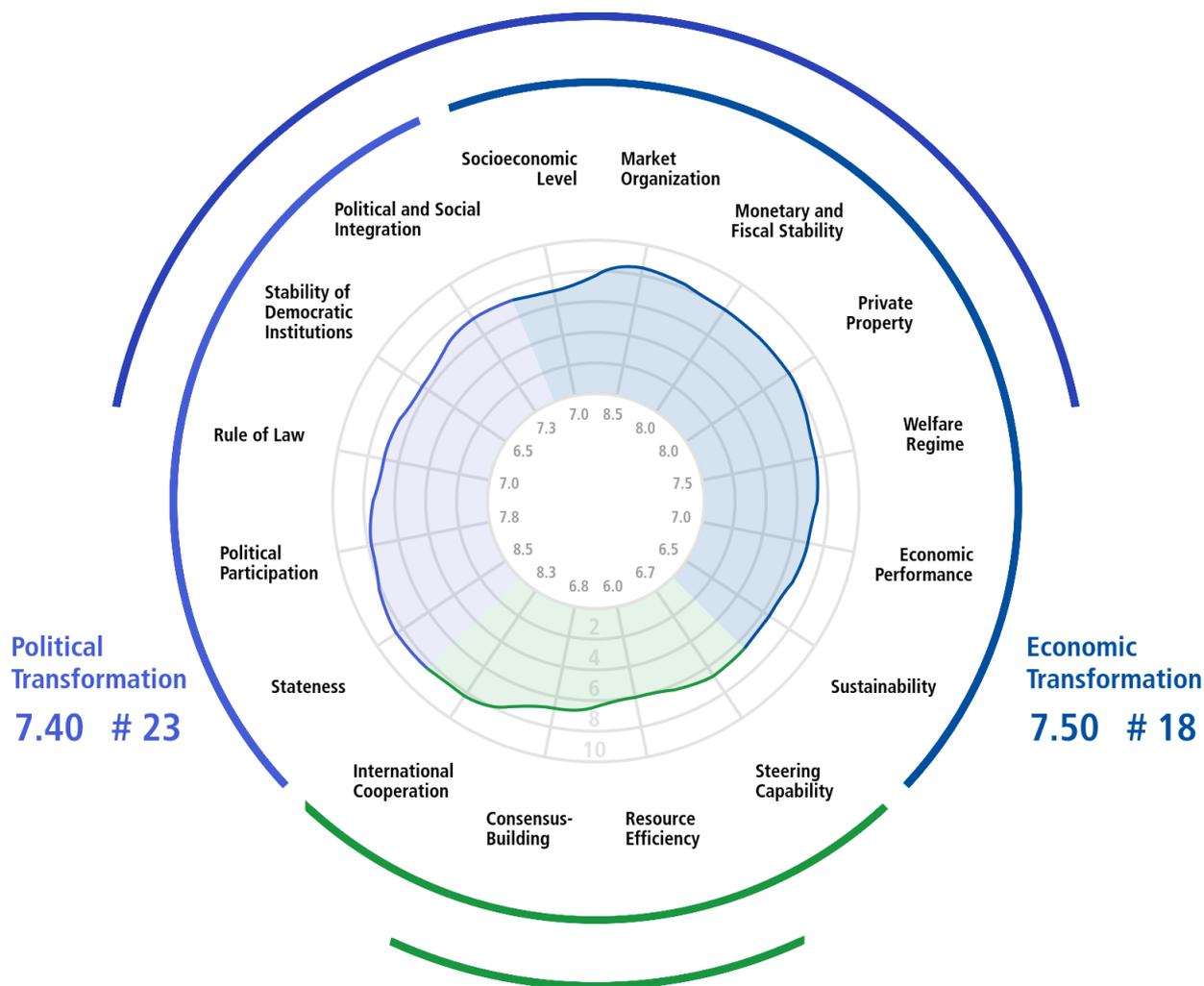


# Montenegro

## Status Index

**7.45 # 16**

on 1-10 scale out of 137



**Political Transformation**  
**7.40 # 23**

**Economic Transformation**  
**7.50 # 18**

## Governance Index

**5.90 # 29**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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## Contact

Bertelsmann Stiftung  
Carl-Bertelsmann-Strasse 256  
33111 Gütersloh  
Germany

### Sabine Donner

Phone +49 5241 81 81501  
[sabine.donner@bertelsmann-stiftung.de](mailto:sabine.donner@bertelsmann-stiftung.de)

### Hauke Hartmann

Phone +49 5241 81 81389  
[hauke.hartmann@bertelsmann-stiftung.de](mailto:hauke.hartmann@bertelsmann-stiftung.de)

### Sebastian Plate

Phone +49 5241 81 81263  
[sebastian.plate@bertelsmann-stiftung.de](mailto:sebastian.plate@bertelsmann-stiftung.de)

### Sabine Steinkamp

Phone +49 5241 81 81507  
[sabine.steinkamp@bertelsmann-stiftung.de](mailto:sabine.steinkamp@bertelsmann-stiftung.de)

**Key Indicators**

Population	M	<b>0.6</b>	HDI	<b>0.862</b>	GDP p.c., PPP \$	<b>33380</b>
Pop. growth <sup>1</sup>	% p.a.	<b>0.0</b>	HDI rank of 193	<b>48</b>	Gini Index	<b>34.3</b>
Life expectancy	years	<b>77.6</b>	UN Education Index	<b>0.857</b>	Poverty <sup>3</sup>	% <b>3.7</b>
Urban population	%	<b>68.8</b>	Gender inequality <sup>2</sup>	<b>0.121</b>	Aid per capita \$	<b>148.1</b>

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

During the review period, Montenegro experienced another bout of intense political developments. Both presidential and parliamentary elections were held in 2023, prompting further changes. In April, longtime leader Milo Đukanović was defeated in the second round of the presidential election by Jakov Milatović, a young politician who had cofounded the Europe Now movement with Miloško Spajić in 2022. Their party became a pillar of the new government formed after the inconclusive June parliamentary elections, which complicated coalition negotiations. After protracted talks, a government was finally formed in late October 2023 with support from members of parliament of Europe Now and Democratic Montenegro, along with pro-Serbian parties formerly aligned in the Democratic Front, several smaller partners and independent members of parliament.

The new parliament achieved some important breakthroughs. Pending high-level judicial appointments were finally made in 2023 and 2024, and new anti-corruption laws were passed, along with amendments to the laws on the State Prosecution Office, the Judicial Council and judges. These steps, closely monitored by the European Union, led to the long-awaited Interim Benchmarks Assessment Report (IBAR) in mid-2024. However, rule-of-law NGOs criticized the lawmaking process for failing to address all urgent issues. In general, the troubling pattern of sidelining public and civil society organizations continued, often through emergency procedures used to fast-track legislation.

The IBAR was a prerequisite for advancing Montenegro's EU accession talks. At the intergovernmental conference with the European Union in late 2024, three negotiation chapters were closed. However, Croatia blocked the planned closure of another chapter on security and foreign policy after Montenegro's parliament passed a resolution condemning crimes committed on Croatian territory at the Jasenovac camp during World War II. The move was not unexpected, as Croatian authorities had previously declared high-ranking members of Democratic Montenegro and New Serbian Democracy persona non grata. These tensions have since overshadowed Montenegro's traditionally positive relations with its neighbors.

In July 2024, former rivals – Serbian on one side and Bosniak and Albanian parties on the other – joined the government following a cabinet reshuffle. While this has yet to reduce the country's main political divides, it carries the potential to do so.

Political dynamics at the local level were even more problematic. The small municipality of Šavnik failed to complete local elections originally scheduled for 2022 and became mired in legal deadlocks, exposing weak commitment to democratic norms and limited enforcement capacity among competent authorities. The situation was only marginally better in Budva, Andrijevica and Berane, where political deadlock forced the national government to impose temporary administrations.

Some economic indicators improved. GDP per capita growth remained relatively stable in 2022 and 2023 following the pandemic-induced contraction in 2020 and a sharp rebound in 2021. The government partially implemented environmental protection measures and streamlined several processes to prepare for broader reforms in education and social and child protection. It also rolled out the second phase of the Europe Now program, launched in 2021 when Spajić served as finance minister. The program raised salaries and pensions but drew criticism for fueling inflation and lacking both data-driven justification and a coherent strategic framework.

## History and Characteristics of Transformation

The tradition of Montenegro's independent statehood dates back several centuries. In 1878, the Congress of Berlin recognized Montenegro as an independent state. That independent statehood ended when Montenegro joined Serbia in 1918. That union remains a polarizing issue today – in 2018, the parliament of Montenegro declared all decisions of the 1918 Podgorica Assembly, which determined the country's union with Serbia, to be null and void.

After World War II, the Yugoslav monarchy transformed into a socialist federal state, with Montenegro as one of its constituent republics until 1992. While Bosnia and Herzegovina and Croatia were at war in the early 1990s, Montenegro remained part of a common state with Serbia following a 1992 referendum. Although the constitution called for equal representation between Montenegro and Serbia in federal institutions, Serbia effectively controlled the state. The transition to democracy was complicated by war and by sanctions imposed because of the involvement of Yugoslav authorities in the civil wars in Bosnia and Herzegovina and Croatia. Both Montenegro and Serbia were governed by semi-authoritarian regimes led by reformed communist parties that adopted nationalist rhetoric.

