



MFIC | Montenegrin Foreign
Investors Council

VISA

THE WHITE BOOK

INVESTMENT CLIMATE
IN MONTENEGRO

2025

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IN MONTENEGRO**

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DEAR READERS,

The fifteenth anniversary edition of the White Book – Investment Climate in Montenegro 2025 reaffirms the enduring idea that Montenegro can be a promising and reliable destination for investment, economic growth, and the prosperity of its citizens. Over the past decade and a half, the White Book has grown beyond the boundaries of an annual publication. Today, it stands as a lasting record of dialogue, change, and the joint efforts of investors and policymakers to build a more stable and predictable business environment together.

As Montenegro moves steadily toward 2028, the year in which it is expected to achieve its long-standing strategic goal of joining the European Union, it becomes clear that this process goes far beyond politics and economics. It represents a path of development that transforms how institutions are built, how business evolves, and how the future is shaped. Foreign investors recognized this trajectory early on, trusting in the country's potential and the ability of its people to create a modern, stable, and European market.

This year's ease-of-doing-business index has remained at the previous year's level, which may be seen as a sign of economic stability. However, there is still room for further improvement, an opportunity we view as a list of priorities that need to be addressed more swiftly, decisively, and through stronger cooperation.

The White Book should be seen as a tool for a deeper understanding of Montenegro's economic environment and as a source of practical recommendations derived from a comprehensive analysis. Its purpose is also to offer solutions and create space for action. The task ahead of all of us is to translate those recommendations into



living practice, one that facilitates business operations, strengthens investor confidence, and improves the overall quality of life in Montenegro.

In that regard, it is encouraging that Montenegro continues to deliver visible progress on its reform path. A notable example is the successful implementation of the SEPA project, carried out by the Central Bank of Montenegro with the support of commercial banks, many of which are members of the MFIC. This achievement demonstrates the country's readiness for deeper integration into the European market.

We extend our gratitude to the MFIC's member companies, the Government and relevant institutions, representatives of international organizations and civil society, the media, and all those who share our commitment to reform and to building a sustainable economy in Montenegro.

Respectfully,
TAMÁS KAMARÁSI

PRESIDENT OF THE BOARD OF DIRECTORS OF THE
MONTENEGRIN FOREIGN INVESTORS COUNCIL

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SUMMARY

1



The White Book – Investment Climate in Montenegro has been one of the key publications for fifteen years, providing insight into the state of the country's business environment from the perspective of foreign investors. The publication of the Foreign Investors Council has been recognized not only among its members, but also in institutions, the diplomatic community and wider society, as an important map of the business environment, which helps in understanding trends, challenges and market needs.

Based on a clearly defined methodology, the White Book provides an overview of the business climate as perceived by the Council members. Data is collected through a standardized questionnaire on the ease of doing business, and the ratings cover a wide range, from sectoral indicators to specific business environment indicators. In addition to analysing the current situation, the publication also offers concrete recommendations for improving the business climate.

This year's edition also brings new features, such as the introduction of a comprehensive assessment of the regulatory framework, as well as indices of public administration efficiency and innovation development. The methodology has been further aligned with market needs and includes new questions for more precise insights into individual areas.

The value of the Ease of Doing Business Index in 2025 did not change compared to 2024 and remains at the level of **6.5**. After two years of stagnation and slight growth in 2024, no further progress was recorded. The results of the sectoral indices mostly follow last year's trends: banking,

energy/manufacturing and trade recorded growth; telecommunications and transport and logistics remained at the same level, while in tourism the value of the index continues to fall, so with a score of **5.9**, tourism remains the lowest ranked sector. Telecommunications, on the other hand, achieved the best result for the third year in a row – **7.2**.

A novelty in this year's edition is the general investment climate index, which in 2025 is **6.3**. Calculated using a new methodology, this index confirms the findings of sectoral analyses and adds an additional dimension to the ease of doing business assessment.

One of the most important prerequisites for attracting foreign investment and long-term development is a competent workforce. That is why the White Book this year also specifically addresses the area of human capital. The score for 2025 is **4.9** and records a slight increase compared to the previous period, but it still remains a signal of serious challenges in finding and retaining qualified personnel. The most pronounced problems relate to the insufficient connection between education and the labor market, weak investments in the education system, the lack of modern, especially digital skills, the slow implementation of reforms and the continuous migration of young professionals.

The rule of law, which is the foundation of Montenegro's European path, also plays a major role in the analysis. After receiving a positive IBAR report in 2024, investors recognized the progress, and the rule of law index increased to **5.3** (an increase of **0.3** points). However, the score remains low. The biggest challenges remain

lengthy court proceedings, selective application of laws, and insufficient transparency in issuing permits and licenses. On the other hand, compliance with international practices is progressing.

The tax system was rated **5.7** in 2025, a decrease of **0.1** points compared to the previous year. Investors mostly point to frequent and non-transparent changes in tax rates, numerous parafiscal burdens and administrative inefficiency. The regulatory environment in this area was additionally rated **4.9**.

In terms of economic and infrastructure development, a decline of **0.3** points was recorded compared to the previous year, indicating new obstacles. Investors cite underdeveloped infrastructure, limited air connectivity, lack of strategic policies and insufficient involvement of the business community in decision-making as key challenges.

The transition to a green economy, as one of the priorities, in 2025 recorded an increase of **0.5** points and now stands at **5**. However, the score still remains low. Investors point to a lack of coordination between state authorities, an underdeveloped waste management system and insufficient awareness of the importance of the green transition. The index of compliance with international standards increased to **4.8**, but still clearly shows that faster and more decisive steps are needed.

Fourteen new recommendations were identified in this year's White Book. Out of 56 recommendations from previous years, the competent institutions have submitted responses to 40. No action has been taken on three recommendations, while partial progress has been recorded for the remaining 34, and full implementation has been achieved for three.

MONTENEGRO IN FIGURES

2



In order for the White Book to provide a broader overview of the business environment, this section also presents data taken from other relevant sources. These are the most important Government documents: the Fiscal Strategy of Montenegro for the period 2024-2027 and the Macroeconomic and Fiscal Policy Guidelines for the period 2025-2028, as well as official information published on the websites of the Central Bank of Montenegro and the Statistical Office. This data is supplemented by analysis and comments from the Foreign Investors Council, in order to provide additional value and enable a more objective assessment of the business environment.

In times of global uncertainty, challenges and changes, small and open economies like Montenegro are facing additional pressures, and economic growth is significantly dependent on international developments and security circumstances. Although recent years have been marked by significant risks and negative geopolitical trends at the global level, the Montenegrin economy has achieved certain positive results during this period. The increased number of foreigners living and working in Montenegro, along with the impact of inflation, has contributed to the statistical indicators recording favorable trends.

However, these results have not been accompanied by the implementation of structural reforms or consistent improvement of the business environment, which investors recognize as a major obstacle to sustainable development. Legal uncertainty, a non-transparent regulatory framework and frequent changes to laws without consultation with the business community further increase economic uncertainty and limit the inflow of productive foreign investment.

According to MONSTAT data, the Montenegrin economy recorded a growth rate of 3.2% in 2024. Preliminary data from MONSTAT show that in the first quarter of that year, Montenegro was among the leading European countries with real GDP growth of 4.4%. In the following quarters, growth was 2.7%, 2.6% and 2.9%. The largest contribution to growth in 2024 was made by gross fixed capital formation (9.3%) and private consumption (8.7%).

However, comparing the results with the plans in national documents, it is clear that growth has not reached the expected level. At the same time, the European Commission, the World Bank, the IMF and other international institutions have revised their forecasts for Montenegro downwards during the reporting period. This confirms that the economy is “cooling down”, which is characteristic of countries where growth is predominantly based on consumption, while production capacities have not developed. In the long term, this poses a serious challenge not only for the sustainability of Montenegrin economic growth, but also for the stability of public finances.

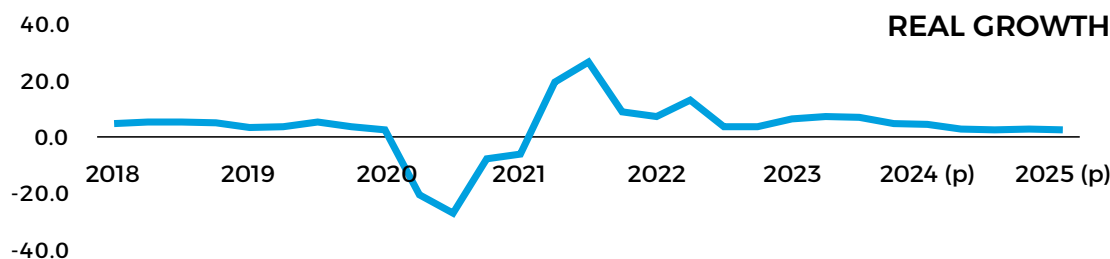
After the tax reforms implemented at the end of 2024, the structure of Montenegro’s gross domestic product remained almost unchanged. The main sectors of the economy still account for the largest share of production, with only minor and negligible shifts. At the same time, there has been an increase in final consumption, both household and state, which strongly stimulates economic growth, while the share of gross fixed capital formation has not changed significantly. This clearly shows that the Montenegrin economy is still predominantly based on consumption growth.

Of further concern is the widening gap between imports and exports in 2025, which threatens the sustainability of economic growth. In the first half of the year, the import-export coverage ratio was only 13.6%, down from 14.9% in the same period last year. This trend confirms that the problems of insufficient diversification of the Montenegrin economy are deepening, making the economy even more vulnerable. Reliance on a limited number of sectors and products further reduces resilience to external economic shocks.

At the same time, data from the Central Bank of Montenegro shows an increase in the number of blocked companies and an increase in the debt of the economy. All this points to the need for stronger reform efforts, targeted policies and adequate subsidies aimed at structural changes. It is particularly important to develop underutilized sectors, but also to further strengthen those that currently form the backbone of the Montenegrin economy.

After a sharp decline during the pandemic, the Montenegrin economy recorded positive trends from quarter to quarter. However, after the high

MONTENEGRO IN FIGURES



Graph 1 – GROSS DOMESTIC PRODUCT – RATE OF GROWTH / DECLINE | Source: MONSTAT

growth in 2021, which was largely a result of the arrival of a large number of foreigners and changes in the market, more modest growth rates were recorded in the following two years. It is particularly important to note that GDP recorded very limited growth in 2024 and the first quarter of 2025.

According to the Fiscal Strategy for 2024, growth of 3.8% was planned, while the final data from MONSTAT show an achievement of only 3%. A similar trend continued in the first quarter of 2025, when real economic growth amounted to 2.5%, which is significantly lower than the 4.4% in the same period in 2024.

As before, GDP growth is predominantly based on the growth of private household consumption and government consumption. In the first quarter of 2025, private consumption increased by 11.1% compared to the same period in 2024, while government consumption increased by 5.1%. The growth in imports of goods and services had a negative impact on GDP trends in 2025, while exports recorded a decline. These data clearly show that there have been no positive developments in the diversification of the Montenegrin

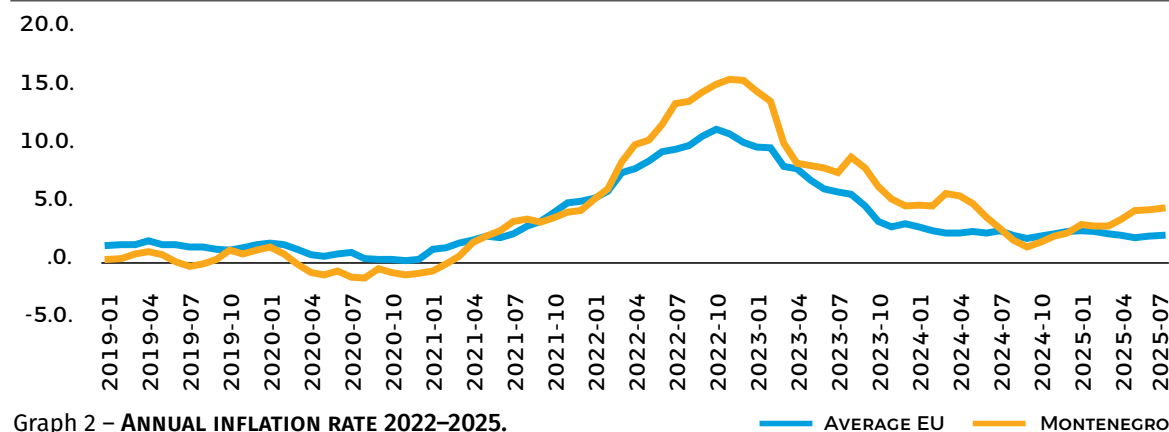
economy. Instead, the tax reforms implemented at the end of 2024 have stimulated consumption growth, but have not led to a higher growth in overall economic activity.

As highlighted in the White Book for 2024, the increase in wages and employment in the public sector reduces the attractiveness of the business environment for the economy. This trend will also characterize 2025: along with the growth in employment in the public sector, an increase in average wages is also recorded, which further

worsens the competitive position of the real sector. At the same time, the lack of qualified labor makes it difficult for companies to operate and reduces the ability to provide the personnel needed by the market. All this together reduces the attractiveness of investments and slows down overall economic development.

As the data in the graph shows, inflation in Montenegro has been one of the biggest economic challenges since the beginning of 2022. After the first wage increase that year, the inflation rate in Montenegro grew significantly faster than in EU member states. In addition to import dependence, the rise in prices was also strongly influenced by national measures implemented during the reforms.

An analysis of the period after the second reform, implemented at the end of 2024, shows that inflation is rising again. In July 2025, the inflation rate was 4.5%, which is twice the EU average. Such trends have already had negative implications for tourism, which recorded unfavorable results for the first time in 2024.



Graph 2 – ANNUAL INFLATION RATE 2022-2025.

Table 1: STRUCTURE OF TOTAL FDI INFLOWS IN MONTENEGRO IN THOUSANDS OF EUROS

	2019.	2022.	2021.	2022.	2023.	2024.*	JAN-JUN 2024.	JAN-JUN 2025.**
INVESTMENTS IN COMPANIES AND BANKS	242.328.7	123.841.0	215.069.9	219.402.9	95.263.3	113.934.2	59.889.5	38.859.2
INTERCOMPANY DEBT	321.907.8	392.854.6	323.431.9	401.540.8	264.920.5	292.140.6	156.737.3	162.895.9
REAL ESTATE	177.996.2	116.370.2	278.281.5	448.257.5	463.310.3	455.334.4	199.949.9	228.860.7
OTHER	36.285.4	32.966.9	111.296.7	82.464.6	38.848.4	29.709.6	6.027.2	17.951.8
TOTAL INFLOW	778.518.2	666.032.7	928.080.0	1.151.665.9	862.342.5	891.118.7	422.603.9	448.567.5
TOTAL OUTFLOW	473.940.1	195.497.8	346.436.1	369.046.4	428.733.9	399.938.4	177.154.4	213.308.2
NET FDI	304.578.1	470.534.9	581.643.9	782.619.6	433.608.6	491.180.3	245.449.5	235.259.3

As highlighted in the Economic Reform Program and Fiscal Strategy, fiscal measures were designed to influence price growth. However, the fact that current inflation is significantly higher than planned indicates that the market did not react in line with expectations and that the effects of the implemented measures did not produce the expected results.

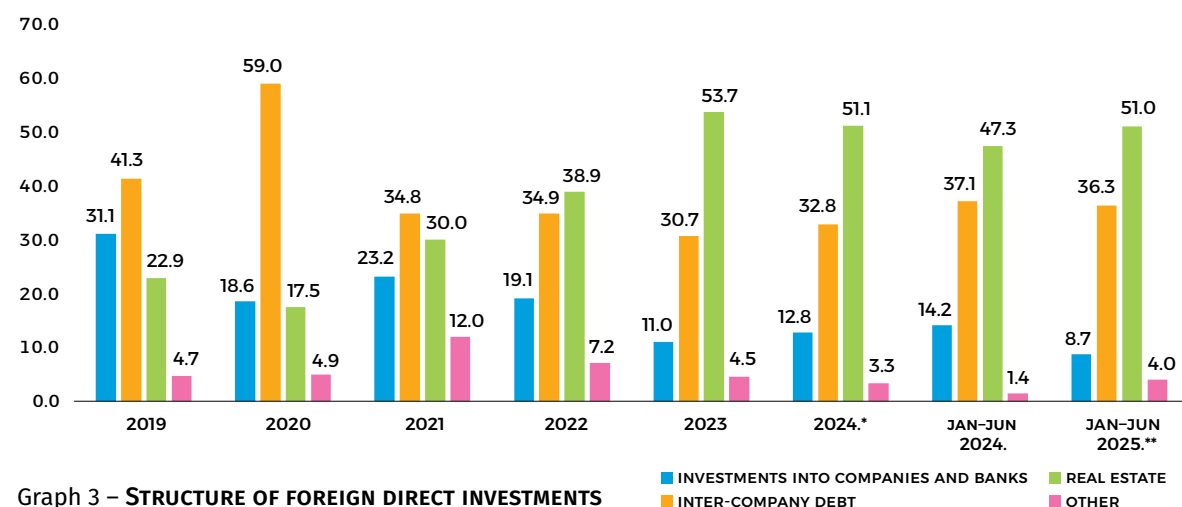
An additional risk arises from the fact that budget revenues largely depend on indirect taxes, after health and pension contributions have been abolished or reduced. Therefore, any major deviation from planned revenues or expenditures can have serious consequences for public finances, which requires constant attention and rapid reactions from decision-makers.

Foreign direct investment (FDI) since independence has significantly contributed to the transformation of the Montenegrin economy,

fostering its growth, modernization, and integration into international flows. As a small and open economy, Montenegro remains heavily reliant on the inflow of these investments, espe-

cially those directed towards enterprises and the banking sector.

After strong growth in 2022, foreign direct investment inflows declined in 2023, before grow-



ing again in 2024. However, in the first quarter of 2025, net inflows decreased by 4.2%, primarily due to higher investment outflows from Montenegro.

Of particular note is the drastic change in the structure of foreign direct investment. Investments in companies and banks have decreased significantly, while most investments are directed to the real estate sector. It is worrying that in the first six months of 2025, only 8.7% of foreign direct investment ended up in companies and banks, which is extremely low compared to 2019, when this share was 31%. Such indicators clearly indicate that the investment attractiveness of Montenegro has not improved and that it is necessary to create targeted policies and provide a stable and predictable business environment in order to stop this negative trend.

During 2024, in the last months of the calendar year, a reform was implemented that administratively increased the minimum wage - to 600 euros for jobs with a secondary education and 800 euros for jobs with a higher education. The reform, on the other hand, also included an increase in certain VAT rates, including VAT on accommodation (from 7% to 15%), as well as the introduction

Table 2: MACROECONOMIC INDICATORS, ASSESSMENT ACCORDING TO THE MACROECONOMIC AND FISCAL POLICY GUIDELINES FOR THE PERIOD 2025–2028.

MACROECONOMIC FRAMEWORK		BASELINE SCENARIO			
		2025.	2026.	2027.	2028.
MACROECONOMIC INDICATORS	Nominal GDP (in million €)	7918.5	8338.8	8730.7	9129.7
	GDP, nominal growth	6.2	5.3	4.7	4.6
	GDP, real growth	3.5	3.1	3.0	3.2
	Inflation (average)	3.0	2.5	2.3	2.0
	Employment growth (%)	2.6	2.1	2.0	1.7
	Earnings growth (gross)	8.0	4.0	4.0	5.0

of new excise duties and an increase in existing ones. These measures negatively affected the cost side of business operations of business entities.

According to the Fiscal Strategy for the period 2024–2027, after the implementation of the reform, Montenegro has become a country with one of the lowest tax burdens on labor. The “tax wedge” for the average salary is 16.2% (for every 100 euros, the employee keeps 83.8 euros, while the state collects 16.2 euros). In the case of a minimum salary of 600 euros, the tax burden is 11.1%, while for an income of 800 euros it is 13.5%.

Although the reform was adopted in late 2024, some projections from the Fiscal Strategy were soon revised downwards through the Macroeconomic and Fiscal Policy Guidelines for the period 2025–2028. Preliminary medium-term projections show that real economic growth of 3.5% is expected in 2025, primarily based on growth in private consumption stimulated by an increase in the minimum and average wage. In addition, stronger growth should be contributed by the continuation of the investment cycle, the maintenance of stable and low inflation, and the increase in allocations for infrastructure projects from the capital budget for 2025.

An additional contribution is expected from the implementation of structural reforms envisaged in the Reform Agenda, which should strengthen the competitiveness and sustainability of the domestic economy. In the medium term, projections indicate that the Montenegrin economy will grow at an average rate of 3.1% per year: 3.1% in 2026, 3.0% in 2027 and 3.2% in 2028.

Table 3: FRAMEWORK, ASSESSMENT ACCORDING TO THE MACROECONOMIC AND FISCAL POLICY GUIDELINES FOR THE PERIOD 2025–2028.

FISCAL FRAMEWORK (IN % GDP)		BASELINE SCENARIO			
		2025.	2026.	2027.	2028.
FISCAL INDICATORS	Source income	36.4	36.3	36.0	35.4
	Budget expenditures	40.0	39.3	38.8	38.3
	Deficit/Surplus	-3.5	-3.0	-2.8	-3.0

On the other hand, according to the basic macro-economic scenario from the Fiscal Strategy, the Montenegrin economy was supposed to grow at an average annual rate of 3.7% in the medium term, namely: 3.8% in 2024, 4.8% in 2025, and 3.1% and 3.2% in 2026 and 2027. This document, adopted in 2024, indicates that expectations were already recognized through the then macroeconomic policy guidelines that the actually achieved growth would be more modest than the then projected rates.

As stated in the documents related to fiscal policies, the growth of the Montenegrin economy is predominantly based on an increase in final consumption, while a clear vision of additional diversification is still missing. It is diversification that can ensure sustainable economic growth and development in the long term. Fiscal policies to date have not been sufficiently aligned with strategic documents that would adequately consider the risks of their implementation. For example, the impact of a possible reduction in consumption due to the departure of foreigners, nor the effect of savings growth, has not been sufficiently analyzed, although both factors represent a serious challenge to the achievement of fiscal policy goals.

Since these policies are largely consumption-based, they remain highly vulnerable. Geopolitical developments further increase risks and could significantly slow economic growth. In 2024, global recession warnings, coupled with internal constraints such as insufficient infrastructure and poor air connectivity, were among the key reasons for the negative trends in tourism. An additional risk lies in the fact that the plans on

THE FOLLOWING HAVE BEEN IDENTIFIED AS THE MAIN CHALLENGES FOR THE IMPLEMENTATION OF FISCAL POLICIES THROUGH THE FISCAL POLICY GUIDELINES 2025-2028:

Delays in the implementation of certain measures aimed at increasing public revenues may affect the increase in the projected budget cash deficit and public debt in the medium term;

Slowdown of the European economy and present inflationary pressures at the global level;

The vulnerabilities of the domestic economy remain strongly expressed;

Changes in EU economic trends could potentially lead to lower growth in tourism in Montenegro, investment and consumption, which would result in lower economic growth;

Climate change may have effects on the dynamics of economic growth in the medium term, due to impacts on the tourism, agriculture and energy sectors;

Limited fiscal space, slower pace of implementation of planned investments, as well as delays in implementation.

the revenue and expenditure sides of the budget are based on the current number of foreigners residing in Montenegro. The question arises as to how the market, and thus public finances, will react when global developments stabilize and some foreigners return to their home countries.

These indicators clearly indicate the possible challenging periods ahead for the Montenegrin economy. It is essential that decision-makers use the coming years to strengthen and diversify the real sector, so that the country is better prepared to respond to new economic shocks.

As a future EU member, Montenegro must further strengthen its underdeveloped economy

by 2028, which is listed in strategic documents as the accession year, in order to be competitive on the European market. Strategic investments in infrastructure, green transition and digitalization, as well as increasing subsidies and creating a stable and predictable business environment, are key steps towards strengthening competitiveness. In addition, decision-makers should actively initiate and develop concrete projects that would attract investors willing to invest in underdeveloped sectors and regions. This approach is the basis for diversifying the economy, faster development of less developed areas and creating conditions for sustainable growth.

MONTENEGRO FROM THE PERSPECTIVE OF KEY INTERNATIONAL ORGANIZATIONS

3

INTRODUCTORY NOTE:

In order for the White Book to provide a broader overview of the business environment, summarizing data collected from other relevant sources, we will present data taken from published and publicly available local and international reports. Therefore, the data do not represent the views of the Council's member companies or the official views of the Council as an organization, i.e. they were not the subject of research in the form in which we present them.

Montenegro's accession negotiations with the European Union were opened in June 2012. So far, 33 negotiation chapters have been opened, and seven have been provisionally closed. At the end of 2024, three chapters were closed at the Intergovernmental Conference: Intellectual Property Law, Information Society and Media, and Entrepreneurship and Industrial Policy. During 2025, the chapter on Public Procurement was also closed, the first from Cluster 1 - Fundamental Rights, which further emphasized the importance of progress in the area of the rule of law.

