the Council of Europe.

With the aim of comprehensive electoral reform of the legislation and establishing full public trust in the electoral process, the Parliament of Montenegro of the 28th convocation, at the Seventh session of the Second regular (autumn) sitting, on December 28, 2023, adopted the Decision on the formation of the Committee for Comprehensive Electoral Reform, as a temporary working body. The mentioned decision stipulates that the Committee will undertake several measures in the realization of defined goals for comprehensive reform and amendment of electoral legislation,

which include: implementation of recommendations from the European Commission's report on Montenegro; implementation of all recommendations from the OSCE/ODIHR mission reports; drafting the Proposal Law on the Election of Councillors and Members of Parliament, the Proposal Law on the Voter Register, the Proposal Law on the Financing of Political Entities and Electoral Campaigns, and the Proposal Law on Registers of Residence and Stay; analysis of the application of several related laws with the possible preparation of proposals for amendments if deemed necessary for the realization of set goals; strengthening the overall capacities, professionalism, and transparency of bodies significant for electoral processes, including the State Election Commission and the Agency for the Prevention of Corruption, with the aim of strengthening public trust in their work.

The task of the Committee for Comprehensive Electoral Reform also includes further development and amendment of the general environmental conditions for conducting elections, which includes: defining the proposal of the code of ethical behaviour in electoral campaigns and defining solutions for the manner of holding local elections in all units of local self-government on the same day.

The Committee is obliged to prepare Proposals of laws and other acts related to the Committee's goals and tasks, which are the subject of the Committee's work, by December 31, 2024, at the latest, and to submit them to the Parliament for adoption.

Regarding the **step 1 - A comprehensive review of the electoral legal framework, implementing ODIHR (2023) recommendations (December 2025) and activities which derive from it: Legislation addressing ODIHR and Council of Europe recommendations, is revised, adopted, and published, Amendments to the Law on Election of Councillors and Members of Parliament regarding the Professionalization of State Election Commission, Strengthening the independence of election commissions**, with the baseline being the work of the Committee for Comprehensive Electoral Reform on the following laws: the Law on the Election of Councillors and Members of Parliament, the Law on the Voter Register, the Law on the Financing of Political Entities and Election Campaigns, and the Law on Registers of Residence and Stay. The source of verification for this measure is the publication of the mentioned laws in the Official Gazette of Montenegro.

Step 2 - Amendments to the Law on the Election of the President of Montenegro (June 2026), the baseline for this step is work on the Law on Amendments to the Law on the Election of the President of Montenegro. The source of verification for this step is the publication of the mentioned law in the Official Gazette of Montenegro.

Table 93 - Overview of steps for reform measure 4.1.1

Title of the step	Responsible institution	Implementation deadline
A comprehensive review of the electoral legal framework, implementation of ODIHR recommendations (2023)	Parliament of Montenegro	December 2025
Amendments to the Law on the Election of the President of Montenegro	Parliament of Montenegro	June 2026

Table 94 - Overview of activities within the implementation of step 1 for reform measure 4.1.1.

Activity title	Responsibility	Source of verification
Legislation addressing ODIHR and Council of Europe recommendations is revised, adopted, and published	Parliament of Montenegro	Published laws in the Official Gazette of Montenegro
Amendments to the Law on Election of Councillors and Members of Parliament regarding the professionalization of the State Election Commission	Parliament of Montenegro	Published laws in the Official Gazette of Montenegro
Strengthening the independence of election commissions	Parliament of Montenegro	Report on work of the Parliament

SECTOR 4.2: JUDICIARY

Montenegro needs to ensure appointments in the judiciary at the highest levels through a transparent and timely merit-based procedure, in order to ensure the efficient functioning of the entire judicial system. Also, in order to improve the system of selection, evaluation, determination of responsibility of judges and state prosecutors, the work of the Judicial Council and the Prosecutorial Council, as well as to align with the EU acquis and European standards on the independence, responsibility, integrity, impartiality, and professionalism of the judiciary and prosecution, it is necessary to proceed with amendments to the Constitution and judicial organizational laws. This is indicated by the long-standing findings and recommendations from the EC Report for Montenegro.

These changes are of great importance when it comes to fulfilling the closing benchmarks in Negotiation Chapter 23. Additionally, improving the provisions related to the system of ethical and disciplinary responsibility of judicial office holders, their selection, evaluation, and alignment with international standards and recommendations of the Venice and European Commissions will contribute to a better system, as has been pointed out multiple times.

4.2.1 The judiciary and the prosecution are independent/autonomous, impartial, and accountable and act with integrity and professionalism

In the area of the judiciary, through the improvement of the constitutional and legislative framework, the implementation of the most significant reform priorities established in Negotiation Chapter 23 will be contributed to, all with the aim of improving the rule of law and protecting fundamental rights.

Normative activities will contribute to the improvement of the independence, efficiency, and accountability of the judiciary. Reform processes will be implemented through amendments to the Constitution, the Law on the Judicial Council and Judges, and the Law on the State Prosecutor's Office, in accordance with EU legal acquis and European standards on the independence, accountability, integrity, impartiality, and professionalism of the judiciary and state prosecution, including addressing existing recommendations of the European Commission, opinions of the Venice Commission, and recommendations of the Group of States against Corruption (GRECO) of the Council of Europe.

According to the recommendations from the Second Compliance Report for Montenegro (GRECO IV evaluation round), it is recommended that additional measures be taken to strengthen the independence of the Judicial Council - both actual and perceived - against unnecessary political influence, including the removal of the Minister of Justice's ex officio participation in the Council, ensuring that at least half of the Council's membership is composed of judges elected by their peers, and ensuring that one of these judge members is appointed to the chairing position, adhering to the following principles:

- Establishing objective and measurable criteria for the selection of non-judicial members that reflect their professional qualities and impartiality;
- Establishing working arrangements to avoid excessive concentration of power in the same hands concerning the various functions performed by members of the Judicial Council. In this regard, the Parliament of Montenegro will proceed with drafting a document to fulfil the GRECO recommendation, with a final deadline for completion set for December 2024.

By revising the legislative framework, specifically through the amendments to the Law on the Judicial Council and Judges, which were adopted by the Montenegrin Parliament in early June, the procedure for electing the President of the Supreme Court will be improved, ultimately leading to the election of a Supreme Court President. Additionally, the efficiency of the system for selecting, promoting, and evaluating judges and prosecutors will be enhanced. These amendments will also facilitate the election process, expand the pool of eligible candidates, and ensure greater transparency. Furthermore, provisions related to the ethical and disciplinary responsibility of judges have been strengthened, particularly by increasing the number of disciplinary offenses and expanding the powers to initiate proceedings.

It is important to highlight that at the end of June, Montenegro received a positive report on the assessment of the fulfilment of Interim Benchmarks (IBAR) in Chapters 23 and 24. This was contingent upon the adoption of several laws in the areas of the judiciary, the fight against corruption, and organized crime, as well as the filling of key judicial positions. By adopting all IBAR related Laws, including amendments to the laws on the Special Prosecutor's Office, the State Prosecutor's Office, the Judicial Training Centre, lobbying, the Judicial Council and Judges, the Courts, and amendments to the Criminal Procedure Code, Montenegro once again demonstrated its commitment to the European integration.

Step 1 - Appointment of the Supreme Court president

The baseline for this step is the fact that the President has not yet been elected. The source of verification is the report of the Supreme Court, which is published on the official website of the Supreme Court.

Step 2 - Amended Constitution, in accordance with the acquis of the EU and European standards on the independence, responsibility, integrity, impartiality and professionalism of the judiciary and prosecution, including addressing the already existing recommendations of the European Commission, opinions of the Venice Commission and recommendations of the Group of States of the Anti-Corruption Council (GRECO).

The baseline for this step is the fact that the Constitution of Montenegro has not yet been amended. The source of verification is the publication of the amendments in the Official Gazette of Montenegro.

step 3 - Full implementation of the system of appointment, evaluation of performance and advancement of judges and public prosecutors in accordance with the amended Law on Judicial Council and Judges and the Law on State prosecution

The baseline for this step is the recently amended legislative framework. Verification can be found in the reports published on the official websites of the Judicial and Prosecutorial Councils.

Table 95 - Overview of steps for reform measure 4.2.1

Title of the step	Responsible institution	Implementation deadline
Appointment of the President of the Supreme Court	Supreme Court of Montenegro	December 2024
Amended Constitution, in accordance with the acquis of the EU and European standards on the independence, responsibility, integrity, impartiality and professionalism of the judiciary and prosecution, including addressing the already existing recommendations of the European Commission, opinions of the Venice Commission and recommendations of the Group of States of the Anti-Corruption Council (GRECO)	Parliament of Montenegro	Jun 2025
Full implementation of the system of appointment, evaluation of performance and advancement of judges and public prosecutors in accordance with the amended Law on Judicial Council and Judges and the Law on State Prosecution	Ministry of Justice Prosecutorial Council Judicial Council	December 2027

SECTOR 4.3: FIGHT AGAINST CORRUPTION

In order for Montenegro to demonstrate a credible criminal justice response, it must have an improved legal and institutional framework that is in line with the acquis of the EU and European standards. It is necessary to revise the legal framework, i.e. to amend the Law on Prevention of Corruption and the Law on Confiscation of the Proceeds of Crime, as well as to strengthen institutional capacities for preventing and combating corruption in order to solve the problems identified in connection with its application.

Reform 4.3.1 Effective enforcement of legislation to combat corruption, including high-level corruption, including financial investigations and seizure and confiscation of assets, in line with the EU acquis, European and international standards, including the recommendations of the 2022 review mission, as well as recommendations of GRECO and OSCE

The priorities of the Government of Montenegro in the fight against corruption are based on the reports of the European Commission in the areas of Negotiation Chapters 23 and 24, as well as through the implementation of the recommendations of the Group of States for the Fight against Corruption (GRECO), as a body of the Council of Europe, which as a key recommendation in this area they emphasize the need to develop a strategic and proactive approach to the fight against corruption. In the strategic part, and in accordance with the recommendation from the European Commission Report for 2023, the Government's priority was the adoption of a new Strategy for the fight against corruption. In accordance with the stated strategic determination, on February 22, 2024, the Government of Montenegro adopted the Decision on the establishment of the National Council for the Fight against Corruption, one of whose tasks was the development of the Strategy for the Fight against Corruption with action plans for its implementation, which was one of the obligations under the interim benchmarks for negotiating Chapter 23 - Judiciary and fundamental rights. The Strategy was drafted with the support of experts from the Council of Europe and assessed by the European Commission. Following the Commission's assessment, the Strategy for the fight against corruption 2024-2028 together with its accompanying Action Plan 2024-2025 were adopted in June 2024.

The strategy for the fight against corruption defines: the strategic direction and goals in the fight against corruption, priority measures for the establishment of an effective system for the fight against corruption in the public and private sector, the roles and responsibilities of all subjects, which is the basis for the effective development of a sustainable system for monitoring and evaluation of a comprehensive national response to corruption. Special attention in the field of corruption will be devoted to areas with a particular risk of corruption, namely: justice, police and customs, health, education, environment, urban planning, public procurement, local self-government, state-owned enterprises, i.e. owned by local self-governments. The strategy represents the framework for the adoption of subsequent action plans between 2024 and 2028 in which goals, measures, activity carriers, as well as the dynamics of their realization and performance indicators will be determined, all in accordance with the recommendations of the EU and the Council of Europe and other international partners.

The strategy for combating corruption is a comprehensive strategy that applies to all legislative, judicial, and executive bodies at the national and local levels, to state administration bodies, independent bodies, regulatory bodies, public institutions, public enterprises, and other legal entities that exercise public authority.

In order for Montenegro to demonstrate a credible criminal justice response, it must have an improved legal and institutional framework that is in line with EU legal acquis and European standards. It was necessary to revise the legal framework, specifically to amend the Law on the Prevention of Corruption and the Law on the Seizure of the Proceeds of Crime, thereby strengthening the mechanisms for combating corruption. Along with amending the legislative framework, it is also crucial to strengthen institutional capacities for preventing and combating corruption to address the issues identified in the application of normative solutions.

A new Law on Prevention of Corruption was adopted in June 2024, which will improve the work of the Agency for the Prevention of Corruption. This aims to eliminate deficiencies observed in current practice and generally enhance normative and legal mechanisms to ensure adequate preconditions for more effective suppression and prevention of corruption, in accordance with EU acquis, European, and international standards. To achieve the desired effect in the fight against corruption, a Law on Amendments to the Law on the Seizure of the Proceeds of Crime as developed and adopted in May 2024. The reasons for adopting the Draft Law on Amendments to the Law on the Seizure of Assets Acquired through Criminal Activity were to prevent the acquisition and use of assets of illegal origin, to protect assets acquired legally, and to safeguard the economic, social, and ecological functions of assets acquired in accordance with regulations. The goal of the new Law is to seize assets from those who have acquired them illegally, regardless of whether the assets were transferred to them with or without compensation or with compensation that does not correspond to the actual value. Current practice has shown that there are obvious deficiencies in this legal solution, and amendments are necessary to improve its application and align it with international standards. Primarily, it was necessary to expand the range of criminal offenses for which asset seizure can be ordered, to encompass all criminal offenses that could result in the acquisition of assets and potentially cause harm to the state. In line with accelerated digitalization and technological development, there was a need to expand the range of assets that can be seized to include digital assets, thereby also aligning with the Criminal Code of Montenegro.

The goal of this measure is to improve the balance of achieved results in the field of investigations, criminal prosecutions, final judgments, seizures, and final confiscations in corruption cases, including high-level corruption cases.

The vision of the strategy: Building a state governed by the rule of law, whose institutions will create fair regulations, ensure their complete and non-selective application, guarantee equal opportunities for all, and the right to live and do business in an environment free of corruption, is a prerequisite for the comprehensive progress of society and achieving full membership in the European Union. The general goal of the Strategy is to create a long-term and effective system for combating corruption by defining and strengthening control mechanisms in line with European and international standards.

Thus, the vision and strategic goals that have been defined provide a solution to the key problem, while the causes of the problem are translated into operational goals that actually represent the answer to the question of which activities can improve the situation in the period 2024-2028.

Step 1 - Anti-corruption strategy/action plan implementation: Integrity tests are created and delivered in the Customs Administration and the Tax Administration – target is reaching at least 30% of staff The baseline is the recently adopted Strategy. The source of verification is the Annual Report of the Customs and Tax Administration/Quarterly Report on the Implementation of the Strategy and the Quarterly Report on the Implementation of the Strategy adopted by the Council for the Fight against Corruption. Integrity tests are developed and implemented by the Customs Administration and the Tax Administration, targeting at least 30% of employees by December 2025. Also measures for the adoption and implementation of the new Customs Code of Ethics are included. Special attention is directed toward the obligations outlined in the Anti-Corruption Strategy and its Action Plan, particularly regarding the property status of customs officials, conflicts of interest, and asset declarations. Additionally, the activities focused on educating the Customs Ethics Committee, which will monitor the implementation of the Code of Ethics and promote ethical standards and rules will be considered.

Step 2 - increase by 20% of filling in vacant positions - in accordance with the Rulebook on the internal organization and systematization of positions - in competent courts for the fight against corruption

This step aims to strengthen the judicial capacity in the fight against corruption by increasing the staffing levels in competent courts. Specifically, it calls for a 20% increase in the filling of vacant positions in accordance with the Rulebook on the Internal Organization and Systematization of Positions. The objective is to ensure that courts responsible for handling corruption cases are adequately staffed to effectively address the growing complexity and volume of such cases. By adhering to this rulebook, the reform seeks to ensure that qualified personnel are recruited and appointed to fill existing vacancies, particularly in areas directly related to handling corruption cases. This will improve the overall efficiency, speed, and effectiveness of judicial proceedings, ensuring that courts can manage cases without unnecessary delays. This measure is part of a broader effort to strengthen institutional frameworks to combat

corruption and to ensure that the judicial system has the necessary human resources to uphold the rule of law effectively. This increase in staffing will be monitored and evaluated based on the number of vacancies filled and the impact on the efficiency of court proceedings related to corruption cases.

In accordance with the Rulebook on the internal organization and systematization of workplaces - in competent courts for the fight against corruption, the baseline is 60 civil servants (counselors and administrative staff who assist judges) employed in courts and engaged in criminal cases, while the source of verification would be the Report of the Judicial Council (on filled judicial positions) and the reports of court presidents on the number of staff positions.

Step 3 - Improved results in the field of investigations, prosecutions, final judgments, confiscation and final confiscation in corruption, including cases of high-level corruption. Demonstrate an overall increase in the number of investigations, confirmed indictments and convictions, including high-level corruption cases; demonstrate an increase in the number and the overall value of seizures, freezing and confiscations of the proceeds of crime; demonstrate an increase of standalone financial investigations (June 2026) repeated in (December 2027)

INVESTIGATIONS IN 2023: Criminal offenses related to corruption: Orders for conducting investigations were issued in 8 cases against a total of 19 natural persons. Criminal offenses of high corruption: 8 orders to conduct investigations against 19 persons.

CRIMINAL CHARGES IN 2023: Due to criminal offenses of high corruption, 10 criminal charges were brought against 30 persons and 15 persons were indicted after the investigation, in 1 case an indictment was brought against 1 person, in two cases direct criminal charges were brought against 14 persons.

COURT DECISIONS IN 2023: In the cases for corruptive criminal offenses, the court made decisions for 22 persons, of which 2 persons were sentenced to prison, and 2 persons were sentenced to probation. Against 1 person, the proceedings in the control of the indictment were suspended, against 13 persons the court issued a verdict of acquittal, while against 6 persons it issued a verdict rejecting the indictment. At the end of the reporting period, charges against 216 persons remained unresolved.

FINANCIAL INVESTIGATIONS IN 2023: Financial investigations were initiated in 12 cases against 75 persons, and orders to expand financial investigations were issued in 5 cases against 27 natural persons and 1 legal entity.

TOTAL NUMBER AND VALUE OF SEIZURES, FREEZING AND SEIZURE OF PROPERTY ACQUIRED THROUGH CRIMINAL ACTIVITY IN 2023: In five cases, the Special State Prosecutor's Office (SDT) froze a total of 6,187,129.48 euros in business bank accounts. In 2023, the SDT submitted proposals for temporary security measures in 15 cases, which the Higher Court in Podgorica approved. These measures included numerous immovable and movable assets, worth several million euros. SDT submitted 3 requests for permanent confiscation of property acquired through criminal activity.

The source of verification would be the Annual Report of the Special State Prosecutor's Office for the following year, which is published on the official website of the Special State Prosecutor's Office.

Table 96 - Overview of steps for reform measure 4.3.1

Title of the step	Responsible institution	Implementation deadline
Anti-Corruption Strategy Integrity tests are created and delivered in the Customs Administration and the Tax Administration – target is reaching at least 30% of staff	National Council for the Fight Against Corruption	December 2025
Increase by 20% of filling in vacant positions - in accordance with the Rulebook on the internal organization and systematization of positions - in competent courts for the fight against corruption	Supreme Court of Montenegro, Judicial Council	December 2025
Improved results in the field of investigations, criminal prosecutions, final judgments, confiscation, and final confiscation in corruption cases, including high-level corruption cases. Demonstrate an overall increase in the number of investigations, confirmed indictments, and convictions, including high-level corruption cases; demonstrate an increase in the number and	Special State Prosecutor's Office	June 2026/December 2027

the overall value of seizures, freezing, and confiscation of the proceeds of crime; demonstrate an increase in independent financial investigations.		
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Regarding the activity "Increase by 20% in filling vacant positions – in accordance with the Rulebook on Internal Organization and Job Classification – in the competent courts for combating corruption (December 2025)", the baseline is 60 civil servants (advisors and administrative staff assisting judges) employed in the courts and engaged in criminal cases, while the source of verification would be the Judicial Council's report (on filled judicial positions) and the reports of the court presidents on the number of staff positions.