The breakup of the Democratic Party of Socialists (DPS) in 1997, following a conflict between Milo Đukanović and Momir Bulatović, marked a turning point in Montenegro's modern history. Đukanović distanced himself from the regime in Serbia, while Bulatović and his newly formed Socialist People's Party remained loyal to Slobodan Milošević. The Montenegrin government pursued independence, while opposition parties favored preserving a common state. In the 2006

referendum, 55.5% voted in favor of independence, after which Montenegro joined the United Nations and other major international organizations. The country became a NATO member in June 2017. As of January 2025, Montenegro had opened all EU negotiation chapters, with six provisionally closed. In mid-2024, it received a positive assessment on the implementation of interim benchmarks in the two most demanding chapters of its EU accession talks, prompting the European Union to signal readiness to begin preparations for Montenegro's Accession Treaty.

Despite the relatively successful international recognition of Montenegro's political commitment to Euro-Atlantic integration, Montenegro's society has been grappling with several issues. These include the slow pace of change in its political system, ineffective public institutions, a culture of legal impunity for individuals politically linked to the ruling parties, discriminatory practices in the labor market and public procurement, and challenges concerning legal security and the alignment of judicial practices with international standards.

The 2020 parliamentary election ended 30 years of rule by the DPS and its coalition partners, ushering in a new government. However, the long-awaited change in power did not lead to meaningful improvements in the functioning of key institutions, nor did it produce a break from entrenched political clientelism and corruption. Instead, the transition ushered in a period of pronounced political instability, reflected in three different governments taking office since late 2020.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The state's monopoly on the use of force extends across the country's entire territory. There are no militias or guerrillas in Montenegro.

Since 2014, a conflict between rival organized criminal groups has undermined security in the country. The number of attempted killings in public places decreased temporarily after 2020 but rose again in 2024, when four suspected gang members were killed in less than six months.

There have been alleged attempts by organized crime groups to infiltrate the criminal justice system. Allegations involving the former president of the Supreme Court, former police directors and officers, and special prosecutors in organized crime activities have reinforced these concerns. While rival gangs have made efforts to undermine the official monopoly on the use of force and infiltrate institutions, their actual reach is difficult to determine. During the review period, the governments and the chief special prosecutor have made efforts to decrease their influence.

Under Montenegro's constitution, Montenegro treats all citizens equally regardless of ethnicity. However, legislation provides affirmative action for certain ethnic minorities, granting privileges such as reserved parliamentary seats and funding for national councils.

Population censuses have become highly political. After 2020, some political parties and NGOs demanded the removal of questions on national identity from the census. Nonetheless, after delays due to the COVID-19 pandemic and political disagreements, the 2023 population census was conducted after the government, in agreement with the opposition, introduced additional safeguards that allowed citizens to cross-check data on their ethnic and religious affiliation. The census data were disclosed and largely accepted by all relevant political parties in October 2024.

Question  
Score

Monopoly on the  
use of force

10



1

State identity

8



1

Since the 2006 independence referendum, the legitimacy of the nation-state has occasionally been questioned by the parties that previously favored preserving the state union with Serbia. However, none of the major political players have moved to formally reconsider Montenegro's status as an independent country.

The Law on Montenegrin Citizenship is restrictive, particularly concerning dual citizenship. However, the parties that formed the parliamentary majority following the 2023 elections – especially New Serbian Democracy – have occasionally pledged to initiate the adoption of rules on dual citizenship. Such attempts are fiercely opposed by former ruling parties and some NGOs, out of fear that they would alter the country's ethnic composition.

The state is largely secular; however, political parties try to include religious issues in their platforms.

The involvement of religious communities, especially the Serbian Orthodox Church (SOC), in politics peaked during the 2020 parliamentary elections. Since then, SOC leaders have continued to use messaging and meet with certain political leaders to provide political support.

More than 70% of the population identifies as Orthodox Christian, according to the 2023 census. However, beyond the usual division between the SOC and the Montenegrin Orthodox Church (MOC), the MOC experienced a schism in 2023.

In 2024, the State Audit Institution (SAI) published a report on the financing of religious communities that found more than €8.5 million was distributed by the state for those purposes from 2019 to 2023. Most of the funds – more than €6 million – were allocated to religious education institutions. Half of the total funds went to two secondary schools – one of the Islamic Community (€3.1 million) and one of the SOC (€1.8 million). All relevant communities received funds. However, the SAI found that the funding was not in line with the relevant Education Act and recommended that the criteria and procedures be streamlined. In general, religious communities have advocated for the introduction of religious education in schools, but the state has not agreed to their requests. The SOC, as the most influential religious organization in the country, plays a role in political life through sheer popularity and suggestive messaging at crucial political moments.

All necessary administrative structures are in place across Montenegro, yet efforts to modernize public services remain slow.

These efforts were partially hampered by the 2022 cyberattack, the effects of which lingered throughout the review period. In late 2024, the government announced the launch of a new e-government portal, but the number of newly introduced electronic services has been rather low and remains centered on advanced electronic services for students and parents. Apart from these services, the electronic real-time digital tax receipt reporting system and the electronic public procurement system have also

No interference of religious dogmas

7



1

Basic administration

9



1

been introduced successfully. Both systems have been in use since 2021 and, in addition to simplifying procedures, have a positive anti-corruption effect because of transparent and automated data exchange.

The percentage of citizens with access to safely managed sanitation has improved slightly, from 55.4% in 2021 to 57.4% in 2022, according to the latest World Bank data. Access to safely managed water sources (85.1%), basic water sources (98.9%) and basic sanitation (97.8%) has remained high, while access to electricity is universal.

In 2023, research by the NGO Roditelji (Parents) found that many children lack adequate access to educational and preschool facilities, and that new kindergartens and schools are needed. In two municipalities, there were no nursery groups in kindergartens, while one municipality did not have a functional secondary level school.

## 2 | Political Participation

Universal suffrage by secret ballot is guaranteed. Although procedures are established for voter, candidate and party registration, the process lacks transparency and integrity in several respects. A particular concern is the electoral roll, which has been found to contain several discrepancies. Political subjects have the right to compete under clear and legally prescribed conditions, which are largely upheld. They are also entitled to media representation, which is closely monitored by the relevant regulators.

While polling stations generally ensure a secure and secret ballot, they are not always accessible to people with disabilities. Although most elections are not openly challenged once completed, they suffer from shortcomings in fairness, mainly due to the misuse of public resources and institutions for electoral purposes. There has been no progress in implementing the recommendations of the European Commission or the OSCE/ODIHR regarding the legal framework for the elections. In late 2024, the opposition announced a boycott of the parliamentary committee formed in late 2023 to carry out comprehensive electoral reform because of the way the parliamentary majority decided to end the mandate of a Constitutional Court judge.

In 2023, two rounds of presidential elections were held in March and April, and parliamentary elections were held in June. The OSCE/ODIHR noted that the presidential elections were conducted in an appropriate manner, respecting fundamental freedoms. Nonetheless, it highlighted that efficient judicial review was not ensured because the Constitutional Court did not function; its work was blocked until late February 2023 due to the loss of quorum. It also stressed that the politicization of the candidate registration process undermined confidence in the elections. Following media reports that Miloško Spajić, a potential presidential

Free and fair elections

6



1

candidate for the Europe Now! party, had Serbian citizenship despite the ban on dual citizenship, he was barred from running through a dubious procedure that disregarded additional checks on other candidates, including Andrija Mandić, leader of New Serbian Democracy, who also allegedly held both Montenegrin and Serbian citizenship. Jakov Milatović, who replaced Spajić as the Europe Now! candidate, defeated the incumbent Milo Đukanović in the second round.

The parliamentary elections were less contentious. The OSCE/ODIHR assessed election day to be transparent, calm and professionally conducted, although some procedural safeguards were not always observed during the counting process.

After nine attempts to complete the elections in the municipality of Šavnik failed in 2022, the old management structure continued to govern well beyond its constitutional four-year term, remaining in office for more than six years as of early 2025. Voting in the municipality was suspended in 2022 when members of the election commission claimed that some voters who neither lived nor worked in Šavnik had obtained residency only to vote for the DPS. The authorities were unable to resolve the situation, signaling not only their weak enforcement capacity but also shortcomings in the electoral process, including an incomplete legal framework.

Democratically elected political representatives have the effective power to govern. Nevertheless, various interest groups and religious organizations have gained substantial influence in recent years. On the one hand, the Serbian Orthodox Church (SOC) in Montenegro remains one of the most influential and popular social actors, especially since the end of 2019. On the other hand, recent cases alleging involvement in organized crime by the former president of the Supreme Court, employees of the Police Administration and the National Security Agency, special prosecutors and the president of the Commercial Court have reinforced concerns about connections between organized crime and power structures. The number of police officers suspected of organized crime activities was particularly high in 2023 and 2024. Those suspected included two former directors of the Police Administration, assistant directors and dozens of active and former police officers, for involvement in criminal activities and cooperation with clans involved in smuggling drugs and cigarettes.

Public assembly is a constitutional right in Montenegro. Laws governing public assemblies, NGOs, political parties and other entities further protect and regulate the freedom of association. Foreign NGOs may operate in Montenegro. Authorities may temporarily restrict freedom of assembly to prevent disorder, the commission of a crime or threats to health, human rights or the safety of persons or property.

The trend of frequent protests continued throughout the review period. Their causes proliferated, signaling citizens' increased readiness to express dissatisfaction. Meanwhile, violence at protests decreased, and no major incidents were reported at protests held in 2023 and 2024. In October 2023, local authorities in Budva ordered the removal of a public exhibition about political prisoners in Russia, titled "Faces of

Effective power to govern



1

Association / assembly rights



1

the Russian Resistance,” from the town center. The move was not legally justified and was an isolated example of a violation of the right to freedom of assembly, which is otherwise widely respected and practiced.

During the review period, two Pride parades were held without incident and were attended by high public officials.