However, in parallel with the negotiation process, international institutions point out in their reports a number of challenges that accompany the Montenegrin economy and society as a whole. According to the European Commission's assess-



ment of the Economic Reform Program for the period 2025–2027, GDP growth in 2024 slowed to 3%, and the key support was private consumption and investments. Exports were below the required level, while the growth of tourism services lost momentum after significant results in previous years. The Commission also warns of the structural gap between revenues and expenditures, which was created by the reduction of the tax wedge and the increase in social transfers, which further increases fiscal risks, especially in 2025 and 2027, i.e. the years of debt repayment.

Similar messages come from the World Bank Report, which predicts growth of 3% in 2025, driven primarily by consumption and investment. The Report highlights the vulnerability of public finances and the need for fiscal consolidation. According to their projections, public debt will average 65.6% of GDP in the period 2025–2027, while the deficit will reach around 4% of GDP in 2025, before gradually decreasing. According to the same source, inflation should fall to 2.9% in 2025, and poverty should decrease to 7.5% by 2027.

The European Bank for Reconstruction and Development also highlights in its estimates a slowdown in growth to 2.6% in 2025 and 2.7% in 2026. This is expected to be a consequence of rising prices in tourism and the reconstruction of the Pljevlja Thermal Power Plant, which temporarily increases electricity imports. At the same time, the EBRD report specifically points to the problem of low productivity and the need for stronger development of the industrial sector.

Preliminary IMF findings, presented after a regular mission under Article IV consultations, indicate

that despite fragile fiscal stability, risks remain significant. The fiscal deficit is projected to increase from 2.9% of GDP in 2024 to 3.5–3.7% in 2025, and in the baseline scenario it would continue to rise and exceed 4% of GDP by 2030. The main causes are rising health and pension expenditures due to an aging population, higher military spending commitments, and a widening external imbalance, which could reach around 18% of GDP in 2025. The IMF recommends additional measures to control spending and increase revenues, such as limiting the growth of the public sector wage bill, phasing out unproductive tax exemptions, and careful management of airport concession revenues. In particular, the need to strengthen public investment management through clear priorities and greater attractiveness of the country for foreign direct investment outside the real estate sector is emphasized, as well as aligning wage growth with productivity growth in order to prevent inflationary pressures.

All reports reiterate common messages. The European Commission, the World Bank, the IMF and the EBRD agree that Montenegro must strengthen fiscal discipline, improve budget planning and ensure the sustainability of public finances. It is also recognized that growth is predominantly consumption-based, while a clear vision of economic diversification and strengthening the competitiveness of the private sector is lacking. In particular, weaknesses in the regulatory framework, a high informal economy, limited access to financing and problems in the management of state-owned enterprises are highlighted.

The reforms that are coming under the Western Balkans Growth Plan further highlight these

priorities. Adopted in November 2023, the Plan envisages that the countries of the region, including Montenegro, will start to benefit from some of the benefits of the EU single market even before EU membership: from the free movement of goods, services and workers, through access to the SEPA system and the integration of the energy and digital markets, to inclusion in European supply chains. Estimates show that such a model could improve the economies of the region by up to 10%.

The implementation of reforms is already being assessed through the Reform Agenda. In the first phase, which expired on 28 February 2025, Montenegro self-assessed that ten out of 14 planned measures had been implemented, while four had been partially implemented, with EU support of up to 29.5 million euros. For the second period, with a deadline of 30 June 2025, six out of 11 measures had been implemented, and five had been partially implemented, which could bring about 18 million euros in support, if the assessment is confirmed by the European Commission.

Finally, the Commission, the World Bank and the EBRD recognise and strongly emphasise the same priorities: diversifying the economy, accelerating the green and digital transitions, strengthening human capital and creating a stable and predictable business environment. All reports warn that Montenegro, although growing, remains vulnerable to external economic shocks, burdened by internal weaknesses. In this regard, decisive and coordinated reforms are the only path towards sustainable development and the country's accession to the European Union.

MFIC INDEX FOR 2025.

4





MFIC 2025.

= 6.5

INDIVIDUAL SECTOR INDICES



TELECOMMUNICATIONS AND ICT

= 7.2



BANKING

> 0.2 7.0



TOURISM

< 0.2 5.9



PRODUCTION / ENERGY

> 0.1 6.1



TRADE

> 0.3 6.8



TRANSPORT / LOGISTICS

= 6.3

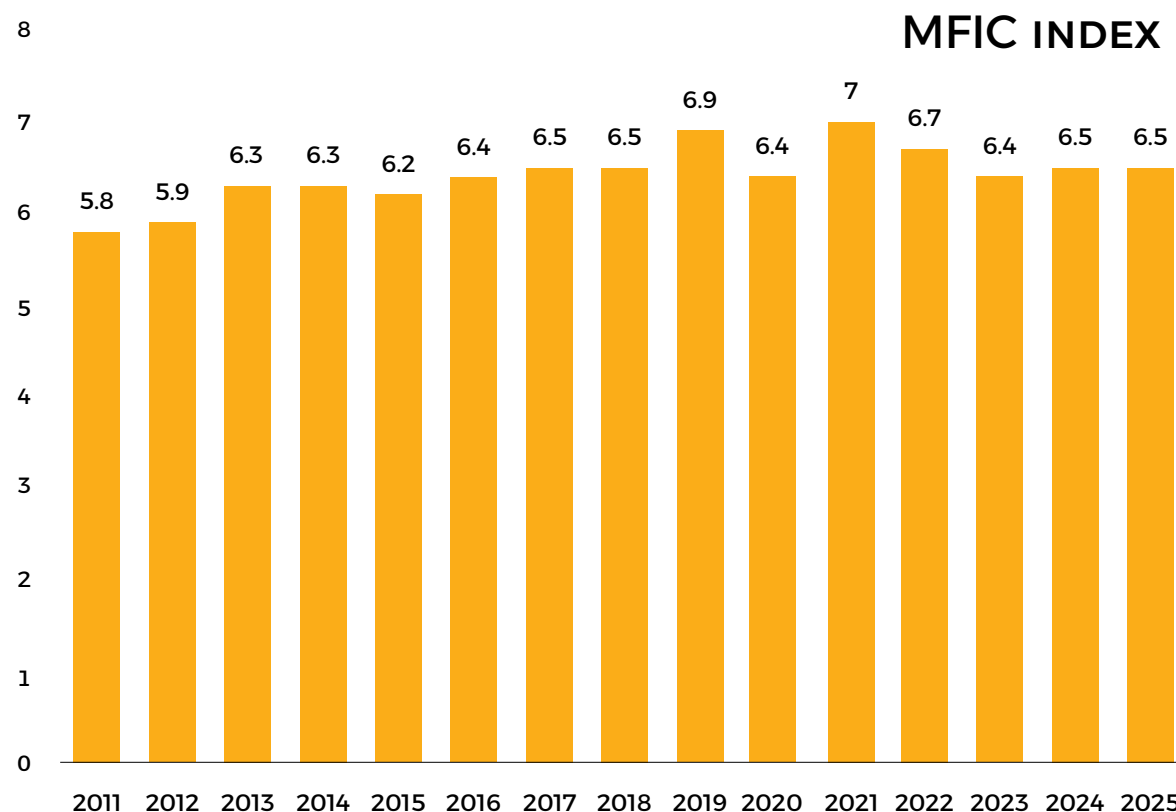


4.1. 15 YEARS OF COUNCIL INDEX

The MFIC index, as a unique assessment of the ease of doing business in Montenegro, has become an indispensable reference for understanding the business environment. Its value lies not only in the analysis of the current situation, but also in the ability to monitor changes and trends over time. This is

precisely why the Foreign Investors Council has been publishing this index for fifteen years as part of the White Book - Investment Climate in Montenegro.

The members of the Council express their views on the business environment through a standardized questionnaire, adapted to the needs of the



analysis, which allows for reliable monitoring of both the overall and individual indices from year to year. The modernization of the White Book concept began in 2023, when, while preserving the possibility of data comparability, new indicators were introduced. The improvement process continued in the 2024 and 2025 editions.

The most significant innovation in this year's edition is the introduction of a general business environment index, with the aim of additionally showing the overall assessment of the ease of doing business. Its value in 2025 is 6.3, which confirms a similar picture of the investment environment, even through a different calculation methodology. In addition, two new indicators have been introduced: the assessment of satisfaction with the work of public administration and the assessment of the regulatory framework, which further deepens the analysis of the business climate.

After slight growth during 2024, MFIC index value stagnates during 2025

In 2025, the MFIC index is 6.5, which shows stagnation compared to the previous year. This value, however, remains significantly lower compared to the results from earlier periods (7.0 in 2021 and 6.9 in 2019). After a strong growth in 2021, the index recorded a decline in the following two years, only to see a slight recovery in 2024.

The movement of the overall MFIC index is determined by the results of sectoral indices, whose changes directly affect whether the overall business environment rating will grow, stagnate or fall.



4.2. ANALYSIS AND ASSESSMENT OF ECONOMIC SECTOR INDICES

According to the prescribed methodology, as part of the research, MFIC members assessed each economic sector individually.

4.2.1 TELECOMMUNICATIONS AND ICT



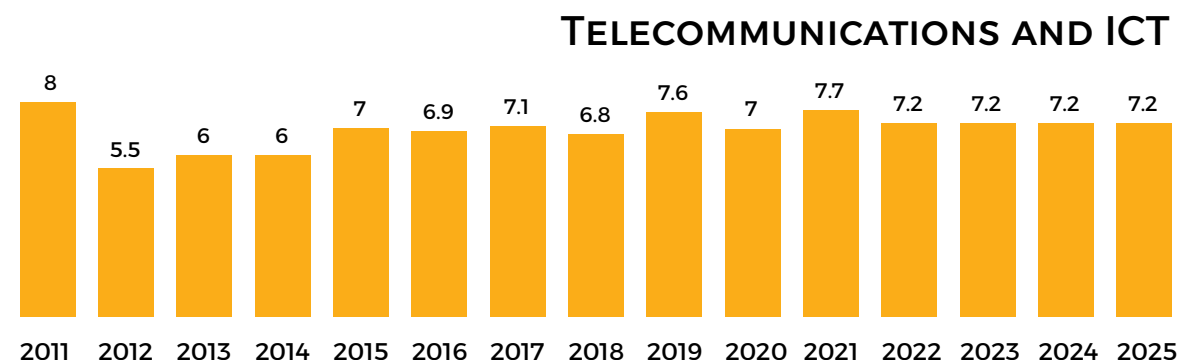
As in previous editions of the White Book, the best-rated sector remained the Telecommunications and ICT sector, which has been recording results over 7 since 2019.

After a 0.5 point drop in 2022 compared to 2021, the telecommunications sector has maintained the same score of 7.2 for three years. This result confirms the stability of the sector over the past four years, despite significant changes in the Montenegrin economy. On the other hand, stability also indicates great room for further progress, which should be an important goal for decision-makers.

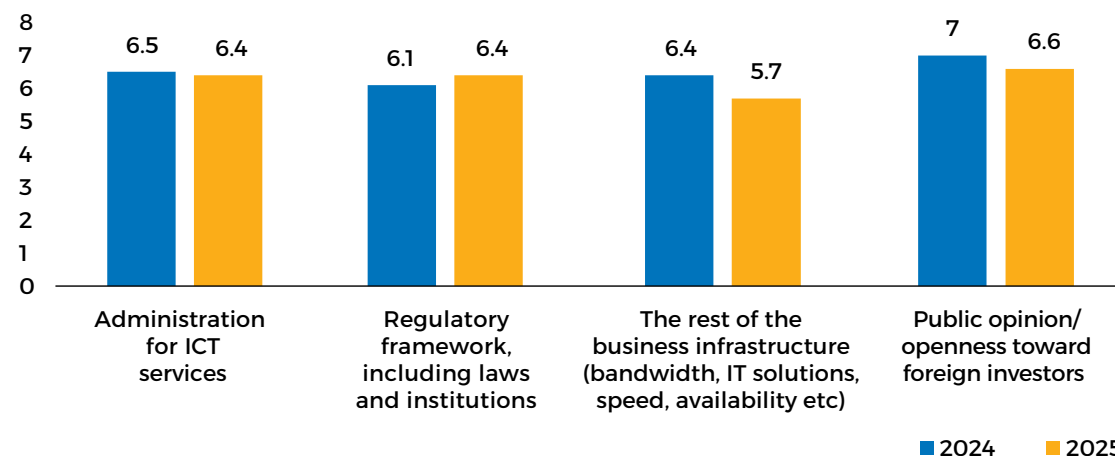
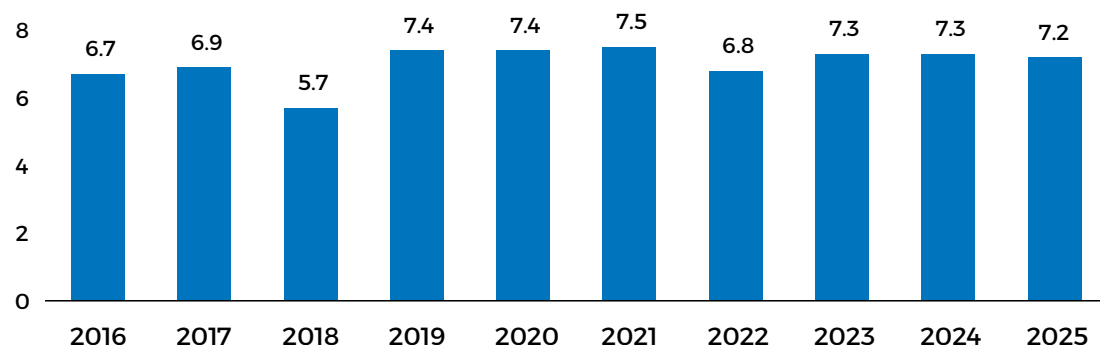
Although the general index of the telecommunications and ICT sector in 2025 is stagnant, it is

interesting that the companies operating in this sector themselves gave a score of 7.2, which is 0.1 points lower than in 2024.

If we analyse the factors that determine this index, it is evident that only the one related to the regulatory framework recorded a slight increase, while the remaining three elements decreased. This trend already represents a signal that company satisfaction is declining, and that this sector needs to be given additional attention in order to prevent any further decline, which could result in a decline in the overall index.



ICT ON TELECOMMUNICATION AND ICT



AMONG OTHER FACTORS THAT HAVE INFLUENCED THE TELECOMMUNICATIONS AND ICT SECTOR, THE FOLLOWING STAND OUT:

Insufficient representation and quality of employees' digital skills;

Mismatch between the skills of the unemployed and the needs of the labor market;

Insufficiently developed cooperation and private-public partnership in ICT projects;

Insufficiently fast and transparent process of adopting and changing regulations;

The E-Government Development Index score is still low¹, whose value for 2024 is 0.721, on a scale from 0 to 1²;

The necessity of implementing a larger number of online services by the Government;

Underdeveloped cybersecurity;

Time and costs for obtaining certain licenses or permits for IT companies;

Insufficient availability of state programs to support innovations/start-ups.

¹ The E-Government Development Index includes indicators such as infrastructure and education levels, with the aim of showing how much a country uses information technology to improve access and inclusion of its citizens.

² <https://publicadministration.un.org/egovkb/en-us/Data/Country-Information/id/114-Montenegro>.

4.2.2 BANKING AND FINANCE



7.0
^ 0.2

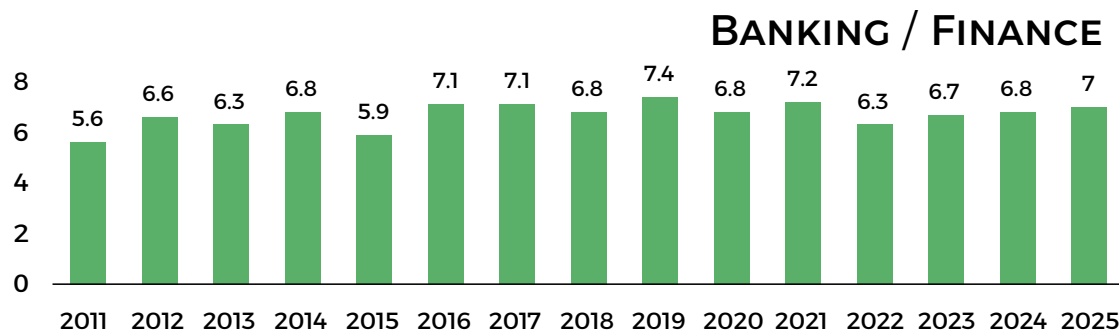
This year's report shows that the banking and finance sector is recording the second highest growth, right behind the trade sector. After a decline in the index in 2022, a gradual recovery followed, followed by a steady increase in the score.

In 2025, this sector was rated 7, which represents an increase of 0.2 points in the indicator. The member companies of the Council clearly recognized the reforms implemented in the previous period, carried out to align with European standards, as well as access to the SEPA system, which will significantly contribute to strengthening the resilience of the sector, improving efficiency and encouraging investment.

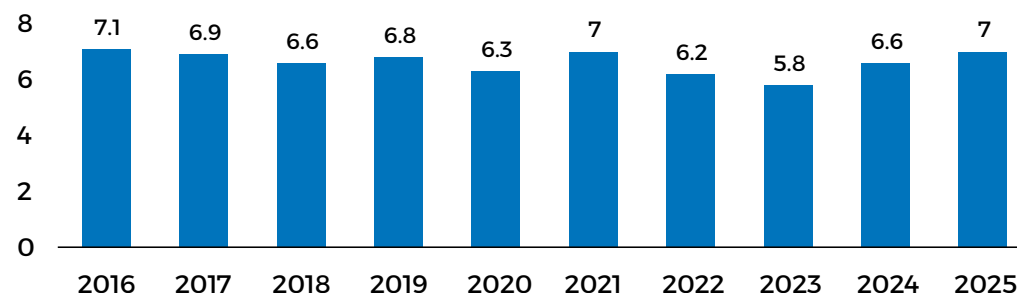
The Council's member companies operating in the banking and finance sector recognized positive developments, so their rating for 2025 was 7.0, which represents an increase of 0.4 points compared to 2024. This is the second year in a row in which members have given a better rating, and also the highest value since 2016.

Growth has been primarily driven by improvements in the regulatory framework and Montenegro's closer integration into the European financial space. During the previous period, the Law on Credit Institutions was amended and the accompanying by-laws were aligned with the requirements of European regulations. In addition, Montenegro's membership in the Single Euro Payments Area (SEPA) from the beginning of October 2025 has enabled faster and cheaper cross-border transactions, while the implementation of the open banking principle has increased competition, service innovation and customer satisfaction, both in the financial sector and in other sectors of the economy.

However, for growth to be sustainable, the sector still faces challenges. It is necessary to accelerate the introduction of modern IT solutions and expand digital services to improve the user experience and greater operational efficiency. Administrative procedures, although improved, still



BANKS ON BANKING / FINANCE



represent an obstacle for some users and investors, so their simplification and full digitalization are extremely important. In the long term, further investments in innovative technologies, strengthening cybersecurity and continuous alignment with the latest EU standards will be key to continuing the positive trend in this sector, and therefore the index.

OTHER FACTORS THAT INFLUENCE THE ATTRACTIVENESS OF THIS SECTOR INCLUDE:

Limited availability of qualified personnel for key positions in banking, especially in risk analysis, IT support and cybersecurity;

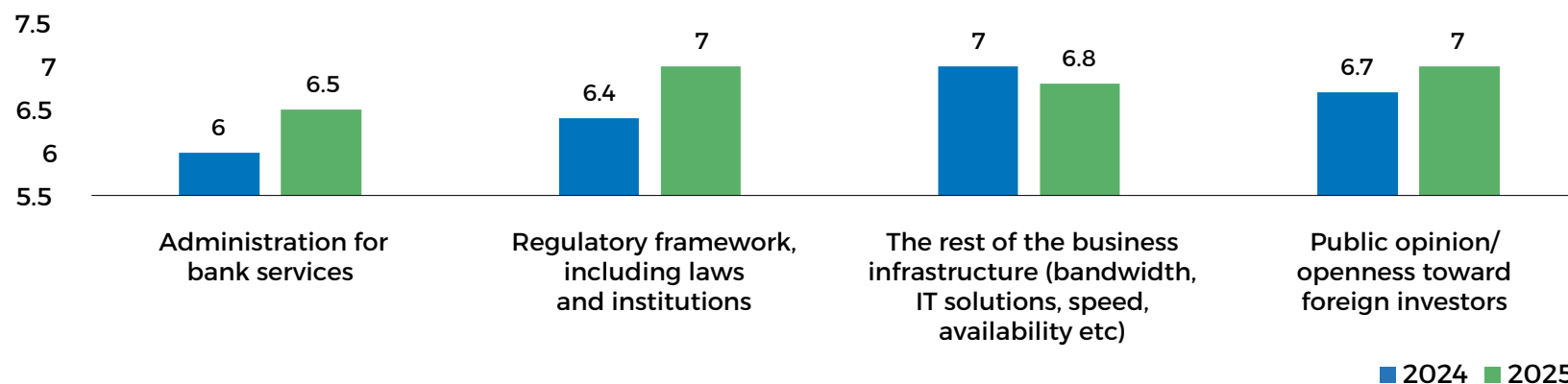
Lack of certain digital and online services (online credit approval, online deposits, etc.);

Demanding administrative banking procedures;

The need for simplified procedures in the monitoring of complete processes in the banking sector itself;

Incomplete harmonisation of by-laws in different areas adversely affects banking operations and slows down procedures. For example, one regulation enables the use of certain digital technologies, while other regulations do not recognize the same practice;

Current altitude interest rates is perceived as insufficiently attractive for further business development.





4.2.3 TOURISM

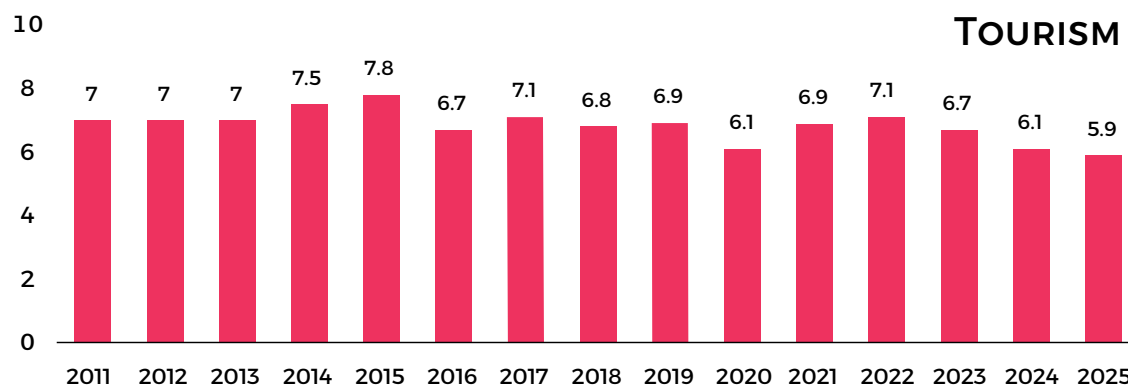
The decline in the tourism sector index, which began in 2023, deepened further in 2025 and led to the lowest value since the beginning of its monitoring – 5.9. This score is even lower than that recorded during the COVID-19 pandemic. Compared to 2024, the sector weakened by 0.2 points, while compared to 2021, a decrease of as much as 1.2 points was recorded. Such trends clearly indicate serious challenges in tourism management, which is why urgent reforms and systemic improvements are necessary to prevent further deterioration and enable recovery in the coming period.

The negative trend continued in the evaluations of the members themselves that operate in tourism. Their estimate for 2025 is 4.3, which is 0.2 points lower than in 2024, but even three points lower than in 2022. The fact that this is the lowest rating since the beginning of the measurement

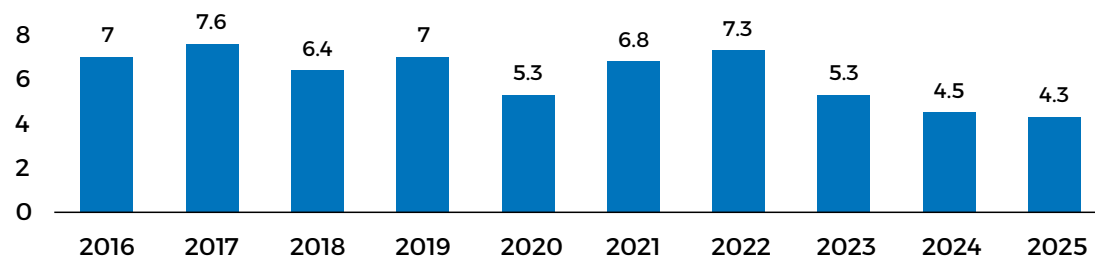
is particularly worrying, which clearly confirms the depth of the problems the sector is facing.

The decline and stagnation of factors influencing the tourism index in 2025 are the result of a combination of negative public opinion, a decrease in openness to foreign investors, which reduces the attractiveness of the sector for investment and diversification of supply, as well as a deterioration in the state of human capital. Such changes indicate a decrease in investor confidence and difficulties in attracting and retaining qualified personnel, which threatens the competitiveness of the sector in the long term.