SECTOR 4.4: FUNDAMENTAL RIGHTS AND FREEDOM OF THE MEDIA

Domestic violence, as the most common manifestation of gender inequality in Montenegro, persists despite a strong legal framework, there is a lack of systematic gender response and procedures for victims of violence tailored to women. The problem is also reflected in the application, lenient penal policy, and the inability to impose all protective measures.

Montenegro will continue to work on eradicating torture, improving the legislative framework, and strengthening the effective implementation of ratified international instruments. Continuous training of officers for the implementation of relevant laws will be carried out, both in the field of prevention and protection from abuse and respect for human rights, as well as on ethical standards and rules of conduct for officers. Efforts will also be made to improve the conditions of stay in facilities where persons deprived of liberty reside, in accordance with adopted strategic documents. In the coming period, efforts will also be made to address challenges regarding the protection of the rights of persons deprived of liberty and the conduct of official persons, as well as to ensure the conduct of effective investigations into allegations of torture and cruel behaviour by official persons towards these individuals.

Reform 4.4.1. Decrease of the level of gender-based domestic violence in Montenegro

Domestic violence, as the most common manifestation of gender inequality in Montenegro, persists despite a solid legal framework. There is a lack of a systematic gender response and procedures tailored to female victims of violence. The problem also lies in the implementation and lenient penal policy. These issues have led the Chief State Prosecutor to issue Guidelines to ensure uniform handling of cases formed based on criminal complaints for the crime of domestic violence. These Guidelines will clearly define the tasks of both police officers and state prosecutors in a large number of cases, ensuring that all competent authorities apply the law equally. The Guidelines will ensure swift action to protect the victim in the best possible way. The Chief State Prosecutor's Office will also have the ability to monitor the application of these Guidelines to ensure their consistent implementation.

In its report on Montenegro, the European Commission states that gender-based violence, particularly domestic violence, remains a serious and persistent issue and the most extreme manifestation of gender inequality in Montenegro. Despite a solid legal framework, there is a lack of a systematic gender response and procedures tailored to female victims of violence. They particularly highlight that crisis centres and clear protocols for victims of sexual violence have not yet been established. Furthermore, the Committee of the Parties to the Istanbul Convention, in its Conclusions on the implementation of recommendations regarding Montenegro, encourages the Government of Montenegro to take further measures to implement the recommendations addressed to its authorities by establishing a sufficient number of referral centres to combat post-rape and/or sexual violence crises to ensure a sensitive response from trained and specialized personnel. In the European Union, 1 in 20 women is raped after the age of fifteen; however, some countries still do not have clear and precise statistics on this crime. In Montenegro, statistics show the seriousness of the situation regarding the crime of rape. Namely, in 2022, only 15 cases of rape were reported, while in 2023, that number decreased to 14 reports. In 2023, a total of 35 cases related to the crime of rape under Article 204 of the Criminal Code of Montenegro were pending before the competent courts, with only one case resulting in a court verdict. All these cases are carried over from year to year, which represents additional victimization for the victims. To provide adequate support and protection to victims based on the One Stop centre principle, where they will receive temporary accommodation services for up to three days, counselling, forensic examination, and giving a single statement to the competent authorities. This service is also recognized by the National Plan for the Implementation of the Istanbul Convention, which is the main strategic document for protection against gender-based violence in Montenegro.

In the Ministry of Social Welfare, Family care and Demography, as well as in social work centres, the Social Welfare Information System (ISSS) - Social Card has been used for several years. Within the services provided by the centres,

a special module for domestic violence has been developed, through which the centres process all reports of domestic violence, regardless of whether the violence was reported to the social work centre or the Police Directorate. In this way, a unified database of violence reports has been established. However, by analysing the database itself, we see that some data are missing, primarily related to gender, statistical data on women from rural areas, Roma, and Egyptians. Also, in order to provide adequate services to victims of violence, it is necessary to identify licensed providers of shelter services, SOS phones, and counselling through the database. In this way, we would get a complete picture of how the service provider supports victims of violence, how many victims received the service, how many victims stayed in the shelter, the number of available places in shelters, and how many victims may have returned to the shelter. This way, we will get a full picture of the quality of service and the policies that the state must undertake concerning certain categories of victims of gender-based violence, as well as policies in general.

Step 1 Supreme state prosecutor has put in place and monitor standard operating procedures for the prosecution as regards the handling of sexual and gender-based violence cases, in line with relevant articles of the Istanbul Convention on preventing and combating violence against women and domestic violence, as well as of the EU Directive of Victim Protection; Standard operating procedures for the sentencing in cases of sexual and gender-based violence are put in place, in line with the new Criminal Code (December 2024) and Standard operating procedures for sentencing in cases of sexual and gender-based violence have been established, in accordance with the new Criminal Code - the baseline is the fact that standard operating procedures that have not been established. The source of verification is the Report of the Supreme Court of Montenegro.

Step 2 - The Unique Database on Domestic Violence includes at least 95% domestic violence cases reported to the police or to the social welfare offices; Montenegro delivers on the GREVIO/Istanbul convention recommendations to put in place three Crisis Centers for victims of sexual violence in line with the standards outlined in the convention (i.e. integrated health, legal and psychological services for victims) (December 2025) -the baseline is the percentage of cases currently in the unified database (75%) and the current number of established crisis centres (0 established crisis centres). The sources of verification are The Social Protection Information System (ISSS) - Social Card - Domestic Violence Database and The State Report for the Implementation of the National Plan for the Implementation of the Istanbul Convention 2023-2027.

Table 98 - Overview of steps for reform measure 4.4.1

Title of the step	Responsible institution	Implementation deadline
Supreme State Prosecutor has put in place and monitors standard operating procedures for the prosecution regarding handling cases of sexual and gender-based violence, in line with relevant articles of the Istanbul Convention on preventing and combating violence against women and domestic violence, as well as the EU Directive on Victim Protection; Standard operating procedures for sentencing in cases of sexual and gender-based violence are put in place, in accordance with the new Criminal Code.	Supreme State Prosecutor's Office of Montenegro	December 2024
The Unique Database on Domestic Violence includes at least 95% of domestic violence cases reported to the police or social welfare offices; Montenegro delivers on the GREVIO/Istanbul Convention recommendations to put in place three crisis centres for victims of sexual violence in accordance with the standards outlined in the convention (i.e., integrated health, legal, and psychological services for victims).	Ministry of Social Welfare, Family care and Demography	December 2025

Reform 4.4.2 Effective implementation of the Law on Protection of Equality and Prohibition of Discrimination

With the introduction of the Law on Protection of Equality and Prohibition of Discrimination, alignment with other laws regulating the prohibition of discrimination is also expected, as well as the promotion of equality as a key principle of this law. In this sense, it is necessary to analyse existing laws and align them with the provisions of this overarching anti-discrimination law.

It is important to emphasize that education is needed to inform the general and professional public about the provisions of this law, to enable its effective application. It is particularly crucial that judicial and inspection bodies, responsible for judicial protection, are trained in a way that allows for more effective implementation of the law in practice.

In this regard, after the adoption of this law, it is necessary to organize training for judicial authorities, as well as employees in inspection services, public administration, local governments, media, and other sectors, given that this is a comprehensive anti-discrimination law.

During the implementation period of the Reform Agenda, it is necessary to conduct research on the forms and degree of discrimination in Montenegro against vulnerable categories and thus measure the extent to which discrimination is present and whether there has been a reduction in the degree of discrimination in the perception of citizens, which should be the outcome of the full implementation of the law in practice.

With the adoption of this law, the system of protection against discrimination will be strengthened, and full compliance with the relevant legal standards of the European Union will be ensured.

The effective application of the Law on the Protection of Equality and the Prohibition of Discrimination is reflected in several indicators. The number of complaints to the Ombudsman regarding LGBTI persons in Montenegro has decreased by 10% compared to the existing 243 cases during 2023 (Report of the Human Rights and Freedoms Protector's Institution for 2023); The number of cases reported annually by LGBTI non-governmental organizations has decreased by 10% compared to 124 during 2023; The number of processed cases of discrimination against LGBTIQ initiated based on the Law on the Prohibition of Discrimination has increased by 30%. In 2023, out of a total of 185 cases in progress, only 14 were processed in accordance with the Law on the Prohibition of Discrimination, while the others were initiated based on the Law on Public Order and Peace.

With the adoption of this law, the system of protection against discrimination will be strengthened, and full compliance with the relevant legal standards of the European Union will be ensured.

Step 1 Decreased number of complaints before the Ombudsperson and Decreased number of incidents reported by LGBTIQ CSOs (December 2025)- the baseline is the number of complaints (243) and cases (124) in 2023. The source of verification is the Report of the Institution of the Protector of Human Rights and Freedoms (Ombudsman) for 2023.

Step 2 - Improved track record of judicial follow up and final court decisions in cases of discrimination (December 2026) -the baseline is the number of offenses concluded with final decisions in 2023 (14 cases). The source of verification is the Report of the Institution of the Protector of Human Rights and Freedoms (Ombudsman) for 2023.

Table 99 - Overview of steps for reform measure 4.4.2

Title of the step	Responsible institution	Implementation deadline
Decreased number of complaints before the Ombudsman and decreased number of incidents reported by LGBTIQ NGOs	Ministry of Human and Minority Rights	December 2025
Improved track record of judicial follow-up and final court decisions in cases of discrimination	Ministry of Human and Minority Rights	December 2026

Reform 4.4.3. Effective implementation of the recommendations of the European Committee for the Prevention of Torture and inhuman or degrading treatment or punishment (CPT)

Montenegro needs to make additional efforts to conduct effective, efficient, and independent investigations to address police torture, violations, and unlawful use of coercive measures. In the coming period, steps should be taken to implement the recommendations of the CPT committee, which are based on the respect of human rights and the introduction of EU standards in the premises where detained, arrested, and deprived of liberty persons are held. According to UN reports as well as CPT Committee reports, it is necessary to establish a system of zero tolerance for torture and abuse by police officers and to improve conditions in the chain of institutions dealing with the respect of human rights of detained, arrested, and deprived of liberty persons. In addition to procuring specialized equipment, it is necessary to regulate the manner of applying coercive measures, which will improve the respect of the rights of deprived of liberty persons and enhance the human rights system for deprived of liberty persons at all levels.

The construction of a functional system for the execution of criminal sanctions based on respect for human rights is one of the goals that the Government of Montenegro aims to achieve in the coming period. All persons in contact with the system of execution of criminal sanctions are vulnerable because they are subject to the authority of the state, on which the way their needs will be met and their human rights protected depends. The basic obligation of the state is not to abuse the repressive power at its disposal, with a special emphasis on the obligation to protect the human rights of all persons who are in contact with the entire judicial system, especially in the part related to the execution of criminal sanctions. The reform of the system for the execution of criminal sanctions cannot be viewed in isolation from the broader reform of criminal justice. Effective reform of criminal sanctions depends on the improvement and rationalization of criminal justice policy, including crime prevention policy and sentencing, along with the care and treatment available to vulnerable groups in the community.

The aim of this measure is to reduce the number of established violations of the fundamental human rights and freedoms of persons deprived of liberty, to improve the treatment of state authorities in alleged cases of mistreatment of detainees by police officers, and to strengthen the capacities of the Police Directorate in the part of respecting the rights of detained and deprived persons of liberty, as well as in ensuring efficient, effective, and independent investigations to resolve police torture, violations, and illegal use of coercive measures.

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Regarding the steps outlined in the following table, the baseline is 9 disciplinary proceedings initiated against 10 officers of the Administration for the Execution of Criminal Sanctions (UIKS) in 2023. The source of verification is the Report on Work and Conditions in the Areas under the Jurisdiction of the Administration for the Execution of Criminal Sanctions (AECS) for 2023.

Step 1 - Action by authorities on alleged cases of ill-treatment of detained persons through police forces and on complaints by prisoners (December 2025)- the baseline is the actions of the relevant organizational unit of the Ministry of Internal Affairs (MUP) - the Department for Internal Control of the Police, which is the mechanism through which citizens can report torture by police officers. In 2023, it conducted 117 internal controls, 67 of which were based on operational and other information about possible illegalities and irregularities in the work of police officers, while 50 were based on complaints from citizens about the behaviour and actions of police officers. Out of the total number of cases, 7 cases (4 based on citizen complaints and 3 ex officio) involved checks regarding police officers' actions, suspected of exceeding police powers and unlawful use of force. In 5 cases, the allegations concerned illegal conduct by police officers outside official premises, while in 3 cases, the allegations concerned mistreatment within police official premises (OB Podgorica, OB Budva, OB Nikšić).

Activity: Improved track record of suspension of police officers in cases on alleged ill-treatment to counter the current culture of impunity the baseline is the number (8) of suspended police officers due to serious violations of official duty under Article 95, paragraph 1, item 4 of the Law on Civil Servants and Employees - abuse of position or exceeding authority, which includes elements of torture by police officers. The officers were suspended until the completion of disciplinary or criminal proceedings in 2023.

Activity: Mol puts in place SOPs on legally permitted interrogation procedures for Police Officers and assesses the police officers' annual performance based on those the baseline is the training plan of the Ministry of Internal Affairs, which included the implementation of the "TACTICS OF INTERROGATION" training, but financial resources were not allocated for its organization. Organizing this training also requires engaging an expert with specialized knowledge in this area. Additionally, the creation of SOPs is necessary.

Activity: Decreased number of complaints before the National Preventive Mechanism the baseline is the total of 67 complaints in 2023 against the work of the Police Administration, with 11 concerning the prohibition of torture and cruel, inhuman, or degrading treatment or punishment.

Activity: Increased number of judicial follow up and conviction of prison staff in case of ill-treatment/torture. The baseline is 9 verdicts for the criminal acts of coercion of testimony and abuse. .

Sources of verification for the above measures: Annual Report on Work and Conditions in Administrative Areas of the Ministry of Justice for 2023; Annual Report on Work and Conditions in Administrative Areas of the Administration for the Execution of Criminal Sanctions for 2023; Annual Report on the Implementation of the Strategy for the Execution of Criminal Sanctions 2023-2026 and the accompanying Action Plan; Annual Report on the Work of the National Preventive Mechanism; Periodic Report of the CPT; Law on Internal Organization and Systematization; Annual Report on the Work of the Ministry of Internal Affairs and the Police Administration; Montenegro Progress Report.

Table 100 - Overview of steps for reform measure 4.4.3

Title of the step	Responsible institution	Implementation deadline
Action by authorities on alleged cases of ill-treatment of detained persons through police forces and on complaints by prisoners	Ministry of Interior, Ministry of Justice	December 2025
All remand prisoners enjoy a comprehensive regime of out-of-cell structured activities (work, vocation, education, recreation and sport) (December 2025)	Ministry of Interior, Ministry of Justice	December 2025
The number of General Practitioners at the Spuž healthcare centre increased (June 2026)	Ministry of Interior, Ministry of Justice	June 2026
The prison in Mojkovac, the Special Prison Hospital, the new prison reception booth, the	Ministry of Interior, Ministry of Justice	December 2026

Multifunctional facility for the needs of IECS and the Open Type Prison are in operation, renovation and refurbishment of existing facilities (December 2026)		
Positive assessment following the next periodic visit by the CPT (December 2026)	Ministry of Interior, Ministry of Justice	December 2026

Table 101 - Overview of activities within the implementation of step 1 for reform measure 4.4.3.

Activity title	Responsibility	Source of verification
Improved track record of suspension of police officers in cases of alleged torture to counter the existing culture of impunity	Ministry of Internal Affairs	Report on the implementation of reform measure within Reform Agenda which will be periodically adopted by the Government
The Ministry of Internal Affairs put in place SOPs on legally permitted interrogation procedures for police officers and assesses the police officers' annual performance based on those;	Ministry of Internal Affairs	Report on the implementation of reform measure within Reform Agenda which will be periodically adopted by the Government
Decreased number of complaints before the National Preventive Mechanism;	Ministry of Internal Affairs	Report on the implementation of reform measure within Reform Agenda which will be periodically adopted by the Government
Increased number of judicial follow-up and convictions of prison staff in cases of ill-treatment/torture	Supreme Court of Montenegro	Report on the implementation of reform measure within Reform Agenda which will be periodically adopted by the Government

Step 2: All remand prisoners enjoy a comprehensive regime of out-of-cell structured activities (work, vocation, education, recreation and sport) (December 2025) - the baseline is that, according to the Report on Work and Conditions in the Areas under the Jurisdiction of the Administration for the Execution of Criminal Sanctions for 2023, an average of about 300 individuals (convicts and detainees) were employed each month in 2023. Of these, an average of 285 convicts were employed monthly, and an average of 15 detainees were employed monthly.

Step 3: *The number of General Practitioners at the Spuž healthcare centre increased (June 2026)* the starting basis is that, according to the Report on Work and Conditions in the Areas under the Jurisdiction of the Administration for the Execution of Criminal Sanctions for 2023, in 2023, health care services for persons deprived of liberty in the prisons in Spuž and the Bijelo Polje Prison were performed by 46 employees, of whom 28 were permanent employees. These included 2 prison general practitioners, 19 medical technicians (3 in Bijelo Polje Prison), 1 dentist, 1 chief medical technician, 2 pharmaceutical technicians, 1 physiotherapist, 1 laboratory technician, and 1 dental technician. Additionally, a specialist surgeon, 4 medical technicians, and 1 technician in Bijelo Polje Prison were engaged full-time. In 2023, specialists were also engaged, including 3 psychiatrists (1 in Bijelo Polje Prison), a urologist, an internist, 2 radiologists, a physiotherapist, and 2 general practitioners (2 in Spuž and 1 in Bijelo Polje Prison). Physical therapy and several diagnostic procedures, such as ultrasound diagnostics, laboratory tests, ECG, and diabetes testing, were provided.

Step 4: *The prison in Mojkovac, the Special Prison Hospital, the new prison reception booth, the Multifunctional facility for the needs of IECS and the Open Type Prison are in operation, renovation and refurbishment of existing facilities (December 2026)* the baseline is that, according to the Report on Work and Conditions in the Areas under the Jurisdiction of the Administration for the Execution of Criminal Sanctions for 2023, the project "Construction of the Prison for the Northern Region of Montenegro in Mojkovac" received 100% grant funding for technical documentation through the Western Balkans Investment Framework (WBIF), amounting to EUR 1,200,000. Articles 11 and 14 of the Budget Law of Montenegro for 2023 ("Official Gazette of Montenegro," nos. 152/22 and 106/23) stipulate that the State of Montenegro will borrow from the Council of Europe Development Bank (CEB) for the Ministry of Justice's needs to build a capital facility - the Mojkovac Prison, up to EUR 15,000,000. The main project for building the prison in the northern region of Montenegro in the municipality of Mojkovac is under revision, along with activities on designing, revising, and implementing related projects (transformer station, hydrotechnical infrastructure - water supply infrastructure, access road, etc.). In the first quarter of 2023, the laying of the foundation stone marked the start of constructing four new facilities in the UIKS complex: a Special Health Facility for security measures of mandatory psychiatric treatment and custody in a healthcare institution, mandatory treatment of drug addicts and alcoholics, and treatment of individuals in UIKS with acute psychiatric illness; a Multifunctional Facility for religious, cultural, sports, and recreational activities of persons deprived of liberty; an open-type prison; and a new reception area to improve the technical security system. This project is being implemented within the EU project "Improving Access to Justice and Fundamental Rights," funded by the European Union through IPA funds (EUR 4,378,311) and partly by Montenegro's capital budget (EUR 8,621,689), totalling over EUR 13,516,733. The contractor is IGP "FIDIA" d.o.o. from Podgorica, with oversight by the Turkish company "Tumas." These facilities will significantly improve the conditions for persons deprived of liberty regarding their health care and other activities promoting a healthy lifestyle, while also enhancing the material and technical working conditions for UIKS officers.