Freedom of expression is guaranteed, and a wide array of media outlets and social networks exercise this right. Nonetheless, occasional threats and attacks against journalists still occur, albeit with somewhat swifter responses from authorities. In 2023, the Trade Union of Media Workers (Sindikata media) recorded 16 attacks on journalists, including verbal threats – a slight decline in the number of attacks. However, despite the increase in salaries, rising inflation has largely outweighed the expected benefits for media workers. In general, the media market remains highly saturated, with 222 outlets and 2,000 employees (Trade Union of Media Workers, 2024). However, 800 employees work for the national public broadcaster.

The review period was marked by controversy over the appointment of Boris Raonić as director of the national public broadcaster (RTCG). Although the Higher Court in Podgorica ruled that his 2021 appointment was not in accordance with the law, the RTCG Council ignored the ruling. The government pushed amendments to the law on RTCG that lowered the required managerial experience, which CSOs and opposition parties said favored Raonić. However, parliament passed the controversial amendments. In the face of growing criticism, Raonić briefly resigned from his post. However, he was reappointed first as acting director and then for a full term after new eligibility requirements were adopted. Although it has tried to balance different political views, RTCG’s reporting has occasionally been instrumentalized by the management led by Raonić, as illustrated by its coverage of the controversies surrounding his appointment.

Pobjeda, the oldest daily newspaper in Montenegro, replaced its editor in mid-2024, prompting more than 20 employees to protest the decision and some of its journalists to leave the outlet.

Laws on audiovisual services, media and the public broadcaster were adopted in early June 2024, in an effort to meet some of the requirements of the EU accession negotiations. In addition to changes to the eligibility criteria for the RTCG director, the laws introduced significant improvements, such as better protection of journalists’ sources, increased budget allocations to the media and stronger mechanisms to protect journalists’ integrity and freedom.

Freedom of  
expression

7

'06 \_\_\_\_\_ '26 10



1

### 3 | Rule of Law

Power is divided among the parliament, the government and the judiciary. The president of Montenegro is also directly elected, albeit with limited powers, and the Constitutional Court ensures constitutionality and legality. The military and security services are under democratic and civilian control.

Judicial reform has been a priority in the EU accession process. However, it stalled for a long time because a qualified parliamentary majority for top judicial appointments was difficult to achieve. In 2023 and 2024, parliament completed important appointments: Constitutional Court judges and the supreme state prosecutor. In late 2024, after numerous failed attempts, the Judicial Council appointed the president of the Supreme Court – a position that had been filled on an acting basis since December 2020, when the former president resigned amid controversy over the constitutionality of her third term in office.

Although the Constitutional Court resumed work in February 2023, its review of the constitutionality of decisions has encountered numerous obstacles, including differing interpretations of laws regarding the end of its judges' mandates. In 2024, two judges' mandates ended, but each time followed a different procedure – once the one prescribed in labor law, and the other time the one in the law on pension and disability insurance. In general, the Constitutional Court has been criticized for passivity, and it has failed to issue decisions on some important matters. In addition, after a parliamentary majority accepted the end of a Constitutional Court judge's mandate, the opposition challenged the move, arguing that the issue had not been properly discussed at the court's meeting, which it said was required by law. The opposition even threw a gas bomb during the relevant parliamentary committee meeting and then boycotted the plenary session, preventing adoption of the 2025 state budget before the start of the fiscal year.

The mechanisms of parliamentary control of the government include the vote of confidence, prime minister's questions, interpellation, and consultative and oversight hearings. However, the NGO Institute Alternative noted that most of the opposition's initiatives for control hearings were not upheld, despite the clear right to hold them. Only one of seven opposition initiatives for hearings was upheld, with the hearing conducted in a timely manner between the 2023 elections and early June 2024. Prime Minister Milojković Spajić failed to attend several sessions to respond directly to MPs' questions, drawing criticism from the opposition for disregarding his parliamentary obligations.

The government proposes and enforces laws and conducts foreign policy. However, since the power shift in 2020, the share of laws proposed by parliamentarians has increased. As a result, public debate or impact assessments were not conducted for those laws – stages required for draft laws proposed by the government. Even within

Separation of powers

6



the government, a significant number of laws were passed under an urgent procedure, despite civil society's criticism. Of 78 government-proposed laws submitted to parliament October 2023 – July 2024, public debate was held for only a third. Exemptions from the mandatory public debate stage in drafting laws resulted from the rushed adoption of certain laws under deadline pressure in the country's EU agenda. Especially with the expected positive assessment of the interim benchmarks within the most demanding EU negotiation chapters (23 and 24), the country's EU integration efforts have, paradoxically, negatively affected public participation and parliamentary deliberation on important laws.

Montenegro's judiciary struggled to perform because some of the most important institutions were not fully constituted, and numerous criminal proceedings during the previous period brought to light closely intertwined interests between certain important judicial officials and various interest groups, including organized crime. Nonetheless, some positive breakthroughs were achieved.

The lengthy stagnation of judicial reform ended when pending appointments for Constitutional Court judges, the supreme state prosecutor, three members of the Judicial Council and the president of the Supreme Court were completed and when parliament passed amendments to the laws on state prosecution, the Judicial Council and judges in 2023 and 2024. This occurred under the watchful eye of the European Union, which "rewarded" Montenegro with the long-awaited Interim Benchmarks Assessment Report (IBAR) in mid-2024, although the NGOs active in the field criticized the laws for failing to address all immediate concerns.

During the review period, a large number of prosecutors were appointed, increasing the number of active prosecutors from 85 to 114, toward a target of 141 by the end of 2025. The NGO Human Rights Action, which monitors judicial reform, noted improvements in the work of the Prosecutorial Council, especially regarding the justification of its decisions.

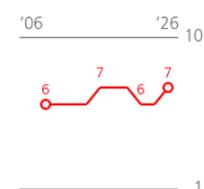
In December 2023, after almost five and a half years, members of parliament finally agreed to appoint the three lay members of the Judicial Council, restoring the legitimacy of this body, which is highly relevant to the appointment of judges and the assessment of their performance.

In January 2024, the parliament appointed Milorad Marković, a distinguished legal expert from outside the system, as the supreme state prosecutor. The Special State Prosecution and Special Police Department still lack adequate buildings and offices, which would provide better working conditions.

Judicial and prosecutorial councils are tasked with appointing judges and prosecutors. They consist of judges or prosecutors, one government representative and reputable lawyers who are elected by parliament. The system for appointing judges and prosecutors includes clear eligibility criteria and mandatory training for newcomers.

Independent  
judiciary

7



Newly appointed judges and prosecutors are also assessed through a written test and an interview. However, these procedures are often criticized, particularly for the arbitrariness of interviews. Prosecutors' performance evaluations have often been criticized, as all prosecutors received excellent grades. This trend has changed slightly: in the most recent round, a quarter of the prosecutors whose work was evaluated did not receive excellent grades.

The president of the Supreme Court was appointed by the Judicial Council in late November 2024. The amended law on judges and the Judicial Council included safeguards against conflicts of interest and undue political influence in appointing members of the Judicial Council by prohibiting spouses and close relatives of high-ranking political officials from becoming council members. The amendments, adopted in mid-2024, also established anti-deadlock mechanisms by allowing reputable lawyers to stay on for two additional years after their terms expire if parliament fails to appoint a replacement. The provision was criticized because the constitution stipulates a four-year term.

In its Rule of Law report, published in July 2024, the European Commission noted that the track record on investigating and prosecuting high-level corruption has been stable, but the lack of trials and final decisions contributes to a perception of impunity. It praised the Special Prosecution Office for significantly improving its performance while noting the office's insufficient human resources.

In 2024 alone, the Special Prosecution indicted the director and deputy director of the Agency for the Prevention of Corruption, two former heads of the Police Administration, a former head of the Agency for National Security, a former chief special prosecutor and dozens of former and serving police officers. Nevertheless, some high-profile trials have been significantly prolonged, such as the trial of the former president of the Supreme Court, during which hearings were repeatedly postponed and the entire trial was restarted because the previous judge was on sick leave. The data on the effectiveness of the Special Department at the High Court in Podgorica, where cases of organized crime, corruption and war crimes are tried, confirm the unsatisfactory judicial resolution of the most prominent cases. In 2022, 80% of its 150 active cases remained unresolved at year-end.

During the review period, many of the investigations initiated were based on information shared by international organizations that had intercepted encrypted communication channels used by organized crime groups. The admissibility of such evidence became a subject of public debate. Opposition parties, led by the former ruling party, DPS, accused Vladimir Novović, the chief special prosecutor, of being the "Sky prosecutor," hinting at his overreliance on evidence obtained from the application with the same name. At the same time, the DPS did not distance itself from its senior officials and former close associates who were under investigation.

Prosecution of  
office abuse

7



Trust in state prosecution continued to rise. An OSCE-commissioned survey published in January 2025 found that 64.1% of citizens trust the Supreme State Prosecutor's Office, 14.5% more than the previous year, while 64.8% trust the Special State Prosecutor's Office, 9.7% more than in 2023.

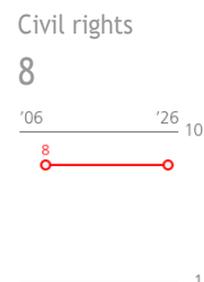
The general framework for the protection of civil rights is in place, although there are instances of discrimination in practice, especially against vulnerable groups. During the review period, the government pledged to propose a new law on anti-discrimination and protection of equality, but it has not yet been adopted. Even so, the ombudsman noted long-standing problems in protecting human rights, warning particularly about rising online hate speech, often involving misogyny and sexism. Police do not keep adequate statistics on online discrimination and threats and, in most cases, have been unable to determine perpetrators' identities. Gender-based violence has not declined: In the five years through January 2025, 17 femicides occurred. Gender discrimination remains widespread, and the government is trying to introduce better gender statistics to address it systematically. Montenegro's gender equality index improved from 55 in 2019 to 59.3 in 2023 (measured by the European Institute on Gender Equality, EIGE). Nonetheless, data released by the International Labour Organization show a wide gender pay gap of 21%.