Key problems additionally stem from the extremely poor road infrastructure and underdeveloped airport capacities. Montenegro faces serious challenges in this segment, from an inadequate road network and slow progress in highway construction, to limited capabilities of major transport hubs.



TOURISM ON TOURISM



The negative pressure on the sector was also intensified by the increase in the VAT rate on accommodation from 7% to 15% in early 2025, which significantly raised costs and reduced competitiveness compared to tourist destinations in the region. In addition, a chronic labor shortage makes it difficult to provide quality services and maintain seasonal demand, deepening the existing weaknesses of tourism as a strategic branch of the Montenegrin economy.

IN ASSESSING THE TOURISM SECTOR, THE COUNCIL'S MEMBER COMPANIES HAVE IDENTIFIED THE FOLLOWING KEY FACTORS THAT INFLUENCE ITS ATTRACTIVENESS:

Pronounced seasonality and lack of support for tourism development throughout the year;

Poor air connectivity in Montenegro and inadequate airport infrastructure capacities;

Insufficiently developed road infrastructure, and the big problem of availability of Montenegro as a destination;

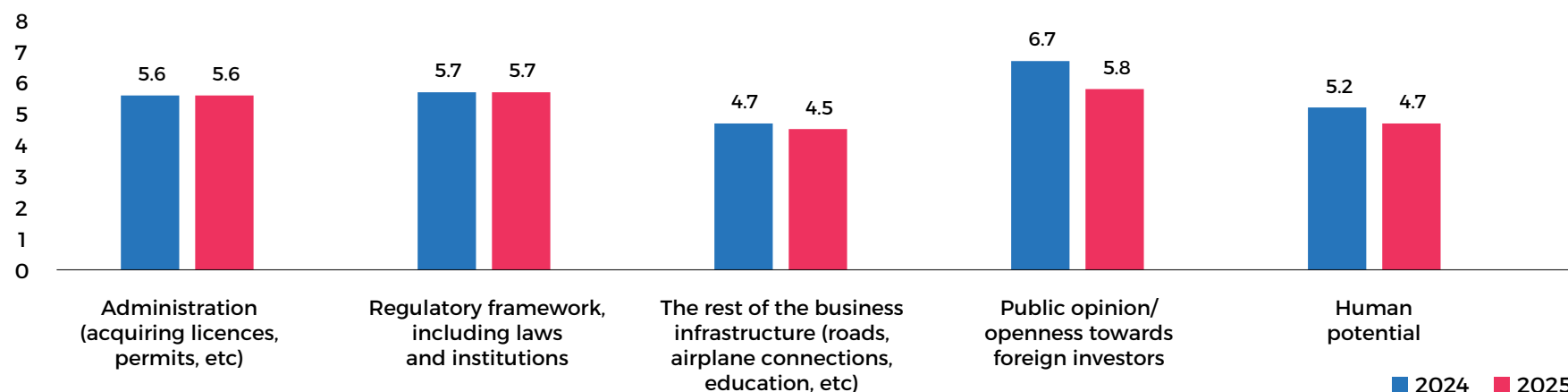
Inefficiencies in issuing work permits for foreigners;

Educational policy insufficiently aligned with the needs of the tourism sector;

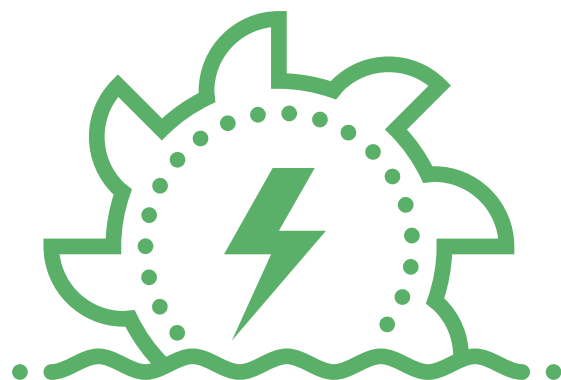
Pricing policy that negatively affects the attractiveness of the tourism sector;

Lack of a master plan in tourism and insufficient implementation of strategic policies for managing the tourism sector;

The significant presence of the informal economy negatively affects the operations of businesses in this area.



4.2.4 PRODUCTION / ENERGY



6.1

^ 0.1

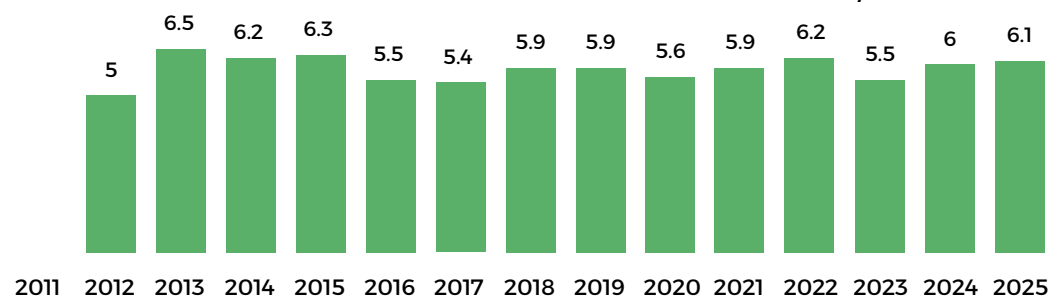
The manufacturing and energy sector has been growing for the second year in a row. After last year's increase of 0.5 points, an additional growth of 0.1 points was recorded in 2025, so the index value now stands at 6.1. Although a positive trend has been achieved in the last two years, the overall score remains low, indicating that there is significant room for improvement. This is also a signal to decision-makers to create conditions for a more attractive and competitive business environment in this sector through better coordination and cooperation with economic entities, which will enable the valorization of significant potential.

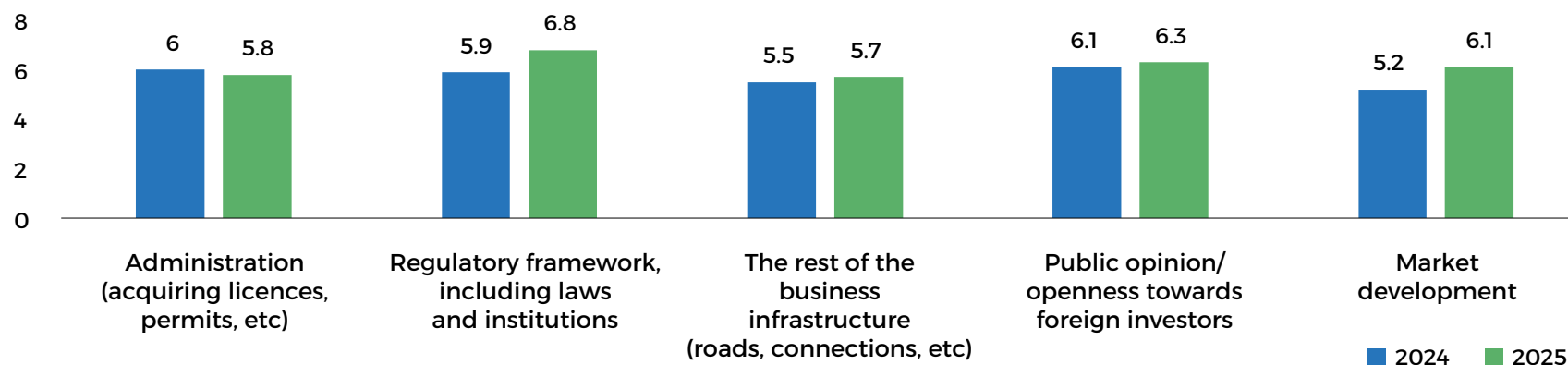
Looking at the factors that determine this index, their individual growth is noticeable. The most significant is the progress in the regulatory framework, as a result of important legal and strategic changes adopted in the previous period. Among them, the National Energy and Climate Policy Plan and the Law on Renewable Energy

Sources stand out, which provide greater legal certainty and clearer guidelines for business. In addition, the strengthening of institutions, stricter control of the implementation of regulations and the development of digital platforms for administrative procedures have contributed to the efficiency and trust in the regulatory framework.

A large increase was also recorded in the area of market development. This was influenced by measures aimed at improving business infrastructure and easier access to capital. Incentives for green investments, a larger offer of educational programs to strengthen the capacities of the economy, as well as the digitalization of processes, which enabled greater transparency and accessibility of information, stand out. Improved connectivity with European and international markets has additionally opened up new business opportunities, which investors have recognized as a strong signal of the development and resilience of the sector.

PRODUCTION / ENERGY





IN ADDITION TO THESE, THE COUNCIL'S MEMBER COMPANIES ALSO RECOGNIZED THE FOLLOWING FACTORS THAT DETERMINE THIS YEAR'S RATING:

Lack and insufficient availability of support for projects that promote green transition and energy efficiency;

Insufficient cooperation between local, but also national level institutions and business entities in the implementation of development projects in this sector;

Lack of financial resources and specific policies that would promote and support the modernization of existing technology;

Insufficiently developed awareness of environmental protection;

An underdeveloped education system that does not keep up with market needs, especially in the segment of modern technologies;

Insufficiently facilitated procedures for obtaining permits or concessions for energy or production projects;

Lack of tax breaks for exporters;

Lack of a clear strategy for improving the productivity of the Montenegrin economy.



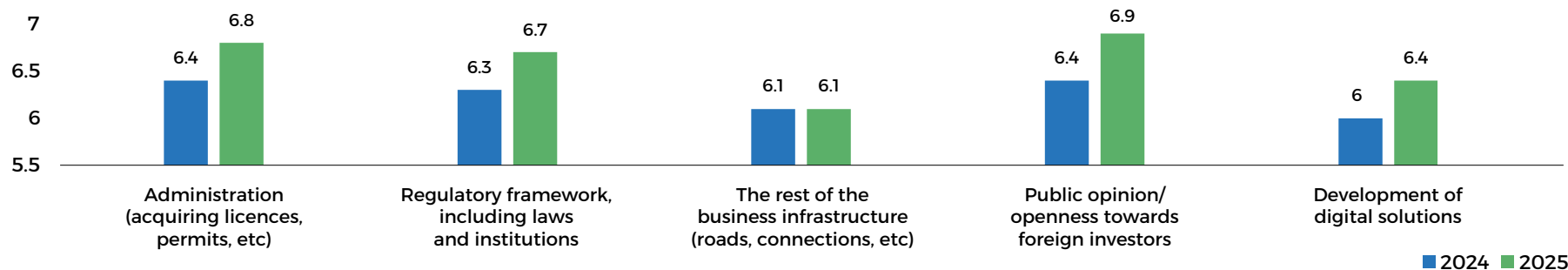
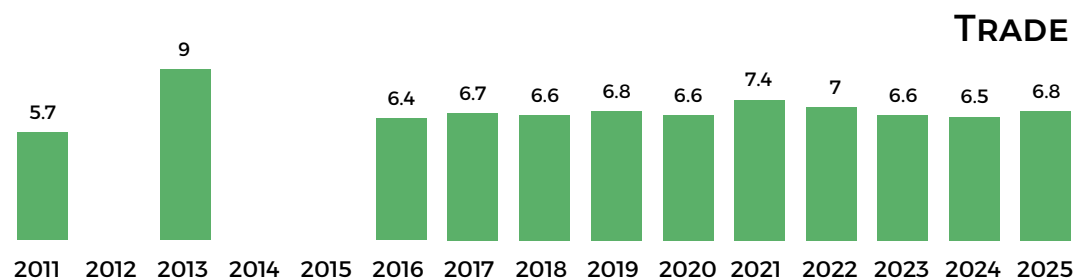
6.8
^ 0.3

4.2.5 TRADE

After a three-year decline, the index of the trade sector recorded growth.

In 2025, the trade sector index increased by 0.3 points and now stands at 6.8, indicating some improvements in this sector. However, the values recorded in previous surveys, especially during 2021 and 2022, were significantly higher, confirming that there are still a number of barriers that need to be removed to ensure sustainable growth of this index.

This year's growth was recorded in all factors, except for the stagnating business infrastructure. It is important to emphasize, however, that this is the perception of employers who do not come directly from the trade sector. This means that the general impression of the situation in trade indicates positive developments, but that for a more complete and realistic assessment, it is necessary to include the assessments of domestic companies operating within the sector itself.



**IN ADDITION TO THE ABOVE,
RESPONDENTS ALSO MENTION
THE FOLLOWING FACTORS:**

Insufficient efficiency of customs and border procedures for the movement of goods, which significantly slows down the growth potential of this sector;

Labor shortage, which affects the opportunities for growth and development of the sector;

Insufficiently developed system of antimonopoly policies and practices and insufficiently developed standards;

The existence of an informal economy that greatly complicates business and reduces the possibility of growth;

Selective work of inspection services that do not apply the same procedures and criteria to all economic entities;

Condition and capacity of road infrastructure.





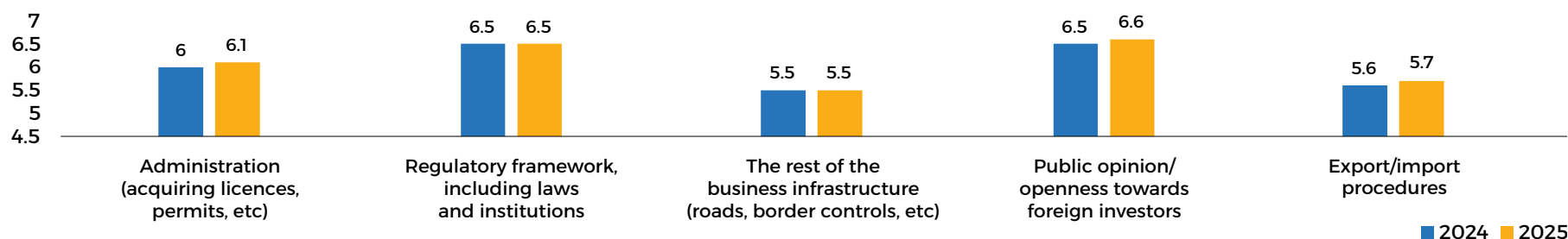
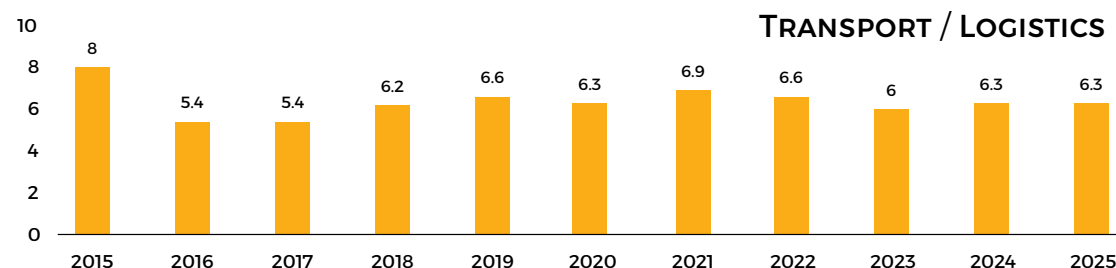
4.2.6 TRANSPORT / LOGISTICS

The last index that enters into the calculation of the overall ease of doing business rating refers to the transport and logistics sector.

The transport and logistics index score in 2025 is 6.3, indicating stagnation. The reasons for this result become clear when looking at the individual factors that determine the value of the index. Most of them show almost complete stagnation, while the low score of business infrastructure, which includes the road network, the state of border crossings and related segments crucial for smooth business operations, is particularly worrying.

These results show that poor transport infrastructure, limited capacity and outdated border standards continue to pose a serious burden on competitiveness. Additionally, complex and time-consuming import and export procedures remain a major obstacle for companies, slowing down trade flows and increasing operational costs.

The findings clearly indicate priority areas where urgent action is needed – modernizing transport and border infrastructure, accelerating and digitalizing customs and logistics procedures, and strengthening institutional capacities to ensure a more efficient flow of goods, people, and capital.



**RESPONDENTS CITE THE FOLLOWING
AS OTHER FACTORS THAT DETERMINE
THE SECTOR'S ASSESSMENT:**

Insufficiently developed road infrastructure and the need for further construction of a larger number of expressways and a network of motorways;

Better integration with regional and EU transport corridors is necessary;

Insufficient availability of multimodal logistics hubs and storage capacities;

Insufficiently developed delivery networks;

Lack and insufficiently developed human capital in this area;

Underdeveloped digital services, especially within public administration, coupled with a weak level of cooperation between domestic companies and state institutions;

The Port of Bar has significant capacities and potential, but they remain underutilized and insufficiently modernized.



4.3. ANALYSIS AND EVALUATION OF THE INDEX OF ECONOMIC PARAMETERS

In addition to assessing economic sectors in Montenegro, the methodology used in the White Book also includes an analysis of economic parameters that affect the ease of doing business in the country.



LABOR MARKET AND EMPLOYMENT ————— < 0.2 **5.4**



HUMAN CAPITAL ————— > 0.1 **5.6**



REAL ESTATE DEVELOPMENT ————— > 0.4 **6.0**



REGULATORY FRAMEWORK ————— **5.6**

THE FIRST YEAR OF
INDICATOR MEASUREMENT



PUBLIC ADMINISTRATION EFFICIENCY — **4.8**

THE FIRST YEAR OF
INDICATOR MEASUREMENT



TAXATION ————— < 0.1 **5.7**



INFORMAL ECONOMY ————— > 0.2 **5.3**



CORPORATE GOVERNANCE ————— > 0.5 **6.2**



RULE OF LAW ————— > 0.3 **5.3**



DIGITALIZATION OF PUBLIC SERVICES ——— = **5.0**



**REGULATIONS ON
PUBLIC-PRIVATE PARTNERSHIP** ————— > 0.1 **5.4**



PERSONAL DATA PROTECTION ————— > 0.3 **5.9**



PUBLIC PROCUREMENT ————— > 0.5 **5.9**



GREEN TRANSITION ————— > 0.5 **5.0**



INNOVATIONS AND TECHNOLOGY TRANSFER ——— **5.4**

THE FIRST YEAR OF
INDICATOR MEASUREMENT

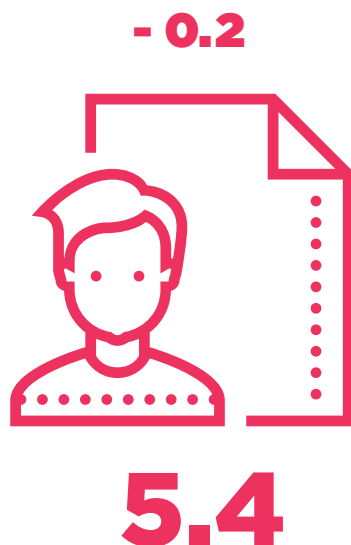


PARTICIPATION IN THE DECISION-MAKING PROCESS THROUGH MFIC ——— > 0.5 **6.6**



**PARTICIPATION IN THE DECISION-MAKING
PROCESS AS A COMPANY** ————— = **5.7**

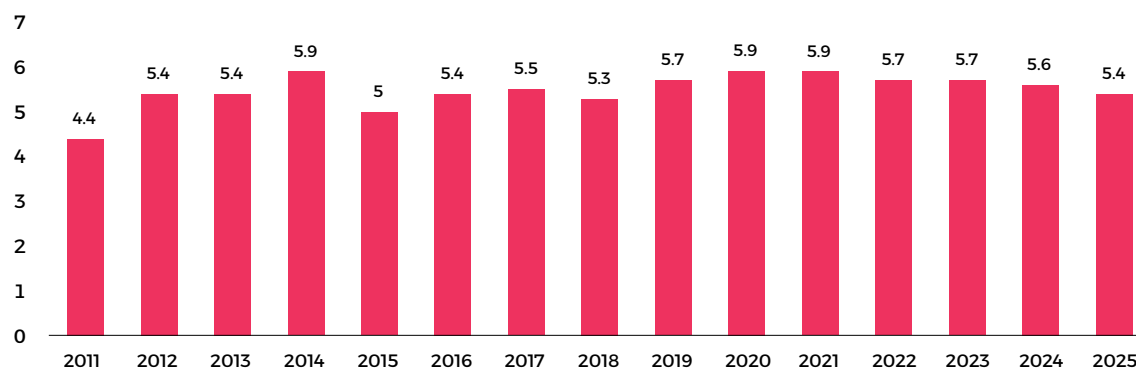
4.3.1 LABOR MARKET AND EMPLOYMENT

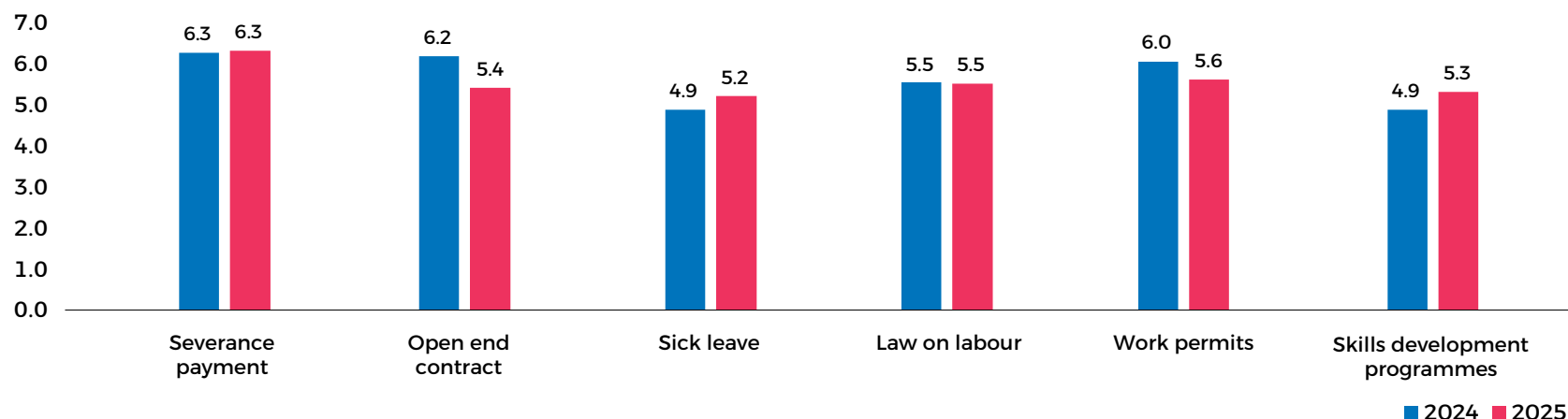


The Labor Market and Employment Index, which covers regulations related to employment relationships – including severance pay, sick leave, fixed-term contracts and other aspects – has been declining for the second year in a row. Its value in 2025 is 5.4, which is 0.2 points lower than the previous year, and also represents one of the lowest scores since the beginning of the measurement.

As in previous years, such a low score confirms that there are long-term systemic problems in this area that have not been overcome. Therefore, the recommendations and challenges identified in the first measurement cycles remain relevant today.

Among the factors that influence the final value of the labor market index, the ability to use sick leave continues to have the lowest score. However, some growth has been recorded in this indicator, indicating improvements in access to and management of sick leave.





On the other hand, a significant drop in ratings was recorded for factors related to fixed-term contracts and work permits. The decrease in ratings for fixed-term contracts can be linked to the amendments to the Labor Law from 2024, which reduced the maximum duration of these contracts from 36 to 24 months. When it comes to work permits, the drop in ratings reflects the complexity and restrictiveness of procedures, as well as frequent unannounced changes to the rules for employing foreign workers.

A slight positive trend was recorded in skills development programs. Employers recognize some progress in the availability and quality of educational and professional programs – such as training, workshops and courses – that enable employees to acquire new knowledge and practical skills. However, the overall low score still points to structural problems in this area.

EMPLOYERS ALSO RECOGNIZED THE FOLLOWING CHALLENGES:

The necessity of harmonizing the Labor Law with international standards;

Improving the system by creating clear and transparent regulations and procedures for issuing work permits;

Insufficient efficiency of active employment policy measures, as well as their insufficient alignment with labor market needs;

Insufficiently promoted and developed system of hybrid work and work from home;

Insufficiently developed cooperation between the private and public sectors in promoting the real economy;

Pronounced competition of the public sector in the field of employment.