Source of verification for these steps and activities Report on Work and Conditions in the Areas under the Jurisdiction of the Administration for the Execution of Criminal Sanctions for 2023. *Step 5 - Positive assessment following the next periodic visit by the CPT (December 2026)* - the baseline: Improvement of material conditions in detention units, while the verification source is Periodic report of the CPT, European Commission's progress report on Montenegro.

SECTOR 4.5: FIGHT AGAINST ORGANIZED CRIME

The key problem in the work of the Special State Prosecutor's Office is that the Special State Prosecutor's Office does not have centralized databases of state authorities, nor does it have the ability to access all the information it needs for its work, which forces prosecutors to obtain data by sending letters to state institutions, leading to slow and difficult work in gathering evidence, which ultimately affects the quality of decisions and the efficiency of the Special State Prosecutor's Office.

Namely, the Special State Prosecutor's Office (through the Supreme State Prosecutor's Office of Montenegro, as a signatory of the Agreement for the Improvement of Cooperation in the Field of Crime Suppression), accesses the web services of the following institutions:

- i. Ministry of Justice - criminal records and misdemeanour records - active misdemeanours and execution of criminal sanctions;
- ii. Ministry of Interior - civil status (register of persons, identity cards, identity cards of foreigners, travel documents, driver's and vehicle licenses, weapons, temporary stays of 90 days in private and hotel accommodations);
- iii. Ministry of Interior- overview of data for criminal offenses; overview of data for victims and perpetrators; public order and peace; duty service (overview of their statistics since 2015);
- iv. Ministry of Interior- Police Directorate - border crossing and criminal offenses/reports (note: data cannot be accessed via the JMB of a specific person but through the identity card and passport number); Revenue and Customs Administration - data on customs clearance and transit with JCI and TIR carnets;
- v. Money transfer across the border: FIU - access to the database is given but only in the part whether certain persons are recorded in their database of suspicious transactions, without other additional data and information. The method of realizing access to the mentioned data: Access to web services under the Agreement for the Improvement of Cooperation in the Field of Crime Suppression is realized through the optical connection established by the Ministry of Interior, from one access point, and through applications developed for these purposes with appropriate access permissions. Through tokens assigned to the Special State Prosecutor's Office, the Special State Prosecutor's Office has access to: Central Bank of Montenegro - access to data on whether a person has an account only for resident natural and legal persons; Databases of the Directorate for Cadastre and State Property (search by name and surname, electronic signature LN, overview of inheritance lists of real estate, with the data not including chronology, i.e., history of entries); Databases of the Police Directorate related to: duty service, public order and peace, traffic, search records, criminal offenses, border, and searches. Amendments to the normative framework applied by the Special State Prosecutor's Office will contribute to more efficient work and thus to better results in the fight against crime and corruption. For this purpose, it is necessary to strengthen the human resources of the SPO.

Bearing in mind the role of the Special State Prosecutor's Office in the fight against organized crime and corruption, the goals of these measures are to facilitate access to the databases of the Revenue and Customs Administration and other state bodies, access to relevant information and data necessary for conducting investigations and criminal proceedings. By strengthening the human resources capacities of the Sector for the Fight against Crime, both at the level of the Sector for the Fight against Crime and in certain departments, primarily the Special Police Department, i.e., by increasing the number of executors in these positions, more timely and efficient action will be achieved on the orders of the prosecutor's office in cases of cigarette smuggling, money laundering, the fight against drugs, smuggling of weapons and explosive materials, human trafficking.

Reform 4.5.1 Improving the results of investigations, confirmed indictments and final rulings in cases of organized crime (including money laundering, cybercrime, smuggling of cigarettes, weapons and drugs, human trafficking, including cases of sexual and labour exploitation).

In relation to the *Step 1 - Linking and access to the databases of the Revenue and Customs Administration and other state bodies with which the Special Prosecution Office cooperates (June 2025)*, the baseline is the number of databases (9) accessible to the Special State Prosecutor's Office, with the verification source being the Memorandum of Cooperation via tokens.

In relation to the *Step 2 - Operational capacities to be assessed in two steps, including: increasing the number of officers in the Special Police Department, responsible for the areas of cigarette smuggling and money laundering;*

increasing the number of criminal police officers engaged in the fight against drugs at the central and regional level; increasing the number of criminal police officers engaged in combating the smuggling of weapons and explosive substances; increasing the number of criminal police officers at the regional level, who would only be responsible for criminal offenses of human trafficking. (December 2025) to be repeated (June 2027) the baseline is the number of officers in 2023 in the Special Police Department (28), the number of criminal police officers engaged in drug enforcement at central (12) and regional levels (32), the number of criminal police officers engaged in combating arms and explosives smuggling (4), the number of criminal police officers at the regional level responsible solely for human trafficking crimes (9), the number of officers engaged in the Crime Fighting Sector (280), with the verification source being the act on internal organization and systematization, personnel plan and amendments thereof."

In relation to the **Step 3** *Demonstrate an overall increase in the number of investigations, confirmed indictments, and judgements, including high-level corruption cases; demonstrate an increase in the number and overall value of seizures, freezing, and confiscation of the proceeds of crime; demonstrate an increase in standalone financial investigations* the baseline is the number of investigations, confirmed indictments and verdicts, cases of high-level corruption, values of confiscation, freezing and confiscation of property benefits obtained through crime from the Report on the work of the Special State Prosecutor's Office for 2023:

INVESTIGATIONS IN 2023:

Criminal offenses of organized crime: Orders to conduct investigations were issued in 10 cases, as well as 11 orders to expand investigations against 123 natural persons and 4 legal entities.

Criminal offenses of corruption: Orders for conducting investigations were issued in 8 cases against a total of 19 natural persons.

Money laundering: 3 orders were issued to conduct investigations against 6 natural persons.

War crimes: An order to investigate was issued in 1 case against 1 natural person.

INDICTMENTS AND JUDGMENTS IN 2023:

Criminal offenses of organized crime: 16 indictments were brought against 173 persons. The court issued guilty verdicts for 9 persons with prison terms, while 1 person was acquitted, and charges against 458 persons remained unresolved at the end of the reporting period. In connection with the plea agreements, the court issued a guilty verdict for organized crime in 1 case against 1 person.

Due to criminal offenses of high corruption, 10 criminal charges were brought against 30 persons and 15 persons were indicted after the investigation, in 1 case an indictment was brought against 1 person, in two cases direct criminal charges were brought against 14 persons.

COURT DECISIONS IN 2023: In the cases for corruptive criminal offenses, the court made decisions for 22 persons, of which 2 persons were sentenced to prison, and 2 persons were sentenced to probation. Against 1 person, the proceedings in the control of the indictment were suspended, against 13 persons the court issued a verdict of acquittal, while against 6 persons it issued a verdict rejecting the indictment. At the end of the reporting period, charges against 216 persons remained unresolved.

FINANCIAL INVESTIGATIONS IN 2023: Financial investigations were initiated in 12 cases against 75 persons, and orders to expand financial investigations were issued in 5 cases against 27 natural persons and 1 legal entity.

TOTAL NUMBER AND VALUE OF SEIZURES, FREEZING AND SEIZURE OF PROPERTY ACQUIRED THROUGH CRIMINAL ACTIVITY IN 2023: In five cases, the Special State Prosecutor's Office (SDT) froze a total of 6,187,129.48 euros in business bank accounts.

In 2023, the SDT submitted proposals for temporary security measures in 15 cases, which the Higher Court in Podgorica approved. These measures included numerous immovable and movable assets, worth several million euros. SDT submitted 3 requests for permanent confiscation of property acquired through criminal activity, and the source of verification is the Report on to the work of the Special State Prosecutor's Office, which is published on the official website of the Special State Prosecutor's Office.

Table 105– Overview of activities within the implementation of step 3 for reform measure 4.5.1

Title of the step	Responsible institution	Implementation deadline
Linking and assess to the databases of the Revenue and Customs Administration and	Special State Prosecutor's Office	Jun 2025

other state bodies with which the Special Prosecutor's Office cooperates		
Operational capacities to be assessed in two steps, including: increasing the number of officers in the Special Police Department responsible for the areas of cigarette smuggling and money laundering; increasing the number of criminal police officers engaged in the fight against drugs at the central and regional levels; increasing the number of criminal police officers engaged in combating the smuggling of weapons and explosive substances; increasing the number of criminal police officers at the regional level, who would only be responsible only for criminal offences of human trafficking.	Ministry of Interior/ Special Police Department Special State Prosecutor's Office	December 2026 / June 2027
Demonstrate an overall increase in the number of investigations, confirmed indictments, and judgements, including high-level corruption cases; demonstrate an increase in the number and overall value of seizures, freezing, and confiscation of the proceeds of crime; demonstrate an increase in standalone financial investigations	Special State Prosecutor's Office	June 2026/December 2027

SECTOR 4.6: VISA POLICY

Reform 4.6.1. Alignment of visa policy with the list of EU countries for which a visa is required, especially regarding countries that pose an irregular migration or security risk to the EU

Visa policy includes mechanisms for protecting the interests of the state, protecting the security of public order, and preventing illegal migrations and is an integral part of the external and security policy of both EU member states and Montenegro. In the process of joining the EU, Montenegro has the obligation to harmonize its list of countries whose citizens need a visa to enter Montenegro and the list of countries whose citizens are exempt from this obligation - with the EU lists, which are currently not fully harmonized.

The reform measure " Alignment of visa policy with the list of EU countries for which a visa is required, especially regarding countries that pose an irregular migration or security risk to the EU" aims to align with the EU's legal framework in terms of visa policy, as well as to establish a legislative framework and procedures that meet EU standards in the field of visa issuance. To achieve this goal, several activities need to be undertaken, including building the capacity of relevant institutions, amending existing regulations, and adopting by-laws that will more closely regulate this area, as well as improving and modernizing the existing Visa Information System (activities shown in the table below). The realization of these activities creates conditions for efficient migration management and border security, administrative efficiency, significant economic results, and better cooperation with the EU. The list of activities is subject to change after a detailed analysis of the current situation, which will serve as the basis for defining further steps in the implementation of this complex, long-term project that requires expertise in the fields of law, migration, security, and software development to ensure a functional and efficient VIS.

The lack of administrative capacities and technical services, especially in terms of IT staff, to implement harmonization with EU visa standards and procedures is a challenge that can already be clearly identified at this stage. Although we are aware that the establishment of interoperability between the systems and databases used in the current visa approval system brings numerous advantages, it is clear that the same is not possible without the reform of the Visa Information System. Namely, this step is associated with high integration costs, regulatory changes, and ultimately, most importantly, risks related to data security, that is, security mechanisms and measures that the current Visa Information System does not meet. The potential risks for failure to meet the goals of this measure lie primarily in the needs of the Montenegrin economy, primarily tourism, especially bearing in mind that the introduction of the obligation to obtain a visa can make travel more difficult and reduce the country's attractiveness as a tourist destination, and significantly reduce tourism revenues. Therefore, it is extremely important to implement this measure in a timely and efficient manner in a way that would respect the needs of the Montenegrin economy, and in order to achieve the planned goals and minimize potential risks.

The Law on Foreigners stipulates that the visa regime, on the proposal of the state administration body responsible for foreign affairs, is prescribed by the Government of Montenegro (Article 14). Article 19 of the same law stipulates that a visa is issued by the state administration body responsible for foreign affairs, through a diplomatic-consular mission, with the prior consent of the National Security Agency of Montenegro and the Police Administration, to

determine the existence of obstacles for reasons of national or internal security, and for the issuance of a long-stay visa (visa D) for work, the consent of the Ministry of Interior is also obtained. In this regard, any change in the field of visa policy, amendment of regulations, and alignment with EU visa standards and procedures implies the direct jurisdiction of the Ministry of Foreign Affairs, but also the involvement of other competent bodies: The Ministry of Internal Affairs, the National Security Agency, and the Police Directorate.

Montenegro commits to introduce additional security measures to better screen visa-free arrivals (June 2027), and to gradually terminate visa-free regimes with countries that are not on the EU visa-free regime list, in particular towards those presenting irregular migration or security risks to the EU.

Step 1 - Montenegro reaches interoperability between its systems and databases used in the current visa approval system (December 2025). The baseline is that interoperability between systems has not been established, with the verification source being the Official Gazette of Montenegro and documents for purchased equipment.

Step 2 - Montenegro, in a second phase, starts working on collecting biometric data (in view of future accession to the Schengen area) (December 2026) - The baseline is that biometric data has not been collected, with the verification source being adopted amendments to the Law on Foreigners - Official Gazette of Montenegro and System reports for biometric data collection.

Step 3 - Terminating visa-free agreements with countries (at least one per year) which are visa required for the EU. (measured at the end of each year -December- during the lifetime of the Facility 2024-2027), -the baseline is the number of 11 countries with visa policy not aligned, with the verification source being the Regulation on visa regime/number of decisions on visa waivers in the summer season.

Step 4 - The introduction of additional security measures with a view to terminate the remainder of visa free agreements with countries which are visa required by the EU upon accession. (June 2027)- the baseline is the VIS protected through firewall equipment and accessible through an IPSec encryption tunnel through the Ministry of Foreign Affairs network, with the verification source being compliance with laws and regulations - Official Gazette of Montenegro.

"Table 106 - Overview of the steps for reform measure 4.6.1.

Title of the step	Responsible institution	Implementation deadline
Montenegro reaches interoperability between its systems and databases used in the current visa approval system	Ministry of Foreign Affairs/ Ministry of Interior	December 2025
Montenegro, in a second phase, starts working on collecting biometric data (in view of future accession to the Schengen area)	Ministry of Foreign Affairs/ Ministry of Interior	December 2026
Terminating visa-free agreements with countries (at least one per year) which are visa required for the EU.	Ministry of Foreign Affairs/ Ministry of Interior	measured at the end of each year - December- during the lifetime of the Facility 2024-2027)
The introduction of additional security measures with a view to terminate the remainder of visa free agreements with countries which are visa required by the EU upon accession.	Ministry of Foreign Affairs/ Ministry of Interior	June 2027

Table 107 - Overview of activities within the implementation of step 3 for reform measure 4.6.1.

Activity title	Responsibility	Implementation deadline
Montenegro reaches interoperability between its systems and databases used in the current visa approval system	Ministry of Foreign Affairs/ Ministry of Interior	December 2025
Montenegro, in a second phase, starts working on collecting biometric data (in view of future accession to the Schengen area)	Ministry of Foreign Affairs/ Ministry of Interior	December 2026
Terminating visa-free agreements with countries (at least one per year) which are visa required for the EU.	Ministry of Foreign Affairs/ Ministry of Interior	measured at the end of each year - December- during the lifetime of the Facility 2024-2027)
The introduction of additional security measures with a view to terminate the remainder of visa free agreements with countries which are visa required by the EU upon accession.	Ministry of Foreign Affairs/ Ministry of Interior	June 2027
Capacity building - familiarization with the ways of adopting EU standards related to visas and visa procedures in the countries of the region;	Ministry of Foreign Affairs	Q3-Q4 2024
Organization of a workshop/seminar with experts from the EU	Ministry of Foreign Affairs	Q3-Q4 2024
Preparation of a situation analysis - to identify differences in relation to EU policies	Ministry of Foreign Affairs	Q4 2024

Drafting the Proposal for the Law on Amendments to the Law on Foreigners in the part related to visas and visa policy to align with the standards and procedures for receiving, processing and issuing visas	Ministry of Foreign Affairs/ Ministry of Interior	Q1-Q4 2025
Drafting and adoption of by-laws	Ministry of Foreign Affairs/ Ministry of the Interior/ National Security Agency / Police Administration	Q1-Q4 2025
Visa Information System reform	Ministry of Foreign Affairs	2025-2027
Equipment procurement	Ministry of Foreign Affairs	2025-2027
Networking with diplomatic and consular posts	Ministry of Foreign Affairs	2025-2027
Development of training programmes for officials to work in the reformed VIS, as well as their organization	Ministry of Foreign Affairs	2025-2027
Amendment to the Visa Regime Regulation	Ministry of Foreign Affairs	2027

For the reform of the VIS, funds in the amount of 1 million EUR have been approved within the IPA III regional project for strengthening migration management capacities.

It is a complex, financially demanding, and long-term project.

The reform of the VIS simultaneously involves the adoption and harmonization with EU visa standards and procedures.

GENERAL CONDITIONS FOR PAYMENT (FOR ALL POLICY AREAS)

Macroeconomic stability

The strong economic impact in the years to come has accelerated Montenegro's GDP per capita convergence with the one in EU. The estimated growth rate of the economy in 2023 is 5.8 %, and the economic policy measures of 2022 that supported disposable income growth have contributed significantly to its achievement. The high influx of non-residents has also further contributed to growth.

The perspectives of economic growth in the medium term are supported by priorities towards the fulfilment of the EU agenda in the accession process of Montenegro. In this regard, the before mentioned Reform Agenda as part of the European Union initiative - New Growth Plan for the Western Balkans within the process of enlargement acceleration and economic growth is of special importance. The incentive of additional withdrawal of significant funds based on this facility may contribute to the growth of the economy in the medium term and a faster convergence towards the development average of the European Union member states.

In the coming period, high private and public spending is expected to continue, based on sectoral trends, employment growth and an increase in the minimum pension. Since these increases were reflected in the categories of the population with low income and gross income, it is estimated that private consumption will be the main transmission mechanism of the adoption of this measure, which will add around 0.7-0.8 percent points in 2023 (net effect) to the GDP growth rate itself.

According to preliminary macroeconomic forecasts, economic growth will average 3.2% per year over the next three-year period. Growth will be driven primarily by domestic demand, through strong household consumption and the start of a new investment cycle, which will be stimulated by easing business barriers and regulatory reforms, as well as youth employment policies. The planned increase in public spending will further support economic growth in 2024 and the coming years. The economy's service orientation and strong reliance on tourism will be characteristic of the development model in the medium term, with the positive effect of net exports on growth being neutralized by an increase in imports for both personal and investment consumption, in line with a low-diversified domestic production base.

Following the increase in the general level of prices in the economy, which in the period 2022-2023 is cumulatively over 23% compared to 2021, inflationary pressures are expected to ease in the medium term but remain elevated. Concerns are raised for the significant divergence of inflation in Montenegro with respect to inflation in the Eurozone, with the Central Bank of Estonia (ECB) forecasting in its autumn projections that inflation in countries using the euro will only return to the ECB target of around 2% in the second half of 2025. According to the projections of Ministry of finance, inflation in Montenegro is estimated to be at around 5 % in 2024, while in 2025-26, inflation is estimated to fall to 3 % on average. Price growth will be predominantly determined by external factors, a slight depression of energy and food prices in international stock exchange, as well as domestic policies stimulating aggregate demand. If geopolitical and global economic uncertainties worsen, inflation may be significantly higher, and which is the risk presented in the subchapter of the alternative scenario.

In 2023, the labour market recovered significantly compared to the pre-crisis period, making key indicators of the number of employees and unemployment rates significantly more favourable compared to the pre-crisis level. After an estimated almost two-tire employment growth in 2023, the 2024-2026 period is projected to increase on average employment by around 2 % per year on average, in line with the stabilization of economic growth, reforms in the human capital base and the potential of the domestic labour force. The structural deficit in the labour market will continue to cause a high number of issued permits for temporary residence and work of foreigners.