The government presented a draft law on gender self-identification in February 2024. The law has yet to be adopted, a delay that has been fiercely criticized by many CSOs and activists. The law should regulate, among other things, the legal recognition of gender identity based on self-determination. On the other hand, according to data presented in ILGA Europe's 2024 annual review on the rights of LGBTQ+ persons, more than 100 couples have entered same-sex partnerships since the law entered into force in 2021. Occasional incidents against LGBTQ+ persons still occur, including a psychologist who wore non-gender-conforming clothing on a TV show in mid-2023 and was subsequently targeted with hateful comments, threats and several physical attacks. Still, efforts to improve the status of LGBTQ+ have been gradual over the years, albeit at an unsatisfactory pace that activists increasingly criticize.

Roma and Egyptians remain largely isolated from the rest of the population and live in overcrowded settlements with poor living conditions, a situation reflected in high unemployment and low education levels. In February 2024, a fire in the Roma settlement in the town of Bar killed four people. Afterward, Roma organizations filed a complaint with the ombudsman, urging more adequate housing for Roma and Egyptians in the town.

People with disabilities also face discrimination, in part because disability is determined by outdated models.

Some cases brought against former and current police officers by the Special Prosecution Office alleged their involvement in torture and the mistreatment of detainees. The 2023 U.S. State Department report on human rights practices in



Montenegro also noted that prisoner-on-prisoner violence was a persistent problem. In 2023, violence attributed to the longtime conflict between the country's two largest organized criminal groups broke out in Montenegro's main prison.

#### 4 | Stability of Democratic Institutions

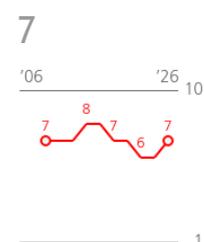
The constitution provides a solid basis for the balance of powers. Yet political polarization has hampered the functioning of key institutions, although some breakthroughs have been achieved through consensus on important judicial appointments and on the conduct of the population census, which in Montenegro has significance well beyond a statistical exercise because of pronounced national-identity cleavages.

The most recent government was formed in late October 2023, following lengthy and unpredictable negotiations. It included parties that once opposed the 30-year-long regime of Milo Đukanović and the DPS. Nonetheless, the coalition formed in July 2024 included the Bosniak Party, a longtime coalition partner of the DPS that has traditionally opposed pro-Serbian parties. For the first time, the highest positions in government also included figures from the former Democratic Front, known for its pro-Russian stances and close ties to the Serbian regime.

The current government has the strongest parliamentary support in the country's recent history. However, its organization is cumbersome, consisting of 32 government members and 27 ministries.

The reorganization triggered by the introduction of new ministries and the abolition of old ones – as in previous cycles – hampered the smooth functioning of public administration. However, the appointments of lay members of the Judicial Council, the appointments of Constitutional Court judges and the Judicial Council's approval to appoint the president of the Supreme Court restored some of the previously endangered checks and balances. A new crisis emerged with the controversy over the retirement of a Constitutional Court judge – described in the section on “separation of powers” – which resulted in a boycott of parliament and the failure to pass the 2025 state budget, while electoral reform also stalled amid a tense political climate. As a result, Montenegro has yet to reform the electoral roll, professionalize the State Electoral Commission and clarify the position of presidents of local electoral commissions, all of which were prioritized by key stakeholders, but none has progressed.

Performance of democratic institutions



Democratic institutions are broadly accepted as legitimate by all key actors, but legal loopholes leave some democratic processes open to interpretation and impede democratic consolidation. In other words, key institutions and legal and constitutional provisions are sporadically bent to suit particularist political interests, even though their legitimacy is not openly disputed.

For example, in late 2024, the opposition obstructed parliamentary work in protest of the majority's decision to terminate the mandate of a Constitutional Court judge without a clear legal basis. As a result, important parliamentary debates and votes were temporarily blocked, including adoption of the 2025 budget.

In the municipality of Šavnik, the police, prosecutors and other relevant institutions were unable to muster enough political power to end the electoral process, which formally began in October 2022. The elections never concluded because supporters of the local opposition prevented some people from voting, arguing that they had never resided in the small municipality but had instead exploited legal loopholes – which place no limit on the duration of prior residency – to obtain the right to vote in local elections. Consequently, the situation led to numerous legal deadlocks, leaving official authorities – in legal and practical terms – unable to confront it.

## 5 | Political and Social Integration

The party system fragmented further with the emergence of new, relevant parties and the formation of new political alliances. In addition, new local voter groups, not represented by existing national-level parties, continued to play a decisive role in local elections.

The Europe Now movement was severely affected by internal friction between Milojko Spajić, prime minister and party president, and Jakov Milatović, president of Montenegro and former party deputy. The party lost many votes in the Podgorica elections and performed poorly in towns such as Budva, leading the opposition to question its legitimacy as a key pillar of the national government. These issues have also reduced the movement's chances of bridging deep ethnic divisions, despite its initial potential to unite voters based on socioeconomic grievances rather than ethnicity.

The largely Serb-affiliated Democratic Front coalition, a relatively stable political actor since 2012, officially disbanded in mid-2023. The two strong constituents with a Serbian orientation, New Serbian Democracy and Democratic People's Party, continued to cooperate closely, while the Movement for Changes lost parliamentary representation in 2023.

Previously opposed parties of Serbian, Bosniak and Albanian ethnic designations formed a governing coalition in July 2024. This development has not significantly diminished the main political cleavages, though it has the potential to do so. Despite

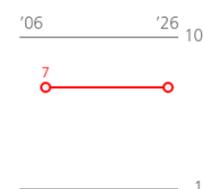
Commitment to democratic institutions

6



Party system

7



occasional dissatisfaction from Bosniak and Albanian parties, the government remained functional as of late January 2025, leaving prospects open for either a wider consensus driven by the promise of imminent EU membership or further polarization.

A significant number of interest groups represent diverse social interests. Apart from the prominent civil society organizations (CSOs), there has been a recent proliferation of local electoral lists that gather significant support at the local level in numerous municipalities while not being established within existing national-level parties. Yet they are more a reflection of national developments and conflicts within traditional political parties than of genuine local needs.

The Serbian Orthodox Church remains influential, with politicians holding meetings and engaging with religious leaders ahead of important political events to receive indirect backing and symbolic support.

Two representative trade unions operate at the state level. Both are nationally recognized social partners and members of the tripartite Social Council, along with the Union of Employers and the government. The business community is represented by a number of business associations, including the Chamber of Commerce and the Union of Employers, while foreign companies are represented by the Foreign Investors Council and the American Chamber of Commerce.

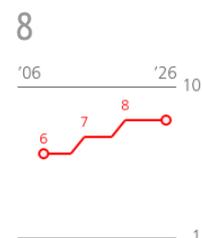
Various interest groups, especially those representing public sector employees, often voice their demands to the government. As a result, ad hoc concessions have been made to these groups, further increasing the public sector wage bill.

In late 2024, in solidarity with student protests in Serbia, the informal group Kamo Sjutra began organizing demonstrations in the capital, Podgorica. Following the massacre of 13 people in Cetinje in January 2025, the group organized mass demonstrations demanding the resignations of the interior minister and the deputy prime minister for security, as well as stronger arms control, better civic education and greater protection of mental health. The protests drew significant support from civil society leaders and academics.

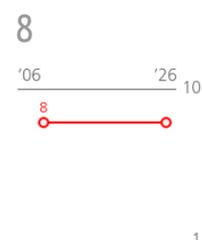
Montenegrins prefer a democratic political system, with 95% of respondents rating this system good or very good (NGO Centre for Democracy and Human Rights - CEDEM, 2023). Support for authoritarian and militaristic systems remains concerning, as almost 50% also rate these systems good or very good. However, broader trends reveal a slight decline in strong favoritism toward autocratic systems.

However, CEDEM's analysis also warned that a deeper understanding of democracy does not align with its high approval rating. In addition, according to the same survey, key democratic institutions have low levels of public trust. There is widespread mistrust of political institutions in Montenegro. Although trust in the president increased following the election of Jakov Milatović, political parties continue to be viewed very negatively by citizens, which poses a major challenge to the functioning of the political system as a whole. They enjoy the trust of only 24% of citizens, while the parliament is trusted by 36% and the government by 35%.

Interest groups



Approval of democracy

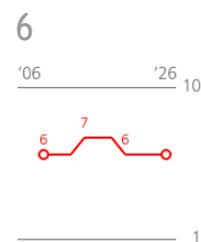


The level of generalized trust in other people is very low, despite the high rates of trust in family, neighbors and other acquaintances. The social capital score, on a scale of 1 to 100, is 9.9. This measures the average percentage value of political trust; generalized trust; and trust in people from the neighborhood, people we know, people we don't know and people of a different nation and religion. Montenegro's overall ranking is also low: 20th out of 34 European countries, as published by the NGO Centre for Democracy and Human Rights – CEDEM.

On the other hand, grassroots activism and other ad hoc protests against social grievances, such as sexual violence in schools, are on the rise.

Volunteerism is not well developed in Montenegro. Several amendments to the law on volunteerism have been discussed in parliament since 2019, but the latest was withdrawn in November 2021. Consequently, volunteerism still suffers from overly bureaucratic procedures.

### Social capital



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

According to the 2024 Human Development Report, Montenegro has a very high level of human development. The country's HDI score rose slightly to 0.844 in 2023, placing it 48th among 193 countries.