4.3.2 HUMAN CAPITAL

+ 0.1

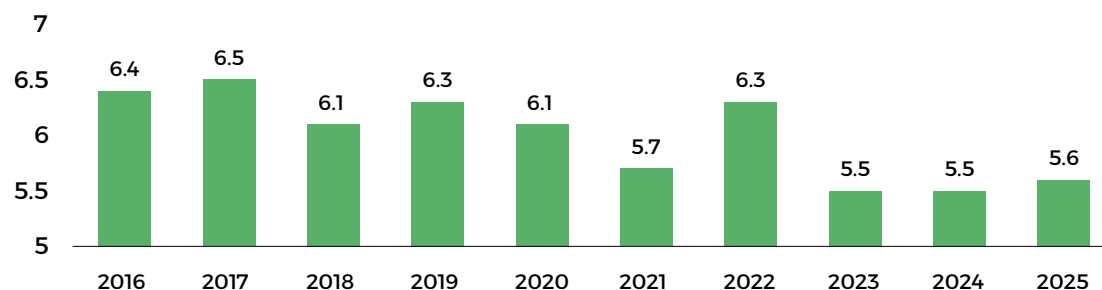


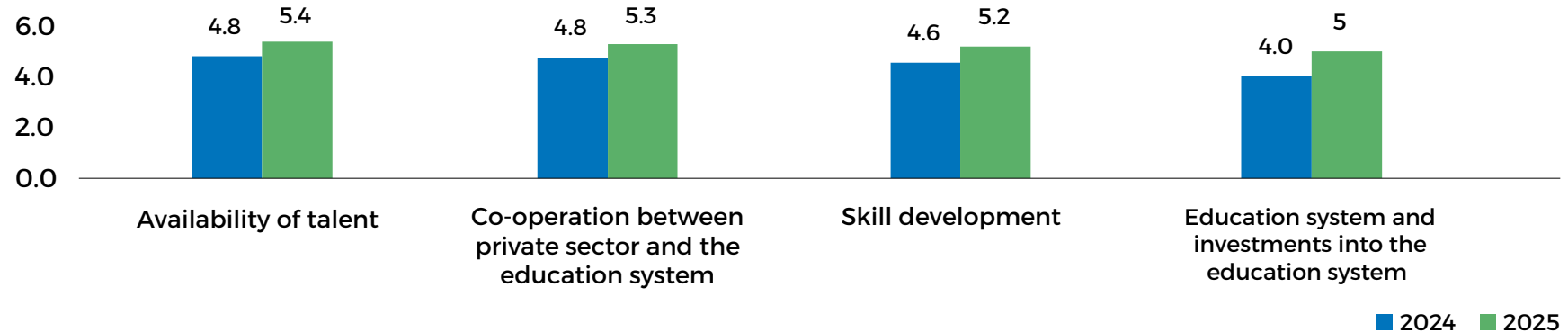
5.6

Human capital plays a crucial role in shaping the business environment of any country, as its availability and quality are one of the key prerequi-

sites for a strong and stable economy. This index covers the availability and level of investment in talent, cooperation between the private sector and educational institutions, as well as other relevant aspects, and occupies an important place in the research. After a drop of 0.8 points in 2023 and stagnation during 2024, a slight increase was recorded in 2025 and the index value now stands at 5.6.

The factors that determine the human capital index have recorded some growth this year, which is an important signal that companies are starting to recognize positive trends in the labor market. However, despite this progress, the overall scores remain extremely low. Such results send a clear message to decision-makers that it is necessary to invest significantly more effort and resources in addressing these challenges. The quality and dynamism of the labor market remain crucial for the sustainable and competitive economic development of the country and require a strategic, long-term focused approach.





RESPONDENTS ALSO IDENTIFIED THE MAIN CHALLENGES IN THE AREA OF HUMAN CAPITAL DEVELOPMENT:

Lack of talent development due to lack of constructive cooperation between the educational system and the private sector;

Insufficient alignment of the education system with the needs of the labour market, i.e. imbalance between educational outcomes and labour market needs, especially in the domain of technical and digital skills;

Lack of curriculum for specific areas, especially in terms of modern technologies;

Insufficiently rapid reforms in the education system that do not follow the needs of the economy, especially in the segment digital skills;

Migration of young professionals;

Market conditions significantly complicate retaining and motivating qualified personnel in a small and competitive market;

Lack of workforce with the necessary knowledge and skills needed during the season in tourist centres;

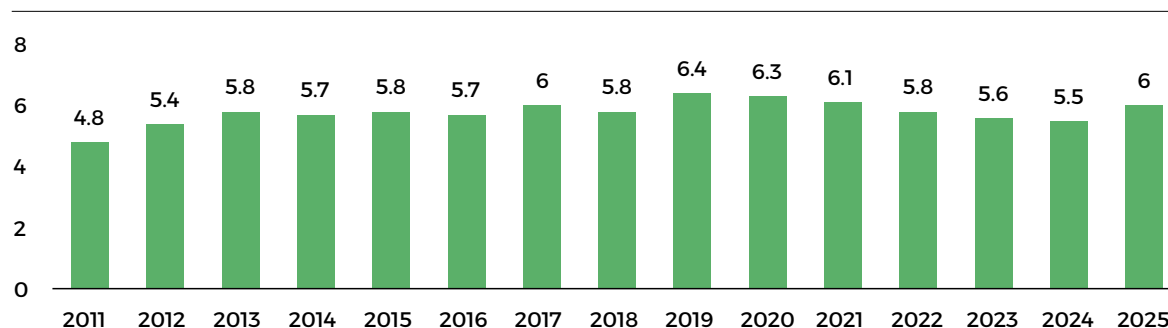
Widespread inequality in access to education, conditioned by place of residence, limits the development of a highly skilled workforce and reduces overall labour productivity in Montenegro.

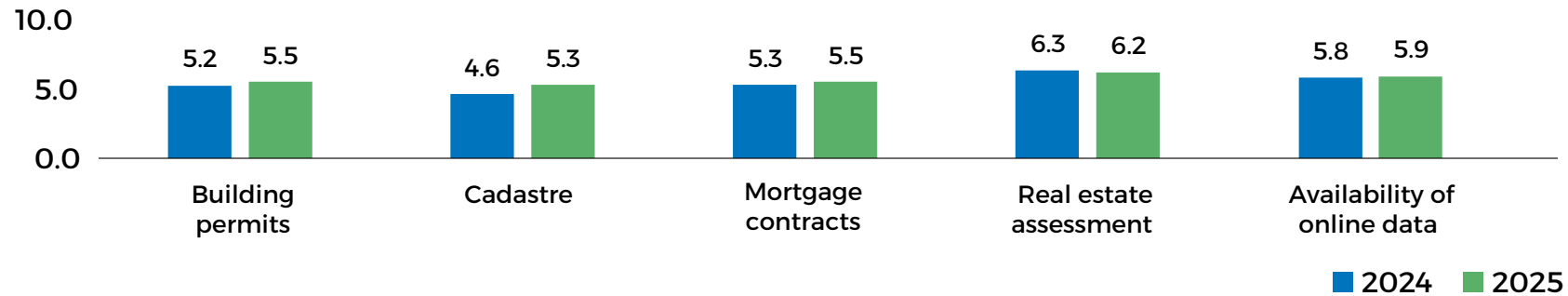
4.3.3 REAL ESTATE DEVELOPMENT



The third index in this segment relates to real estate development and includes procedures for issuing construction permits, registration processes, cadastre operations, mortgage contract execution and related aspects. After five years of negative trends, 2025 saw the first increase – by 0.5 points – and the score now stands at 6.0.

Building permits, cadastre, mortgage contracts and online data availability all recorded positive developments in 2025, which is an encouraging sign of progress in this segment of real estate development. The growth is the result of several key factors: improved digitalization of administrative processes, which enabled faster and more transparent processing of requests, integration of information systems of cadastre and construction services, and greater availability of data via online platforms. In addition, the implementation of legal and regulatory measures aimed at simplifying procedures and reducing bureaucratic barriers contributed to more efficient issuing of permits and keeping records of real estate.





Employers have recognized the above positive changes, indicating some progress in the efficiency and transparency of the real estate system. However, the overall scores remain low, clearly demonstrating the presence of long-standing challenges related to the complexity of procedures, limited administrative capacity and technical limitations of digital solutions. Therefore, there is an evident need for continued reforms, continued investments in modernization and strengthening of institutions, in order to fully utilize the potential of the sector and its important role in supporting the economic development of Montenegro.

RESPONDENTS LISTED THE FOLLOWING AS ADDITIONAL FACTORS AND CHALLENGES INFLUENCING THE DEVELOPMENT OF THE INDEX:

Non-transparent decision-making and insufficient predictable policies related to urban planning;

Non-transparent adoption of the Spatial Plan, as well as spatial plans for certain local governments;

Lack of a strategic approach, strategic documents and policies necessary for clear coordination of all measures and activities bearers decision;

Non-existence of an online real estate register in the north of Montenegro makes it difficult to assess investments;

The absence of an officially available inventory of the complete infrastructure (roads, real estate, etc.), or a unified information system regulated by the Law on Planning and Construction, although the relevant Ministry possesses it;

Non-unified and very long process of obtaining permits to start or perform activities in certain sectors (tourism, manufacturing, energy, etc.);

Insufficiently efficient administration;

Insufficiently developed waste management policies at the state level (strategic management) as well as insufficiently developed awareness of the need for selective waste separation;

Insufficient concern for environmental protection, both from the economy and from citizens.

4.3.4 REGULATORY FRAMEWORK

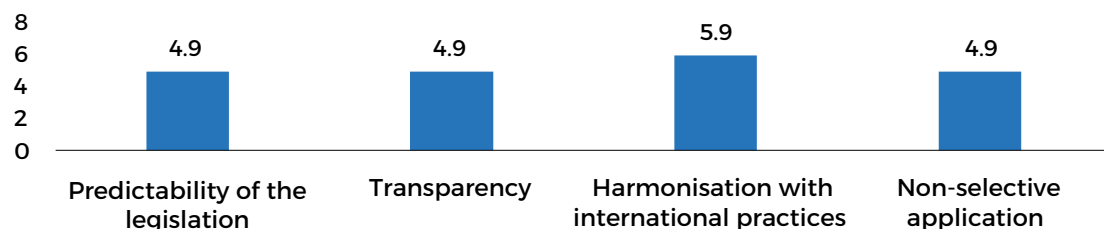


5.6

The new index introduced in 2025 refers to the regulatory framework and assesses its predictability, transparency and compliance with international standards and practices. The achieved value of 5.6 indicates significant room for im-

provement, especially in terms of strengthening regulatory stability and alignment with international best practices, in order to create a more favorable business environment and encourage sustainable economic development.

Three of the four factors that determine the final score have an extremely low value of 4.9 – these are predictability of legislation, transparency and non-selective application of laws. The only indicator with a score above 5 is harmonisation with international practices, which is 5.9. Such results clearly reflect employers' dissatisfaction with the progress made so far, especially in terms of the stability of the legislative framework and transparency. A strong message is once again sent that the market requires greater predictability and openness, while ad hoc decision-making continues to have direct negative consequences for the business environment. In addition, dissatisfaction with the pace of harmonisation of domestic legislation with international standards remains an important challenge for further improvements in the business climate.



OTHER FACTORS THAT INFLUENCE THE LEVEL OF ASSESSMENT OF THE REGULATORY FRAMEWORK INCLUDE:

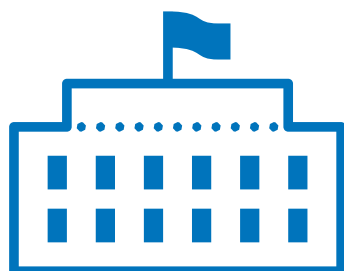
Although the EU accession process implies harmonization of legislation with European rules, a particular challenge in Montenegro is the inconsistent implementation of already adopted legal solutions;

Very frequent changes to legislation, most often without the involvement of interested parties, especially when members of Parliament directly propose changes to certain solutions;

Untimeliness and inconsistency in the adoption of by-laws;

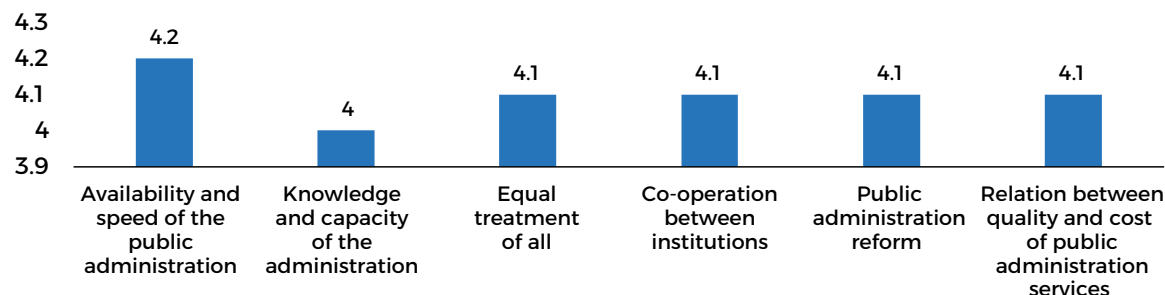
Insufficiently developed institutional capacities, especially in the segment of interpretation and implementation of legal solutions.

4.3.5 EFFICIENCY OF PUBLIC ADMINISTRATION



4.8

The efficiency of public administration is one of the key factors for creating a favourable business environment and stimulating economic development. For this reason, a new index was introduced in 2025 to assess the work of public administration through the functioning of institutions, the level of efficiency, equal access to all users and



implemented reforms. This indicator provides insight into the quality of the administration's work in terms of speed and transparency of services, consistency in the application of rules and compliance with modern standards and practices. In 2025, the index value is 4.8, which clearly indicates a low level of efficiency and identifies areas where additional action is necessary to improve the quality of public services. This year's results reveal serious challenges: extremely low scores were given to knowledge and capacity of the administration (4.0), quality of services, public administration costs, implementation of reforms, inter-institutional cooperation and equal treat-

ment of users (4.1), while the indicator of availability and speed of services was rated at only 4.2. These data send a strong message about the need for urgent action. It is necessary to improve access to services for citizens and businesses, increase the transparency and predictability of the work of institutions, introduce innovative digital solutions and ensure equal access for all users. It is also crucial to accelerate the alignment of domestic procedures and legislation with international standards, in order to strengthen trust in institutions and create a more stable legal framework that supports the long-term economic development and European integration of Montenegro.

OTHER FACTORS THAT INFLUENCE THE VERY LOW SCORE IN THIS AREA INCLUDE:

The slowness and insufficient efficiency of the public administration in the part of resolving the requests of the business community;

Frequent lack of institutional memory due to frequent political influences on the administration itself;

Insufficient expertise of public administration employees leads to different interpretations of legal provisions by the administration for the same procedures;

Insufficient focus of employees on meeting the needs of end users, i.e. citizens;

Insufficiently developed electronic administration services, which additionally slows down the process of obtaining certain documents, licenses, etc.;

Lack of a system for assessing the competencies, quality of work and achieved results of employees in the public sector.

4.3.6 TAXATION

- 0.1

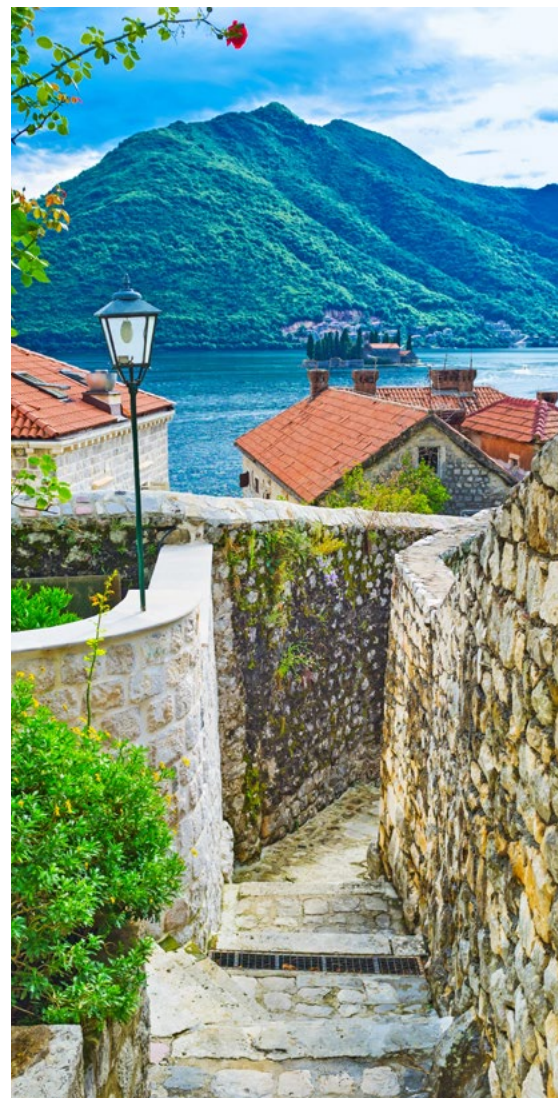
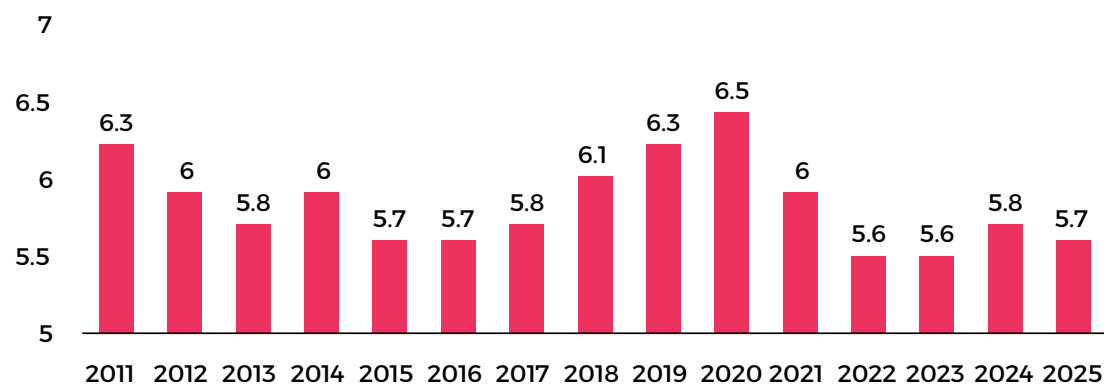


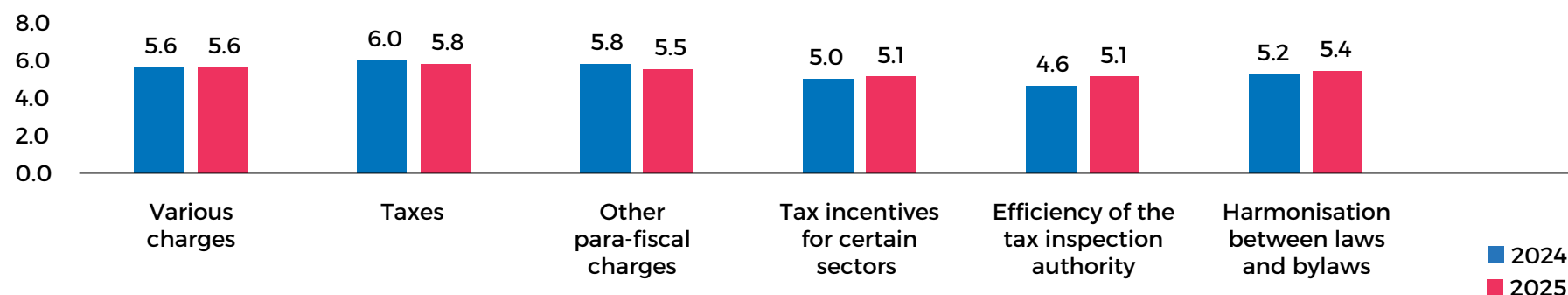
5.7

Taxation encompasses the assessment of various fees, taxes, and levies, as well as overall compliance and transparency in the payment or avoidance of taxes.

Although in previous years the taxation sector recorded a decline or stagnation with low results, some growth was recorded in 2024. However, due to frequent changes and lack of transparency, during 2025 this index recorded a decline again by 0.1 points, so its value now stands at 5.7.

An analysis of the factors that shaped the final value shows that the scores remain low, with no significant changes compared to the previous year. Through these results, employers clearly indicate significant room for improvement and emphasize the need for continuous reforms. Tax policy in this context has a dual role - it is crucial for both the economic development of the market and for attracting new foreign investments.





The main challenges include insufficient efficiency of tax inspection, lack of tax incentives for certain sectors and limited harmonisation of the legal and regulatory framework. Investors continue to assess certain decisions related to taxes and para-fiscal levies as unfavorable, which has negative implications for the business environment. This situation confirms the need for a more consistent tax policy, greater predictability and measures that would improve the business climate and make the market more attractive for new investments.

AMONG OTHER FACTORS AND PROBLEMS THAT NEGATIVELY AFFECT THE LOW RATING OF THIS INDEX, RESPONDENTS RECOGNIZED:

Frequent changes in legislation, introduction of new burdens and increased changing existing ones without consulting the business community;

Non-transparent adoption of legal solutions, and low involvement in the decision-making process;

Inconsistent interpretation of legal regulations by civil servants and the judicial system, leading to unclear and complicated implementation of the law;

Insufficient efficiency of state authorities in solving company requests, which slows down the business process;

Insufficient acceptance of online services, especially due to the fact that certain documents still have to be submitted in paper form;

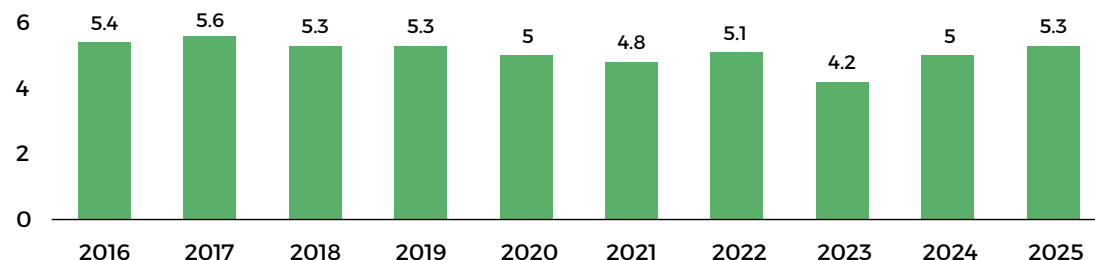
Insufficient representation and existence of subsidies for innovation and development.

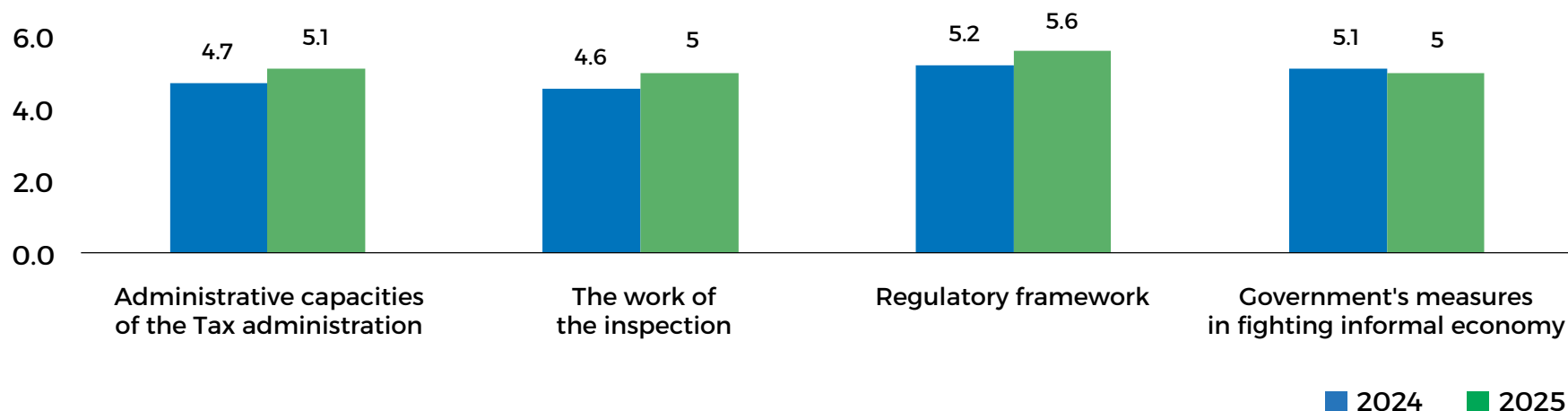
4.3.7 INFORMAL ECONOMY



The informal economy remains one of the main problems of the business environment in Montenegro. After a significant drop in the index value during 2023, in 2025 an increase of 0.3 points was recorded, so its current value is 5.3.

Looking at the factors that influence the assessment of this index, a slight improvement is noticeable compared to the previous year, but the results still indicate the need for significant improvements. Employers particularly emphasize the shortcomings in administrative capacities and the work of inspection services, which remains one of the key constraints in the fight against the informal economy. Although some improvements have been recorded in the regulatory framework, the implementation of Government measures is still not at a satisfactory level, and this year a slight negative trend has been recorded. Such developments confirm the importance of more consistent implementation of policies and strengthening institutional capacities, in order to create conditions for a more sustainable and transparent economic system.





AS THE REMAINING CHALLENGES AND MAIN OBSTACLES FOR THE DEVELOPMENT OF THIS AREA, THE INTERVIEWEES STATED:

Inspections in certain areas and beyond do not provide sufficient quality of supervision and have selective application of legal solutions;

Lack of measures to combat unregistered entities, given that current measures focus predominantly on controlling registered entities, while there are no controls for entities that are completely outside the legal framework;

Increased tax and other rates lead to a growing level of the informal economy;

The implementation of certain laws is inconsistent, which significantly deepens the problem of the informal economy;

Incentives for business formalization are weak and insufficiently effective;

Absence of control mechanisms and non-compliance with penal policy;

Lack of awareness about paying taxes as everyone's obligation;

Insufficient education and lack of promotional campaigns aimed at understanding the importance of paying tax obligations;

Insufficiently developed digital solutions that would facilitate business operations, reduce costs, and thus increase formalization.