In 2024-2026, annual employment growth is forecasted at around 2 %, with further growth in wages, based on the application of reform measures aimed at reducing the grey market and reducing structural unemployment, a slight increase in productivity in the private sector (estimated by potential growth), growth in inflation and public sector wage alignment. It expects that in, the medium term, despite ongoing inflationary pressures, the real average salary in the country will increase by around 0.7%, according to preliminary macroeconomic forecasts.

The main fiscal policy objective in the following medium-term period is to preserve public finance sustainability, which together with targeted structural reforms and favourable investment environment, should support intensified growth of the economy.

The main objectives of the public finance strategy for the period 2024-2027 are as follows:

- i. Generating a surplus of the current budgetary spending;
- ii. Reducing the budgetary deficit to below 3 percent of GDP in 2026, which is in line with the fiscal responsibility rules;
- iii. Reaching the public debt ratio to around 62 percent in 2024, while attaining a downward trend in the period 2025-2026;
- iv. Ensuring conditions that the new borrowing is taken solely for financing capital projects or repayment and refinancing of the existing government debt;
- v. Issuing government guarantees only for projects of general public interest contributing to long-term development. In addition to the measures focused on ensuring the stable growth of public revenues, activities will be implemented to contribute to expansion of the tax base and improvement of tax discipline.

As for the tax policy area, the main objective is to create conditions for a comprehensive reform of the tax system aimed at expanding the tax base, which would establish an environment for generating new revenue sources.

Responsible management of public finance is crucial for macroeconomic stability, which has also been recognized in the baseline scenario as one of the main challenges in the medium term. In order to reduce fiscal risks, reform measures are planned to improve the management of majority-owned enterprises by the State, with the establishment of a greater control and supervisory function, in order to increase the general level of competitiveness in these companies and achieve better business performance.

In accordance with the identified risks, a significant improvement of cyber security is planned from 2024, while the quality of public services will be enhanced by the envisaged digitalization processes in public administration, health and education sectors.

Investment is expected to recover in the coming period and start a new investment cycle, which is expected to support growth prospectuses in the medium term. According to recent announcements, investments in energy resilience will remain strong in the coming years, especially in renewables, such as new solar and wind projects. The planned policy measures will further support decarbonization and increase energy efficiency, with a view to sustainable growth and alignment with relevant EU policies. In addition to energy, tourism and infrastructure projects are also expected to make a strong contribution to economic growth in the coming period¹. Assumptions, as well as risks for investment growth in the medium term, relate to strengthening the predictability of the business environment and transparency of tax policy, stabilization of political conditions and provision of prospects for long-term sustainability of public finances.

Nevertheless, growth and macroeconomic stability prospectuses remain extremely uncertain and subject to materialization of numerous risks in the coming period. Since the past two years were marked by strong geopolitical uncertainties, the next period could bring additional instability, especially in the European area, which would affect the growth of the Montenegrin economy. Price movements on the global scene also remain very unpredictable in the short term, and represent the biggest challenge for the planned macroeconomic scenario. Risks to the stability of public finances are also caused by internal political opportunities and limited fiscal space for further re-engagement to market instability. Postponing the implementation of structural reforms, weaker dynamics of planned investments, climate change, can also be additional challenges to dynamic growth in the medium term.

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

Public Finance Management

Managing public finances efficiently is a key component for sustainable economic development and contributes to the country's macroeconomic stability, as well as strengthening the legal, strategic, and institutional framework in line with EU and international standards.

As regards public expenditure, the strategic commitment is related to the rationalisation of the current expenditure so as to create the conditions for increased investments for the needs of funding capital projects particularly for the purpose of achieving a balanced regional development. Restriction of the current expenditure growth is anticipated due to the planned effects of the implementation of the 2016–2020 Public Administration Reform Strategy aimed at creating an efficient public administration.

The primary goal is to alter the laws and regulations to reflect the budget reform. This is demonstrated in the by-laws that were drafted in order to implement the Law on Budget and Fiscal Responsibility, a process that has been carried out and is currently ongoing. This initiative focuses on defining institutional competences, coordination processes and the content of the Medium-Term Budget Framework (MTBF), setting legal prerequisites for the establishment of the Fiscal Council, setting legal prerequisites for establishing a fully functional IPA III structure etc. The amendments on the Law on Budget and Fiscal Responsibility, along with related bylaws, have been adopted. This is a significant step toward aligning the legislative framework with reform objectives, strengthening the foundation for effective public finance management in Montenegro.

Furthermore, the Ministry of Finance and the General Secretariat of the Government of Montenegro (GSV) will continue to carry out implementation efforts in order to link strategic documents with the program budget in the upcoming period. A technical support agreement, fully funded by the EU Delegation in Montenegro, is scheduled to be signed. This support will help with the process of integrating MTBF with the government of Montenegro's Medium-Term Work Program and strategic planning system.

The local self-government entities play a significant role in determining the stability of Montenegro's public finance system, and reform initiatives will be implemented accordingly in that segment. Adoption of the new Law on Local Self-Government Financing will create normative assumptions for stable functioning of the local public finance system through an increase in the percentage of personal income tax being assigned to the municipalities in the northern region of Montenegro, for the purpose of providing support for balanced regional development.

The key stakeholders of the Programme are the Ministry of Finance, the Ministry of Public Administration, Secretariat-General of the Government of Montenegro, the Statistical Office of Montenegro, Central Bank of Montenegro, the Revenue and Customs Administration, the Commission for the Protection of Rights in Public Procurement Procedures, The Agency for Protection of Competition, Cadastre and State Property Administration, the Ministry of European Affairs, State Audit Institution and the Audit Authority of Montenegro, noting that the Program also applies to all direct users of public sector budget services and other governance structures.

Significant progress has been made in strengthening public finance management systems in the recent period. The administrative capacity of the Ministry of Finance (MF) has been enhanced through online training focused on improving macroeconomic projections, budgeting, and reporting on structural reforms. The Budgetary Management Information System (BMIS) has been upgraded during 2023 with aim of allowing interoperability with SAP system and making it more suitable for public debt management and public investment management. Additionally, substantial advancements have been made in the design of the program budget.

In the management of public investments, at the end of the third quarter of 2023, activities for the development of the functionality for the management of public investments were initiated, which will be integrated into the existing system application for budget management. This will achieve greater transparency in the monitoring and design of policies, encouraging public investments, enabling at the same time more effective monitoring and reporting on the implementation of capital and other investment development projects of all capital projects that are financed from public funds, both those recognized through the adopted Budget Law of Montenegro and capital projects implemented by local governments and companies majority-owned by the state, but also by other public institutions and consumer units of the first and second order.

As for debt management, in order to develop a new debt management strategy, the Ministry of Finance is facing challenges caused by the current complex situation on the domestic and international markets. Additionally, the postponement of the new strategy was also influenced by the fact that parliamentary elections were held in June 2023, after which a new Government of Montenegro was established in October 2023. Bearing in mind that a new work program of the Government of Montenegro was adopted accordingly, the development of a new Debt Management Strategy was postponed for the next period and it is planned that the strategy will be adopted by the end of 2024.

In order to improve the software system for monitoring and managing public debt, activities aimed at integrating the debt management module within BMIS continued. In addition to the test version of the software, the production and data migration process from the existing SAP system has been completed.

The EU contribution and support was of a pivotal importance in strengthening of the coordination and management of EU's own resource system within the Ministry of Finance and relevant institutions. In order to improve administrative capacities, a workshop was held on the functioning of the EU's own resource system, intended for representatives of institutions responsible for planning, payment and reporting of the EU Own resources. The goal of the workshop was to provide a detailed insight into the requirements of the European Commission regarding information, procedures, responsibilities, as well as reporting and payment conditions.

In order to improve performance in the implementation of further activities improvement of the IT system of the Revenue and Customs Administration, especially in the generation of reports on A and B accounts with the entire audit trail from the identification of claims to payment, subsequent checks, administrative procedures and all other actions related to the collection of customs revenues on behalf of the EC, a detailed Functional Specification was created for the improvement of the software solution.

Considering that the new legislation in the field of public procurement was adopted at the beginning of 2023, the focus of the activities of the Directorate for Public Procurement Policy in the previous period was aimed at professional development and training of participants in the public procurement system. In order to strengthen administrative capacities and raise the level of professionalization of employees in the area of public procurement, the Ministry of Finance continuously conducted trainings, covering the topics of the regulatory framework and the use of electronic procurement systems.

One of key elements of Public Finance Management is improving the salary system of employees whose financing is realized from the Budget. Activities focused on the integration of budget units into the information system for centralized calculation of salaries (CCS) continues. As part of the multi-phase process of transferring entities to the new CCS system, the activity of migration of master data on employees is continuously being carried out. This phase includes the gradual transfer of up-to-date data from the existing systems to the new centralized salary calculation system. It is important to emphasize that the migration is carried out immediately before the training of end users, ensuring work with accurate and "fresh" data that is necessary for realistic calculation of earnings. In the following period the system will continuously be improved and upgraded based of the needs of some end users with specific security clearance etc.

It is important to emphasize that at the session held on July 28, 2022, the Government of Montenegro considered the proposal of the Rulebook on the Internal Organization and Systematization of the Ministry of Finance with which the Department for Budget Inspection was established. In July 2022, the Government of Montenegro appointed the chief budget inspector for a five-year term, and during 2023, the process of hiring two budget inspectors was carried out, which lasted from May to October. During 2023 study visits and trainings were organized in order to prepare budget inspectors for planned activities of Budget Inspections.

Transparency and control of the budget

The Government of Montenegro continues to systematically publish budget documentation in order to provide transparent and publicly available information in regard to the budget funds. In this regard, the following budget documents were published in 2023:

1. The Law on the Budget for 2024, which was adopted by the Parliament on December 30, 2023. and which is published and available on the website of the Parliament, the Government and the Ministry of Finance.
2. The Annual Report on the implementation of the Budget of Montenegro for the year 2022 was published on the website of the Ministry of Finance on 01/31/2023. The report contains a narrative part, explanations and an overview of fiscal aggregates.
3. Annual reports on program budget execution are available to the public, and they are prepared by budget spending units, state funds, local self-government units and other spending units, in accordance with budget classifications.
4. Monthly reports on the execution of the central level of the state, as well as quarterly reports on the execution of the general level of the state (including the central and local levels of the state).

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

Furthermore, improvements in budget transparency are being achieved through the implementation of a new program budget classification, which includes program goals and performance indicators, and the gradual introduction of a medium-term budget framework.

The Citizens Budget was prepared and published by the Budget Parliamentary Office. The Ministry of Finance prepared a draft Citizens Budget, which in the coming period, with the support of the EU and UNDP, will be elaborated and automated to the greatest possible degree through integration in the budget management information system - BMIS.

PART III: COMPLEMENTARITY AND IMPLEMENTATION OF THE REFORM AGENDA

COMPLEMENTARITY WITH IPA III

Based on experiences from previous program periods, during 2019 and 2020 the European Commission have worked to define new provisions and criteria for the new financial perspective, IPA 2021-2027 (IPA III), aiming to enhance the effectiveness and efficiency in utilizing available EU funds. In accordance with this approach, IPA III is based on the lessons learned from the previous perspectives IPA 2007-2013 and IPA 2014-2020, with the aim of ensuring further, smooth realization of the defined goals and priorities, aligned with the EU enlargement strategy and the commitment of Western Balkan states towards future EU membership.

The overarching document for IPA III implementation is the Regulation on the Establishment of the Instrument for Neighbourhood, Development, and International Cooperation, supplemented by three key documents:

- i. Regulation on the Establishment of IPA III,
- ii. Special Rules for the Implementation of IPA III, and
- iii. IPA III Program Framework.

The main strategic document for programming support is the IPA programming framework, while financial support is channelled through five policy areas, the so-called windows, namely:

- i. Rule of law, fundamental rights and democracy;
- ii. Good governance, EU acquis alignment, good neighbourly relations and strategic communication
- iii. Green agenda and sustainable connectivity;
- iv. Competitiveness and inclusive growth;
- v. Territorial and cross-border cooperation.

The IPA III instrument supports candidate and potential candidate countries in meeting EU accession criteria through deep and comprehensive reforms. Compared to the IPA and IPA II programs, the European Union, through IPA III, has allocated a total of 14.162 billion euros for Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia, and Turkey for the period 2021-2027.

In accordance with the European Commission's guidelines, the programming of IPA III commenced in 2020, with a particular focus on the IPA 2021 and IPA 2022 programs. The project concepts nominated for funding needed to align with relevant national and EU strategic documents, macro-regional and sectoral strategies, and the priorities of the pre-accession process. Furthermore, these concepts had to be consistent with the recommendations from the EU acquis chapter-specific Report on Montenegro and the priorities outlined in the Economic Reform Program.

Particular attention was given to activities addressing the economic shocks caused by the spread of the COVID-19 virus and mitigating its socio-economic impact. Efforts were focused on mobilizing all available resources to expedite Montenegro's economic recovery. Additionally, in this programming round, priority was given to sectors that had been postponed due to the urgent reallocation of funds to mitigate the consequences of the COVID-19 pandemic. These sectors included: Environment and Climate Action, Agriculture and Rural Development, Transportation, Competitiveness and Innovation, and Education, Employment, and Social Policy. On this occasion, Montenegro prepared 41 project proposals totalling EUR 296.3 million, submitted to the European Commission on June 30, 2020. Following the harmonization of these proposals based on their relevance and maturity, the European Commission adopted the Annual Action Program for Montenegro for 2021 on December 15, 2021, allocating EUR 33.52 million for the following actions: 1) The European Integration Facility (EUR 3.65 million); 2) Activities related to the legal harmonization in the policy area Environment and climate action (EUR 6.27 million); 3) EU support for Sustainable connectivity and the Green Agenda in Montenegro (EUR 3.48 million); 4) EU support for the agriculture sector in Montenegro (EUR 9 million) and 5) EU instrument for supporting reforms (EUR 10 million). The financial agreement for this program was signed on December 15, 2022.

Through the Annual Action Program for Montenegro in 2022, for which the Financial Agreement was signed on June 6, 2023, Montenegro receives a total support of EUR 37.7 million allocated for implementing the following actions: 1) EU support for Public Administration Reform (sectoral budget support of EUR 14 million); 2) EU support for integrated border management (sector budget support of 15 EUR million); and 3) Instrument for European integration (EUR 8.72 million). Regarding direct budget support, Montenegro has received EUR 7.5 million to date. Specifically, EUR 3.5 million was disbursed as the first fixed tranche for public administration reform on December 29, 2023, and EUR 4 million for integrated border management on January 5, 2024.

Furthermore, under the IPA 2023 program, for which the Financial Agreement was signed on February 27, 2023, the EU provided Montenegro with EUR 30 million in direct budget support aimed at mitigating the impacts of the energy crisis resulting from Russian aggression against Ukraine. From this support, Montenegro received the first fixed tranche of EUR 27 million on March 23, 2023.

Regarding the IPA 2024 program, which was adopted by the European Commission in July 2024, Montenegro received a total of EUR 26.65 million of EU funds. This support is designated for the following actions: 1) EU Assistance for the rule of law (EUR 7 million); 2) I European integration Facility (EUR 8 million); 3) EU Support for Capacity Building in the Green Agenda Sector (EUR 5.5 million); and 4) EU support for Capacity Building in Social Policies (EUR 3.1 million).

Additionally, apart from the annual actions, Montenegro will also benefit from operational programs covering the period 2024-2027 in the domains of Environment and Employment and Social Policies. The European Commission has allocated a total of 66 million euros in grants for these programs. The programming of these operational programs is ongoing, with adoption by the European Commission anticipated in 2024. Programming of remaining allocation of IPA III for the period 2025-2027 will focus greatly on needs related to negotiation process, aiming to provide technical assistance for meeting closing benchmarks and support institutions in terms of meeting EU accession requirements.

Tabel 108 - Overview of contracted and disbursed funds under approved IPA III National Programmes

IPA III program	Amount granted (EU part)	Contracted amount (EU part)	Amount paid	% disbursed/contracted
IPA III 2021	32,410,000	13,519,965.95	3,847,636.85	28.46 %
IPA III 2022	37,720,000	29,948,411.11	9,060,970.72	30.26 %
IPA III 2023	30,000,000	30,000,000.00	27,000,000.00	90.00 %
TOTAL	100,130,000	73,468,377.06	39,908,607.57	54.32 %

INVESTMENTS OF THE WESTERN BALKAN INVESTMENT FRAMEWORK (WBIF)

The Western Balkans Investment Framework (WBIF) represents a collaborative financial platform of the European Commission, International Financial Institutions, and bilateral donors, established in 2009. Its primary objective is to offer financial and technical assistance for strategic investments. Operating through WBIF, the framework enables the submission of project proposals at both national and regional levels across various sectors including energy, energy efficiency, transportation, environment, social and digital infrastructure. Through the Western Balkans Investment Framework (WBIF), by defining clear priorities and offering assistance packages for strategic investments and institutional reform in the region, there is a significant contribution to the European perspective of the Western Balkans. This initiative contributes significantly to the European perspective of the Western Balkans by facilitating investments that foster economic growth, promote regional cooperation, and enhance connectivity. Notably, WBIF facilitates project submissions through calls for technical support in project preparation and co-financing opportunities for infrastructure project implementation. Namely, through WBIF, project applications can be submitted through calls for technical support for the preparation of project documentation, as well as through calls for co-financing of investments for the implementation of infrastructure projects.

Through the call for technical support of project documentation preparation, project applications can be submitted for all phases of infrastructure project planning, with 100% funding provided by EU grants. Within WBIF, the European Commission allocates grants to develop project documentation and establish technical prerequisites for project initiation, while project implementation is financed through loans from International Financial Institutions and eventually complemented by potential EU grants.

Through the call for co-financing investments for the implementation of infrastructure projects, the European Commission, in accordance with the defined methodology, allocates a certain percentage of grants for the investment, which is subject to change depending on the call. The remaining funds are secured by the state through loan arrangement with one of the international financial institutions (European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), Council of Europe Development Bank (CEB), German Development Bank (KfW), French Development Agency (AFD), World Bank (WB)). This is at same time one of the necessary conditions for project applications.

In accordance with the basic operating principles of the Western Balkans Investment Framework (WBIF), financial instrument initiated by the European Commission, the aim is to strengthen cooperation between Western Balkan countries, International Financial Institutions, and EU member states, while providing financial and technical assistance for strategic investments through the implementation of significant national and regional investment projects. To date, 30 calls for technical assistance and 10 calls for co-financing investment have been launched, with the two most recent calls closing on February 23, 2024. Montenegro has submitted a total of 49 projects through 29 calls for technical assistance and 9 projects through 9 calls for investment co-financing.

A total of approximately 334 million euros has been approved for Montenegro within the Western Balkans Investment Framework, including projects under the Berlin Process. Out of this amount, 63.7 million euros were allocated for the preparation of project documentation for 49 national projects through 29 calls for technical support. Additionally, 270.3 million euros were allocated for 9 infrastructure projects through 9 completed calls for investment co-financing within the Berlin Process.

In addition, under the latest, 30th call for technical documentation, one project applications for technical assistance was approved:

- Construction of a new 110 kV transmission line Virpazar-Briska Gora-Ulcinj with a continuation at 110/35 kV Virpazar and 110/35 kV Ulcinj, Montenegro

Under 10th CfP for investment grants, five project applications to co-finance the investments in the environment sector were approved, namely:

- Improvement of the wastewater collection system in the municipalities of Nikšić and Pljevlja, Montenegro
- Improvement of the water supply system in Cetinje Place, black
- Water supply and waste water collection infrastructure on the Adriatic coast - Bay of Kotor
- Water supply and sanitation on the Montenegrin coast, phase V, component 2 - Municipality of Tivat
- Water supply and sanitation in Ulcinj - Phase 1- Component 2: Construction of wastewater treatment plant (WWTP) and supporting infrastructure.