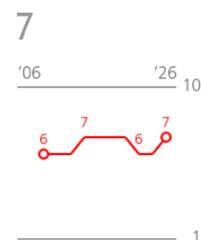
Montenegro's loss of human development due to inequality stands at 10.4%. Significant disparities in household income persist. The country's Gini index was 31.5 in 2022, an improvement from 34.3 in 2021, but still higher than the EU average of 29.6.

In 2022, Montenegro ranked 33rd out of 166 countries on the Gender Inequality Index (0.114), a modest improvement from 0.124 in 2021. One of the most pronounced disadvantages women face remains in the real estate market, where many renounce family inheritance rights in favor of their brothers. Women also remain under-represented in political institutions, despite comprising roughly half of the population.

According to the Strategy for Social and Child Protection, 3.7% of the population lived on less than \$3.65 per day (PPP-adjusted) in 2021, down slightly from 4.2% in 2020. However, the share of citizens at risk of poverty remained high at 20.3% in 2022. Young people are particularly vulnerable, with poverty rates reaching 28.4% among minors and 25.8% among those ages 18 to 24. The risk of poverty also remains higher in rural areas in the north of the country.

### Question Score

### Socioeconomic barriers



<b>Economic indicators</b>		2021	2022	2023	<b>2024</b>
<b>GDP</b>	\$ M	5861.4	6229.8	7530.6	<b>8069.5</b>
<b>GDP growth</b>	%	13.0	6.4	6.3	<b>3.0</b>
<b>Inflation (CPI)</b>	%	2.4	13.0	8.6	<b>3.3</b>
<b>Unemployment</b>	%	16.5	14.9	14.6	<b>14.1</b>
<b>Foreign direct investment</b>	% of GDP	11.8	14.0	7.0	<b>7.4</b>
<b>Export growth</b>	%	81.9	22.7	9.0	<b>-3.2</b>
<b>Import growth</b>	%	13.7	21.3	5.9	<b>5.5</b>
<b>Current account balance</b>	\$ M	-541.2	-817.9	-851.5	<b>-1404.4</b>
<b>Public debt</b>	% of GDP	86.2	70.3	59.6	<b>60.8</b>
<b>External debt</b>	\$ M	9441.7	8735.6	8616.5	-
<b>Total debt service</b>	\$ M	896.5	956.1	782.0	-
<b>Net lending/borrowing</b>	% of GDP	-	-	-	-
<b>Tax revenue</b>	% of GDP	-	-	-	-
<b>Government consumption</b>	% of GDP	19.7	17.9	17.9	<b>17.9</b>
<b>Public education spending</b>	% of GDP	-	-	-	-
<b>Public health spending</b>	% of GDP	6.5	6.9	-	-
<b>R&amp;D expenditure</b>	% of GDP	-	-	-	-
<b>Military expenditure</b>	% of GDP	1.6	1.6	1.6	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Montenegro has an open economy characterized by free-market competition and minimal state intervention. Markets operate within a robust institutional framework that is largely aligned with the European Union.

The share of the informal economy, as measured by unreported profits and unreported or unpaid employee salaries, decreased. In 2022, it accounted for 20% of GDP, but the government estimated that in 2023, it decreased to between 15.7% and 18.2% of GDP. In 2024, the government adopted a program to combat the informal economy. Still, the European Union noted that the document lacked clear monitoring and review mechanisms.

Small- and medium-sized enterprises made up 50.4% of total employment in 2023, according to the 2024 European Commission report. The service sector was disproportionately large, absorbing 77% of total employment, while industry and construction accounted for 18.4% and agriculture for 4.5%.

The Law on Protection of Competition regulates market competition and reflects relevant European principles. The Agency for Protection of Competition (APC) is an independent authority that monitors and analyzes market competition, approves exemptions and generally seeks to prevent anti-competitive behavior. Since its establishment in 2013, the APC's competencies have been expanded, and it now also serves as the state aid authority.

The Agency needs to strengthen its capacity significantly. It was seriously understaffed at the end of 2023, with only 34 employees compared with the 55 envisioned in the rulebook. It cannot impose sanctions, as this power is vested in the courts. During the review period, a law was being drafted to grant the Agency sanctioning powers and financial independence.

In its 2024 report on Montenegro, the European Commission assessed that implementation of the Agency's mandate against the abuse of a dominant position in the market had undergone significant development in one case, when the Agency adopted a decision prohibiting cartel practices. In January 2024, the Agency determined that the Association of touristic agencies adopted a price list for services that ran counter to market competition. In the previous eight years, no procedures were initiated and no decisions were made regarding potential abuse of a dominant position.

In November 2024, the Agency determined that three major telecommunications companies had illegally agreed on prices for prepaid services. The Agency also determined that state aid was unlawfully provided in two cases.

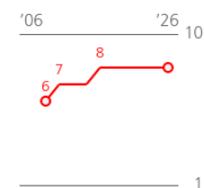
Market  
organization

8



Competition policy

8



During the review period, major food retailers were also suspected of price collusion. The Agency for Protection of Competition initiated proceedings but did not find that competition rules had been breached. Nevertheless, inspired by similar initiatives in the region, Montenegrins considered a large-scale boycott of major retailers as of January 2025 due to what they saw as inflated prices and large profit increases inconsistent with the population's deteriorating purchasing power.

Montenegro has been a member of the World Trade Organization (WTO) since 2012, a membership that commits the country to ongoing trade liberalization and to establishing a transparent, predictable environment for domestic and foreign companies.

The Montenegrin economy is service-based and relies heavily on trade and foreign investment. According to the WTO, the MFN average applied tariff was 3.7% in 2023.

As an EU-aspirant country, Montenegro has a bilateral free trade agreement with the European Union, referred to as a Stabilisation and Association Agreement (SAA), signed in 2010, which envisages gradual integration into the European Union's single market.

The Central Bank of Montenegro (CBM) oversees and supervises the financial services sector. All regulations comply with the Basel Accords and EU norms. CBM has a bank oversight department that provides reports on each bank's financial indicators, including balance sheets and income statements. It also ensures that banks maintain the required share of equity capital relative to assets, which was 7.9% in 2022. In late 2024, Montenegro joined the Single European Payment Area (SEPA), which should facilitate transactions in the euro and reduce associated costs.

According to CBM, the share of non-performing loans has slightly improved from 5.7% in 2022 to 5% in 2023. In general, the financial sector remained liquid and well capitalized.

The 2024 European Commission report reiterated the need for Montenegro to adopt EU-aligned legislation on capital requirements, bank resolution and supervision.

The report called on financial conglomerates to continue working on alignment with the EU acquis on insurance and to complete alignment with the EU laws on open-ended investment funds, alternative investment funds and financial market infrastructures.

In 2024, the Montenegrin parliament passed a law that transformed the previous Investment and Development Fund into Montenegro's new Development Bank, tasked with encouraging the development of entrepreneurship, infrastructure projects and the competitiveness of Montenegrin products through loans and guarantees. The law was not subject to a public consultation, which would have effectively included

Liberalization of  
foreign trade

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Banking system

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citizens and the expert community, since it was proposed by MPs from the governing parties rather than by the government. Montenegro's president vetoed the law, returning it for a second deliberation, citing concerns about the lack of expert discussion and consideration of alignment with EU standards. However, the parliament passed the law as initially envisaged.

## 8 | Monetary and fiscal stability

As Montenegro unilaterally uses the euro as its official currency, it lacks independent monetary tools, and fiscal policy remains the primary macroeconomic tool. However, inflation and foreign-exchange policies align with other economic policy goals and are institutionalized within the independent central bank (CBM). The CBM regularly reports to policymakers on price stability.

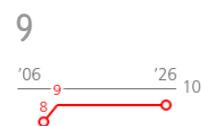
Montenegro is strongly influenced by international trends due to its open economy. The inflation rate has fluctuated substantially over the past two decades and began rising in 2021, reaching 2.4%. In 2022, inflation surged to 13% (CPI), mainly due to global developments and the start of implementing the wide-ranging tax reform through the Europe Now program. In 2023, the inflation rate dropped to 8.6% and in 2024, to 3.3%.

The new coalition government, elected in 2023 under the leadership of Milojko Spajić, who was largely credited with the Europe Now 1.0 Program, adopted additional major reforms. The government increased the minimum pension by 52% to €450, effective in 2024. In September 2024, the government adopted the Europe Now 2.0 Program, which raised the minimum monthly wage from €450 to €600 or €800, depending on the required level of education. The European Commission warned that these measures posed a considerable risk to the sustainability of public finances, despite some compensatory measures and an accelerated investment program. In early 2025, opposition media warned that the program negatively affected the budget balance in the first two months, as the total budget deficit for November and December 2024 totaled €308 million. However, preliminary government data suggested that, for 2024, the annual budget deficit was €230.9 million, or 3.2% of estimated GDP, which was €4.5 million lower than planned.

Public debt decreased significantly, reaching 61.5% of GDP in 2023, compared with 107.7% in 2020. External debt also fell 1.13%, to 51.37% of GDP at the end of 2023, according to central bank data. Although governments after 2020 entered into new debt arrangements, these were largely used to repay old debts, contributing to debt reduction.

The current account balance has remained negative, at -\$851.5 million in 2023, according to the World Bank, signaling Montenegro's persistent and worrisome lack of export and production capacity.

### Monetary stability



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### Fiscal stability



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The European Commission warned that structural reforms aimed at reducing informality and improving the governance of state-owned enterprises had seen only limited implementation.

The key fiscal stability measures included stimuli for the business sector and the implementation of a system that enables tax authorities to automatically record and process fiscal accounts. The Europe Now 1.0 and 2.0 programs also reduced burdens for employers by lowering tax and contribution rates, but were criticized for exacerbating inflationary pressures.