4.3.8 CORPORATE GOVERNANCE



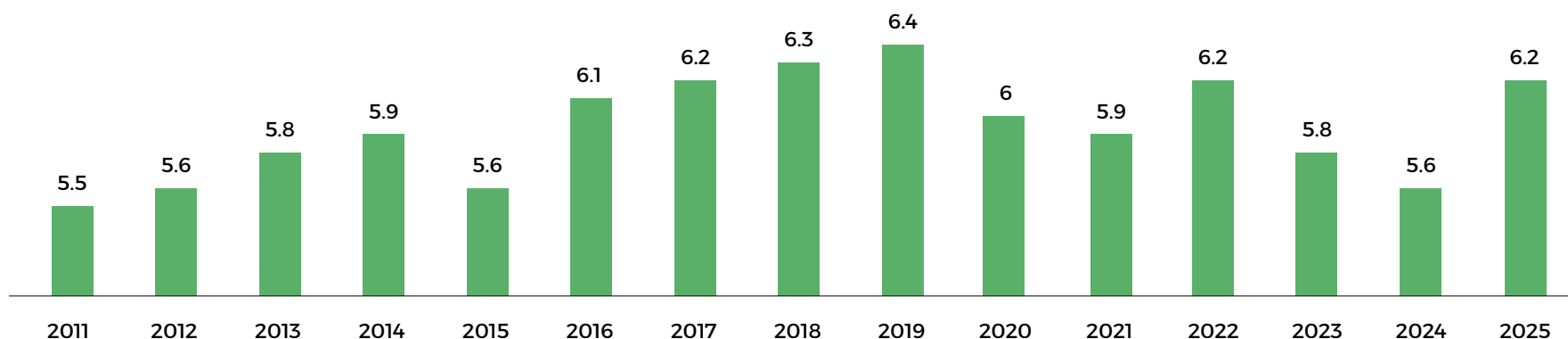
The Corporate Governance Index includes segments related to financial statements, bankruptcy regulations, as well as the harmonisation of VAT with EU auditing standards and practices.

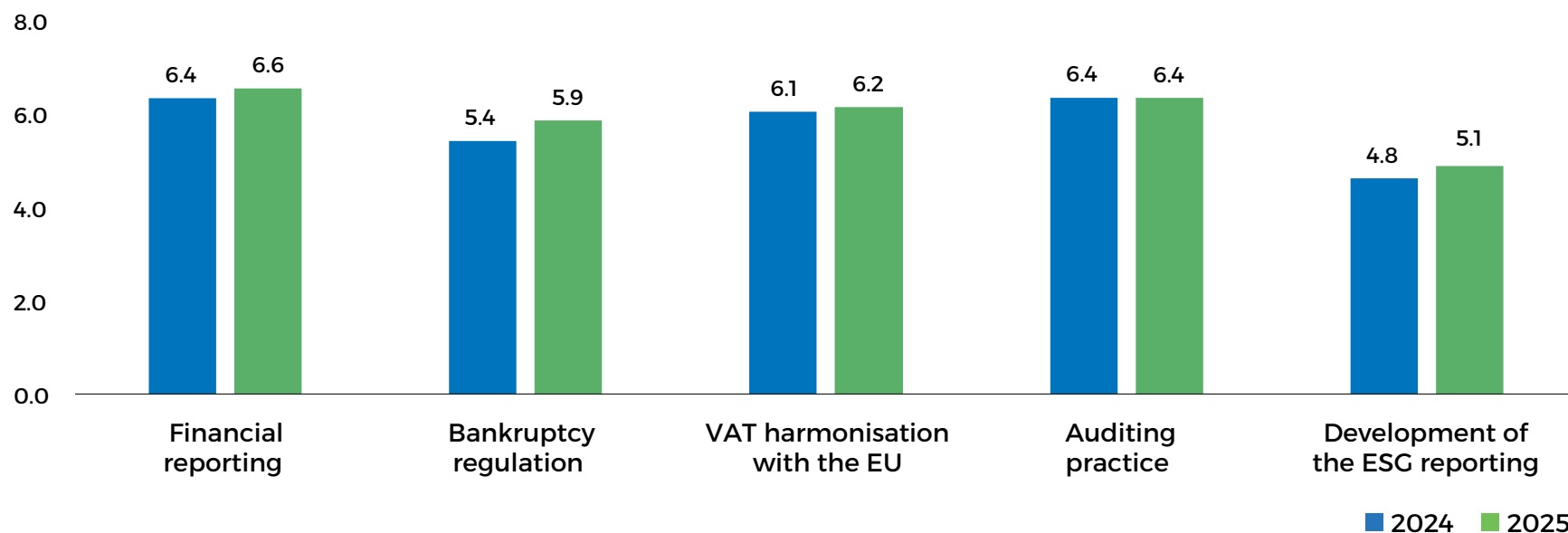
After a decline in the previous two years, the value of the corporate governance index in 2025 increased by 0.6 points and amounted to 6.2, equaling the result from 2022.

Within the factors shaping this index, respondents still rated the progress in the development of ESG reporting the lowest, recognizing it as an area that requires additional attention and investment. On the other hand, improvements were recorded in bankruptcy regulations and the harmonisation of VAT regulations with European Union standards, which is interpreted as a step towards greater transparency and predictability of the business environment. These improvements are the result of harmonisation with EU directives and legislative initiatives adopted

during the previous year, which brought greater legal clarity and reduced regulatory obstacles for business entities. The establishment of more efficient mechanisms in bankruptcy proceedings contributed to better protection of creditors' rights and faster resolution of insolvency, while the harmonisation of VAT regulations facilitated trade relations within the single European market.

Auditing practices remained stable, while financial reporting continued to be recognized as an area with the highest standards, confirming its key role in strengthening investor confidence and preserving market discipline. The overall growth of the corporate governance index reflects positive developments in the regulatory framework, but still points to significant challenges, especially in aligning with international best practices and advancing ESG reporting as a key component of modern corporate responsibility.





OTHER ACCOMPANYING FACTORS AND PROBLEMS IN THE AREA OF CORPORATE GOVERNANCE INCLUDE:

The need for more intensive awareness-raising and capacity-building for ESG management;

Insufficiently transparent and consistent interpretation of legal norms in this area by state services;

Insufficiently professionalised management of public enterprises significantly limits the development of market competitiveness and reduces the overall efficiency of the economic system;

Insufficiently efficient administration that slows down business activities to a great extent;

Insufficiently developed awareness of financial reporting and its presentation on stock exchanges;

Insufficient transparency in transactions with related parties and insufficiently developed conflict of interest disclosure system;

Great inconsistency in the interpretation of VAT regulations by local administrations.

4.3.9 RULE OF LAW

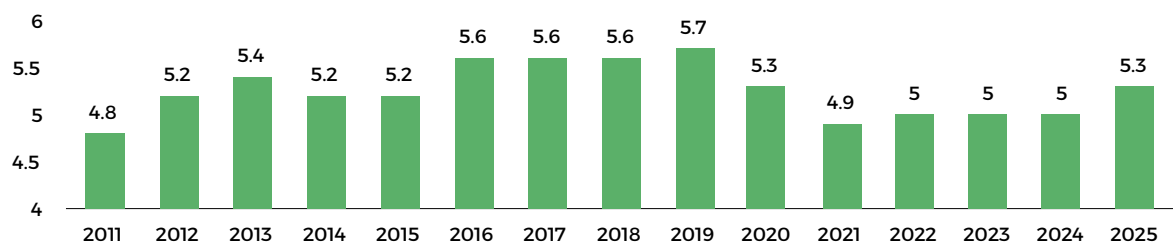


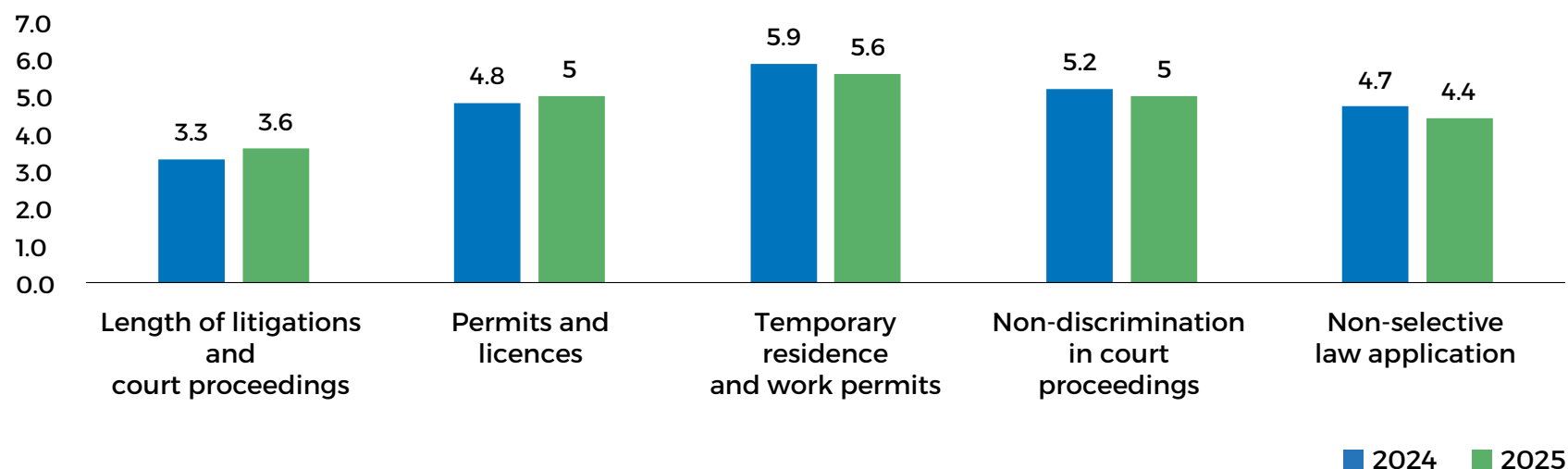
The rule of law index in this research covers the duration of commercial disputes and court proceedings, the issuance of permits and licenses, residence and work permits, and other related

aspects. After three years of stagnation, in 2025 the value of this index recorded an increase and amounted to 5.3. Obtaining the IBAR and certain positive steps in reforms contributed to investors recognizing a slight improvement in this area. However, it is clear that numerous problems still remain, which indicates the need for further, systemic improvements.

Employers noted a slight improvement in the length of litigation, which is a positive development, but this factor still remains the lowest rated in the entire survey, clearly indicating the need for urgent improvements in the justice system.

At the same time, three key factors - temporary residence and work permits, non-discrimination in court proceedings and non-selective application of the law - are declining. This indicates that, although the improvement of the legislative framework has been recognized through the receipt of the IBAR, problems in its implementation remain significant. Such a situation directly affects the reduction of the attractiveness of the investment and business environment of Montenegro.





THE FOLLOWING ARE LISTED AS OTHER FACTORS THAT INFLUENCE THE EVALUATION OF THIS INDEX:

Insufficient transparency and independence in the work of judicial bodies;

Lack of personnel capacity in the system significantly slows down the entire processes and reform;

Large discrepancies in the interpretation of legal solutions by state, local services and judicial bodies, which creates major problems for business entities;

The need to improve anti-corruption measures and their non-selective application;

Improvement of enforceability of court decisions and thus improve the legal protection of investments;

Improved access to legal aid.

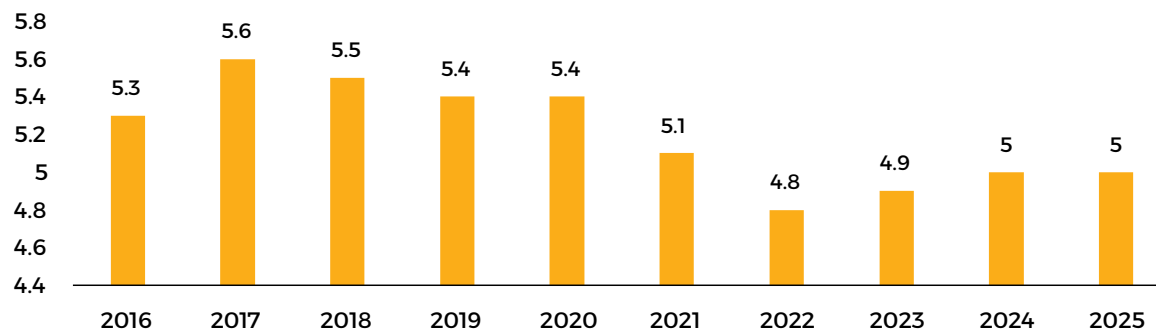
4.3.10 DIGITIZATION OF PUBLIC SERVICES

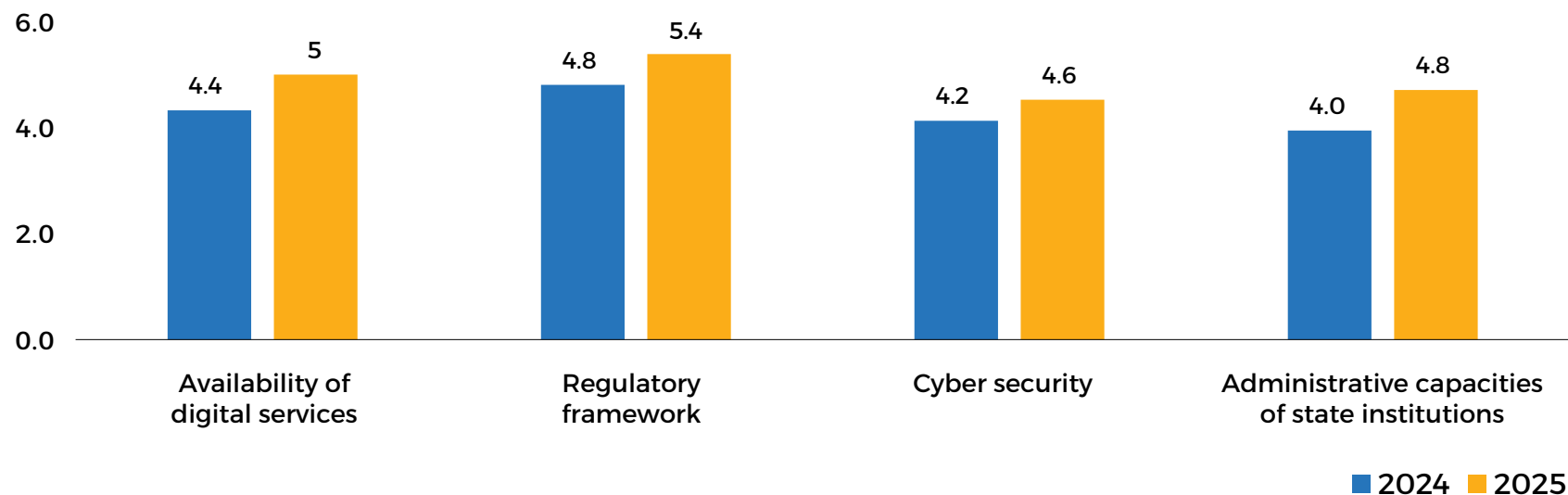


After two years of moderate growth, the digitalization index of public services in 2025 recorded stagnation and was rated at 5.0. The results show some progress in the previous period, but

it is clear that digitalization still remains an area where additional efforts are needed to provide the economy and investors with a fast, efficient and fully digitalized public administration. Only in this way can business costs be reduced, the competitiveness of the business environment increased, and the risks of delays and selective application of legal solutions be reduced.

Although the overall value of the index stagnates in 2025, the analysis of individual factors shows a slight positive trend. However, the ratings of these factors still remain at a low level. The results indicate that employers recognize certain improvements, but at the same time expect a significantly more intense pace of change in order for the digitalization of public services to reach the standards of developed countries. Since all the rated factors have very similar values, no significant deviation was recorded that would indicate particularly pronounced progress or lagging behind in any segment.





THE MAIN SHORTCOMINGS AND CHALLENGES IN THIS AREA, IDENTIFIED THROUGH RESEARCH, ARE:

Limited integration between institutions and disconnected systems within the state apparatus;

Disconnection of state databases;

Insufficient accessibility – especially for users in rural areas – continues to pose a significant challenge that slows down the full potential of the digital transformation of public services;

Insufficient development of digital services and their weak connection;

Continuation of the obligation to submit paper documentation;

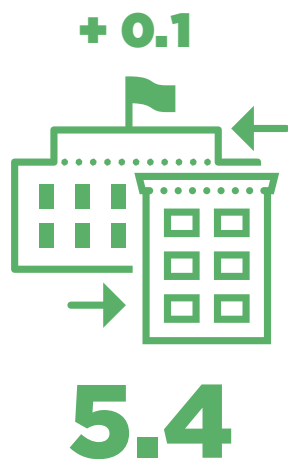
Inconsistent quality of services and insufficient number of digital services;

Lack of computer literacy among the general public;

Underdeveloped digital infrastructure by state institutions, which do not invest enough funds in its development;

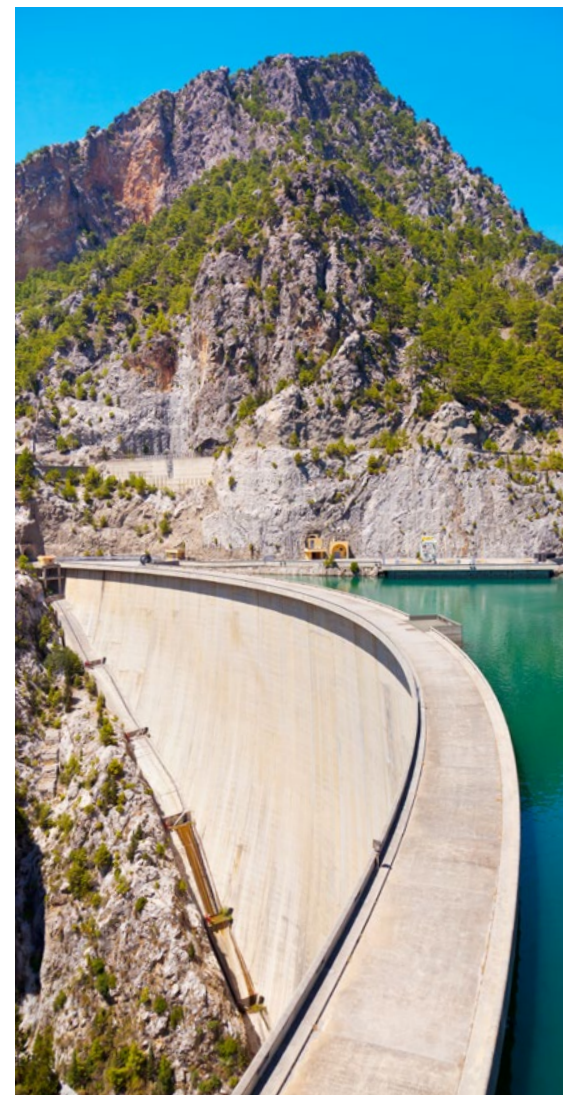
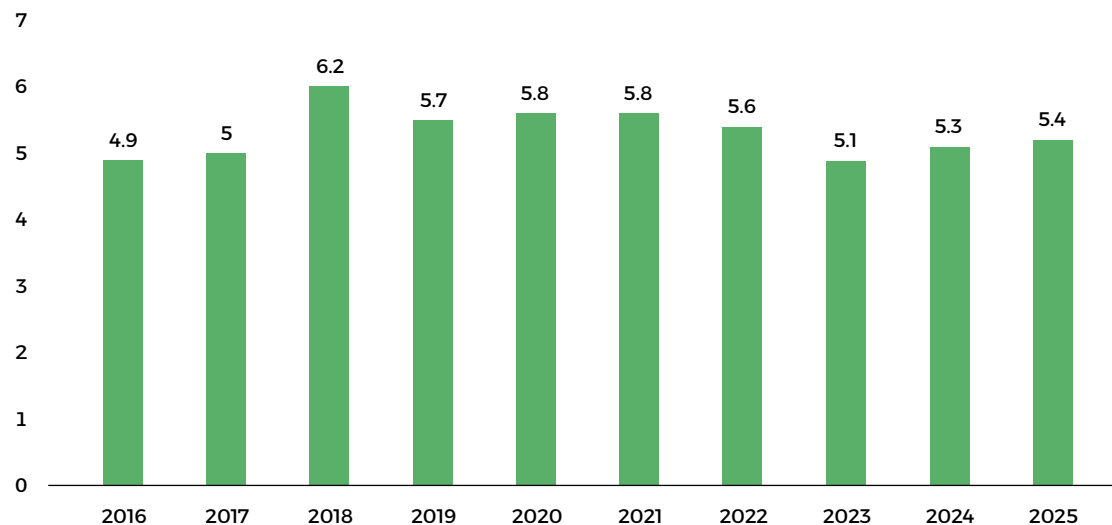
Poor cybersecurity.

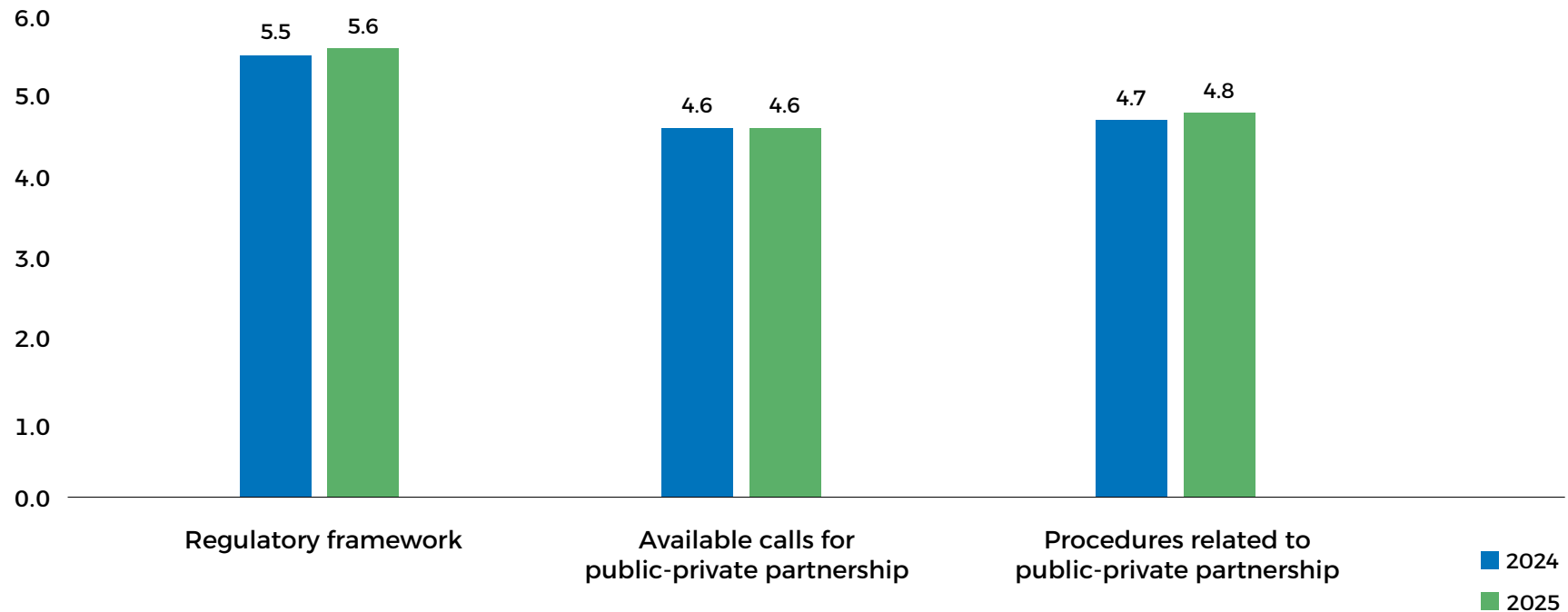
4.3.11 REGULATIONS ON PUBLIC-PRIVATE PARTNERSHIP



The index that measures satisfaction with regulations in the field of public-private partnerships has been growing for the second year in a row. In 2025, the rating increased by 0.1 points, to 5.4, but despite the slight growth, it remains low.

In the analysis of the factors that influence the rating of this index, it is visible that the results have remained almost unchanged, which shows that employers do not notice significant progress in this sector. Low values of ratings for individual components indicate expectations that in the coming period not only the legal framework, but also the associated procedures, as well as the availability of calls for public-private partnership projects, will be improved.





AS THE MAIN CHALLENGES AND PROBLEMS IN THE DEVELOPMENT OF THIS AREA, THE RESPONDENTS IN THIS YEAR'S SURVEY HIGHLIGHTED THE FOLLOWING:

Insufficiently transparent processes;
Complicated and somewhat unclear procedures;
Insufficiently trained staff who should lead these processes;

Lack of standardized risk sharing frameworks;
Limited number of calls for engagement;

Underdeveloped digital services, which slow down the process of increasing efficiency and transparency of processes.