Total value of approved grants for these projects is cca EUR 75 million.

Proposal of Priority Projects for Financing through the Western Balkans Investment Framework (WBIF) within the Reform Agenda for the EU Instrument for Reform and Growth

Bearing in mind that the funds intended for infrastructure development will be defined within the Growth Plan instrument as part of the total costs required for the implementation of reforms, the Ministry of European Affairs, in collaboration with relevant ministries, has concurrently conducted a comprehensive mapping process for infrastructure projects. This process focuses on priority sectors for financing, including **energy, transport, human capital development, and digital infrastructure**, in parallel with the drafting of the Reform Agenda.

The defined priorities were ultimately presented on February 20, 2024, during the mission of the Directorate-General for European Neighbourhood Policy and Enlargement Negotiations (DG NEAR) regarding the mapping of infrastructure projects that could be financed through the Western Balkans Investment Framework under the EU Growth Plan for the Western Balkans. The final conclusion of the mission is that the Government must define a list of projects, based on the presented projects by sector, which would clearly represent the order of priorities across all sectors. The goal is to obtain a list of projects worth approximately half a billion euros, for which EU support in the amount of 213 million euros could be secured, while the remaining funds would be financed through loans from International Financial Institutions and/or from the national budget. The proposed priority projects were submitted in order set by the following priority areas: **education, health, digitalization, energy, and transport**:

- *Ministry of Education, Science and Innovation*, identified and proposed **44 priority projects** from the human capital, with a total value of **EUR 233.35 million**;
- *Ministry of Health*, identified and proposed **1 priority project** from the human capital, with a total value of **EUR 0.6 million**;
- *Ministry of Public Administration* identified and proposed **2 priority projects** from the digital infrastructure area, with a total value of **EUR 30 million**;
- *Ministry of Economic Development*, identified and proposed **1 priority projection** from the digital infrastructure area, with a total value depending on the scenario between **EUR 80.38 and EUR 142.68 million**;
- *Ministry of Energy*, identified and proposed **9 priority projects** from the energy sector with a total value of **EUR 381.12 million**;
- *Ministry of Transport*, identified and proposed **3 priority projects** from the transport area, with a total value of **917.7 million of euro**;

At the session of the **Public Investment Council** held on March 26, 2024, the discussion focused on priority infrastructure projects within the aforementioned sectors. The conclusion of the session assigned the Ministry of European Affairs the responsibility, on behalf of the Council, to determine the final list of projects to be included in the final draft of the Reform Agenda for the EU Instrument for Reform and Growth, according to the following priority areas: **education, health, digitalization, energy, and transportation**. List of potential investment projects is described in more details in the following tables, with initial maturity assessment with values:

- 1 -Projects ready for implementation within 2024/2025
- 2-Projects ready for implementation within 2025/2026
- 3-Projects ready for implementation within 2026/2027.

Table 109: Priority Projects

No	Policy area	Component (sector)	Project title	Total value	Source of financing	Main goal	Maturity assessment select from drop down menu 1 -Projects ready for implementation within 2024/2025 year 2-Projects ready for implementation within 2025/2026 year 3-Projects ready for implementation within 2026/2027 year
1	Human capital development	Education and skills development	Construction and upgrading of a new kindergarten in Plav	EUR 1.580.647,20	CEB	The goal of the project is the construction of a new kindergarten facility with an area of 1000 m2 under the scope of the DUP "Plav-centar" in Plav on CA 479, area 3141 m2.	1
2			Construction of a new kindergarten on Tuški put settlement, Podgorica	EUR 2.845.164,00	CEB	The goal of the project is the construction of a new kindergarten facility with an area of 1800 m2 in the scope of DUP 35-36 in Podgorica on UP 10 with an area of 3936m2.	1
3			Construction of a new kindergarten in Ulcinj	EUR 2.075.529,00	CEB	The goal of the project is the construction of a new kindergarten facility with an area of 980 m2, under the scope of the DUP "Ulcinjnsko Polje"; Ulcinj on UP 15, area 2448 m2.	1
4			Construction of a new kindergarten in the City kvart settlement, Podgorica	EUR 5.532.265,20	CEB	The goal of the project is the construction of a new kindergarten facility with an area of 3500m2 under the scope of the DUP "Radoje Dakić"; in Podgorica on UP 19, area 6247m2.	1
5			Construction of a new kindergarten at the Stari aerodrom settlement, Podgorica	EUR 2.370.970,80	CEB	The goal of the project is the construction of a new kindergarten facility with an area of 1500m2 under the scope of the DUP "Stari Aerodrom"; in Podgorica on UP 77, surface area 5190m2.	1
6			Construction and upgrading of a new kindergarten in Bar	EUR 7.116.100,32	CEB	The goal of the project is the construction of a new kindergarten facility with an area of 3000 m2 under the scope of the DUP "Topolica Bjeliši"; Bar at 60 and UP 61, area 6340m2.	1

7		Construction of a new kindergarten in Bijelo Polje	EUR 2.370.970,80	CEB	The goal of the project is the construction of a new kindergarten facility with an area of 1500 m2 under the scope of the DUP "Ciglana"; in Bijelo Polje on UP 01, area 4150 m2.	1
8		Construction of a new kindergarten in Zlatica settlement, Podgorica	EUR 2.370.970,80	CEB	The goal of the project is the construction of a new kindergarten facility with an area of 1,500 m2 in the scope of the DUP "Murtovina"; in Podgorica on UP 19, area 3500m2.	1
9		Construction of a new kindergarten in Berane	EUR 2.370.970,80	CEB	The goal of the project is the construction of a new kindergarten facility with an area of 1500m2 under the scope of the DUP "Medicinski centar"; in Berane on UP 19, area 4000m2.	1
10		Reconstruction and upgrading of the kindergarten in Zabjelo settlement in Podgorica	EUR 5.286.907,20	WBIF/EU-grant/Budget	The goal of the project is the reconstruction of the existing kindergarten with an area of 1,500 m2 with the extension of another 1,500 m2 in the scope of the DUP "Stambena zajednica VI Stara Varoš-izmjene i dopune" in Podgorica.	1
11		Reconstruction and upgrade of the kindergarten in Kotor	EUR 2.487.320,40	WBIF/EU-grant/Budget	The goal of the project is the reconstruction of the existing building with an area of 2000m2 in the scope of the DUP "Dobrota"; in Kotor.	1
12		Reconstruction and upgrade of the kindergarten in Momišići settlement, Podgorica	EUR 3.591.145,20	WBIF/EU-grant/Budget	The goal of the project is the extension of 600m2 and the reconstruction of the existing building with an area of 1600m2, kindergarten "Pčelica"; in the scope of DUP "Momišići"; in Podgorica.	3
13		Extension and upgrade of the kindergarten in Donja Gorica settlement in Podgorica	EUR 1.200.000,00	Capital budget	The goal of the project is the reconstruction of the existing building with an area of 365m2 and an extension of 550m2, in the scope of the DUP "Donja Gorica"; in Podgorica.	1
14		Construction of a new kindergarten in the Dubovica settlement, Budva	EUR 3.120.000,00	Capital budget	The goal of the project is the construction of a new kindergarten facility in "Dubovica" settlement; area of 2000m2.	1

15		Construction of a new kindergarten in Tivat	EUR 4.320.000,00	Capital budget	The goal of the project is the construction of a new kindergarten facility for which the location has not yet been determined.	3
16		Construction of an elementary school in Zabjelo settlement, in Podgorica	EUR 12.861.991,20	Budget	The goal of the project is the construction of a new elementary school building with an area of 4300m2, under the scope of the DUP "Zabjelo B"; in Podgorica on a plot of 11,107m2.	2
17		Construction of the elementary school in City kvart settlement, in Podgorica	EUR 11.400.000,00	EIB/Budget	The goal of the project is the construction of a new elementary school building with an area of 7200m2, under the scope of the DUP "Radoje Dakić"; in Podgorica, City kvart.	1
18		Construction of an elementary school in Karabuško polje settlement, in Podgorica	EUR 5.570.860,80	Budget	The goal of the project is the construction of a new elementary school facility with an area of 2500 m2 in the scope of the DUP "Karabuško Polje"; in Tuzi.	1
19		Construction of a primary school and kindergarten in Bečići settlement, Budva	EUR 12.000.000,00	Capital budget	The goal of the project is to create better conditions for children's education and reducing number of students in the existing primary schools and kindergartens in this part of the city.	3
20		The construction of a new building of elementary school "Mladost"; in Bijelo Polje	EUR 1.200.000,00	Capital budget	The construction of a new building of Elementary School "Mladost"; in Bijelo Polje.	1
21		Construction of a new primary school in Igalo settlement, Herceg Novi	EUR 7.200.000,00	Capital budget	The goal of the project is to create better conditions for children's education and relieve the burden on other schools in this city.	3
22		Construction of the gymnasium of Elementary School "Radomir Mitrovic", Berane	EUR 1.560.000,00	Capital budget	The goal of the project is to create better conditions for children's education in order to achieve optimal conditions for teaching.	1
23		Reconstruction of buildings of the Bošković-Đurović-Laketić family foundation in Srbina settlement, Herceg Novi	EUR 1.560.000,00	Capital budget	The goal of the project is to create better conditions for children's education and achieve optimal conditions for teaching.	1
24		Construction of a sports hall in elementary school "Lovčenski partizanski odred", Cetinje	EUR 1.560.000,00	Capital budget	The goal of the project is to create better conditions for children's education and achieve optimal conditions for teaching.	1

25		Extension of elementary school "Vlado Milić", Podgorica	EUR 1.200.000,00	Capital budget	The goal of the project is to create better conditions for children's education and to achieve optimal conditions for teaching.	1
26		Construction of a sports hall for the high school "Bajo Jojić" in Andrijevica	EUR 1.250.000,00	Capital budget	The goal of the project is to create better conditions for children's education and achieve optimal conditions for teaching.	1
27		Extension of the primary school "Oktoih", Podgorica	EUR 2.340.000,00	Capital budget	The goal of the project is to create better conditions for children's education and achieve optimal conditions for teaching.	1
28		Construction of a sports hall for "Ivo Visin" Prčanj, Kotor	EUR 1.100.000,00	Capital budget	The goal of the project is to create better conditions for children's education and achieve optimal conditions for teaching.	1
29		Construction of a new elementary school in Tivat	EUR 1.500.000,00	Capital budget	The goal of the project is to create better conditions for children's education and to achieve optimal conditions for teaching, as well as to reducing number of students in other schools in this city.	1
30		Construction of a new primary school in Stari aerodrom settlement in Podgorica	EUR 9.360.000,00	Capital budget	The goal of the project is the need to build a new elementary school in Stari Aerodrom settlement, in order to provide the basic conditions for education for children	2
31		Construction of a new elementary school in the Blok 35-36 settlement, Podgorica	EUR 9.360.000,00	Capital budget	The goal of the project is the need to build a new primary school in Blok 35-36 settlement, in order to provide the children of this settlement with the basic conditions for education.	3
32		Construction of the second gymnasium in Podgorica	EUR 9.360.000,00	WBIF/EU-grant/Budget	The goal of the project is the construction of a new gymnasium building with an area of 6000 m2 in the scope of the DUP "Univerzitetski centar" in Podgorica.	1
33		Reconstruction of sports hall for high school "Ing. Marko Radević", Podgorica	EUR 936.000,00	Capital budget	The goal of the project is the reconstruction of the sports hall of the high school "Ing. Marko Radević", in order to create optimal conditions for education and work.	1
34		Reconstruction of the gymnasium "Tanasije Pejatović", Pljevlja	EUR 1.200.000,00	Capital budget	The goal of the project is the reconstruction of the gymnasium building in Pljevlja, in order to	2

						achieve optimal conditions for the education and work of students.	
35			Construction of a new gymnasium in Bar	EUR 6.450.000,00	Capital budget	The goal of the project is the construction of a new gymnasium in Bar, in order to meet the conditions for the education of students in this municipality.	2
36			Construction of a sports hall for the Secondary Vocational School in Pljevlja	EUR 1.872.000,00	Capital budget	The goal of the project is the construction of a sports hall in Pljevlja in order to provide the students of this secondary vocational school with the basic conditions for teaching.	1
37			Construction of the sports hall of the Faculty of Sports and Physical Education in Nikšić	EUR 1.560.000,00	Capital budget	The goal of the project is the construction of the sports hall of the Faculty of Sports and Physical Education in Nikšić, in order to provide optimal conditions for the implementation of this educational program.	1
38			Construction of a new student dormitory in Nikšić	EUR 2.059.500,00	Capital budget	The goal of the project is the construction of a new student dormitory in Nikšić, in order to provide optimal conditions for the students and expand of the existing capacities.	2
39			Reconstruction and upgrade of the "Stari studentski dom" dormitory in Podgorica	EUR 2.400.000,00	Capital budget	The goal of the project is the reconstruction of the "Stari studentski dom" dormitory in Podgorica, in order to ensure optimal conditions for students.	3
40			Reconstruction of the technical faculty building of the University of Montenegro, Podgorica	EUR 15.000.000,00	Capital budget	The goal of the project is the reconstruction of the building of the technical faculty of the University of Montenegro, in order to create optimal conditions for studying and working. The project documentation for the reconstruction of the building of the technical faculty in Podgorica, with an area of 23,000m2, has been prepared.	1
41			Reconstruction of the Library at the Faculty of Law in Podgorica	EUR 840.000,00	Capital budget	The goal of the project is to reconstruct the library of the Faculty of Law in Podgorica	1

42		Energy efficiency project for educational facilities at all levels of education	EUR 24.000.000,00	EBRD/ grant	The goal of the project is the reconstruction of 25 buildings from the education sector, in order to improve their energy efficiency	2
43		Energy efficiency project	EUR 40.000.000,00		The goal of the project is the reconstruction of existing and construction of new buildings through an energy efficiency project.	3
44		Procurement of basic IT equipment as well as digitization of textbooks and other teaching content	EUR 9.000.000,00		The goal of the project is the procurement of computer equipment for educational institutions in the amount of EUR 6.3 million. This purchase covers 50% of the institutions' needs. In order to fully equip them, it is necessary to procure equipment for another EUR 6 million. In addition, in order to improve the use of equipment and increase the quality of students' education, it is necessary to create digital textbooks that would serve as addition to printed textbooks.	1
45	Health	Improvement of energy efficiency in the four facilities of the Capital City Primary Health Center (Health facility Nova Varoš, Health facility Stara Varoš, Health facility Stari Aerodrom, Health facility Tuzi)	EUR 1.100.000,00		The goal of the project is the adaptation and reconstruction of buildings, which improves energy efficiency and reduces greenhouse gas emissions, primarily by reducing the use of fossil fuels (coal), from which most of the electricity in Montenegro is produced. Technical and technological investment in the adaptation and reconstruction of buildings would provide adequate conditions for the work of employees and provide health care for citizens.	2
		TOTAL	EUR 245.439.313,72			

Table 110: Priority Projects

No	Policy area	Component (sector)	Project title	Total value	Main goal	Maturity assessment select from drop down menu 1 -Projects ready for implementation within 2024/2025 year 2-Projects ready for implementation within 2025/2026 year 3-Projects ready for implementation within 2026/2027 year
1	Digital and ¹³energy/green transition	Digitalisation	Construction and establishment of the State Data Centre and the State Disaster Recovery Data Centre, with supporting infrastructure	EUR 15.000.000,00	The goal of the project is a smart, sustainable and inclusive approach through digital transformation, which is a necessary prerequisite for the further development of Montenegro in all areas of public administration and society and represents the backbone of economic growth. The State Data Centre, Disaster Recovery Centre and digital infrastructure represent the basis for successful digitization of the state, enabling centralized storage, processing and sharing of data among various state institutions.	2
2			Building and establishing an independent network for the entire state administration	EUR 15.000.000,00	The goal of the project is the construction of an adequate network infrastructure for fast and secure data transfer between state institutions, independent of any provider, which is extremely important for further development of digitization and digital transformation.	3
3			Broadband Infrastructure Development in Montenegro	EUR 80.380.000,00	The goal of the project is to build infrastructure and networks for broadband Internet access in areas where private operators did not invest in the earlier period, with a focus on rural areas; it will provide fast Internet access to households, schools, health and other institutions of general interest. Infrastructure is also necessary for the development of the digital economy, i.e. the modernization of existing ones and the introduction of new business processes, products and services.	2
		Energy market reforms	Construction of the 110 kV connection Ulcinj-Velika Plaža-Velipoje with TS 110/35 kV Velika Plaža	EUR 35.000.000,00	The aim of the project is to ensure the "N-1" principle of safety (security of power supply to consumers in Ulcinj and Velipoj), to ensure the conditions for further growth of the tourism industry in the part of Velika Plaža and the full utilization of the energy potential of Montenegro.	3
5		Decarbonization policy and preparation for	Kruševo hydro power plant	EUR 160.000.000,00	The goal of the project is the preparation of technical documentation and the execution of works on the construction of HPP Gornje Kruševo - a variant of HPP Kruševo on the territory of Montenegro.	2

¹³ Projects of Development and implementation of IT systems for other public institutions, including systems aimed at further modernization of the Customs Administration and fulfillment of closing benchmarks in Chapter 29 - Customs Union (ITMS system, NCTS 6 and others), will be in developed and potentially implemented through WBIF mechanism are :

Integrated Tariff Management System	4,000,000.00
NCTS version 6	1,200,000.00

6	carbon pricing mechanism	Project Solar 10000+	EUR 66.000.000,00	The goal of the project is to install 10,000 solar systems on the roofs of residential buildings and businesses, facilities of the Government of Montenegro and local self-governments. Project 10000+ is planned as the next phase of projects 3000+/500+ and 5000+, which will be implemented with the support of some international financial institutions and EU funds.	2	
7		Renewables deployment, energy efficiency and air pollution mitigation	Increasing the transmission capacity of DV 220 kV Trebinje (BiH) - Perućica - Podgorica - Koplik (AL)	EUR 12.000.000,00	The goal of the project is to eliminate congestion on the borders with Bosnia and Herzegovina and Albania, increase the NTC, fully utilize the energy potential of Montenegro, Bosnia and Herzegovina and Albania. The project facilitates the integration of RES, improves the efficiency of the electrical network, reduces electrical energy losses and improves the reliability of power supply.	2
8		Construction of 400 kV DV Brezna - Pivska planina - Bosnia and Herzegovina and establishment of connection HPP Piva - new TS Pivska planina	EUR 70.065.000,00	The goal of the project is to eliminate potential congestion on the border with Bosnia and Herzegovina (BiH) and other neighbouring systems that represent a strong connection with the Italian electricity market. The project facilitates the integration of renewable energy sources (RES), improves the efficiency of the electricity grid, reduces energy losses and improves power supply reliability.	3	
9		Improvement of the measuring system	EUR 12.000.000,00	The aim of the project is to improve the measurement system in order to create preconditions for the connection of RES. The first phase of the project, which would be implemented in the period 2024-2026. includes the installation of meters for the maintenance of the existing AMM system. The improvement of the measurement system will enable regular servicing of standard measuring points, as well as measuring points of buyers/producers of RES, which will ensure the continuity and efficiency of the system.	1	
10		Reconstruction of the electric power infrastructure of the distribution system for the connection of renewable energy sources OIE	EUR 4.000.000,00	The goal of the project is the reconstruction of the infrastructure in order to create preconditions for the connection of RES. The first phase of the project, which would be implemented in the period 2024-2027. includes the reconstruction of the 35kV plant in the 110/35kV substations purchased from the Montenegrin Electric Transmission System (CGES). By purchasing sixteen 35kV plants from CGES, the Montenegrin Electric Distribution System (CEDIS) recognized the need for the reconstruction of 35kV plants in 6 X/35kV substations in such a way as to replace the existing worn-out equipment with new ones and carry out expansion and creation of prerequisites for the connection of new 35kV lines in with the aim of connecting RES.	1	
11		Energy efficiency - Procurement and installation of 35/10, 10/04 kV transformers made according to ECO Design rules	EUR 4.500.000,00	The goal of the project is to reduce technical losses and comply with the Rulebook on Technical Requirements for ECO Design of Transformers CEDIS in order to replace existing transformers with new ones in accordance with the provisions of the Rulebook, which comes into force on January 1 2025.	1	
12		Construction of the electric power infrastructure of the distribution system for RES connection	EUR 21.550.000,00	The goal of the project is the construction of infrastructure in order to create preconditions for the connection of new RES, the realization of which would ensure the conditions for further development of the distribution network, safer and more reliable power supply of users and the connection of new RES.	3	