Government consumption declined slightly relative to pandemic levels, falling from 22.6% of GDP in 2020 to 17.9% in 2022 and 18.1% in 2023. Total reserves in 2023 amounted to \$1,573.6 million.

## 9 | Private Property

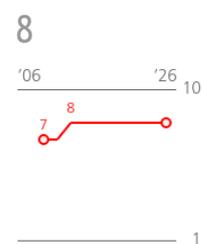
The Montenegrin authorities continued to be slow to restate previously expropriated property. The EU has repeatedly urged the country to ensure both fair restitution proceedings within a reasonable time and full independence for the three Regional Restitution Commissions.

In 2023, only 36% of registered property owners were women, according to the DeFacto Agency. However, this data excludes land ownership, where traditional patriarchal customs of land inheritance further discriminate against women.

In 2024, the government and a member of parliament from the ruling majority attempted to amend the law on state property to allow large investors to subsequently sell the structures they had built on state-owned land if they terminate their business at that location. The current law allows this only for tourist complexes. The amendments were heavily criticized by civil society and the opposition and ultimately were not passed by parliament.

In June 2024, the parliament amended the law on confiscating property obtained through criminal activity, expanding the range of criminal offenses subject to its provisions. The changes also included digital property among assets that can be confiscated. A new investigative stage was established to collect evidence of property acquired through criminal activity, which can later be used in criminal proceedings. Confiscated assets will be used to improve the infrastructure of judicial and other state bodies and for social and child protection.

### Property rights



The private sector is crucial for the revitalization of the Montenegrin economy, but its competitiveness and development have been adversely affected by prevailing corruption and a cumbersome public sector, which grew even more during the reporting period with significant salary increases as well.

According to the European Commission's 2024 report, micro, small and medium-sized enterprises (MSMEs) accounted for approximately half (50.4%) of all employees in 2023. According to the survey conducted by the Union of Employers, most companies experienced positive changes in the business environment in the period from 2013 to 2023. However, they also singled out inefficient public administration and political instability as the key impediments to their growth. As many as two-thirds of enterprises were negatively affected by political instability. Corruption pressures persist. Although 20% of surveyed companies had encountered situations in which bribery or corruption was expected, 40% felt the negative impact of these phenomena.

Privatization of state-owned enterprises (SOEs) made no progress during the reporting period. The government promised to introduce a special legal framework for the operation of SOEs, but the framework was not adopted. At the same time, media and NGO reports pointed to widespread political and party patronage within SOEs. The labor inspectorate found in 2023 that two managers of large and important SOEs in the energy sector were appointed illegally. Both were high-level officials of parties in power at the national level. There was also a surge in the number of employees in SOEs, especially in the energy sector, where, at the end of 2023, there were 1,500 more employees than in 2021.

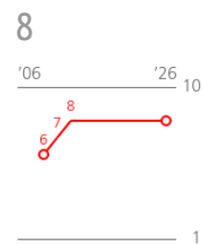
## 10 | Welfare Regime

Montenegro has maintained an extensive network of social benefits. Transfers for social protection amounted to 18% of total budgetary expenditures, according to the Strategy for Social and Child Protection (2025 – 2028). Social care centers or their branches have been established in all municipalities, but their operations and capacity should be strengthened further.

The government has acknowledged that the key problem is that only 25% of benefits prescribed by the Social and Child Protection Act (2 of 14 allowances) are targeted to the materially deprived population. Other problems in the field include inadequate reach and distribution criteria for means-tested benefits; lack of benefits for parents of children with disabilities; delays in handling cases and complaints related to access to certain benefits; and misalignment of social allowances with increases in salaries and living costs.

Children overall and the Roma population are particularly at risk of poverty. According to the Ombudsman's Office, 42.2% of Roma still live in exclusively Roma neighborhoods. Roma households continue to face overcrowding, with slight

Private enterprise



Social safety nets



improvements in access to water, electricity and basic appliances. Child labor in the Roma community is also an issue, with 7% of children ages 5 to 17 estimated to be working in dangerous conditions.

Children tend to be more exposed to the risk of poverty than the rest of the population: one-third of children under 18 are exposed to this risk, compared with a national average of 21%. Children without parents or with one caregiver are particularly vulnerable. However, the government has acknowledged the need to introduce new services, targeted specifically at Roma children, homeless children and victims of child marriage.

People with disabilities face cumbersome procedures that hinder the full exercise of their rights. The government is committed to reforming the disability assessment system, which is spread across five institutions and 35 commissions.

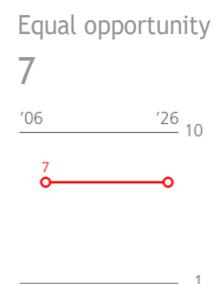
Salary and tax reforms introduced in the two rounds of the Europe Now program directly affected the financing of health care and pension systems because they reduced employers' obligations to fund those schemes. Although the disbursement of those funds continued, critics accused the government of not aligning social benefits with the rising cost of living, which was partially induced by those reforms.

Equal opportunity is enshrined in legislation, specifically the Law on the Prohibition of Discrimination, which defines discrimination as any unequal treatment based on personal or collective traits such as race, skin color, nationality, social or ethnic origin, or gender identity, among other categories.

Women, ethnic minorities and religious minorities have nearly equal access to education, public office and employment, but further progress is needed. The government plans to introduce a new law to protect equality and prohibit discrimination. The draft was praised by the European Commission when it was proposed by an earlier government in 2022, but its adoption was still pending as of January 2025.

The Ombudsman Institution proactively reports on discrimination cases based on complaints received and issues recommendations. In its most recent report in 2024, the Ombudsman warned of ongoing discrimination against the Roma and Egyptian populations and against persons with disabilities. It also highlighted the problem of gender-based violence. The Roma and Egyptians are especially discriminated against in terms of political participation, as unlike other communities of similar size – such as the Croatian community – they cannot enter parliament if their political parties receive less than 3% of the total vote in parliamentary elections.

The parliament adopted a law on same-sex civil partnerships in July 2020, marking a positive step forward. However, aligning the law with other legislation has not progressed satisfactorily. In addition, the adoption of the law on the legal recognition of gender based on self-identification has been delayed, causing dissatisfaction among the concerned organizations.



The Central Bank of Montenegro launched the 2024 campaign “Women on Boards,” aimed at aligning Montenegrin legislation with the EU directive on gender balance on corporate boards.

Enrollment in primary and secondary education is equal for men and women, while women’s enrollment in tertiary education exceeds men’s by a ratio of 1.3 (World Bank). Women are also active in the labor market, accounting for more than 45% of the labor force, a share that has remained stable over the past decade.

## 11 | Economic Performance

Some economic performance indicators improved during the review period. GDP per capita, based on purchasing power parity (PPP), grew from \$20,827 in 2020 to \$33,380 in 2024. After per-capita GDP contracted in 2020 because of the COVID-19 pandemic, growth recovered to 6.8% in 2022 and 6.2% in 2023 – though slower than in 2012 (13.4%). The Europe Now program’s salary and pension increases, along with an influx of temporary residents from Russia and Ukraine, contributed to these growth rates.

Inflation declined slightly in 2023 (8.6%) and 2024 (3.3%) but remained high. Global developments – including the Russian invasion of Ukraine and increased purchasing power – contributed to persistent inflation. Unemployment decreased from more than 16% in 2021 to 15.3% in 2022 and 2023.

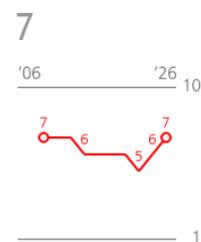
Foreign direct investment slowed, falling to 7.1% of GDP in 2023, well below previous years’ rates (14% in 2022, 11.8% in 2021 and 11.1% in 2020). The current account balance remained negative.

## 12 | Sustainability

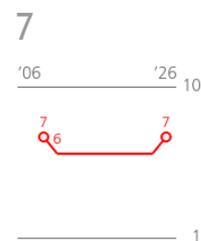
Montenegro has made limited progress in terms of environmental protection, as reflected in the European Commission’s most recent report. It has invested significantly in climate change adaptation, adopted the Law on Waste Management and the Law on Biocidal Products and successfully implemented activities. Nonetheless, major concerns, such as air quality, remain unaddressed. The Law on Nature Protection and the Biodiversity Strategy have not yet been adopted.

The new Waste Management Law bans the use of single-use plastic items, including plastic bags. However, only three months after the ban, its impact cannot be properly assessed (as of the end of January 2025). Although some illegal temporary refuse sites were shut down during the review period, including the Mislov Do site in Central Montenegro, green activists and the European Union continue to warn about the persistent challenge these waste disposal sites pose. Inspection capacities remain insufficient for consistent application of the law.

### Output strength



### Environmental policy



Montenegro has made efforts to establish a cadastre of water polluters by launching the new information system for surface and underground waters in the country and recruiting more water-quality inspectors.

One of the largest industrial polluters is the Pljevlja Thermal Power Plant, which began ecological reconstruction in mid-2022. Nonetheless, the European Commission again called on Montenegro to close the plant permanently and said no progress had been made on initiatives to combat climate change or on aligning with EU climate legislation.

Since the country's electric power company (EPCG) launched a project in 2021 to finance the installation of solar heating infrastructure – with subsidies provided to some users – almost 4,000 solar panels have been installed in Montenegrin households by the end of the first quarter of 2024.

Montenegro achieved a relatively high and stable score of 0.836 on the U.N. Education Index in 2022. However, it still needs to adopt a comprehensive education strategy based on the previously conducted sector analysis, which highlighted several inconsistencies in the current system.