4.3.12 PROTECTION OF PERSONAL DATA

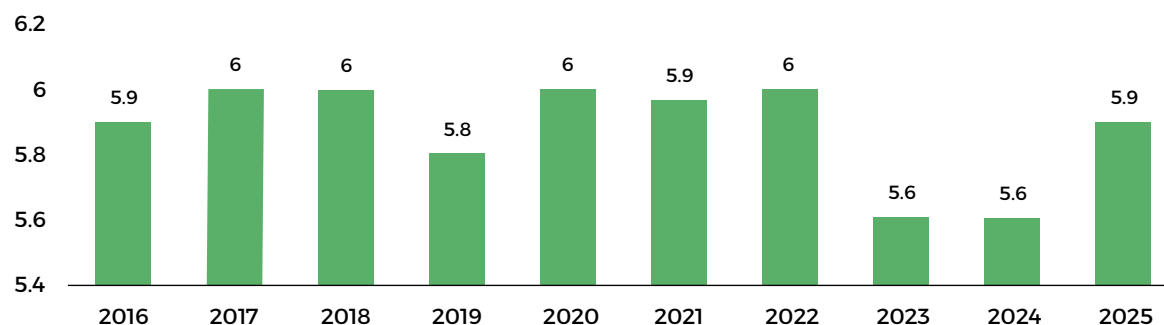
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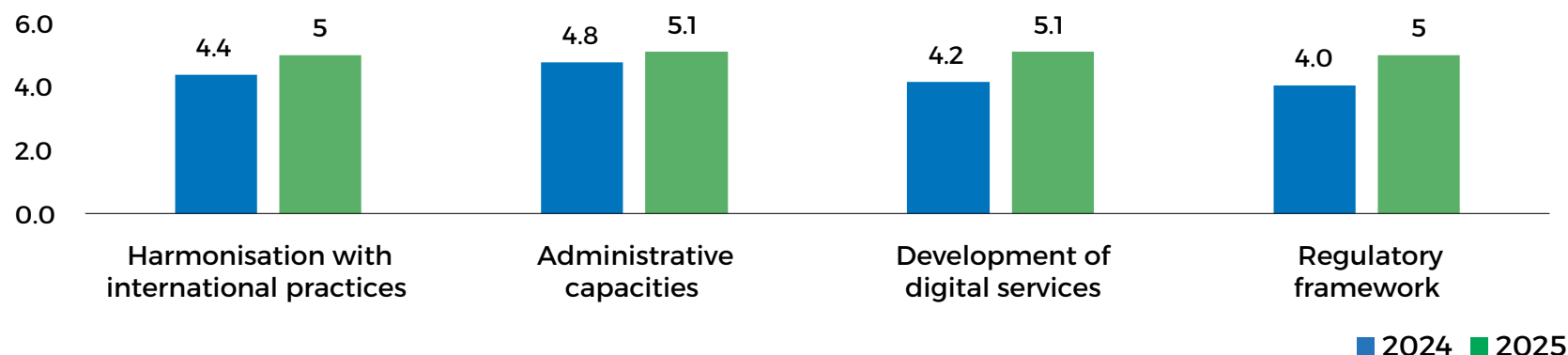


5.9

The Personal Data Protection Index is among the indicators that recorded growth in 2025. Its value now stands at 5.9, representing an increase of 0.3 points. This result is particularly significant considering that after a decline in 2023 and a period of stagnation in 2024, there was a visible improvement in 2025.

The factor that contributed most to the growth of the index is the significant improvement of the regulatory framework and greater compliance with international practices, which resulted in better clarity and efficiency of legal regulations. In July 2024, amendments to the Personal Data Protection Act were adopted, which further aligned domestic legislation with the GDPR regulations of the European Union. The start of their implementation in practice has significantly improved the regulatory framework, bringing greater clarity, efficiency and compliance with international standards. At the same time, these changes reflect the growing awareness among business





entities and regulatory authorities of the importance of personal data protection, especially in the context of growing cyber threats and the need for harmonization with European norms.

Additionally, the development and implementation of digital services for personal data protection - including educational tools and monitoring systems - have improved the capacity to implement regulations and monitor their effectiveness.

THE INTERVIEWEES RECOGNIZED THE FOLLOWING AS THE MAIN CHALLENGES AND PROBLEMS IN THE DEVELOPMENT OF THIS AREA:

Incomplete compliance with GDPR and international standards, which significantly slows down the development of the field;

Low level of public trust when it comes to data handling;

High risk in the area of cybersecurity, which reduces trust in the protection of personal data;

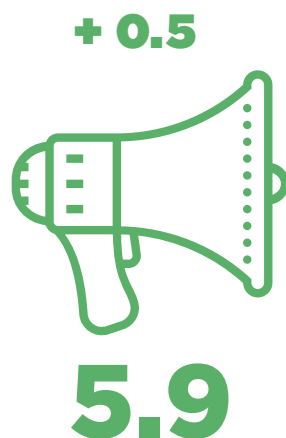
Lack of administrative capacity and skills among civil servants in applying international practices, as well as lack of actual practice in personal data protection;

Insufficient knowledge and understanding of the correct definition and understanding of the concept of personal data protection;

Low level of consciousness, lack of information and knowledge of companies and institutions about the requirements in this area, as well as insufficiently developed capacities of institutions to monitor the entire process;

The lack of institutional connectivity leads to complicated/duplicated procedures and slows down the process.

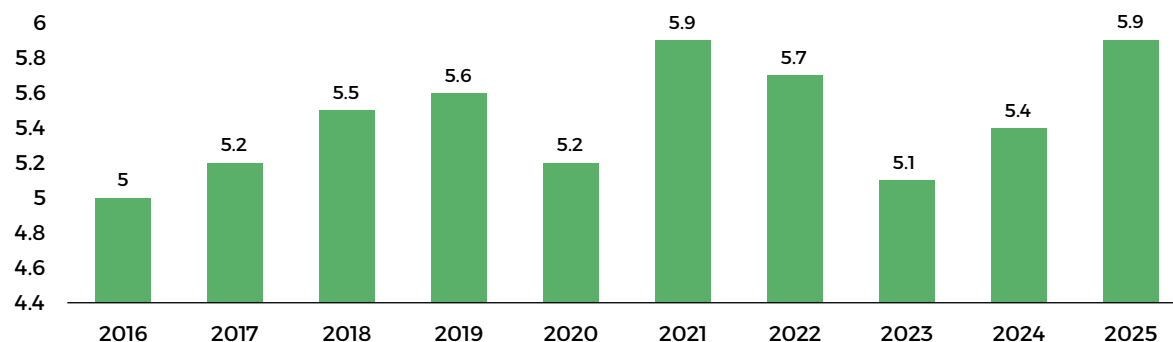
4.3.13 PUBLIC PROCUREMENT

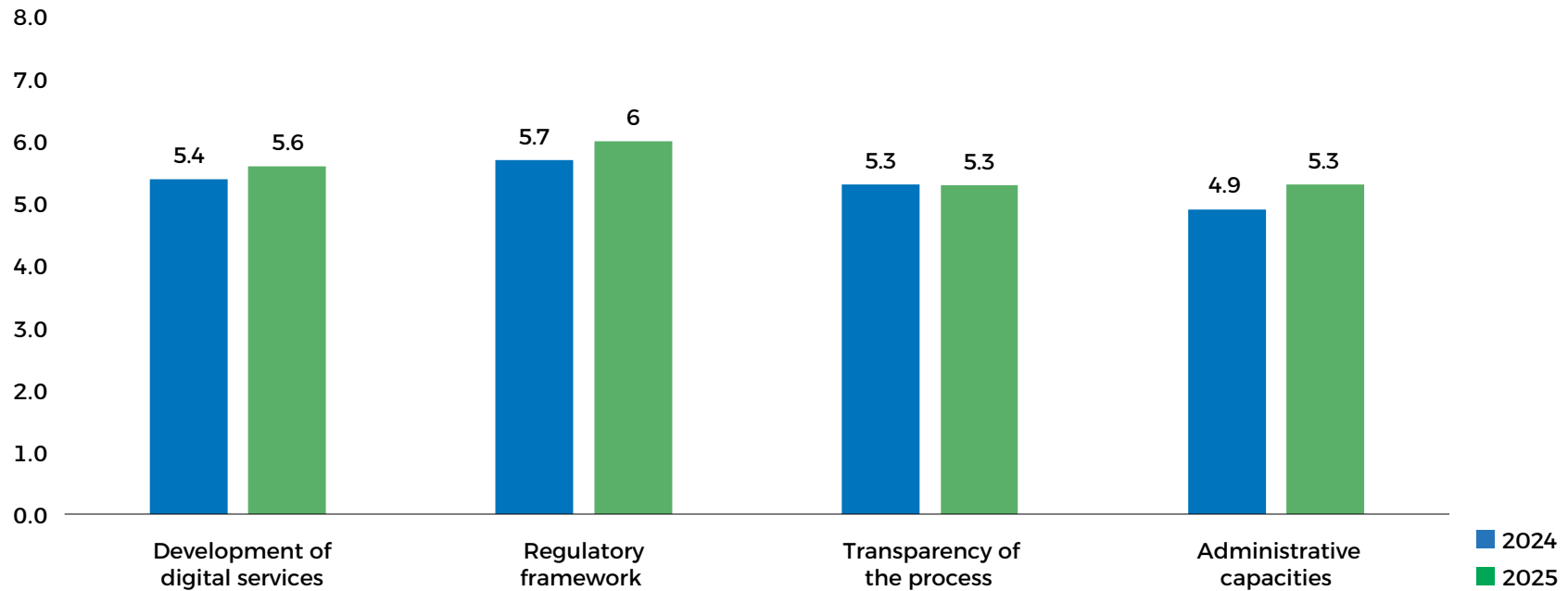


After the reforms that led to the closure of the public procurement negotiation chapter, businesspeople also recognized progress in this area, resulting in an increase in the index, which reached 5.9 in 2025, recording an increase of 0.5 points compared to the previous year.

Following the reforms that led to the closure of the negotiating chapter on public procurement, businesspeople have also recognized progress in this area. The index for 2025 is 5.9, which represents an increase of 0.5 points compared to the previous year.

All factors shaping this area recorded growth, except for transparency, whose rating remained unchanged. During 2024 and early 2025, numerous initiatives and improvements in practice were implemented – the Code of Ethics in Public Procurement was adopted, the anti-corruption framework was strengthened, and digital services were further developed and improved to enable easier access to information and more efficient application of regulations. Although these measures contribute to the efficiency of the system and create the conditions for greater transparency, investors have not yet recognized concrete results in this segment.





Overall scores continue to range from 5.3 to 6.0, indicating significant challenges – primarily in terms of full transparency of the process and limited administrative capacity. Therefore, further reforms, institutional improvements and capacity building are necessary to ensure greater and sustainable progress in the public procurement system.

AS THE MAIN OBSTACLES AND CHALLENGES IN PUBLIC PROCUREMENT IN MONTENEGRO, SIMILAR TO THE PREVIOUS YEAR, RESPONDENTS IDENTIFIED THE FOLLOWING:

Perception about non-transparency of the process itself;

Although digital tools exist, bid evaluation criteria and appeals processes are often perceived as inconsistent;

Unequal application of laws and criteria in all areas;

When scoring, quality is not the main criterion, but price;

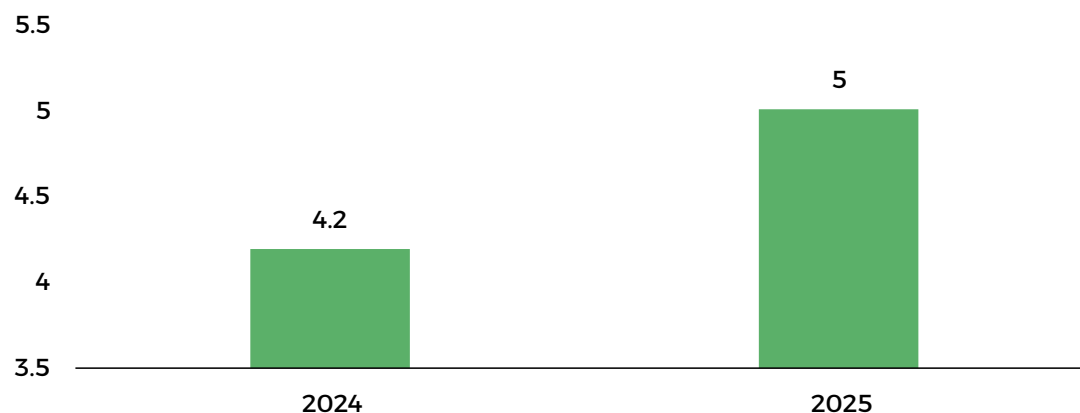
A slow and complex process, and administrative capacities still insufficiently developed to speed it up.

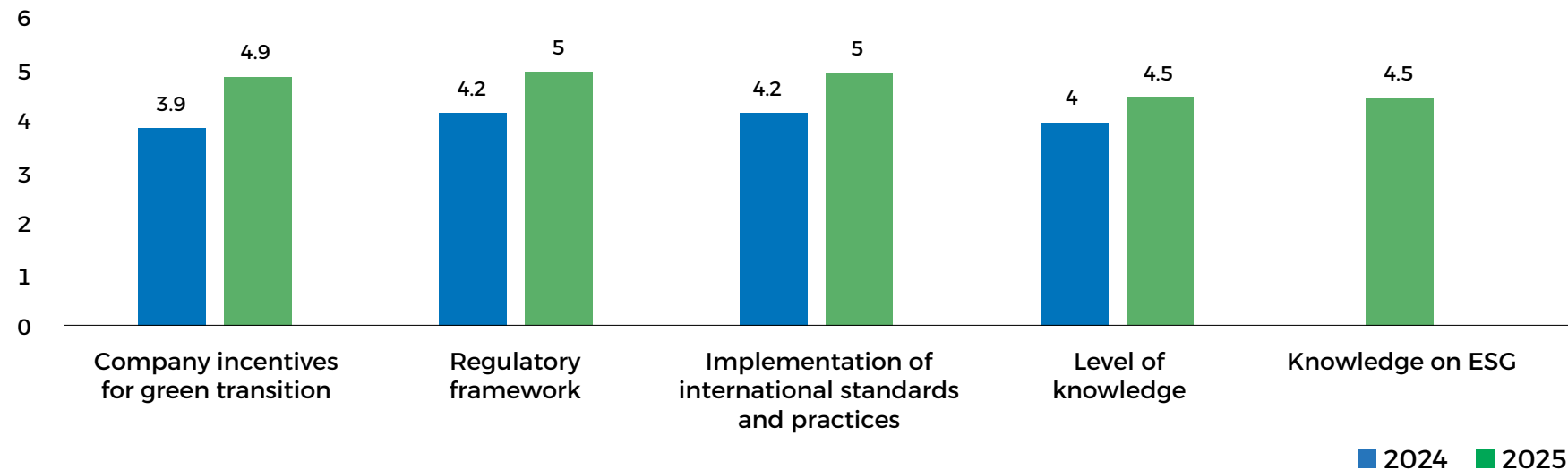
4.3.14 GREEN TRANSITION



The green transition index, introduced for the first time in 2024 as an indicator with the lowest rating, recorded a significant growth of 0.8 points in 2025 and now stands at 5.0.

The growth of this index is the result of a combination of legal, strategic and operational improvements that investors have recognized as positive. The strengthening of the regulatory framework through the adoption and start of implementation of documents aligned with European Union policies played a key role. In addition to legislative changes, the growth was supported by a greater level of knowledge and understanding of the concept of green transition, as well as the introduction or improvement of incentives for companies investing in sustainable development projects, which encouraged the economy to be more actively involved in the transition process.





The development of digital tools and platforms for monitoring and reporting green projects, as well as for accessing information and documentation, has further simplified administrative procedures and increased the transparency of available incentives. However, despite these developments, the overall scores of individual factors remain relatively low, indicating that the green transition in Montenegro is still at an early stage. Therefore, further investment is needed in capacity building, strengthening institutional support and raising awareness among business entities and the general public.

OTHER FACTORS INFLUENCING THIS RATING:

Limited financial capabilities and the unavailability of financial resources can slow down the entire process;

Although positively assessed, it is necessary to further promote and encourage the work of the ECO Fund as an example of good practice in the implementation of green projects;

The underdeveloped world on the necessity of a green transition;

It is necessary to solve the issues of waste management;

Improve coordination between state bodies, with the aim of reducing overlapping implementation of similar activities, and greater involvement of the economy in the process of creating policies and plans.

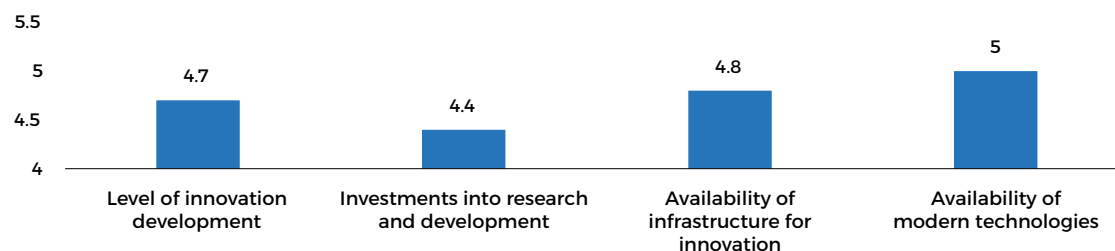
4.3.15 INNOVATIONS AND TECHNOLOGY TRANSFER



Finally, the new index introduced in 2025 covers the level of innovation, the availability of infrastructure for innovation and development, and investment in research and development. The first measurement showed a value of 5.4, which is a relatively low score considering the great importance of this area for overall social and economic development.

Through stronger support for research and development, the state can improve the competitiveness of economic entities, encourage the emergence of new industries, and increase the country's attractiveness for highly qualified experts and investors. Such investments simultaneously contribute to the development of modern technologies, the improvement of products and services, and the strengthening of the overall innovation potential of the economy.

However, in practice, foreign investors often fail to recognize these developments, as reflected in low ratings and expressed concerns about progress in this area. This may indicate inadequate communication and insufficient visibility of results, but also persistent obstacles such as limited capacity, infrastructure challenges and weak institutional support. Therefore, it is necessary to further strengthen systemic frameworks, improve the presentation of research and development results, and build trust and understanding between investors and the local business environment.



INVESTORS HIGHLIGHTED THE FOLLOWING AS OTHER PROBLEMS IDENTIFIED IN THE AREA OF INNOVATION AND TECHNOLOGY TRANSFER:

Public investment in research and development remains low, and innovation infrastructure is unevenly distributed;

Insufficient support and innovations;

Companies often lack access to financing, infrastructure or experts;

Lack of a systemic approach to this problem;

Insufficient cooperation between institutions significantly slows down this process;

Limited funding, insufficient cooperation between businesses and academia, and low absorption capacity among SMEs;

The regulations being adopted do not keep up with the rapid development of information and communication technologies.

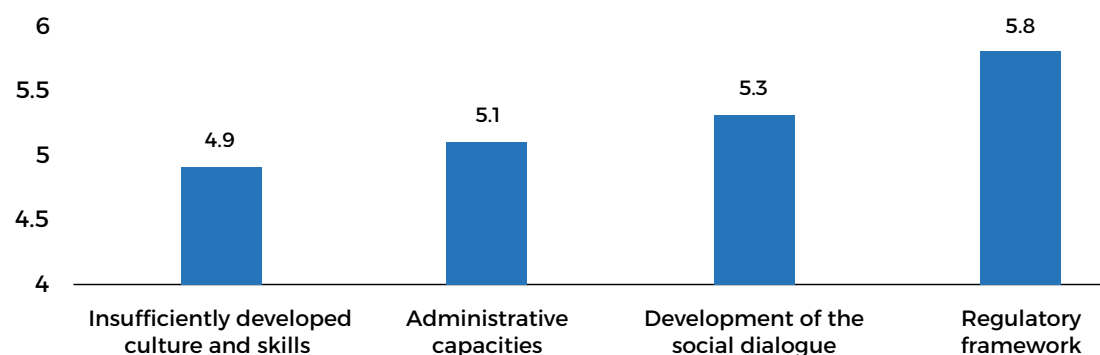
4.4. THE INVOLVEMENT OF THE ECONOMY IN THE DECISION-MAKING PROCESS



The involvement of businesses and business associations in the decision-making process is a prerequisite for a transparent, predictable and simple business and investment environment. For the third year in a row, the White Book measures an index that shows the extent to which businesses and business associations – either through the Foreign Investors Council or independently – participate in these processes.

The results for the year 2025 show that member companies of the Council observed a greater degree of engagement and presence of the Council of Foreign Investors, which led to an increase in the value of the indicator by 0.5 points, to 6.6. However, when looking at the involvement





of companies in decision-making in the role of companies, the assessment remains at the level of 2024 - 5.7.

According to the Council's member companies, the greatest room for improvement lies in the development of a culture and skills of dialogue, which is recognized as the area with the most challenges. The administrative capacities of state bodies and the economy were also assessed as limited, indicating the need for further strengthening of institutional support. Although the areas of social dialogue and the regulatory framework were assessed somewhat better, they still remain at a level that requires significant improvements in order to respond to the needs of members and encourage the quality of the business environment.

THE RESPONDENTS LISTED THE FOLLOWING AS THE MAIN CHALLENGES AND RECOMMENDATIONS FOR IMPROVING INCLUSION IN THE DECISION-MAKING PROCESS:

Involving the economy only in the final stages of adopting certain laws or policies, when it is too late to change anything;

Often there is only formal involvement without adopting any proposals from the economy, dialogue is often present only to satisfy the form;

Limited direct influence on the creation of policies by companies, which rely on associations or chambers, and opportunities for timely involvement are not always transparent;

Insufficient access to information, especially in the initial stages of creating a specific legal solution, when the most important thing is to obtain information from the competent institutions that will implement a specific regulation;

Insufficiently developed culture of dialogue between the economy and state authorities;

Insufficiently developed awareness of managers in member companies about the importance of inclusion in the decision-making process, and insufficient interest in it.

**EVALUATION OF THE
REGULATORY ENVIRONMENT
IN MONTENEGRO FROM THE
ASPECT OF THE PRIORITY
AREAS OF WORK OF THE
FOREIGN INVESTORS COUNCIL**

5



For the third year in a row, the White Book includes indices that track priority areas of the Strategy of the Foreign Investors Council in Montenegro, namely: talent and human capital, rule of law and equal opportunities, tax system, economic and infrastructure development, transition to a green economy.

The goal is to monitor progress in priority areas, in order to create efficient mechanisms for achieving the necessary results in a timely manner.

In addition to assessing all segments that affect the business environment, as well as the business environment as a whole, the survey also includes the perception of members regarding the development of five priority areas defined by the Council's Strategy. The ratings obtained differ from the individual and summary indexes from the White Book, as they represent the members' position on the progress of these strategic areas. Therefore, they cannot be directly compared with other ratings, but they clearly indicate the need to further improve the areas defined by the Strategy, so that the business environment is as aligned as possible with the best international practices.

In order to determine business people's perception of the current situation in these priority

areas, respondents were given the opportunity to rate them on a scale of 1 to 10.

As in the previous year, almost all priority areas recorded growth, indicating slight improvement. However, with all of them rated below 5, it is clear that there is still significant room for further progress, especially towards full alignment with European and international standards.

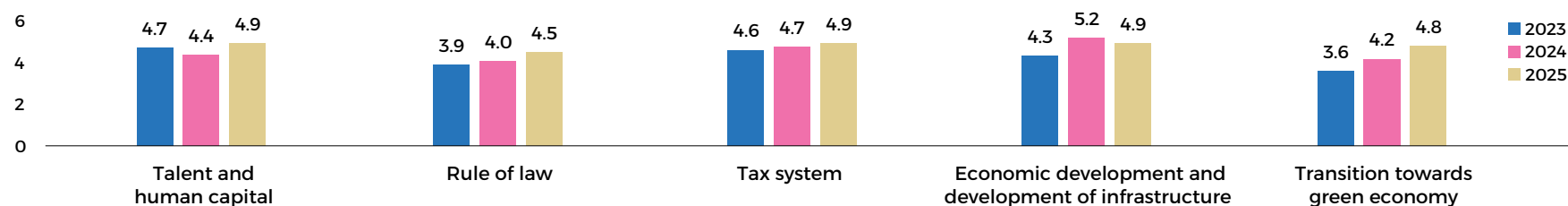
The only area that shows a negative trend is economic and infrastructure development. This decline is particularly worrying because it coincides with weaker scores in certain sectoral indices, among which tourism stands out, a sector with a large impact on overall economic growth. Such data point to deeper structural problems that are slowing down development.

When it comes to the rule of law, although the rating is still among the lowest, there has been visible progress that the member companies of the Council have recognized. However, this shift is delicate and must not lead to relaxation, as key challenges remain and may threaten the sustainability of reforms without additional, consistently implemented measures.

The transition to a green economy also shows some improvement, but the pace of growth is still insufficient to speak of serious convergence with international standards. Similarly, the areas of talent and human capital, as well as the tax system, are recording progress, but their scores remain below average.

Overall, although there are signs of positive developments in the investment climate, current results show that efforts to improve it are still insufficient. The below-average scores confirm that there remains significant room for further reforms and systemic changes. Decision-makers must see this as a call for more intensive work and strategic action, in order to bring the investment climate in line with European standards by EU accession. Otherwise, the risk of falling behind remains high.