			TOTAL	EUR 495.495.000,00		
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Table 111: Priority Projects

No	Policy area	Component (sector)	Project title	Total value	Main goal	Maturity assessment
1	Transport	Roads	Corridor Middle East-Eastern Mediterranean: Route 4 - Bar-Boljare highway, section Mateševo - Andrijevica	EUR 527.000.000,00	The main goal is to create assumptions that enable the implementation of the entire Bar-Boljare highway, as one of the key infrastructure projects in the area of traffic in Montenegro, whose integral part is this section, and which, together with the section of the Podgorica bypass, represents the second stage of implementation of the Bar-Boljare highway project. By full construction of the Bar-Boljare highway project, the development of the corridor from the port of Bar will be enabled, and thus a better connection of this port with its gravity zone and further with the network of trans-European corridors. The implementation of the entire Bar-Boljare highway is expected to: shorten travel time (~48%), reduce traffic accidents (~22%) and increase newly generated traffic volume (~20%).	1
2	Transport	Roads	Corridor Middle East-Eastern Mediterranean: Route 4 - Bar-Boljare highway, Smokovac-Farmac section (bypass around Podgorica)	EUR 317.200.000,00	The goal of the project is to create assumptions that enable the implementation of the entire Bar-Boljare highway, as one of the key transport infrastructure projects in Montenegro, and the section in question that bypasses Podgorica, and which, together with the Mateševo-Andrijevica section, represents the second stage implementation of the Bar-Boljare highway project. By the end of September 2024, the conceptual design is expected to be prepared, followed by the announcement of a tender for the preparation of the preliminary design. Remaining activities will be implemented in the period 2026-2030 which include negotiations regarding the conclusion of the financing contract, preparation of tender documents, launching the tender (FIDIC Yellow book) and contracting the preparation of the detailed design and execution of works.	2
3		Railways	Mediterranean Corridor: Montenegro - Albania R2 railway interconnection, section Podgorica - border between two countries, phase: Execution of works and supervision of works	EUR 73.500.000,00	The goal of the project is to bring this section of the railway into essential compliance with the TEN-T standard, thereby promoting regional integration, cohesion and the modal shift from road to rail. The electrification of the railroad would significantly improve environmental protection and create conditions for the opening of passenger rail traffic Podgorica - Skadar (Albania). This line has mainly regional importance and is the only railway connection between Albania and the rest of Europe.	3
			TOTAL	EUR 917.700.000,00		

In addition, beside WBIF national list and prioritization of projects per sector, in subsequent chapter, one project of regional importance, is described:

SEEIIST INITIATIVE: PROMOTING SUSTAINABLE DEVELOPMENT THROUGH ADVANCED RESEARCH INFRASTRUCTURE

The goal of this measure is to establish the South East European International Institute for Sustainable Technologies (SEEIIST), a pan-European research infrastructure based on accelerators for cancer therapy and biomedical research with ion beams. Its primary goal is to foster regional cooperation in science, technology, and industry, contributing to the development of a sustainable economy and social cohesion, all while addressing one of the greatest societal challenges - the fight against cancer.

Table 112- SEEIIST Project - overview of activities

Outcome	Indicator	Baseline (year)	Mid-term goal (year)	Goal (2027)
Improvement of SEEIIST development	Progress in infrastructure development	Start of the preparatory phase - Project approved, funded (end of 2024)	Site selection, legal framework, formation of the technical group, completion of the tender (2025)	Completion of civil construction of the building
Preparatory phase: completed 4 million euros Building and facility construction: 65.5 million euros (42.5 spent by 2027) Construction of technical equipment 120 million euros (48 spent by 2027)	Procurement and construction of the building	Ongoing design study (2024)	Procurement and start of construction of high-tech and durable items (Lina, magnets, ion sources...) (2026)	Injector fully bent; 2/3 of the accelerator built; half of the beam delivery built
	Procurement and construction of technical equipment		Completion of procurement of high-tech components (e.g., oncology software) (2027)	Prepared for installation start
Achieving installation status (55 million EUR)	Budget expenditures and quality inspections		Progress review (2027)	Planned expenditure of 110.5 million euros out of a total of 244.5 million euros

SEEIIST aims to address the absence of large-scale research infrastructure in the Western Balkans (WB), mitigate brain drain, create new jobs, and stimulate industrial growth. Additionally, it aims to fill the gap in a similar therapeutic centre in the Southeast Europe region, where cancer cases are increasing. This research infrastructure integrates scientific excellence with socio-economic development, contributing both to the fight against cancer and the sustainable progress of the SEE region.

The seamless integration of SEEIIST into the EU research infrastructure landscape is evident through its alignment with key EU research initiatives and partnerships with renowned European institutions, including ESFRI. Utilizing EU funding mechanisms, SEEIIST demonstrates its commitment to EU standards and goals. Recognized within the EU framework and supported as one of the 6 leading projects in the EU Innovation Agenda, and the only part of the research infrastructure in the Economic and Investment Plan for the Western Balkans, SEEIIST emphasizes its pan-European dimension and potential to enhance European competitiveness in research and innovation.

The project is currently in the second phase of development, the Design Study, which began in 2019 and is progressing smoothly. It is ready to transition into the third preparatory phase.

DESIGN PHASE (2019 - 2024) - ONGOING WITH ALL SECURED FUNDS (6 MILLION).

Activity: Development of the technical project for a compact medical accelerator.

Responsibility: Coordination by the project coordinator CNAO, including 18 renowned European centres and clinics, including CERN.

Estimated costs: 6 million euros secured from EU funds (5 million from the EU H2020 HITRI plus project), 700,000 euros in-kind from CERN, CNAO, and the TERA foundation, and 300,000 euros from the Government of Montenegro.

PREPARATORY PHASE (2024-2025)

Activity: Define construction details (TDR), establish SEEIIST ERIC, define location, funding model and financing, establish a plan for logistics and human resource management for construction and future operations.

Responsibility: Supervision shared by the Government of Montenegro, SEEIIST consortium, and the project management and administrative team.

Estimated implementation costs: 4 million euros.

PROCUREMENT AND CONSTRUCTION OF THE BUILDING (2025-2028)

Activity: Procurement - tender and preparation (2025-2026), civil construction (2026-2028).

Responsibility: Supervision shared by the Government of Montenegro, the Procurement Department within the SEEIIST consortium, contracted construction firms overseen by the SEEIIST consortium, and relevant regulatory bodies.

Estimated implementation costs: 65.5 million euros.

PROCUREMENT AND CONSTRUCTION OF TECHNICAL EQUIPMENT (2025-2029)

Activity: Procurement - specification and tender (2025-2027), long-term construction of high-tech equipment (magnets, Linac, power supply) (2026-2029).

Responsibility: Supervision shared by the Government of Montenegro, the Procurement Department within the SEEIIST consortium, contracted construction firms overseen by the SEEIIST consortium, and relevant regulatory bodies.

Estimated implementation costs: 120 million euros.

INSTALLATION AND COMMISSIONING OF HIGH TECHNOLOGY (2028-2030)

Activity: Assembly of the control system (2028), assembly and commissioning of ion sources (2028-2029), assembly of magnets and power sources (2028-2029), installation and commissioning of Linac (2029), commissioning of the synchrotron (2030), assembly and commissioning of treatment room equipment (2029-2030).

Responsibility: Supervision shared by the Government of Montenegro, the project management team, and technical experts appointed by the SEEIIST consortium.

Estimated implementation costs: 55 million euros.

Responsibility: Supervision shared by the Government of Montenegro, the project management team, and technical experts appointed by the SEEIIST consortium.

Estimated implementation costs: 55 million euros.

Table 113 : SEEIIST - Implementation Budget

SEEIIST Analysis (EUR)	Budget (million)	2024	2025	2026	2027	2028	2029	2030
		2.5	26	29.5	52.5	66.5	52.5	15

Key partners involved in the implementation of the measure are: Government of Montenegro, SEEIIST consortium, CERN, CNAO, INFN, Contracted construction firms, Regulatory bodies, etc.

Target groups: Clinicians (oncologists) from the SEE region; Scientific community from SEE and Europe; Radiation protection regulatory bodies; Students and doctoral candidates who will be trained; Industrial users; Potential investors and stakeholders in health and research infrastructure; Patients in need of advanced cancer therapy.

SEEIIST has the potential to serve as a leading project for EU enlargement, demonstrating Montenegro's commitment to aligning with EU standards and priorities in the Western Balkans. By developing state-of-the-art research infrastructure, it shows readiness to advance the European Research Area (ERA) and integrate into the EU research infrastructure landscape. Moreover, SEEIIST has the potential to become a leading project of the new Growth Plan for the entire Western Balkans, in line with the goal of deepening regional economic integration. It has the full potential to unlock economic growth, create opportunities for businesses and workers, open the labour market for researchers, stimulate the growth of high-tech industries in the region, and attract European investors and industries to the Western Balkans.

As a catalyst for cooperation among regional stakeholders, SEEIIST can facilitate the pooling of resources and expertise, increasing the collective competitiveness of the Western Balkans in the global economic landscape. Overall, SEEIIST's role as a leading project for enlargement and its contribution to regional economic integration support the fulfilment of economic criteria for EU accession.

SEEIIST's initiative to establish pan-European research infrastructure and foster international cooperation is directly aligned with the goals of the Economic and Financial Dialogue, promoting innovation, state-of-the-art technologies, and supporting sustainable economic development.

SEEIIST's focus on becoming the first "Green Particle Therapy and Research Infrastructure" supports the goals of the European Green Deal. Its initial technical design prioritizes minimal environmental impact and energy consumption, using renewable energy sources and a green data centre, thereby demonstrating the efficiency of the "Green Deal." SEEIIST's approach also contributes to several UN SDGs, including Goal 3 (Good Health and Well-being), Goal 7 (Affordable and Clean Energy), and Goal 9 (Industry, Innovation, and Infrastructure) by fostering technological advancement and scientific collaboration.

Funding shortfalls: The risk of insufficient funding may hinder the completion of SEEIIST's goals and delay the start of the preparatory phase. Mitigation: Ensure diverse funding sources, including EU funds, and ensure continuity of project activities.

Figure 1 - SEEIIST conceptual project



Technical challenges: Complexities in implementing state-of-the-art research infrastructure may lead to delays or cost overruns. Mitigation: Conduct risk assessments, regular progress reviews, and establish collaborations with many other research infrastructures.

CONSULTATIONS

The Regulation of the European Union explicitly stipulates that the implementation of the Instrument must be founded on Reform Agendas, meticulously prepared through a comprehensive consultative process involving all relevant stakeholders. This process should include civil society organizations, academic and business communities, and European partners. In accordance with this Regulation, the Commission obliges to conduct appropriate consultations during the preparatory work, including consultations at the expert level, in alignment with the Inter-institutional Agreement on better legislation.

The consultative process and engagement of partners during both the preparation and implementation phases constitute a crucial component of the legal framework of the European Union. In this regard and in accordance with Regulation (EU) 240/2014, considering the short time for conducting consultations the first round of consultations was held on **April 18, 2024** in form of so-called roundtable. This roundtable involved senior officials from the Ministry of European Affairs, in collaboration with the Delegation of the European Union in Montenegro.

A total of 63 participants were invited to the consultation, comprising 33 representatives from non-governmental organizations, 21 from the academic sector, and 9 from the business community.

This consultative process was marked by the active participation of representatives of the above-mentioned NGOs, business and academia and other relevant institutions in Montenegro.

The aim of these consultations was to inform and engage key participants in the process of defining and implementing reforms, as well as collecting useful comments and suggestions for advancing the Reform Agenda. The participants had the opportunity to familiarize with the process of drafting the Reform Agenda for Montenegro and to express their views and suggestions.

In addition, the consultations also focused on building consensus among contributors on the logic of the proposed reform choices and sub-engagement in implementation between state institutions, academia and the business community, as well as collecting important instructions and comments that will contribute to a more efficient implementation of the reforms that have been defined. As part of the consultations, the instrument itself was presented, as well as the status of the definitive reform measures with steps and timelines for their realization.

The discussion was conducted based on the policy areas outlined in the Reform Agenda, and comments were accepted in written form until April 22. All received comments have been processed, and responses have been sent to the participants. Partners will be involved in the implementation phase of the Reform Agenda in accordance with Regulation (EU) 240/2014.

Some of the most important comments concern:

- **Assessment of deadlines:** As regards deadlines, Montenegro takes the view that deadlines have been set in real terms, in line with the expectations of the European Commission, but Montenegro's capacity to carry them out and communicate with all contributors who are carriers of certain activities (e.g. deadlines for the adoption of individual laws were communicated to both the Parliament and the Government) so the risk of not being achieved is minimal.
- **Empowering Women:** Special criteria for positive discrimination to empower women were proposed. These comments will be further considered in the later phase of agenda implementation. Additionally, it is proposed to include a gender component in the electronic cadastre to enable secure and relevant analysis of property owners by gender, and to enhance gender parity in management positions within state-owned enterprises (Amendments to the Company Law).
- **Fundamental Rights/Government of the Rights:** It is proposed the addition of additional steps and the revision of deadlines for amending the Constitution. At this moment, defining new steps is not opportune, but consideration has been given to postponing the deadline for amending the Constitution, which is currently foreseen in the latest draft for 2025 instead of 2024.
- **Gender Equality:** The need for greater gender balance in executive positions within state-owned enterprises was emphasized, the inclusion of a gender component in the electronic cadastre, and the effective implementation of recommendations from the European Committee for the Prevention of Torture and Inhuman Treatment. Comments also pertained to amendments to the titles of indicative measures, where it is necessary in certain sections to add those of the UN CEDAW Committee (2011; 2017). Additionally, there was a comment in this segment regarding the amendment of the of the Law on the Election of Councillors and Members of Parliament to include a quota of 40% for underrepresented genders and the obligation that within a group of 3 on electoral lists, one position must be allocated to the underrepresented gender.
- **Digital and Energy/Green Transition** The need to improve the energy efficiency of the campus, modernize the scientific research infrastructure, and digitalize processes was emphasized. It is necessary to provide incentives for women in the digital/energy/green transition and to enable positive discrimination and support for women involved in this sector. Within official statistics (MONSTAT), reporting on wages by gender should be included, as Montenegro is the only economy in the region that lacks this data.

These comments and suggestions form the basis for further development and implementation of the Reform Agenda, with the continued support of relevant contributors align with the best practices and standards of the European Union. The involvement of all relevant stakeholders is key in achieving success in the country's integration process. In addition to these comments, in the course of consultation, particular attention has been given to women's empowerment needs through specific criteria aimed at positive discrimination and the need for effective implementation of laws and rules in sectors such as the judiciary and the media.

Open dialogue and cooperation between the government, academia, NGOs, and the business sector ensure that reforms are inclusive, sustainable, and geared towards the well-being of all citizens of Montenegro. Through this approach, Montenegro continues to demonstrate its commitment to European values and standards, building a stable and prosperous future for all its citizens. The adoption of these stances and recommendations contributes to the improvement of the rule of law and the achievement of socio-economic reforms, which are essential for progress towards EU membership.

The second phase of the consultation process took place in early May 2024, bringing together high-level representatives of the Ministry of European Affairs, the European Commission, and the EU Delegation to Montenegro, as well as representatives of all sectors involved in the reform process. The conclusions and recommendations resulting from these consultations have significantly contributed to better structuring and formulating certain reforms, adjusting the timelines for implementation and aligning key issues essential for the successful execution of the Reform Agenda. These consultations were instrumental in finalizing the Reform Agenda, with all feedback thoroughly discussed with European partners to ensure the desired outcomes.

MONTORING, EVALUATION AND REPORTING

As per Article 25 of the Regulation, European Commission shall be responsible for monitoring and assessing the achievement of the objectives of the Facility, while Facility Agreement is setting out the rules and modalities for Montenegro to report to the Commission.

The whole system for monitoring and reporting shall therefore consist of the following:

1. Monitoring Committee
2. Secretariat of the MC
3. Coordinator
4. Line ministries responsible for individual reforms.

MONITORING COMMITTEE

Monitoring Committee shall be set-up by Montenegro and the Commission. The MC shall be composed of the representatives of the Coordinator and the Commission and a) all the relevant bodies of Montenegro identified in the preparation of the RGF, b) if applicable, bilateral donors, IFIs, c) Civil society organizations and d) private sector organizations. On the side of Montenegrin authorities, MC will include representatives of all stakeholders (Government, Judiciary, Parliament) in order to provide proper coordination needed for timely implementation of reform measures.

The long list of potential members shall be shared by the Coordinator with the Commission in order to establish the proper balance of partners. The MC shall be formally established by the Decision of the Government.

The Coordinator and the Commission shall co-chair the MC and shall meet at least once per year with the possibility of ad-hoc meetings.

MC shall have Rules of Procedures which will define the decision-making process, organizational aspects and communication aspects.

MC shall be assisted by the Secretariat, which will be established.

Monitoring Committee shall be responsible for overall monitoring of the implementation of the Reform Agenda and as per Facility Agreement it shall in particular:

- Review and validate progress achieved in the implementation of the Reform Agenda
- Review and validate the Annual Report
- Review and validate Communication Plan

THE SECRETARIAT OF THE MC

Roles and responsibilities of the secretariat of the MC are:

- Collecting, collating and analysing all the documents needed for the reporting to any institution
- Preparation of reporting templates, guidelines
- Preparation of the Indicator Fiches for the Quantitative Steps in close collaboration with Line ministries

THE COORDINATOR

The Coordinator shall be designated by the Decision of the Government and his/her role shall be the one described in the Facility Agreement. Due to the fact that provisions of EU regulations are not directly applicable in legal system of Montenegro, as acceding country, designation of the Coordinator, including the institutional framework for its functioning, will be possible only after entry into force of Facility Agreement, including all processes needed to create legal basis for this decision of the Government. This will include providing adequate resources and administrative capacities for proper functioning of designated Coordinator. In addition, the Coordinator will be assisted and advised by the internal auditor in reviewing of envisaged regular implementation report's content and the submitted information, including performance of on the spot checks. Within the preparation of semi-annual report, the Internal auditors would assist the Coordinator in preparation of Declaration of Assurance confirming that the data in the report are accurate, verified, reliable, and accurately reflect the level of achievement of the listed steps, and that the established internal control system and measures taken to improve it confirm its content.

LINE MINISTRIES

Each institution responsible for a reform in the Reform Agenda shall be responsible for collecting and distributing information on a prescribed and unified format on the following:

1. Achievement of actions
2. Achievement of quantitative steps
3. Functioning of the control system
4. Challenges in the implementation
5. Risks and mitigation tools
6. Irregularities management

Line ministries shall be identified within the Decision of the Government.