The European Commission noted in its 2024 report that about 9% of the 2024 state budget was allocated to education, science, culture and sports, and that the public education budget for non-salary items increased by 20% compared to 2023, including an almost eightfold increase in the allocation for teachers' professional development. Additionally, approximately €15 million has been allocated in 2024 for research and development, 19% more than in the previous year. Despite the shortage of kindergarten places in most larger municipalities, enrollment in preschool education increased, including among Roma.

PISA test results remain well below the OECD average. Average results in 2022 decreased compared with 2018 in mathematics, reading and science, with rankings of 54th, 56th and 62nd out of 81 countries.

In line with the objectives of digital transformation and smart specialization, Montenegro opened the Science and Technology Park in June 2024. The park should foster cooperation among scientific and academic institutions, companies, and the financial sector to generate innovation and entrepreneurship.

The Innovation Fund of Montenegro was established in 2021 as the umbrella state institution responsible for implementing innovation policy measures for micro, small and medium-sized enterprises and for facilitating technology transfer from scientific and research institutions. In 2023, the fund financed 68 projects totaling about €2 million.

In late 2024, a former student of Podgorica's largest high school publicly accused a teacher of sexual abuse. The case, although it was reported to the head back in 2021, was not adequately followed up, as an inspection confirmed. As a result, the school's director was dismissed. The case also sparked civic protests and accusations in several more cases. It demonstrated the lack of protocols for reporting and acting on reports of sexual abuse in schools.

Education policy /  
R&D

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## Governance

### I. Level of Difficulty

The economy's unfavorable structure, which is overly reliant on services and tourism at the expense of production, is a key structural impediment. Excessive public-sector employment is a long-standing problem that has not been adequately addressed. On the contrary, new governing parties have resorted to clientelistic and nepotistic practices, contributing to a further increase in the public-sector wage bill.

Health care infrastructure remains weak, although some of the projects initiated in the previous period, such as the opening of the new building of the public clinic for infectious diseases and dermatovenerology, have been completed. With the first section of the Bar-Boljare highway already opened in 2022, the government of Milojko Spajić pledged to further upgrade road infrastructure by launching public procurement calls for the construction of four expressways and sections of two highways in early 2025. Yet the realization of those plans was still pending as of January 2025.

The 2023 population census confirmed continued regional disparities. Several municipalities in northern Montenegro have experienced significant population decline compared with the 2011 census because of emigration from these largely impoverished areas. The census also pointed to a demographic crisis, with the average age older than 43 in nine municipalities, compared with only one in the 2011 census. The national average age is 39.7 years.

There are no systematic studies on brain drain, but the 2023 census included data on those studying or working abroad for more than one year. According to the data, 44,017 people were studying or working abroad at the time of the census (late 2023). More than a quarter of them were in Germany. Except for Podgorica and Bar, which have relatively higher development rates, most people living abroad came from less developed municipalities, suggesting that socioeconomic grievances are an underlying driver of emigration.

Structural constraints

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Civil society organizations, particularly well-established NGOs and trade unions, play a significant role in various societal processes. Increasingly, influential civic activists without clear organizational affiliations are making an impact as well. These activists use social media to raise awareness of political and social issues and to pressure authorities.

The 2017 amendments to the Law on NGOs introduced a so-called combined financing system for NGO programs and projects, which entails centralizing planning and decentralizing fund distribution. Line ministries conduct public competitions to distribute funds, while the government is intended to play a key role in selecting high-priority areas for financing and monitoring financing results. However, the distribution of funds and the impact of the supported projects have not been properly scrutinized. In addition, beyond delays in announcing and conducting competitions to distribute funds to NGOs, the current system lacks a long-term approach to developing the NGO sector.

The 2020 shift in government power affected civil society, as some leaders and activists pursued political or government careers. At the same time, newly emerging activists became more vocal in public spaces, contributing to a generational shift in this realm.

In general, trust in non-governmental organizations is stable and higher than trust in key political institutions, including the government, parliament and political parties. For example, a 2024 survey by the NGO Centre for Democracy and Human Rights (CEDEM) found that NGOs were trusted by almost 45% of people, compared with 23% for political parties.

CSOs' participation in policymaking and decision-making is facilitated through mechanisms such as public debates, working groups and other bodies. However, this participation often lacks substance. Additionally, the recent surge in legislative initiatives has further marginalized civil society's involvement in policymaking because procedures for public debates and working groups at the parliamentary level lack detail.

Montenegro's political scene has been deeply polarized over national identity and relations with neighboring Serbia, despite attempts to break these deeply entrenched divisions. The Europe Now movement, a new party established in 2022, has tried to prioritize socioeconomic issues and won a quarter of the total vote in the 2023 elections. Despite Europe Now's initial success, national identity still overshadows other cleavages. Instances of successful consensus-building initiatives – such as the completion of top judicial appointments that required a qualified majority – are often replaced by rhetoric that fuels divisions over national and religious identity.

#### Civil society traditions

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#### Conflict intensity

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Although protests were common during the review period, no incidents of violence were reported, unlike during the enthronement of the Metropolitan of the Serbian Orthodox Church in Montenegro in September 2021. The largest protests during the review period focused on security issues, including sexual violence in schools and demands for accountability for the mass murder in Cetinje in early 2025.

The 2024 European Commission report noted growth in right-wing extremist content online, hate speech and disinformation, which were exacerbated by Russia's war in Ukraine and the war in Gaza.

Online hate speech also surged after the massacre in Cetinje in January 2025, when users on social networks and certain portals used the tragedy to engage in inappropriate generalizations and labeling. While traditional media outlets in Montenegro largely adhered to the standards of professional reporting, some of the Serbian-based outlets with regional coverage seriously breached those standards, prompting Montenegro's regulator to initiate necessary procedures by notifying the Serbian competent authority about breaches of the Convention on Transfrontier Television.

## II. Governance Performance

### 14 | Steering Capability

The review period saw significant advances in the EU accession process, resulting in Montenegro receiving the Interim Benchmark Assessment Report for the two most demanding chapters under negotiation. In December 2024, three chapters were closed, and renewed momentum in accession contributed to strategic efforts to prioritize EU financial assistance. Spajić's government adopted annual (2024) and medium-term (2024 – 2027) work programs, restoring the old practice after the previous government of Dritan Abazović worked without an operational work program for most of its term.

The government also adopted the Reform Agenda to absorb and utilize the assistance offered through the European Union's Growth Plan for the Western Balkan region. The agenda encompasses the business environment, private-sector development, digital and green transition, human capital development, the rule of law and sound public financial management as key policy areas.

However, civil society pointed out the shortcomings of the strategies – including the long-awaited anti-corruption strategy – that were adopted without much consideration of key problems on the ground. In addition, important decisions and policies were adopted without an impact assessment or a plan in the government's

Question  
Score

Prioritization

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strategic documents. In particular, the ad hoc abolition of the Administration for Inspection Affairs had a far-reaching impact even though it was not grounded in any strategy. The abolition triggered delays in the functioning of the country's key inspectorates and the underutilization of the information system, which had facilitated the inspectors' work. Moreover, the abolition resulted in minor changes to 82 laws that regulate the conduct of inspections in specific fields.

Another important reform involved further changes to the structure of salaries, taxes and contributions under the program "Europe Now 2." Although the program was a key promise in the 2023 elections, the government did not provide more details in its initial months on how it planned to proceed with the program. Implementation began in October 2024 with the rushed adoption of certain laws, while the Fiscal Strategy for such a wide-ranging reform was not adopted on time.

The government of Miloško Spajić, formed in late 2023, restored the practice of reporting on the implementation of its annual work program after his predecessor, Dritan Abazović, had failed to provide such reports. According to the report for the first two quarters of 2024, more than half of ministries (11 of 19) had implementation rates below 50%.

However, thorough real-time reporting on some key policies remains lacking, while reports on key strategic documents are adopted after significant delays. For example, the NGO Institute Alternative warned that the 2023 report on the implementation of the Strategy for Digital Transformation (2022 – 2026) had not been prepared by the following October.

There are instances that demonstrate a lack of unity behind the most far-reaching reforms within the government. For example, although the de-politicization of public administration has been declared one of the highest strategic priorities, the minister of public administration stated in January 2025 that there was no political will to end widespread nepotism and party affiliation as key drivers of recruitment, dubbed "party employment" by the public.

The prevalence of ad hoc policymaking not grounded in sound analysis continues to impede policy learning.

Evaluation reports on the implementation of certain strategies tackling gender equality and smart specialization have been published, but only with external support, such as from the United Nations Development Agency and the Organization for Security and Cooperation in Europe. However, the impact of implementing relevant laws is rarely analyzed systematically – again, only with external support – while neither the government nor parliament is regularly engaged in assessing the practical effects of laws.

#### Implementation

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#### Policy learning

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The government developed the Handbook on evaluation of strategic documents, but the 2024 monitoring report on the implementation of public administration principles, prepared by SIGMA, a joint initiative of the European Commission and the OECD, found that ministries' capacities to integrate evaluations into the policymaking cycle are underdeveloped.

Even when evaluations or analyses are conducted, their implications are not followed up on, and they are not based on a sound methodology that would allow recommendations to be operationalized. For example, the government completed the analysis of the effects of the centralization of inspectorates in 2021, which assessed the limited impact of the Administration for Inspection Affairs. However, other inspectorates that continued to operate within ministries were never subject to similar analysis. Based on this incomplete analysis with ambiguous recommendations, the government abruptly decided in 2024 to abolish the Administration for Inspection Affairs, leaving many questions unanswered, such as the mechanisms for ensuring the autonomy of inspectorates, accommodation facilities, the functionality of the information system, etc.

## 15 | Resource Efficiency

Public sector salaries continued to rise, a complete departure from the previously stated strategic objective of downsizing the public sector and cutting costs. In 2023, spending on public sector salaries accounted for more than one-fifth of total budget expenditures. This spending increased 19% from the previous year. However, no significant steps were taken to reform public services.