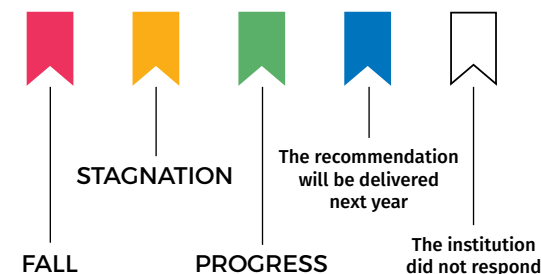
THE ASSESSMENT OF DIFFERENT AREAS OF THE MONTENEGRO FOREIGN INVESTMENT COUNCIL STRATEGY



5.1. RECOMMENDATIONS AND CHALLENGES

Below is a table of the identified business barriers and the responses of the relevant ministries. The responses were collected from July to early October 2025 by Secretariat to the Competitiveness Council. The content of the responses has not been changed, but has only

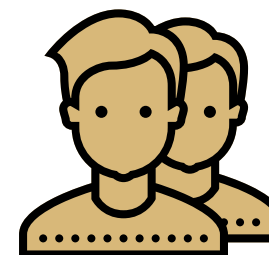
been aligned with the prescribed limit of 1,000 characters per response. Please note that the challenges and the corresponding responses are classified by areas defined in the Strategy of the Foreign Investors Council in Montenegro 2024-2026.



5.1.1 TALENT AND HUMAN CAPITAL IN MONTENEGRO

Talent and human capital represent one of the key challenges for the further development of the Montenegrin economy, improving productivity and strengthening competitiveness. The current situation is marked by the mismatch of the education system with the needs of the labor market and the lack of qualified labor in certain sectors, especially in tourism. Investors also point to the underdeveloped dual education system, which negatively affects the availability and quality of practical skills. The low level of innovation de-

velopment and technology transfer further confirms the need for greater investments in these areas, especially through strengthening human resources and increasing budget allocations. The aforementioned segments are of crucial importance for creating a competitive advantage for the labor force and the economy as a whole. Foreign investors emphasize that this situation significantly limits the possibility of attracting foreign investment, which slows down the country's economic development.



PROBLEM	RECOMMENDATION	YEAR	STATUS
Insufficiently developed digital skills, as well as the skills needed to implement the green transition among young people.	Increase the availability of training for the development of digital and green skills through public-private partnerships, cooperation between state institutions and the economy, as well as better use of programs funded by the European Union.	2025.	
Insufficient investment in research and development, as well as in investment projects.	It is necessary to increase financial resources allocated to research and development, with an emphasis on encouraging innovation. Special attention should be paid to increasing the budget of the Innovation Fund and related institutions that play a key role in improving development dynamics.	2025.	



• PREVIOUS PERIOD •			
RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
	MINISTRY OF EDUCATION, SCIENCE AND INNOVATION The procedures relating to the development of qualifications in the field of vocational education (from level II to level V) foresee that the Centre for Vocational Education organizes round tables with representatives of the economy, with the aim of identifying trends, needs for qualifications, key jobs within the profession, as well as the skills and competences required for their performance. In addition, recommendations of committees within the Chamber of Commerce of Montenegro are used, as well as their reports and research.	2024.	
Lack of educational programs that include skills necessary for the modern labor market.	MINISTRY OF EDUCATION, SCIENCE AND INNOVATION The new Strategy for the Reform of Education in Montenegro for the period 2025–2035, adopted in April 2025, envisages a comprehensive reform of the curriculum in line with European standards. The strategy is based on the development of key competences recognized in the educational framework of the European Union, including digital, green and civic competences, socio-emotional skills, as well as critical thinking and problem-solving skills. It is expected that this approach will enable students to acquire the knowledge and skills necessary for success in the 21st century. The Ministry of Education, Science and Innovation annually announces competitions for the award of scholarships to pupils and students who are studying for shortage professions, with the aim of harmonizing the education system with the needs of the labor market. In this way, the interest of young people in sought-after professions is stimulated, which contributes to reducing unemployment and strengthening the competitiveness of the Montenegrin economy.	2024.	



• PREVIOUS PERIOD •			
RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
Underdeveloped and inefficient dual education system.	MINISTRY OF EDUCATION, SCIENCE AND INNOVATION The Law on Amendments to the Law on Vocational Education (July 2025) provides for the establishment of a Fund for Support to Dual Education and the adoption of a Rulebook on the Distribution of Funds. The Fund will be financed from the budget of the Ministry of Education, Science and Innovation and other legal sources, and the funds will be used to stimulate students and support employers in order to improve conditions and increase interest in dual education. In the second quarter of 2025, a promotional video was produced and four events were held at which students of secondary vocational schools shared their experiences of education and mobility. Activities continue in 2026.	2024.	
Departure of a large number of young people from Montenegro.	MINISTRY OF EDUCATION, SCIENCE AND INNOVATION The Youth Guarantee Programme is a national measure that guarantees young people aged 15 to 29 that they will receive a quality offer of employment, further education, professional development or training within four months of leaving school or losing their job. The aim of the programme is to enable young people, especially those with deficient and in-demand knowledge and skills, to enter the labour market more quickly, while developing practical and digital competences. The programme involves active cooperation between educational institutions, the Employment Service, the economy and relevant ministries, and contributes to creating an environment in which young people can achieve professional development in Montenegro.	2024.	



• PREVIOUS PERIOD •			
RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
The departure of the workforce, especially highly specialized personnel, is a consequence of insufficient investment and lack of modernization of the existing educational infrastructure.	MINISTRY OF EDUCATION, SCIENCE AND INNOVATION The project with the European Investment Bank “Montenegrin Education Improvement Program” is proceeding according to plan. Numerous activities have been carried out so far: the contract and delivery of computer equipment worth 6.3 million euros to all schools have been completed, the construction of the Primary School “Vladimir Nazor” in Masline has been completed, and reconstruction works are underway on nine secondary vocational schools throughout Montenegro. A contract for the procurement of school furniture worth 3.5 million euros has been signed, the delivery of which will begin soon. Documentation is being prepared for the reconstruction and expansion of kindergartens in Zabjelo, Kotor and Momišići. The development of the Main Design for a new school in the City Kvart is underway, a tender has been announced for a school in Karabuško Polje and a competition for the conceptual design of a gymnasium in Podgorica. The procurement of specialized equipment for vocational schools worth 3.1 million euros is also planned, while the procedure for the construction of a new primary school has been initiated.	2023.	
	MINISTRY OF LABOR AND SOCIAL DIALOGUE The Labor Law is currently in the process of being aligned with the <i>acquis communautaire</i>, which is currently a priority within the accession process. After alignment with relevant EU directives, it is planned to continue work on amendments to the Law by considering comments and recommendations from the business community.	2024.	



• PREVIOUS PERIOD •

RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
Insufficiently developed curricula and educational programs, as well as the limited ability of the educational system to educate personnel in accordance with the needs of the labour market.	MINISTRY OF EDUCATION, SCIENCE AND INNOVATION In 2024, research was conducted on the needs for skills and qualifications in the following sectors: engineering, food technology, chemical technology and graphic arts. Based on these, priorities will be determined in the development of new / revision of existing qualifications in these sectors. Also, in 2024, new modularized educational programs were adopted: Gynaecological and obstetric technician (level IV1), Horticultural design and production technician (level IV1), Horticultural contractor (level III), Assistant cook (level II) and Assistant salesperson (level II). In 2025, the educational program Locksmith/welder (level III) was adopted. The implementation of the new educational programs: Gynaecological and obstetric technician, Horticultural design and production technician, Horticultural contractor and Locksmith/welder will begin in the 2025/2026 school year. During 2024, the National Education Council adopted eight educational programs and 42 lifelong learning programs.	2023.	
The very high tax burden on wages, coupled with a legislative framework that significantly slows down the employment of foreigners, further complicates the search for adequate personnel.	MINISTRY OF FINANCE The institution did not submit a response.	2023.	



• PREVIOUS PERIOD •

RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
A major challenge is obtaining work permits for people coming from outside the European Union, which are currently crucial for the smooth operation of numerous companies. It is necessary to simplify and harmonize with EU rules the procedure for issuing work permits for workers who do not come from EU member states (mainly from the Asian subcontinent), in order to compensate for the labour shortage in Montenegro.	MINISTRY OF INTERIOR AFFAIRS The Draft Law on Amendments to the Law on Foreigners has been approved and submitted to the Parliament of Montenegro for consideration. The most significant innovation relates to the establishment of the Visa Information System (VIS), which is an obligation defined by the Reform Agenda 2024–2027. The competent authority for foreign affairs will be responsible for establishing and managing the VIS, in accordance with European Union legislation and standards. The system will enable the collection, processing, storage and exchange of visa data, ensuring a secure and efficient visa issuance process, as well as better cooperation with the Ministry of Interior, the National Security Agency, the police, other countries and international organizations. Only authorized officials will have access to the system, with mandatory recording of the purpose, date and time of use. The Ministry, the Agency and the police are obliged to ensure appropriate technical and security standards. Foreigners will be able to submit visa applications electronically through the VIS, as well as applications for temporary residence and work permits through the information system of the Ministry of Internal Affairs.	2024.	



• PREVIOUS PERIOD •

RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
The discrepancy and time gap between the dates of issuing work and residence permits for foreigners, as well as their registration with the Tax Administration, pose a significant administrative challenge. An additional problem is the fact that individual regional units of the Tax Administration apply different rules regarding this procedure, which creates a sense of insecurity and uncertainty among employers and employees. It is necessary to amend the relevant legal provisions, clearly define deadlines and specify the documentation to be submitted when registering foreigners as employees of the Tax Administration. It is also necessary to amend paragraph 4 of Article 70 of the Law on Foreigners in order to ensure greater compliance and efficiency of the procedure.	MINISTRY OF INTERIOR AFFAIRS The Law on Foreigners regulates the entry, exit, residence and work of foreigners in Montenegro. The employer must, within 24 hours of issuing a residence and work permit, conclude an employment contract with the foreigner and register him for compulsory social insurance. The Law on Labor confirms that the rules also apply to employed foreigners, unless otherwise provided for by a special law. In this regard, this recommendation is within the jurisdiction of the Ministry of Labor, Social Affairs and Employment and the Tax Administration. We note that Article 33 of the Labor Law stipulates the following: (1) The employer is obliged to register the employee for mandatory social insurance (health, pension and disability insurance and unemployment insurance) in accordance with the law, on the day of starting work and to submit the application to the competent authority within eight days from the day of starting work. (2) The employer is obliged to deliver a copy of the application referred to in paragraph 1 of this Article to the employee no later than five days from the date of issuance by the competent authority. (3) The employer is obliged to deregister the employee from social insurance in accordance with a special regulation.	2023.	
Previous recommendations from the White Book relating to the Labor Law.	MINISTRY OF LABOR AND SOCIAL DIALOGUE The Labor Law is currently in the process of being aligned with the acquis communautaire, which is currently a priority within the accession process. After alignment with relevant EU directives, it is planned to continue work on amendments to the Law by considering comments and recommendations from the business community.	2020 – 2023.	



• PREVIOUS PERIOD •

RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
Article 15 of the Law on Strikes stipulates that a strike shall be held by peaceful assembly of employees at the workplace or in the employer's business premises, or by failure to report to work. We believe that the formulation "within the employer's business premises" does not leave the possibility for employers who perform activities of public interest to participate in determining the space for employees to assemble, without the intention of restricting the right to strike.	MINISTRY OF LABOR AND SOCIAL WELFARE During 2025, a draft Law on Strikes was prepared and is currently in the process of public debate.	2023.	

5.1.2. RULE OF LAW, TAX POLICY AND PUBLIC ADMINISTRATION

As a country aspiring to join the European Union, Montenegro must pay special attention to development and reforms in the area of the rule of law, which investors have recognized as underdeveloped. The rule of law is the foundation of economic development, but also a basic prerequisite for attracting sustainable foreign investment.

In addition to the rule of law, foreign investors show great interest in the tax system. Although reforms in this area are underway, there is still significant lack of transparency, frequent chang-

es to regulations, as well as a large number of fiscal and parafiscal levies. A quality tax system also requires efficient administration, which will provide education for business entities, as well as supervision over the implementation of adopted regulations. Finally, an important segment of the business environment is public administration. Its efficiency significantly contributes to the development of the economy, which is why reforms, digitalization and strengthening of institutional capacities are among the key recommendations for the coming period.



PROBLEM	RECOMMENDATION	YEAR	STATUS
Unequal application of legal solutions and treatment of business entities in court proceedings.	Improve consistency in legal interpretation through centralized guidelines and case law databases.	2025.	
Insufficient representation of alternative forms of dispute resolution.	Expand alternative dispute resolution mechanisms and promote their use in commercial disputes.	2025.	
• PREVIOUS PERIOD •			
RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
Slow resolution of court proceedings, especially in the financial sector. The operations of business entities are additionally burdened by long waits for the final outcome of initiated proceedings.	MINISTRY OF JUSTICE The Center for Training in the Judiciary and State Prosecutor's Office organizes training for judges, for all types of disputes, as well as for financial disputes involving business entities, on the topic: "resolving disputes within a reasonable time". For the small number of employment disputes that are resolved before the Agency for Amicable Dispute Resolution, representatives of the Ministry of Justice are not educated in this regard.	2024.	



• PREVIOUS PERIOD •			
RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
Inconsistencies and frequent changes in legislation significantly complicate the operations of business entities in Montenegro.	MINISTRY OF LABOR, EMPLOYMENT AND SOCIAL DIALOGUE The current priority of the Ministry of Labor, Employment and Social Dialogue is alignment with the acquis under Chapter 19 Social Policy and Employment and Chapter 2 Freedom of Movement of Workers.	2024.	
Ensuring consistent application of the rule of law is crucial to creating a stable business environment.	MINISTRY OF JUSTICE In June 2024, the Law on Amendments to the Law on the Judicial Council and Judges and the Law on Amendments to the Law on the State Prosecutor's Office were adopted, which improved the system of election of judges and state prosecutors, as well as the establishment of ethical and disciplinary responsibility, which aims to strengthen the independence of judges and the autonomy of state prosecutors. These amendments also further improve the institutional independence of the Judicial Council and the Prosecutorial Council. The aforementioned amendments to the law are aligned with international standards and recommendations of the Venice Commission and the European Commission, which resulted in a positive Interim Benchmark Report (IBAR).	2023.	
It is necessary to work on strengthening the capacities of persons and institutions responsible for implementing the rule of law in Montenegro.	MINISTRY OF JUSTICE The Centre for training in judiciary and state prosecution conducts training for judges in accordance with the Annual Training Program and Special Training Programs that are conducted with the aim of specializing judges in certain areas of law, all with the aim of uniform application of the law and equality before the law through uniform judicial practice.	2023.	



• PREVIOUS PERIOD •

RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
Ensure equal conditions for all parties involved in litigation, and shorten their often excessively long duration.	MINISTRY OF JUSTICE Continuous work is being done to improve the efficiency of the judiciary by strengthening the application of alternative dispute resolution methods (arbitration, mediation, etc.), shortening deadlines for conducting procedural actions, simplifying procedures under legal remedies, harmonizing case law, as well as applying legal means to accelerate court proceedings prescribed by the Law on the Protection of the Right to a Trial within a Reasonable Time.	2023.	
Although the Ministry of Finance emphasizes that, thanks to digitalization, they have significantly increased the level of efficiency and transparency in the implementation of public procurement, business people still point out an insufficient level of trust in this process.	MINISTRY OF FINANCE The institution did not submit a response.	2023.	

TAX SYSTEM

PROBLEM	RECOMMENDATION	YEAR	STATUS
The introduction of a second reduced VAT rate (15%) in addition to the standard (21%) and reduced (7%) rates has further complicated the situation, especially for companies in tourism and hospitality.	It is necessary to work on harmonizing and reducing tax rates, especially in strategically important branches of the Montenegrin economy, such as tourism. It is also necessary to simplify the VAT system by optimizing its structure, in order to reduce the possibility of confusion, facilitate calculation and reduce the administrative burden.	2025.	



TAX SYSTEM			
PROBLEM	RECOMMENDATION	YEAR	STATUS
Further digitalization of Tax Administration services is necessary, especially in the area of submitting and processing documentation.	Modernize the Tax Administration through improving digital infrastructure (creating online services) to make tax filing and payment more efficient.	2025.	
The insufficient number of inspectors makes the fight against the informal economy difficult.	It is necessary to improve human capacities to combat the informal economy, primarily through the implementation of systemic solutions that encourage more efficient engagement of existing staff, instead of increasing the number of employees in public administration, where there are already surpluses in relation to real needs.	2025.	
• PREVIOUS PERIOD •			
RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
Frequent changes in tax rates negatively affect the business environment, creating an environment that is not sufficiently predictable and transparent.	TAX ADMINISTRATION The legal changes that entered into force in the last quarter of 2024 and the first quarter of 2025 were presented through a series of workshops and seminars with taxpayers, with the aim of informing them about the correct application of the new regulations. In this way, the Tax Administration confirmed its proactive approach and partnership with taxpayers. During the workshops, special emphasis was placed on the importance of compliance with tax regulations, while the publication of the Tax Compliance Improvement Program further narrowed the focus of the Tax Administration's activities and improved the transparency of its work.	2024.	



• PREVIOUS PERIOD •			
RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
Amendments to the Cinematography Law to remove unjustified financial burdens on telecommunications operators.	MINISTRY OF ECONOMIC DEVELOPMENT It is necessary to revise the position of the Ministry of Culture and Media, which advocates charging unjustified financial burdens to telecommunications operators. The Ministry's argument that by providing their services to users, operators make many audiovisual contents available is contrary to the global principle of an open Internet. It is important to emphasize that the Ministry of Economic Development has been supporting the initiative to abolish the fee charged to telecommunications operators for many years.	2024.	
	MINISTRY OF CULTURE The Ministry of Culture and Media, in accordance with Article 12 of the Regulation on the Election of Representatives of Non-Governmental Organizations to State Administration Working Bodies, issued a public call on 18 March 2024 to the interested public to submit initiatives and comments in the preparation of the Draft Law on Amendments to the Law on Cinematography. The consultations lasted 15 days in written and electronic form. There were no proposals from interested parties. After the deadline, a single proposal was submitted by four telecom operators proposing the deletion of certain provisions of Article 36 of the Law on Cinematography, which prescribe the obligation to allocate funds for the film fund. The Ministry will consider this proposal when drafting the Draft Law.		
High tax rates and lack of subsidies, especially for economic development and green transition.	MINISTRY OF FINANCE The institution did not submit a response.	2023.	
A large number of parafiscal burdens that business entities pay to local governments.	MINISTARSTVO FINANSIJA The institution did not submit a response.	2024.	



• PREVIOUS PERIOD •			
RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
Selectivity in the implementation of current legal solutions and the conduct of inspections.	TAX ADMINISTRATION All taxpayers subject to inspection are previously subject to risk analysis. A Risk Register has been adopted, the main objective of which is to identify, assess and rank risks. Monitoring of the implementation of the Program for Improving Tax Compliance through the Action Plan is carried out through quarterly/annual reporting.	2024.	
Weak involvement of business associations and the business community in the decision-making process, especially in the area of tax rate changes.	MINISTRY OF FINANCE The institution did not submit a response.	2023	
Frequent changes in legislation, without economic analyses and announcements, create a very unfavourable and non-transparent business environment.	MINISTRY OF FINANCE The institution did not submit a response.	2023	
Making short-term decisions, which have long-term negative effects on both the business community and public finances.	MINISTRY OF FINANCE The institution did not submit a response.	2023	



• PREVIOUS PERIOD •			
RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
Inconsistent and selective application of legal solutions in the field of tax legislation. Very slow administration and problems in interpreting legal solutions.	MINISTRY OF FINANCE The institution did not submit a response.	2023	
Problems in practice are caused by the lack of adequate by-laws relating to taxation. It is crucial to ensure that, in addition to the harmonisation of laws, the by-laws themselves are precisely defined, in order to enable quality implementation in practice. An additional challenge is the fact that the Tax Administration is not obliged to implement the opinion of the Ministry of Finance and can act contrary to it.	MINISTRY OF FINANCE The institution did not submit a response.	2023.	
Although the law requires the Tax Administration to provide opinions on open issues in the field of tax policy, businesspeople often encounter silence from the administration.	MINISTRY OF FINANCE The institution did not submit a response.	2023	



• PREVIOUS PERIOD •

RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
Inadequate administrative capacity for effective control of taxpayers. The Tax Administration does not have sufficient capacity to carry out regular controls. Currently, less than 10 inspectors are responsible for controlling more than 200 large taxpayers. Controls last at least 6 months, while repeated procedures take even longer. When controlling large taxpayers, only one inspector is involved, which does not meet the “four eyes” principle. The time gap between controls can be up to 5 years, so controls last for months.	MINISTRY OF FINANCE The institution did not submit a response.	2023	
Presentation of the income statement: The current chart of accounts and the model of financial statements issued by the Institute of Certified Public Accountants of Montenegro do not allow two methodologies for presenting the income statement (by nature and by function). It is currently limited to one methodology that may not always satisfy the business nature of all companies, especially companies engaged in real estate development. Both methodologies should be allowed, depending on the nature of the business.	MINISTRY OF FINANCE The institution did not submit a response.	2023.	



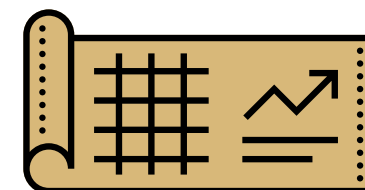
• PREVIOUS PERIOD •

RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
The Tax Administration's interpretation of the provisions of the Income Tax Law on the acceptance of an associated company for tax consolidation does not allow the addition of a newly established associated legal entity after the decision on the approval of tax consolidation has been made for a period of five years from the date of the decision. This interpretation prevents the realization of the benefits offered by tax consolidation. The automatic addition of a newly established associated legal entity should be allowed with the provision of a written notification.	MINISTRY OF FINANCE The institution did not submit a response.	2023.	

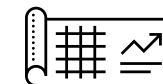
5.1.3. ECONOMIC AND INFRASTRUCTURAL DEVELOPMENT

Sustainable economic growth cannot be viewed in isolation from a broader strategic approach to the development of the state. Only through coordinated planning and investment in key areas is it possible to ensure even development and utili-

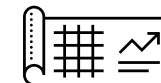
zation of all potentials of the economy. Infrastructure (road, energy and digital) plays a particularly important role in that process as a driver of future economic development.



PROBLEM	RECOMMENDATION	YEAR	STATUS
Uneven infrastructure development and different capacities of the region slow down economic growth. The implementation of numerous projects is delayed due to insufficient administrative capacities and challenges in public procurement procedures, while limited involvement of the private sector additionally affects financing opportunities and more efficient development of public investments. At the same time, it is necessary to develop logistics infrastructure in parallel, as an important link for connecting markets and improving the competitiveness of the economy.	Priority should be given to infrastructure projects with high economic and social importance, such as railways, energy and the digital sector. Strengthen project preparation capacities and simplify public procurement. Develop blended finance and public-private partnership models to attract private capital, especially in renewable energy and transport. Improve land planning and facilitate the issuance of permits for strategic investments.	2025.	
Underdeveloped institutional coordination and slow implementation are key obstacles delaying the implementation of critical infrastructure projects.	Establish centralized project management units and streamline interdepartmental cooperation for faster execution.	2025.	

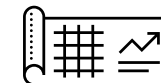


PROBLEM	RECOMMENDATION	YEAR	STATUS
The lack of detailed statistics on foreign direct investment by sector limits the possibility of more precise strategic planning and creation of targeted economic policies.	It is necessary to establish official statistics that show in detail foreign direct investment by sector, which will enable the creation of targeted policies to increase investment in less attractive and potentially developmentally important sectors.	2025.	
Insufficiently developed financial support system, especially for less developed branches of the economy.	Creating innovative lines of business support with the aim of creating new jobs, especially in less developed parts of Montenegro, with better use of EU funds for economic development.	2025.	
• PREVIOUS PERIOD •			
RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
Accelerate the dynamics of the development of new digital services by the Government of Montenegro and local governments in order to improve the business environment, speed up administrative procedures, and save time and resources for the implementation of certain activities.	MINISTRY OF PUBLIC ADMINISTRATION In February 2025, the Government of Montenegro adopted the Plan for the Full Implementation of Transactional Public Electronic Services at the National and Local Levels 2025-2027. According to the aforementioned Plan, 22 institutions have proposed the digitalization of a total of 171 public services, of which 57 are planned for implementation in 2025. To date, a total of 26 services have been implemented, which are available to users through the new e-Government Portal or the websites of the institutions under their jurisdiction. A BPM platform was developed in 2024, through which institutions nominate services that can be implemented. The pace of implementation does not depend solely on the Ministry of Public Administration, but also on the cooperation of other institutions whose services have been recognized in this process.	2024.	