MONITORING AND REPORTING

In order to implement a proper, relatively easy and systematic monitoring of the Reform Agenda for Montenegro a simple yet efficient database has been prepared. The database is in a form of MS Excel as a widely used format. Data integrity shall be ensured by the Government.

Steps

Steps are determined as conditions for payments, and financial value is attributed to each step.

Steps can take of form of quantitative or qualitative step.

Quantitative step, it is an indicator as such and represented by the quantified target. For each quantitative step, an indicator fiche shall be developed.

In order to achieve the quantitative step, the beneficiary will have to:

- Reach the step target value and
- Achieve all the identified steps

For qualitative or descriptive steps, which are not quantified, but their achievement is binary (Achieved/ Not Achieved), the beneficiary will have to:

- achieve all the identified actions

For all the qualitative steps, the baseline value is zero (0) and the target value is one (1).

Indicator Fiche

For each Quantitative Step an Indicator Fiche shall be developed within 6 months after entry into force of the Facility Agreement by the beneficiary in order to identify all the relevant information on the indicator. Indicator Fiches for each quantitative step shall be shared and agreed with the Commission and they shall contain at least the following information:

Table 114 - Example Indicator Fiche

Indicator Name	Installed Prosumer Capacity
Definition	Capacity of renewable energy sources installed for own consumption of energy
Unit of measurement	Mega Watt
Methodology for calculation (if the indicator is not calculated by the official statistical institution)	National Electricity Company should sum all the approved and realized investments in renewable energy resources connected to the grid.
Data source	National Electricity Company
References / Location of the data	
Data collection level	National, disaggregated by the municipality
Frequency	Annual
Delay	1 month

Actions

Actions are smallest building blocks of the Reform Agenda, and they represent detailed breakdown of each step. They are mostly binary (achieved/not achieved).

Actions are attributed with the information on responsible institution and source of verification. Source of verification is either publicly available document or source, while in the absence of such source the responsible institution shall issue a written statement confirming the achievement of such action with supporting evidentiary proof.

Database

Reform Agenda has a strong hierarchical structure consisting of the following:

1. Priority Area
 - 1.1. Component
 - 1.1.1. Reform
 - 1.1.1.1. Step
 - 1.1.1.1.1. Action

Each of the hierarchical level is structured in a separate table with information applicable to that level, i.e. there should be no mixture of levels of data (i.e. data applicable to higher level should not be repeated and presented in the lower level as redundant, repetitive and potentially could lead to 'multiple truth' issues.

Validation of entries is strictly applied where possible (i.e. the deadline for the implementation of the action cannot be greater than the deadline for the implementation of the step, or drop-down menus are preventing free entries). In that way, human error is minimized.

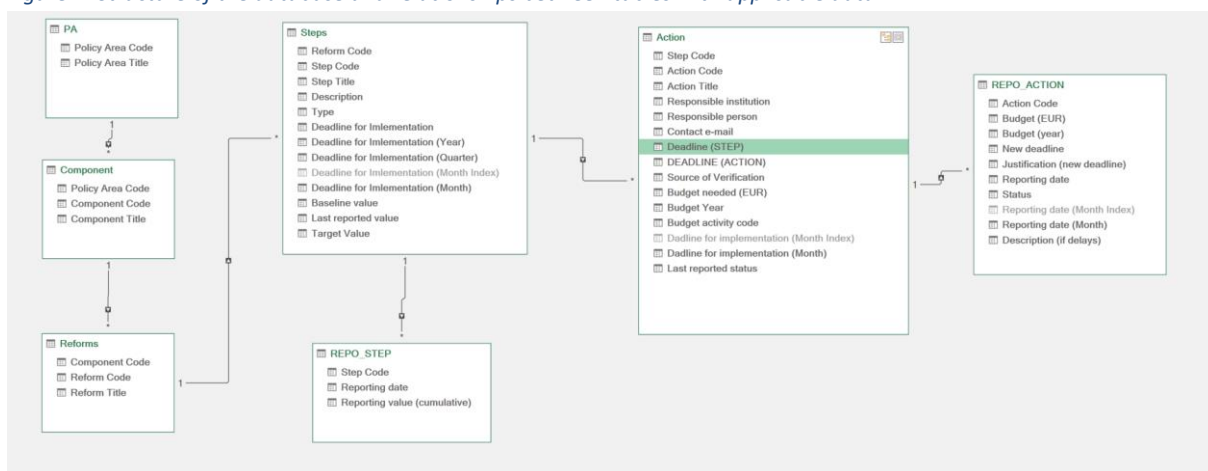
Monitoring of the Reform Agenda assumes that the following logic is applied:

- For qualitative steps - If all the actions are achieved, step is achieved. If all the steps are achieved, reform is achieved.
- For quantitative steps, 1) if all the actions are achieved and 2) if target values for the step are met, step is achieved, if all the steps are achieved reform is achieved.

Beneficiary shall consider Guidance on partially achieved steps as well as the Guidance on evidence to be provided. All data contained in this database will be regularly shared and available to EC services, in order to enable EC to perform additional monitoring and verification of data accuracy.

Structure of the database

Figure 2: Structure of the database (and relationships between tables with applicable data



Reporting

There will be at least two lines of reporting: reporting towards the national Coordinator (Secretariat of the MC) by the institutions responsible for each step and action as well as the reporting towards the Commission.

Reporting towards Coordinator

As for the reporting towards the coordinator, line ministries shall send a monthly update to the coordinator regarding two issues:

1. Achievement of actions
2. Achievement of quantitative steps.

On a monthly basis, the responsible institution will send an update on the status of their respective actions. As the information on the institution, reform, step and action is already in the database, there is no need to repeat that. With every report submitted by the Line ministries, the Coordinator shall receive an evidentiary proof of the achievement of actions/steps such as:

- Links to the official webpages where certain information is located
- Declarations by the Line ministries where the information is not publicly available
- Any other evidence that proves the achievement of action/step (i.e. reports to SAA subcommittees, ToC by DEI or similar)

As the database is sufficiently granular, reports can be provided on any level, any issue and in any format on the data stored in the database.

The system

Coordinator, would collate and control inputs from the responsible institution and present a cumulative report on the status of implementation of the Reform Agenda.

This report would allow for the following:

- Clear indication of delays in the achievement of the actions

- Clear indication of finalized actions and therefore steps and reforms.
- Follow up on the delays of achievement of actions, steps and reforms.

Institutions would be obliged to send an update by the 5th day of the month for the previous month, while the coordinator would have additional 5 days to collate the report and present it to the government in a simple format.

Government would receive a management summary every month on the following:

- Number of steps and actions per institution (disaggregated per status)
- Number of steps and actions which are facing delays
- Short description of the reasons and follow-up activities for the delayed actions

European Commission and the DEU would have access to monthly reports.

Therefore, the beneficiary institutions will focus on monitoring the actions and steps, while achievement of reforms, components and priority area is deductive.

Reporting towards Commission

Montenegro is obliged to submit to the Commission the following reports:

- Request for Release of Funds
- Report on the Implementation of the Reform Agenda
- Any other report (ad hoc)

When it comes to quality of the data provided in these reports, Montenegro will ensure appropriate measures, including procedures for checking the fulfilment of the relevant qualitative and quantitative steps identified in relation to the implementation of the Plan and compliance with principles of sound financial management. Authorities entrusted with the implementation of the Plan measures will establish special procedures to check the fulfilment of the relevant qualitative and quantitative steps, which will include desk reviews, data collection and analysis, and on-the-spot checks, in case where it would be considered as relevant. For all data provided in the reports, each of the line ministries responsible for policy area is accountable for accuracy of data provided, which will be reconfirmed by the Government's adoption of the reports, as additional level of quality assurance. Regarding bottom-up flow of information, the Coordinator will receive monitoring and reporting information, including data about the satisfactory fulfilment of the relevant qualitative and quantitative steps, sufficient to allow the Coordinator to sign the Declaration of Assurance with confidence in the data's accuracy.

Request for the Release of Funds

As per the Facility Agreement, the Request for the Release of Funds shall be submitted twice per year and shall contain the following information:

- Table with Reforms and Steps which have been achieved in the reporting period (extracted from the database)
- Assessment of each step with supporting evidence (received from the line ministries)
- Declaration that previously achieved steps have not been reversed (received from the line ministries)
- Summary of the result of the checks (received from the Line ministries)
- Summary of audits

In addition to the information listed above, each second quarter of the year, the Coordinator will submit:

1. Macroeconomic Report
2. The government's PFM progress report including budget transparency and oversight
3. The government's sector progress report including on institutional advancements

Request for the release of funds (RRF)

As per model RRF attached to the Facility Agreement (Annex 1), the table on the achievement of steps shall be prepared based on the monthly reporting tables as well as any evidence pertinent to the achievement of the individual actions (links, documents, references...)

As for the other requirements related to the RRF such as Results of the Checks, Summary of Audits, they shall be prepared by the relevant institutions every six months to accompany the RRF.

General conditions assessment shall be prepared and sent to the Commission once a year using the template in the Facility Agreement.

Annual Report

Annual Report listing all the achievements, challenges, problems and risks related to the implementation of the Reform Agenda, shall be prepared by the Coordinator once a year and presented to the Monitoring Committee for their review and validation.

The template for the Annual Report (and semi-annual report) shall be provided by the Commission.

Transparency

As per Article 22 of the Regulation 2024/1449 and the Facility Agreement, Montenegro is obliged to publish the information on the final recipients receiving more than EUR 50,000.00 cumulatively within 4 years. Information to be published and shared with the Commission is listed in the same article.

Montenegro will therefore use established de-minimis register and store information from that register. Therefore, all the line ministries involved in the implementation of the Reform Agenda shall:

- 1) Register their grant schemes or direct awards in the Register
- 2) Obtain information on each beneficiary regarding the cumulative amount received within 4 years from the Register prior to issuing the Decision on Financing
- 3) Register each Decision on financing in the Register

Evaluation

As per article 27, Commission shall be responsible for the evaluation of the Facility. Montenegro shall provide all necessary assistance and information during the evaluations.

CONTROL AND AUDIT

Internal control

Montenegro has established a comprehensive strategic framework for Public Internal Financial Control (PIFC) which is broadly into force. This framework includes the Public Administration Reform (PAR) strategy for 2022-2026, complemented by a newly adopted Public Finance Management (PFM) reform program as of December 2022 (Government session). The government issues annual reports on the progress of the PAR strategy, the PFM reform program, and governance and internal controls within the public sector. The Law on governance and internal control has established a legislative and operational framework for internal control and internal audit, which includes local self-government entities and state-owned enterprises.

The legislative framework is in line with international standards based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework.

The internal audit field puts in place a legal and operational framework that is consistent with the IPPF (International Framework of Professional Practice for Internal Auditing). Internal auditors must have sufficient knowledge to assess the risk of fraud and how it is managed by the organisation.

The Central Harmonization Unit (CHU) of Ministry of Finance oversees the development and distribution of methodological guidance on Public internal financial control (PIFC), monitors and reports on the implementation of internal financial controls, and conducts quality reviews of financial management, internal control, and internal audit practices. Additionally, the CHU provides annual reports with recommendations aimed at enhancing the efficacy of internal control systems within the public sector. By the Law on governance and internal control The Law on Governance and Internal Control in the Public Sector mandates managers to establish a system for detecting and handling reports of suspected irregularities and fraud, and to report on these matters to the Ministry of Finance (CHU). The CHU maintains a register of such cases, monitors the actions taken to mitigate them, and reports on them in the Consolidated Report for each year. Additionally, Montenegro will be equipped with guidance on *"Reporting of irregularities by beneficiary countries of Pre-Accession Assistance in indirect management"* prepared by OLAF. The purpose of this document is to provide guidance on the common aspects of the reporting of irregularities by beneficiary countries of the Instrument for Pre-Accession Assistance (IPA) under indirect management. As far as conflict of interest and any risk of fraud, such cases can be reported directly to OLAF via Irregularity Management System (IMS).

According to the Decree on the establishment of internal audit in the public sector ("Official Gazette of Montenegro" No. 134/2022), budget beneficiaries at central and local levels are defined to establish a separate internal audit unit (a total of 38 budget beneficiaries). Currently, 34 budget beneficiaries have established a separate internal audit unit. Additionally, seven budget beneficiaries at the central level have established a separate internal audit unit. Currently, there are 89 internal auditors deployed across budget beneficiaries at central and local levels.

Pursuant to the article 49 of the Law on Governance and Internal Controls in the Public Sector the internal audit unit of an entity shall exercise oversight over another entity by this law shall also conduct internal audit at that entity if it does not have an established internal audit unit. This ensures complete budget coverage with the internal audit function at both central and local levels.

Description of the functioning of each basic component of internal control in public finance management system is provided in the following paragraphs:

1) Public Internal Financial Control (PIFC)

The legal and regulatory framework for PIFC is largely in place, particularly after the implementation of most activities planned under previous and current PFM programmes. Ministry of Finance, the Directorate for Central Harmonization (CHU) is responsible for the development and coordination of the PIFC system, notably in regard to monitoring and reporting. The CHU has conducted training on internal audit and FMC and certification of public internal auditors together with the CEF, based on the CIPFA programme. The CHU has developed a localized version of this programme, which is now being implemented by the HRMA in cooperation with the CHU. The first round of localized CIPFA certification was organized in 2020. A long-term professional development programme for certified internal auditors is also in place. CHU Directorate focuses on training, support and monitoring of budget beneficiaries at the central and local level. In accordance with the Law on Governance and Internal Control, in the coming period an additional focus will have to be set on strengthening internal audit, governance and control in public enterprises. Internal audit practice, rules, and standards are regulated in line with international standards. The number of internal auditors continues to increase, and significant progress has been made in strengthening their capacity through training and certification.

Internal control legislation is in line with international standards. A framework for governance and internal control (FMC) is in place and was updated. A system for detecting and acting on information about financial irregularities was developed. Spending units are increasingly adopting risk registers, with aim to consistently apply risk management by all budget entities.

Managerial accountability: The legal and regulatory framework for the development of managerial accountability is provided by the Law on Governance and Internal Control in public sector (FMC Law) ("Official Gazette of Montenegro", No. 075/18) and the Decree on the delegation of authorities and tasks of financial management and internal controls in the public sector was adopted (" Official Gazette of Montenegro", no. 079/20). Additionally, as an aid in establishing the concept of management responsibility, the Ministry of Finance adopted the Methodology on the transfer of tasks and tasks of financial management and internal controls in the public sector. This Methodology is part of the implementation of the Action Plan of the PAR Strategy and the starting point for establishing a system of managerial responsibility. Programme budgeting provides the opportunity to strengthen managerial accountability as it expands the authority of heads of spending units and (subordinate) programme managers, and at the same time increases their accountability for achieving objectives within the adopted budget. However, it should be noted that this link between programme budgeting and managerial accountability is not yet addressed in any regulation. It is however addressed in the programme budgeting manual. The key challenge for the application of the concept of managerial accountability is to link budgets and responsibilities; planning activities and goals at the level of the organization; preparing budgets at the level of organizational units; as well as delegating spending authority. This goal is also recognized in the Public Administration Reform Strategy.

Table 115 - Overview of the work of public sector finance control systems

Years	Number of audits performed	Number of recommendations issued	Implemented recommendations	Partially implemented recommendations	Recommendations not implemented ¹⁴
2018	133	634	266	53	84
2019	156	777	379	34	78
2020	107	519	135	50	48
2021	89	514	178	57	93
2022	97	453	115	8	42

2) External Audit

According to the EU Progress Report, the State Audit Institution (SAI) has improved its institutional capacity in terms of management and auditing staff. Most of its auditors are certified and have access to training on the basis of a needs assessment. In March 2023, the State Audit Institution adopted a SAI Strategic Development Plan for the period 2023 - 2027 with the Operational for 2023. In order to carry out the activities of Operational Plan, SAI has improved the process of strategic planning of financial audits and revision of regularity based on a risk assessment and in this regard adopted Mid-Term Plan for Financial Audits and Regularity Audits for the period 2023-2027. In addition, the SAI has adopted a Communication Strategy 2020-2024 and HRM Strategy 2021-2025. The new Public Financial Management Reform Program for the period 2022-2026 will contribute further improving the strategic framework by implementing current and developing new SAI strategic documents, increasing the quality of audits and improving digitalization of the audit and follow up process of implementation of audit recommendations.

Standards and methodology: The SAI has standardized audit processes for financial, regularity and performance audit by adopting manuals, guidelines and instructions. A number of ISSAI level IV requirements have been incorporated into the

¹⁴ The deadline for implementing the recommendations is not always the year in which the recommendations are made. The number of recommendations implemented, partially implemented and not implemented refers to recommendations with a deadline for implementation in the year in which the recommendations are made.

operating manuals to reflect the detailed requirements of the standards in the SAI operating procedures and to assure compliance with level IV. Training related to the application of level IV of the ISSAI standards for financial, regularity and performance audit has been held in the frame of an IPA TA project.

SAI continues to improve its work in terms of number of audits, attention to follow up and recommendation implementation as well as internal practices, visibility and communication of its work as well as cooperation with non-traditional stakeholders, such as media and NGOs. After the nine-year mandate of the former president of the Senate expired in July 2022, the Parliament has not appointed the president of the Senate. From that date the eldest member of the Senate performs the duties of the President of the Senate in accordance with Article 39 of the Law on SAI. The position of the fifth member of the Senate has remained vacant since 2021.

In September 2023, the State Audit Institution organized a round table /consultations with the civil sector, professional associations and the academic community for the purpose of annual planning of SAI audits for 2024. After the consultation process was completed, the SAI published the Report, which contains an overview of all inputs from the target groups with proposals of audit topics and areas for the purposes of preparing the SAI's Annual Audit Plan for 2024.

In the upcoming period, the focus of SAI will be on: conducting audits in areas of greatest risk; Proactively engage with stakeholders in the audit process; Establishing an effective system for monitoring the implementation of audit recommendations in cooperation with the Parliament; Strengthening communication skills and increasing visibility and understanding of the finding, as well as on upgrading audit capacities in terms of improving their skills and competences.

3) Anti-Fraud Coordination Service (AFCOS)

The responsible unit is the Directorate for Budget Inspection and Suppression of Irregularities and Frauds within the Ministry of Finance, while establishing the Department for Suppression of Irregularities and Fraud (AFCOS Office) in 2013, together with the AFCOS network. The AFCOS Office is the main point of contact for OLAF, and responsible for reporting irregularities to OLAF within the Electronic Irregularity Reporting System (IMS). According to the EU Progress Report, Montenegro is largely aligned with the EU acquis in this area. Cooperation with the EC during investigations is ensured, and progress on developing a solid track record on reporting of irregularities was made (42 reported cases by end-2019), but a solid track record on investigations still needs to be ensured. In terms of cooperation with EU institutions, a working arrangement of EPPO with the Supreme State Prosecutor's Office of Montenegro (SSPO) was signed in September 2022. The bilateral arrangement will facilitate cooperation and exchange of information between the parties to ensure effective investigation and prosecution. Both prosecutor's offices are committed to bringing to justice all persons who are suspect or accused of committing crimes against the EU budget.

The AFCOS system in Montenegro includes: a) accredited bodies that manage and use funds from the pre-accession program (IPA bodies responsible for the implementation of the IPA program) and which are obliged to report irregularities (Structure for reporting irregularities); b) bodies dealing with combating fraud, corruption and any other form of irregularities in the system (AFCOS advisory body); and c) Ministry of Finance - Department for Suppression of Irregularities and Frauds (hereinafter: AFCOS Office), which has the main coordinating role in the system and is the main contact point for OLAF.

Bearing in mind the Progress Report of Montenegro, which indicates the need for further harmonization of national legislation with the so-called PIF directive (Directive (EU) 2017/1371 of the European Parliament and the Council of July 5, 2017 on combating fraud committed against the financial interests of the Union by means of criminal law), the AFCOS office prepared, in February 2024, a document entitled: *Analysis of the normative-legal framework for the protection of financial interests of the EU - compliance of the national legislation with the so-called PIF Directive (criminal aspect)*. The document includes a more detailed presentation of the Directive, the concept and subject of the protection of criminal offenses committed to the detriment of the financial interests of the EU, a comparative analysis and provisions of substantive criminal law in the legislation of EU member states, as well as of candidate countries. Based on the results of the analysis, the need to improve the normative framework will be clearly defined in order to harmonize the Criminal Code of Montenegro with the PIF directive, and changes to existing regulations or new regulations will be adopted.

By the end of 2024, as part of the Twinning light project "*Further enhancing the functioning of the Montenegrin AFCOS system with the aim of efficient protection of EU financial interests*", the Strategy for the fight against fraud and the management of irregularities for the protection of EU financial interests for the period 2025-2028 will be drafted. In this sense, the AFCOS office has taken initial steps, by creating a document: *Analysis of the risk of fraud with a statistical analysis of cases of irregularities, in the context of the implementation of projects financed from IPA funds* (adopted at the session of the Government on 18 July 2024). The statistical analysis represents the basis for the development of the Strategy, essential for risk assessment and directing resources to the areas that require the most attention in connection with the protection of the financial interests of the EU and was prepared in accordance with the OLAF "*Guidelines for the development of national strategies to combat fraud*".

4) Improving Efficiency of the Audit Authority

Public Finance Management Reform Programme, within the strategic objective 4 - Financial Objectives have been defined that will contribute to improving the efficiency of the Audit Authority through Implementation of 2 activities:

- Harmonization of the Law on the Audit of Funds from EU Funds and bylaws with auditing standards and future EU requirements; And
- Auditors training on the closure of the Instrument for Pre-Accession Support - IPA II Programme and novelties regarding IPA III programming period.

The implementation of the envisaged activities is an important step towards the improvement of the legislative framework in the field of audit of EU funds. Strengthening the function of the Audit Authority and harmonization of national legislation with EU standards is key to progress towards membership in the EU. During the period 2022-2025, IPA II and IPA III will be implemented in parallel and the Audit Authority will carry out audits of both programming periods, as well as audit activities related to the closure of the IPA II program.

5) Operationalizing the Budget Inspection Function

The Law on Budget and Fiscal Responsibility (LBFR) regulates inspection supervision and stipulates that the MoF shall carry out supervision over the implementation of the LBFR and control legality of use of budgetary funds by public sector entities. The Budget Inspection Unit was formally established in 2014 in the Ministry of Finance which will carry out controls on legal and dedicated use of budget funds of spending units; preparation and implementation of control of budget execution of local self-governments, public institutions, independent regulatory authorities, enterprises and legal entities owned by the state or municipality or having a majority ownership share, control of accounting, financial and other business documents of the subjects of supervision. The centralized budget inspection function in the MoF is operational and since July 2022, the Government appointed the Chief Budget Inspector for a term of five years. In 2023, the process of employing two budget inspectors was carried out, which created the preconditions for first inspection controls to be performed in 2024. Although understaffed at the moment, Inspection shows promise in its first undertaken controls, additionally by proactively publishing all its findings. Other relevant inspections, such as the Public Procurement Inspection and the State Property Inspection are also functional and provide an additional layer of control.

In the Reform Agenda, several steps are related to improvements of internal audit and control systems, in particular with respect to public procurement, state aid, and reforming the governance of state-owned enterprises. These include, among others:

- By December 2024, an up-to-date register of SOEs and companies with State's participation, including municipal companies, should be made publicly available. The register should be regularly updated with all relevant data on the financial performance of SOEs [liquidity, profitability, solvency], as well as the data on results of external audits.
- By December 2024, the level of transparency regarding all projects contracted under intergovernmental agreements shall be increased by introducing and making publicly available project-specific information in the e-procurement system.
- By June 2025, the anti-corruption, integrity and conflict of interest framework for public procurements should be revised and implemented, following the adoption of the Law on amendments to the Law on the prevention of corruption.
- By June 2026, SOEs shall establish an independent internal audit function and risk management following internationally recognized frameworks and standards, as well as the EU good practice on public internal financial control (PIFC). Moreover, SOEs will establish the functional audit committees in line with the relevant Law.
- By December 2026, the value of procurements published without the publication of the contract notice (direct procurement with a value below 8.000,00 EUR) should be reduced to 2 percentage points of total public procurements value by December 2026. Annual reduction by at least 3 percentage points of the total public procurements value should take place in both 2024 and 2025.
- By June 2027, any legal provisions or procedures in the intergovernmental agreements introducing derogations from the EU-aligned public procurement legislation should be prohibited.

Anti-Corruption and Conflict of Interest

The Law on Prevention of Corruption was modified in the first half of 2024. Furthermore, the new Council of the Agency for Prevention of Corruption has been appointed by the Parliament, after a year of vacancy. In June 2024, GRECO addressed 22 recommendations to Montenegro in its Evaluation Report on Preventing Corruption and Promoting Integrity in Central Governments (top executive functions) and Law Enforcement Agencies. Of total number of GRECO recommendations from June 2024, 3 has been implemented satisfactorily, 11 partially implemented and 8 not

implemented at all. Remaining recommendations will be addressed under the overall efforts to fulfill closing benchmarks for chapters 23.

Among its duties, the Anti-Corruption Agency (ACA) covers implementing measures to prevent and to handle conflict of public interest, restrictions in the exercise of public functions, collecting and checking the reports on assets declarations and income of public officials.

In 2014 the Law on Conflicts of Interest was amended, bringing it broadly in line with European standards. The system put in place has slightly improved the prevention of conflicts of interest in the public administration and an initial track record exists. The number of detected and resolved conflict of interest cases has increased over time, including misdemeanour proceedings and Decisions by the ACA, leading to financial sanctions, resignations of public officials, transfer of management rights in private companies and decisions on termination of employment in state-owned enterprises. Between 2016 and 2022, the number of misdemeanour proceedings raised from 323 to 1089.

In 2023, the Agency issued 227 opinions (more than previous years) on incompatibility of functions and conflict of interests, leading to the resignation of 20 public officials from positions or duties incompatible with their office. However, further work is needed to effectively address the 2021 EU peer review recommendations on the ACA's role in dealing with conflict of interest and incompatibility of functions, assets declarations and monitoring of lifestyle of public officials.

In accordance with the findings of the 2021 peer review expert mission, further efforts are needed to enable effective monitoring of the financing of political parties by ACA and SAI.

According to the Law on Financing of political entities and electoral campaign, a political party is obliged to submit a report with the ACA and SAI within 31st March. This report includes financial assets and reports, as well as assets of all legal entities and companies it founded, and shall cover both the election campaign and regular operation. In addition, a political party shall keep the accounting records of revenues, property and expenditures by origin (separately for assets from public and private sources), the amount and structure of revenues, property and expenditures, in accordance with the regulation of the state administration body in charge of financial affairs. The Agency is also responsible for overseeing the implementation of the Law. Additionally, the State Audit Institution conducts audits of consolidated financial reports of political entities based on assessed risk and criteria outlined in the Guidelines on the Methodology of Performing Financial and Regularity Audits. However, the Law at present lacks sufficient details on auditing criteria, processes, and deadlines. Unless separately regulated, these aspects should be incorporated into the current Law through related amendments.

In the context of the Reform Agenda, several steps will address deficiencies in the area of fight against corruption, primarily with respect to the implementation of anticorruption-related legislation:

- By December 2025, integrity tests will be created and delivered in the Customs Administration and the Tax Administration, with a target of reaching at least 30% of staff;
- By December 2025, an increase by 20% of filling in vacant positions in competent courts for the fight against corruption is foreseen, in accordance with the Rulebook on the internal organization and systematization of positions;
- By June 2026 and December 2027, improved results in the field of investigations, prosecutions, final judgments, confiscation and final confiscation in corruption, including cases of high-level corruption are expected. This will materialize in the form of an overall increase in the number of investigations, confirmed indictments and convictions, including high-level corruption cases; of an increase in the number and the overall value of seizures, freezing and confiscations of the proceeds of crime; and of an increase of standalone financial investigations;

State aid

According to the latest European Commission Progress Report on Montenegro for 2023, the legislative framework in the area of state aid is largely aligned with the EU acquis (Articles 107 and 108 of the TFEU). The 2018 Law on State aid control sets out the notion of aid as well as procedural State aid rules. Six related implementing acts were adopted during the reporting period. These regulations provide, among other things, instructions on calculating the subsidy equivalent and the return interest rate. However, it is crucial to further amend the Law on State Aid Control and the related implementing acts to ensure full compliance with EU state aid rules. Consequently, the requisite actions and amendments, specifically the adoption of a new State Aid Control Law, are scheduled for the fourth quarter of the current year.

According to the Annual Report on PFM Reform Program implementation in 2023, the state aid reporting procedure was improved in Montenegro and European reporting procedures and methodology were fully adopted. Furthermore, MoF proposed an amendment to the Law on State Aid to be adopted in Q4 2024 to achieve full alignment with the EU state aid rules. The Agency for the Protection of Competition (APC), within which the State Aid Control Department is established, implements the legal framework for state aid. As a part of the PFM Reform Program activities, training of the State Aid Department and the APC's Council for the implementation of legislation, as well as the training of judges and prosecutors, were organized. The continuity of this training is very important. Following the one of operational goals of

the PFM Reform Program 2022-2026 aimed at building a set of ex-ante and ex-post control cases, the APC consistently carried out activities to close pending cases ex officio. The key activity in that direction took place through a series of initiatives aimed at deciding on the return of non-aligned state aid. In addition, the Agency completed one examination procedure started in December 2020, making a positive decision on the compliance of state aid. However, timely submission of complete data by the Providers of state aid, remains as challenge. Also, activities are carried out to increase the number of ex-ante and ex-post controls. In 2023, emphasis was placed on the initiation of seven examination procedures ex-post control ex officio, to continue this trend in the future. In parallel, the Agency plans to maintain the existing and open new procedures for the subsequent control of state aid. In 2023, about 39 cases of ex-ante control have been completed which is almost 100% of plan. The challenges in the implementation of these controls arise from the obligation of state aid providers to respect the standstill clause. In terms of transparency, the Agency has successfully implemented the disclosure practice of decisions and opinions, including annual reports, through its website. In addition, the creation of a general register of state aid cases, together with specialized registers related to COVID-19 and de minimis aid, contributes to increased transparency in this sector.

Public procurement

Law on Amendments to the Public Procurement Law ('Official Gazette of Montenegro', No 074/19 of 30.12.2019, 003/23 of 10.1.2023, 011/23 of 27.1.2023), entered into force at the end of 2022, became applicable from 2023 onwards. In order to implement the new legislative arrangements, new bylaws were also adopted during the reporting period, which includes the following acts:

- Rulebook on the amendment of the Rulebook on closer criteria for the education of the committee for the implementation of the public procedure
- Rulebook on amendments to the Rulebook on the declaration form of a business entity
- Rulebook on the application form for qualification in the public procurement procedure
- Rulebook on the amendment of the Rulebook on the methodology of bid evaluation
- Rulebook on amending the rulebook on the content of the offer in the public procurement procedure
- Rulebook on forms for the implementation of public procurement procedures
- Rulebook on the method of conducting simple procurements

It should also be noted that, in order to adapt to new legal solutions, the Rulebook on the manner of operation and use of the electronic public procurement system as well as the Instructions for the use of the electronic public procurement system, have been amended and updated.

To incorporate the recommendations from the European Commission's Report and as a result to our activities concerning the utilization of simple procurements and their proportion of the total procurement value, the Ministry of Finance has established a control mechanism for this category of procurement through the systematic monitoring of these procedures.

During the reporting period, activities were undertaken to prepare the acts and functions of the electronic procurement system to implement the aforementioned mechanism, which became operational from January 1, 2024. This system enables bidders participating in simple procurement procedures to submit a request for monitoring the procedure. In this way, violations of basic public procurement principles and potential irregularities in the conduct of these procedures are prevented. A request for monitoring a simple procurement procedure, submitted by an interested bidder, halts all actions of the contracting authority in the procedure.

Within the scope of public procurement monitoring functions, and in accordance with the activities outlined in the Action Plan of the Public Procurement Policy Improvement Strategy and PPP for the period 2021-2025, the Ministry of Finance has prepared an analytical document titled "Analysis of the Implementation of Centralized Procurement in Montenegro." The aim of this document is to identify gaps and explore opportunities to expand the use of centralized procurement. The key recommendations from this analysis pertain to enhance the organizational structure and administrative capacities for implementing centralized procurement.

The Ministry of Finance has established appeal processes through regulations that align with EU standards and practices. In instances where there is abuse of the appeal process, thereby affecting the efficiency of the entire procurement process, the Ministry addresses these issues through inspection control.

To provide support to contracting authorities during the public procurement planning and preparation process, Guidelines for calculating the estimated value of public procurement have been developed in collaboration with SIGMA. Additionally, significant documents in the field of public-private partnerships have been prepared, including the "Manual for the Identification and Preparation of PPP Projects" within the framework of the IPA 2014 Project, and the "Public-Private Partnership Policy - Identified Priority Projects and Sectors," in cooperation with the EBRD.

In cooperation with the Secretariat to the Competitiveness Council of Montenegro, the Directorate for public procurement policy conducted a survey to assess the level of trust that economic entities have in the Montenegrin public procurement system and to identify the main directions for its improvement. The results of the anonymous questionnaire, created by the Directorate and sent to users, revealed that the introduction of the electronic procurement system is the most significant step towards increasing trust in the public procurement system. It also facilitated the participation of economic entities in public procurement procedures, who emphasized the role of the Ministry of Finance as the most trusted institution.

The MAPS (Methodology for Assessing Procurement Systems) project, conducted by the World Bank, was successfully completed in December 2023, resulting in a comprehensive Report on the Assessment of the Public Procurement System in Montenegro with a special focus on electronic public procurement. The recommendations from the MAPS Project will serve as a basis for further reforms, primarily related to contract management, the introduction of green and sustainable public procurement, and further enhancement of the electronic public procurement system.

The electronic public procurement system (<http://cejn.gov.me/landingPage>) is fully operational and covers 100% of all public procurement procedures conducted in the country.

In 2023, pursuant to the European Commission's recommendations for the continuous enhancement of the MEPP (Montenegrin electronic public procurement) operations, the system was functionally integrated with electronically managed public records pertinent to this sector. This integration encompasses the records of the Tax Administration of Montenegro regarding the obligations of economic entities pertaining to taxes and mandatory social security contributions. Although technical prerequisites for integration with the criminal records of the Ministry of Justice have been established, this connection remains non-operational due to unresolved administrative issues.

Apart from the self-financed activities that Montenegro is undertaking or planning to undertake to address any of the weaknesses referred to in this section, some ongoing EU-funded projects are also addressing weaknesses/deficiencies recognized in the internal control system:

- IPA "Improvement of the budgeting system, multi-year budget framework and internal financial control system in the public sector" to support the CHU in monitoring of management and internal control in the public sector through the development of new monitoring tools.
- IPA Project - "Support to Coordination, Monitoring, and Reporting on PAR Strategy and PFM Reform Programme 2022-2026", implemented by Center for Excellence (CEF);
- Twinning light project "Further enhancing the functioning of the Montenegrin AFCOS system with the aim of efficient protection of EU financial interests".
- Twinning Light program in 2023 to improve the skills of the Audit Authority to audit the IPA II perspective, as well as to prepare for the implementation of audits of IPA III in Montenegro. Through TAIEX support, work is being done to strengthen the capacity of the Audit Authority for conducting audits for IPARD. Also, in 2024 Twinning Light was approved for capacity strengthening for IPARD audit.

COMMUNICATION AND VISIBILITY

A communication plan will ensure the public awareness of the Union Funding for the Reform and Growth Facility for the Western Balkans (RGF) in Montenegro. The communication and visibility activities envisaged in the communication plan will be coordinated with the relevant institutional stakeholders in Montenegro to ensure common and harmonised messages and communication on the policy reforms envisaged under the Facility and the expected/achieved results, as applicable, relevant and feasible, as well as with European Commission and European Union Delegation in Montenegro.

The RGF-related communication will be under the responsibility of the Government/Ministry of European Affairs, that is also responsible for coordinating the EU4ME project dedicated to communication on EU issues. This will maximise the potential for strategic communication on the content of EU-related reforms and align the political communication on the Growth Plan in general. Consequently, synergies will be exploited in order to strengthen the key messages on EU integration and EU support.

Inter-institutional coordination of the communication activities will follow those established under the EU4ME network.

The national communication plan will have the following overarching objectives:

- to explain how the EU-related reforms will enable Montenegro to progress with EU integration in terms of socio-economic growth and progress in fundamentals;
- to underline the positive effects that the reforms and investments will bring to Montenegrin citizens and businesses in particular;

- to explain the rationale and functioning of the Growth Facility;
- to ensure visibility of the EU financing;
- to contribute to strategic communication on EU support for Montenegro, EU values and EU integration, as well as induce a EU membership prospect to stimulate growth and industrial attractions.

Specific communication objectives will be defined for each of the policy areas with targeted communication plans for each area implemented by the respective responsible institutions, in line with the national communication plan. The main communication narratives will provide the backbone for the specific campaigns, social media, community management and media relations. These policy-area communication plans shall be coordinated within the RGF communication network and in discussion with the Delegation of the European Union to maximise synergies; these plans will follow closely the steps and planned achievements as set out in the Reform Agenda. Each institution shall be responsible for implementing, monitoring and reporting on the targeted communication plans to MEA.

The plan shall indicate the commitment of the Montenegrin authorities to adhere to the obligations on communication as per the regulation, by ensuring recipients display the emblem of the Union and an appropriate funding statement that reads ‘funded by the European Union’, when promoting the actions and their results.

The target audiences for the national communication plan will principally be: identified stakeholders (including end recipients, economic and social partners and Civil Society Organisations) and the Parliament; the general public (Montenegrin citizens) and the media; more specific target audiences, including identified multipliers (opinion-leaders, specialist media, experts) will be identified for each of the policy areas in the strategy under the specific communication plans.

Comprehensible information to all the above-mentioned target groups will be provided through a dedicated Growth Facility sub-page as well as through institutional websites and the MEA website. Information, communication and publicity shall be provided in accessible formats, in accordance with the UN CRPD Article 9, and EU Directive 2019/882 on accessibility requirements for products and services.

Communication channels shall include audio-visual, social and web media, as well as print media, promotional materials and participation in local events. Dedicated annual communication plans per policy area will identify more precisely the communication activities, including media briefings, articles on major topics, press briefings and audience-based activities to ensure that messages reach all target groups. The communication language and messages will be appropriately addressed to these targeted audiences, with media kits and press materials designed for each policy area, addressed to general and specialised media.

The Communication plan will be shared with the Commission, and joint communication activities organised as appropriate with the Delegation of the European Union during implementation, with an aim to maximising the impact and effectiveness of communication efforts on the RGF and Growth Plan at broad.

The communication strategy is a live document, which will be updated and refined annually by detailed plans, following the state of play of the achievement of milestones and targets across all activities. The annual communication plans will be monitored based on benchmarks, specified in the communication plan.

MEA shall be responsible for monitoring the implementation of the national communication plan, consolidating the monitoring reports on the annual communication plans and for the on-going evaluation of the achievement of benchmarks and key communication performance indicator targets. MEA will report to the National Coordinator of the Reform Agenda on the communication activities carried out.

ATTACHMENTS

Annex 1: Indicators and titles for payments by policy remit



Annex 1 RA MNE
final 25 September 2