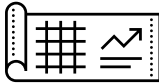


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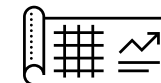
RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
Improve legislation for easier and more complete digitalization in Montenegro, as well as for the implementation of existing solutions. This would eliminate certain obligations that take up significant time and money for business owners (e.g., eliminating the obligation to submit copies of payment slips when paying obligations to the state).	MINISTRY OF PUBLIC ADMINISTRATION MPA cannot be the bearer of this activity, but it is necessary to identify regulations with barriers and competent ministries. MPA is responsible for the Law on Electronic Administration, whose Article 28 obliges authorities and entities to enable users to pay administrative fees through the electronic payment system, as part of a unified information system. Other laws must be harmonized with this law, because the issue is already defined in the system act. Payment can be made electronically or directly with the authority. The system contains data on payments, users and entities. NS NAT The system enables citizens to pay administrative fees, fees, etc. by card via the portal https://eplacanje.gov.me, with a payment receipt (PDF) and records of all income in the system http://ekontrola.gov.me available to state administration bodies.	2024.	



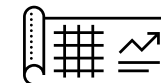
• PREVIOUS PERIOD •			
RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
Lack of a strategic approach in planning the future growth and development of the Montenegrin economy.	MINISTRY OF ECONOMIC DEVELOPMENT The Ministry of Economic Development has adopted the Industrial Policy 2024–2028, which promotes digital and green transitions to increase productivity and competitiveness of industry, with the aim of faster integration into the EU market. The National Circular Transition Strategy until 2030 sets priorities for sustainable growth, environmental protection, green job creation and crisis resilience, making Montenegro the only country in the region with a circular economy policy. The Smart Specialization Strategy 2026–2031 is under preparation, focusing on key sectors such as energy, tourism, food, IT and construction. These documents strengthen coordination, transparency and sustainable development, accelerating Montenegro’s EU integration and competitiveness.	2024.	
	MINISTRY OF REGIONAL INVESTMENT DEVELOPMENT AND COOPERATION WITH NON-GOVERNMENTAL ORGANIZATIONS As the line ministry responsible for regional development policy, we have completed the revision of the Strategy 2023–2027 with the aim of improving the strategic framework. The reasons are the results of the 2023 Census, which indicate migration and population aging; the establishment of the Ministry of Regional and Investment Development for stronger coordination; the adoption of the Reform Agenda 2024–2028; and the need to align indicators with EU standards and international bases. A new Law on Regional Development has also been prepared, in the final phase, which brings innovations for better coordination and support for the Northern region. It is planned to re-establish the Partnership Council for Regional Development for cooperation at the local and national levels. With the new law and the revised strategy, positive effects on living standards are expected, especially in the Northern, less developed region.		



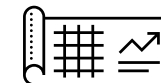
• PREVIOUS PERIOD •			
RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
Insufficient representation of agricultural production in the overall structure of the Montenegrin economy.	MINISTRY OF AGRICULTURE AND FORESTRY Although agriculture is not significantly represented in Montenegro's GDP, the gross production value of the agriculture, forestry and fisheries sector amounts to almost 700 million euros (2023), and with the inclusion of the food industry it reaches close to one billion euros, which indicates significant potential. The IPARD program is improving the processing industry and creating new production capacities for the modernization of the sector. The IAKS system, a digital platform for applying for support, has been developed, and through national measures and IPARD, the introduction of innovative and smart technologies in primary production and processing, the fight against climate change and the development of new products are encouraged, thereby strengthening the competitiveness of agriculture.	2024.	



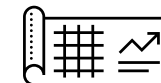
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RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
The lack of sectoral cooperation, especially in the areas of tourism and agriculture, limits the possibility of integrated development and achieving synergy between related industries. In addition, the lack of digital solutions that would accelerate modernization processes in all sectors of the economy slows down overall economic progress and reduces competitiveness.	MINISTRY OF TOURISM The Ministry of Tourism supports the intensification of cooperation between tourism and agriculture for the development of integrated products and services, with the key role of the IT sector in digital transformation. The analysis of digital flows in tourism, supported by UNOPS, indicates fragmented and outdated digital tools, which complicates management, increases the shadow economy and slows down modernization. The introduction of the Tourism Information System (TIS), linked to state registers, will enable accurate records, reduce the shadow economy and better promote rural tourism and local products. Digitalization will reduce bureaucratic costs, free up resources for innovation and ensure transparency through platforms for dialogue with decision-makers. The Ministry is preparing legal solutions for digitalization and strengthening the digital infrastructure of tourism with a positive impact on other sectors.	2024.	
	MINISTRY OF AGRICULTURE In the previous period, significant progress has been made in creating synergy between agriculture and tourism through the organization of numerous workshops and seminars that brought together representatives of both sectors to exchange best practices and identify joint projects. This cooperation has contributed to the promotion of local products in tourist facilities, encouraging sustainable development and raising awareness of the importance of domestic production. Through the IPARD program, measure 7 supports the diversification of farms and the development of rural activities, including rural tourism. Connecting the IT sector with agriculture and tourism is considered key, and cooperation with development organizations on platforms for better communication and promotion of agricultural products is already being established. It is planned to intensify cooperation with all relevant stakeholders in order to further improve the visibility of Montenegrin agricultural products.		



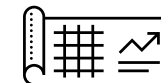
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RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
The new legal solution on spatial planning and construction of facilities should stipulate that telecommunications infrastructure (including temporary facilities) must be planned through planning documentation (urban plans, DUP and PUP) and/or within the framework of local government regulations.	MINISTRY OF SPATIAL PLANNING, URBANISM AND STATE PROPERTY OF MONTENEGRO The institution did not submit a response.	2024.	
In the banking sector, it is advisable to create a regulatory framework that will enhance the process of digitalization of services, especially in the areas of account opening, faster and simpler execution of various payments.	CENTRAL BANK OF MONTENEGRO In terms of accepting instant payments, the Central Bank of Montenegro has been involved in the TIPS Clone project since 2024, which involves the establishment of an instant payment system based entirely on the EU Target Instant Payment System (TIPS) and covering the Western Balkan countries. According to the project plan, the contract is scheduled to be concluded by the end of 2025, while the system should start operating in mid-2026.	2024.	
Long procedures for obtaining building permits.	MINISTRY OF SPATIAL PLANNING, URBANISM AND STATE PROPERTY OF MONTENEGRO The institution did not submit a response.	2023.	



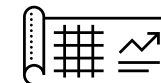
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RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
Insufficiently developed infrastructure, poor air connectivity, and lack of strategic management in the field of tourism significantly reduce the opportunities and potential of this sector.	MINISTRY OF TOURISM The Ministry of Tourism recognizes these challenges and is actively working to improve the strategic management and infrastructure capacities of the tourism sector. The capital budget allocates millions of euros each year to improve tourism infrastructure, but projects are generally not implemented according to the planned dynamics, due to inadequately resolved previous issues, most often property-legal relations. The Ministry of Tourism is making efforts to accelerate the dynamics of project implementation in cooperation with relevant institutions, especially with the Ministry of Public Works, which is primarily responsible for coordinating the implementation of the Capital Budget. Also, the development of a new Strategy for the Development of Tourism in Montenegro until 2035 is underway, which includes clear measures to improve the accessibility of the destination, the development of sustainable infrastructure and the diversification of the tourist offer. In cooperation with the Ministry of Transport and Maritime Affairs and the Airports of Montenegro, activities are being carried out to improve air connectivity through the availability of new airline routes and improving the seasonal frequency of flights.	2023.	
High prevalence of the informal economy, especially in the tourism and catering sector, with weak control and ineffective suppression.	TAX ADMINISTRATION The number of taxpayers operating in the grey zone has been reduced and the tax base has been expanded. Controls of the regularity of taxpayers' operations are carried out to the extent possible (due to limited capacities) and in accordance with the jurisdiction of the Tax Administration.	2023.	



• PREVIOUS PERIOD •			
RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS
The adoption of the Law on Electronic Communications is expected to incorporate Directive (EU) 2018/1972 of the European Parliament and of the Council, as well as other relevant EU directives, into the national legal framework of Montenegro. This will further regulate the field of electronic communications, which is subject to frequent and dynamic technological changes and requires continuous harmonisation with modern European standards. The adoption of a comprehensive legislative framework will create the preconditions for the implementation of previously adopted programmes and strategies, which represent the foundation of the digitalisation process in Montenegro.	MINISTRY OF ECONOMIC DEVELOPMENT AND TOURISM The Law on Electronic Communications (“Official Gazette of Montenegro”, No. 100/24) was adopted in October 2024. The adoption of the New Law on Electronic Communications promotes the development of electronic communications networks and services in Montenegro, and thus the development of the economic and social sector in the country, which includes ensuring access to and use of high-speed networks for all citizens and businesses, strengthening the security of public electronic communications networks and services, especially from the aspect of critical infrastructure and service provision, as well as ensuring market development in the electronic communications sector, efficient use of the radio frequency spectrum and numbers, universal services and protection of user rights. Based on the Law, activities to amend by-laws will follow, as well as continuous monitoring and harmonization with EU directives and legal framework.	2023.	
It is recommended that bylaws be enacted that will precisely regulate video identification when issuing qualified certificates. This would provide clear technical and security conditions, while applying EU practice, which would significantly accelerate digital transformation.	MINISTRY OF PUBLIC ADMINISTRATION In accordance with the Reform Agenda, the Ministry of Public Administration has initiated activities to draft the Law on Electronic Identification and Electronic Trust Services, which will be in line with the eIDAS 2 regulation.	2023.	



• PREVIOUS PERIOD •				
RECOMMENDATION	RESPONSE OF THE INSTITUTIONS	YEAR	STATUS	
The necessity of amending the Law on Archival Activities and by-laws in order to regulate the issue of electronic archival materials, prescribe the obligations of creators and owners of archival materials in electronic form, manage electronic documents, and regulate procedures for reliable electronic storage of documents (archival materials). In this way, the regulation of electronic documents would be completed with regard to their storage in electronic form, in accordance with the provisions of the Law on Electronic Documents.	MINISTRY OF CULTURE AND MEDIA The institution did not submit a response.	2022 – 2023.		
There are no regulations on electricity resale, especially when it comes to DC charging stations in Montenegro. The development of DC infrastructure in the country is blocked due to the lack of regulations. This directly affects the carbon footprint, green agenda, accessibility for electric vehicles for tourists, etc. It is necessary to regulate the process of electricity resale through adequate regulations, especially in the segment of the use of electric vehicle charging stations. Due to the lack of regulations, the expansion of DC infrastructure is prevented, which directly affects CO2 emissions and the success of the green transition process.	MINISTRY OF ENERGY The new Energy Law, adopted by the Parliament of Montenegro in March 2025, represents the transposition of Directive EU 2019/944 of the European Parliament and of the Council of 5 June 2019, which concerns common rules for the internal market in electricity. The aforementioned law prescribes the foreseen measures.	2023.		



• PREVIOUS PERIOD •

According to current regulations, a foreign citizen cannot hold the position of executive director in more than three companies. It is recommended, however, to enable the executive director of the parent company to perform this function in all subsidiaries that are part of the same business group.

MINISTRY OF LABOR AND SOCIAL WELFARE

Pursuant to the provisions of Article 62 para. 1, 2 and 3 of the Labor Law, part-time working hours of an employee are shorter than full-time working hours. A part-time work contract cannot be concluded for a duration shorter than 1/4 (10 hours) of full-time work. The restriction from paragraph 2 of this article does not apply to the director's work contracts. Likewise, the provision of Article 2 paragraph 3 prescribes that this law applies to employed foreigners who work for an employer on the territory of Montenegro, unless otherwise determined by a separate law. Bearing in mind the above, the Labor Law does not prescribe a limitation regarding the conclusion of an employment contract with the director, unless otherwise stipulated by a special regulation.

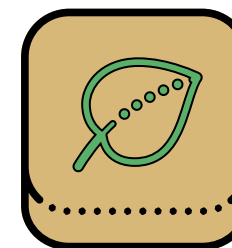
2023.



5.1.4. TRANSITION TO A GREEN ECONOMY

All analyses at the international level indicate that the impact of climate change on all segments of society is becoming more pronounced year by year, bringing both positive and negative consequences. From eliminating certain jobs to creating new ones, this transition, together with the process of digitalization, is in the focus of all decision-makers.

Although this is an extremely important area, there are still numerous challenges in Montenegro for its more efficient implementation - from a lack of knowledge and skills, to limited financial resources, to weaker cross-sectoral cooperation. If these challenges are overcome, Montenegro could significantly advance the green transition process, by creating new jobs and creating conditions for long-term environmental preservation.



PROBLEM	RECOMMENDATION	YEAR	STATUS
Insufficient availability of relevant data on the green transition, as well as the lack of analyses of the impact of climate change on the economy and employment, limit the ability to make informed decisions and plan adequate policies.	It is necessary to conduct a detailed analysis of the impact of climate change and clearly define the potential for creating new jobs in all sectors. It is particularly important to consider the aspects of the negative impact of climate change on the economy and the labour market, but also to present the potential for adaptation to climate change.	2025.	
Limited incentives and weak regulatory enforcement slow down businesses in adopting sustainable practices.	Set clear green development goals. Introduce tax breaks for companies that switch to green production. Develop partnerships between the public and private sectors on sustainability projects.	2025.	
Lack of long-term investment strategy in key sectors.	Define and publish strategic investment priorities.	2025.	



• PREVIOUS PERIOD •

RECOMMENDATION / COMMENT OF THE MIC	RESPONSE OF THE COMPETENT MINISTRY	YEAR	STATUS
The lack of a legislative framework that clearly defines and supports the green transition process, as well as insufficient public awareness of its importance, represent key obstacles to the implementation of sustainable development policies.	MINISTRY OF LABOR, EMPLOYMENT AND SOCIAL DIALOGUE The Government of Montenegro adopted the Decision on the Establishment of the Just Transition Council in June 2025. This initiative represents a strategic step towards modernizing the Montenegrin economy and strengthening the resilience of society to the changes brought about by the energy and climate transformation. The Council, chaired by the Minister of Energy and Mining, will be the central body for guiding and coordinating the transition process in line with national development goals, European standards and the needs of local communities – especially Pljevlja, which is at the centre of this process.	2024.	
	MINISTRY OF ECONOMIC DEVELOPMENT Within the Operational Objectives of the Industrial Policy of Montenegro 2024–2028 and the Action Plan 2025–2026, activities are being implemented that provide financial support, training, campaigns and educational programs for improving energy efficiency, using renewable energy sources and raising awareness about the green transition and sustainable business models. The National Circular Transition Strategy until 2030 recognizes the importance of raising awareness about the circular economy as a key prerequisite for improving environmental protection, quality of life and competitiveness. The operational objectives are defined: development of educational programs, improvement of waste management and strengthening coordination for the implementation of the circular economy concept.		
	MINISTRY OF ECOLOGY, SUSTAINABLE DEVELOPMENT AND NORTHERN DEVELOPMENT Within its competences, the Ministry implements measures to raise public and business awareness of sustainable resource management, as defined by the National Waste Management Plan 2025–2029. The plan envisages activities to inform and educate citizens about the importance of separate waste collection, waste reduction and sustainable resource use. Through cooperation with local governments, businesses and international partners, campaigns and projects are being implemented that contribute to the transition to a circular economy, including the promotion of reuse and recycling, while developing mechanisms for monitoring progress.		



• PREVIOUS PERIOD •

RECOMMENDATION / COMMENT OF THE MIC	RESPONSE OF THE COMPETENT MINISTRY	YEAR	STATUS
Insufficient compliance of legislation related to the promotion and greater representation of green practices with EU standards.	MINISTRY OF ECONOMIC DEVELOPMENT Monitoring and establishing legislative regulations that promote the presence of green practices is generally recognized through a set of different activities defined within the strategic objectives of the Action Plan 2023–2024, as well as the Action Plan 2025–2026. of the National Circular Transition Strategy until 2030.	2024.	
	MINISTRY OF ECOLOGY, SUSTAINABLE DEVELOPMENT AND NORTHERN DEVELOPMENT The Ministry is continuously working on harmonizing regulations with the EU acquis, especially within Chapter 27 - Environment and Climate Change. In the area of waste management, the National Waste Management Plan 2025–2029. is aligned with relevant EU directives and defines measures for the implementation of the principles of the circular economy. The development and adoption of secondary legislation is underway, which regulates in detail the obligations of all entities in the waste management system. In addition, work is underway to amend and supplement laws and regulations in the areas of water protection, air quality and chemical control, in order to ensure full harmonization with European standards. In parallel, work is being done to strengthen administrative capacities.		
	MINISTRY OF TOURISM The Ministry recognizes the importance of the green transition in creating sustainable and year-round tourism development in Montenegro. In cooperation with competent institutions and partners, the Ministry will continue to work on improving the regulatory framework and harmonizing it with European standards. Special emphasis will be placed on strengthening institutional cooperation and encouraging sustainable practices in the tourism sector, i.e. on developing incentives for hotels and other entities that use renewable sources and apply eco-standards, while integrating the principles of sustainable tourism into strategic documents. training of business entities for the effective implementation of new regulations.		



• PREVIOUS PERIOD •

RECOMMENDATION / COMMENT OF THE MIC	RESPONSE OF THE COMPETENT MINISTRY	YEAR	STATUS
The lack of clearly defined criteria and indicators for measuring progress in implementing the green transition at the state level makes it difficult to monitor results and assess the effectiveness of implemented policies.	MINISTRY OF LABOR, EMPLOYMENT AND SOCIAL DIALOGUE The International Labour Organization (ILO) organized a workshop for practitioners on the statistical definition of green jobs in North Macedonia in July 2025, with the participation of institutions from the region, including Montenegro. The importance of a common understanding and monitoring of green jobs through clearly defined indicators was highlighted. It is necessary to continue these activities and organize additional workshops and trainings to strengthen capacities in line with international standards and EU practices.	2024.	
	MINISTRY OF ECONOMIC DEVELOPMENT An integral part of the National Circular Transition Strategy until 2030 is the Action Plan, within which all strategic and operational objectives are developed through specific, individual activities, presenting the manner in which the established operational objectives within each strategic objective are implemented, the competent institutions for the implementation of each individual activity, the deadline for the implementation of the activities and the amount and source of funds required for their implementation. In addition, at the level of operational objectives, performance indicators have been established that serve to monitor the level of implementation of the Strategy, while for each of the activities, a result indicator has been defined to monitor the achievement of each individual activity.		
The entire business community, especially the tourism sector, needs stronger support through subsidies to initiate and implement the green transition process.	MINISTRY OF ENERGY AND MINING In February 2025, the Ministry of Tourism and the Eco-Fund, with the support of the European Union, awarded 2.5 million euros in subsidies to 15 hotels across Montenegro, as part of a program to encourage energy efficiency.	2023.	



• PREVIOUS PERIOD •

RECOMMENDATION / COMMENT OF THE MIC	RESPONSE OF THE COMPETENT MINISTRY	YEAR	STATUS
It is necessary to strengthen the support system and regulatory frameworks that will focus on the adoption and implementation of sustainability principles, green practices, and environmental protection.	MINISTRY OF ENERGY AND MINING A public call has been issued for the first auction for the allocation of market premium rights for 250 MW solar power plants, which represents a milestone towards the green transition.	2023.	
Lack of legal solutions aligned with international standards in the field of green transition.	MINISTRY OF ENERGY AND MINING The Law on the Use of Energy from Renewable Sources was adopted by the Parliament of Montenegro on 17 August 2024. The Law was published in the "Official Gazette of Montenegro", No. 82/2024 of 23 August 2024, and entered into force on 31 August 2024. This Law is aligned with Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources, adapted at the level of the Energy Community.	2023.	
Lack of prescribed mandatory reporting on the progress of the green transition process.	MINISTRY OF ENERGY AND MINING Article 11 of the new Energy Law provides for a prescribed measure.	2023.	



• PREVIOUS PERIOD •

RECOMMENDATION / COMMENT OF THE MIC	RESPONSE OF THE COMPETENT MINISTRY	YEAR	STATUS
As a signatory to the Paris Climate Agreement, Montenegro must ensure coordination of all parties involved in order to meet the goals and obligations set forth in the Agreement.	MINISTRY OF ECOLOGY, SUSTAINABLE DEVELOPMENT AND NORTHERN DEVELOPMENT There is clear coordination in the field of climate change through strategic and institutional frameworks. The Draft Law on Climate Change is being finalized, the adoption of which is expected by the end of September 2025, which prescribes obligations such as the development of a Low-Carbon Development Strategy and an Adaptation Plan. In February 2025, Montenegro adopted its Nationally Determined Contribution (NDC) under the Paris Agreement, defining targets for reducing gas emissions. The Fourth National Communication and the National Adaptation Plan for 2025–2035 were adopted. with an Action Plan for 2025–2027. Cooperation mechanisms include UNDP, the World Bank, CBIT, ministries and the Environmental Protection Agency. The Hydrometeorological Institute develops climate models, enabling science-based decisions.	2023.	
Insufficient involvement of business representatives in the creation of ecologically sustainable practices.	MINISTRY OF ECONOMIC DEVELOPMENT The Ministry of Economic Development, in cooperation with key stakeholders from relevant ministries, the public sector, business associations and academia, has prepared the Industrial Policy 2024–2028 with an Action Plan for 2024. The consultation process was long and included different perspectives and suggestions from business associations through the Competitiveness Council. In cooperation with the Chamber of Commerce, a Round Table was held with representatives of the economy and relevant stakeholders. Programs and projects supporting the green transition were identified, including measures to reduce CO2, increase energy efficiency, waste management and develop sustainable processes. The Action Plan for 2024 includes subsidies for energy improvements, e-mobility, renewables and support for innovation in industry and tourism, recycling campaigns, education and strengthening the capacity of the private sector through the Circular Economy Hub. The Ministry coordinates and implements the National Circular Transition Strategy until 2030 with the active involvement of the business community.	2023.	



6. Briefly about Foreign Investors Council

16

years of
existence

37

member
companies

5

committees
for important
areas

15

published publications The White Book –
Investment Climate in Montenegro

Member companies of the Foreign Investors Council in Montenegro³

they made

1,24

billion euros
in revenue

together they generate around

21%

of domestic
GDP

they paid

51

million euros in
corporate income tax

the employers are
for around

5.500

permanent employees
as well as

2.000

seasonal and
temporary employees

about

50%

of employees
are women

they donated around

2.5

million
euros

³ The data refer to the year 2024.

7. Conclusion – key benefits and challenges from the perspective of foreign investors

This edition of the White Book presents a review of the business environment in Montenegro by foreign investors in 2025. Investors were asked to identify positive aspects that contributed to the improvement of the investment/business environment, as well as to point out the biggest obstacles they recognized. Below, we present a list of ten positive steps and key challenges for this year.

CONTRIBUTIONS TO DEVELOPMENT IN 2025 ARE:

- | | |
|--|---|
| <p>1 Accession to the SEPA payment scheme will have positive effects on the entire economy as it will lead to cost reduction, faster transactions and standardization of cross-border payments;</p> | <p>6 Adoption and commencement of implementation of the Law on Renewable Energy Sources and its bylaws;</p> |
| <p>2 Continuing the path towards the EU, which is the only one that enables long-term and sustainable development of the Montenegrin economy;</p> | <p>7 Launching the Go Digital in Western Balkans initiative, which will contribute to progress in the digitalization of the entire system;</p> |
| <p>3 Increased access to EU funds and integration into European trends, especially in terms of support for infrastructure projects;</p> | <p>8 Improving legislation in the area of the Law on Electronic Communications, as well as recognizing telecommunications infrastructure as a public interest;</p> |
| <p>4 Announcements of large infrastructure projects, especially significant ones related to regional connectivity;</p> | <p>9 Establishing a working group for easier access and greater representation of public-private investments;</p> |
| <p>5 Entry into force of amendments to the Law on the Prevention of Money Laundering, including the first recognition of crypto assets in Montenegro;</p> | <p>10 Improving conditions for women's entrepreneurship.</p> |

THE KEY OBSTACLES AND INADEQUACIES IN THE BUSINESS ENVIRONMENT WERE:

- | | |
|---|---|
| <p>1 Lower economic growth than planned in the Fiscal Strategy indicates a slowdown in economic growth, which may negatively affect public finances;</p> | <p>7 High level of informal economy with limited activities in its suppression, especially in the tourism sector;</p> |
| <p>2 Lack of transparency in the adoption of legal regulations and their selective application;</p> | <p>8 Weak supervision of state-owned companies and their insufficient professionalization;</p> |
| <p>3 Digitization of low-level services;</p> | <p>9 Administrative procedures for obtaining work permits, cadastral and customs procedures are slow and burdensome;</p> |
| <p>4 Insufficient air connectivity and poor road infrastructure;</p> | <p>10 Uncoordinated actions of state authorities, lack of adequate cooperation between ministries, and therefore there is no systematic approach to solving the problem.</p> |
| <p>5 Insufficiently prepared tourist season and increase of VAT rate in tourism and hotel industry;</p> | |
| <p>6 Lack of transparency in the legal framework and decision-making without adequate preparation undermine the stability of the investment environment;</p> | |

Although employers have recognized a number of positive steps that have contributed to improving the investment environment in 2025, the same group also points to existing challenges that continue to complicate the business environment. The aforementioned difficulties, such as administrative obstacles, lack of transparency and slow processes, significantly affect economic development and attracting investments. Therefore, it is necessary to take these challenges seriously and address them through consistent reforms in order to ensure stability and investor confidence. Only then can Montenegro expect long-term and sustainable economic growth.

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