The formation of the new government triggered two further waves of public administration reorganization, affecting the continuity of certain policy efforts. In certain cases, the government continued to use formal excuses, such as changes to decrees or laws, to dismiss senior managers or civil servants. Montenegro's representative in the European Court of Human Rights was dismissed in February 2024 on the grounds of a changed decree, but the dismissal was then successfully challenged in the Administrative Court.

The government has prepared amendments to the civil service law that aim to strengthen the eligibility criteria for recruiting civil servants, introduce an obligation to recruit the best-ranked candidate and limit reorganization of administrative bodies as a key ground for dismissing senior civil servants. However, as of early 2025, these amendments have not yet been adopted.

Despite generally excessive public-sector employment, the Police Administration in particular remained seriously understaffed. In early 2025, the police chief said 2,000 police officers were lacking. The shortage was particularly pronounced when the country faced a tragic mass shooting January 1, 2025, in Cetinje. Thirteen people

Efficient use of assets

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were killed, following a similar event with 10 victims in August 2022 in the same town. At the time of the mass shooting, there were only 11 police officers on duty in the town.

Many important institutions continued to be run in an acting capacity amid changing political constellations and frequent reorganizations. Customs and tax authorities, in particular, underwent frequent changes. After they were merged in 2021 on the proposal of Minister Milojko Spajić, the government led by Spajić decided to separate them again; as of January 2025, they had been run by acting directors for almost a year. These twists and turns indicate the lack of a comprehensive strategic approach to public administration reform.

The 2023 Open Budget Survey ranked Montenegro 64th among 125 countries for budget openness (48 out of 100 points), indicating significant shortcomings in access to budget data. The publication of a citizen-friendly budget is lacking, and the survey recommended a better link between budgets and the government's policy goals. Montenegro scored 13 out of 100 for public participation because citizens can influence the budget only when it is being approved in parliament by asking to be part of the relevant committee's sessions.

The budget is not well balanced. Despite high spending on social protection and public-sector salaries, too few capital projects are planned and implemented. The realization of the current budget in 2023 was high, at more than 98% by the end of the budget year. The realization of the capital budget stood at 94%, but it amounted to only 6.7% of total expenses in 2023.

External audit continues to resonate strongly with the public, as the Supreme State Audit regularly publicizes negative findings from its reports as well as recommendations to curb negative practices. In the Open Budget Survey, Montenegro received a score of 89 out of 100 for audit oversight of the budget process. However, results are worse for parliamentary oversight (67 out of 100) because of the short time for deliberation on budget proposals and the lack of reviews of in-year budget execution.

The implementation of measures to promote policy coordination has largely stalled, with some areas showing negative trends (2022 – 2026 Public Administration Reform Strategy implementation report 2023). For example, the share of ministries with established strategic planning units declined from 30% in 2020 to 26% in 2023. The government planned to establish a formal network of officials involved in strategic planning, but this could not be completed until the planning units and relevant officials within the system were identified.

Members of the governing coalitions have had disagreements that at times seriously affected their work. One of the most serious conflicts concerned the March 2024 appointment of the acting director of the Police Administration, when the minister of

Policy  
coordination

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the interior's proposal for the post was circumvented. This disagreement threatened cooperation between Democratic Montenegro and Europe Now, although it later subsided. Yet sporadic friction with other coalition partners continued, indicating a lack of all-encompassing policies in key areas, including relations with neighboring Croatia.

Moreover, the justice minister was excluded from the ruling Europe Now party in February 2025, although he kept his ministerial position for almost five months until the government's reshuffle. The cause of the conflict was never made public, but it resulted in mutual accusations. Similarly, the initial minister of urban planning in the new government had previously been officially excluded from the main bodies of the Europe Now movement, which was also weakened by the departure of members loyal to President Milatović in the capital, Podgorica. These developments indicate weak institutionalization of the party, which serves as the main pillar of the government.

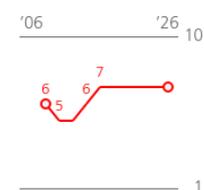
Since 2014, Montenegro has not had a specific strategy to fight corruption. Rather, the action plan for addressing the issues and benchmarks defined in Chapter 23 of the EU accession negotiations has largely guided anti-corruption efforts. The government finally adopted the Anti-Corruption Strategy in mid-2024. It aims to: 1) prevent corruption through legislative activity and by strengthening administrative and enforcement capacities, especially in areas at risk of corruption; 2) fight corruption by enhancing repressive mechanisms; 3) improve institutional coordination and international cooperation, as well as raising awareness and public communication activities. Although the EU praised the strategy's adoption, relevant CSOs criticized its rushed adoption and low quality, as it was not based on sound analysis of the current situation and reliable data and statistics.

In mid-2024, the ruling majority also adopted a new Law on Prevention of Corruption. The new law extended the definition of public officials to include notaries, bankruptcy managers and public bailiffs. A new definition of whistleblowers was introduced to align with the EU acquis, while also streamlining terminology related to gifts, property, work environment and family associates. It obliged officials to disclose data on associates, and the Agency for Prevention of Corruption acquired the right to cross-check their reported income and assets with relevant financial institutions. Public sector authorities are now also obliged to renew integrity plans every two years. Mandatory integrity checks were introduced for members of the management of the Agency for Prevention of Corruption. Nonetheless, Montenegro still needs to adopt legal provisions that would introduce similar integrity checks for members of the government.

The government moved to amend the new anti-corruption law soon after its adoption, acknowledging that the initial rush was driven by EU integration requirements. Meanwhile, implementation of anti-corruption mechanisms did not significantly improve.

Anti-corruption  
policy

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Parliament appointed the new Council of the Agency for Prevention of Corruption. Following the indictment of the former director, Jelena Pejović, for abuse of official position, the newly formed Council appointed Dušan Drakić, a senior manager at the Agency, as acting director. Drakić, a leader of the Agency's trade union, had been suspended from work by Pejović. However, his appointment has been criticized for weak performance in overseeing political party financing in his previous role.

The new minister of the interior used newly acquired powers to establish procedures for conducting checks on potential links to organized crime or drug abuse among prospective and, if justified, serving police officers. As a result, dozens of police officers were suspended.

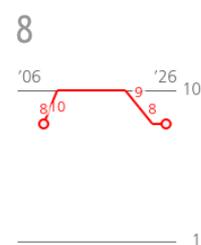
## 16 | Consensus-Building

All major political actors formally agree that European integration is the key strategic priority. Although NATO membership remained polarizing after accession, public opinion polls from the period showed a decline in opposition to NATO membership.

The 2020 shift in power increased political instability as it brought together political parties with diverse programs and ideologies that struggled to maintain consensus on key priorities. The trend continued after the formation of the Spajić cabinet and its subsequent reshuffle. Despite difficulties, the parties reached some strategic decisions during the review period, including judicial appointments, implementation of the population census and adoption of laws required for formal progress in EU membership talks. Since the constitution requires a qualified majority for the most important decisions, such as top judicial appointments and electoral reform, the opposition has been crucial to advances toward the European Union. Therefore, potential for compromise to advance democratization exists, despite sporadic tensions and parliamentary boycotts.

Although all major political actors agree that establishing a market economy is a long-term strategic goal, they differ on how much the state should intervene in the economy. Some advocate minimal state intervention and large-scale privatization. Others argue that key public assets, such as airports, should not be privatized and that the negative effects of the market economy should be further mitigated. However, these differences are not always clearly reflected in political parties' official positions, which tend to have weak ideological identification.

Consensus on goals



Reform forces in Montenegro cannot always control anti-democratic actors, but they do significantly limit their influence.

Cases initiated by the prosecution during the review period indicate that some people running successful construction and retail businesses also engaged in smuggling illicit goods. Their influence on the political system is difficult to assess. Nonetheless, the fact that the cases against them also named public-sector employees – especially in the judiciary, police and customs – as suspects suggests a deeply intertwined network of collaboration between institutions and organized crime. Sustainable results in fighting organized crime are crucial to showing that reformers can significantly limit these groups' influence. However, the stalled judicial reform has largely hindered the successful resolution of most cases.

The Serbian Orthodox Church (SOC) in Montenegro, credited with the 2020 power shift, continues to figure prominently in political discussions. Its leaders have occasionally made inappropriate comments, particularly ahead of the 2023 population census – a heated issue given the multiethnic population and fluid identities between Montenegrins and Serbs. The SOC has also opposed policies advocated by LGBTQ+ activists. However, it has not explicitly vetoed any official decisions. Its influence remains indirect and symbolic but significant, as the SOC is far more popular than political parties and most political institutions.

Montenegrin parties and citizens remain highly polarized about their preferred relations with Serbia and their interpretations of key historical events. On the other hand, despite sporadic disagreements over policies toward Kosovo and Bosnia and Herzegovina, the Bosniak, Albanian and pro-Serbian parties joined together in a ruling coalition following a government reshuffle in mid-2024. Depending on the future functioning of the ruling coalition, this development is relatively important for reducing inflammatory rhetoric among politicians from different ethnic parties, which has been sporadically present in previous periods.

A 2023 survey by the NGO Centre for Democracy and Human Rights showed a trend toward decreasing ethnic distance among all ethnic communities. This has the potential to strengthen consensus behind key national objectives, especially since strong support for the country's EU membership has been steady. The country's NATO membership is also less controversial than it was before the country joined.

Nonetheless, sporadic zero-sum conflicts triggered either by the parliamentary majority or the opposition tend to overshadow consensus-building efforts. A recent example is a pledge by Andrija Mandić, the president of parliament from the former Democratic Front, to introduce dual citizenship. The idea is controversial because of fears that it would significantly increase the number of Serbs and alter the state status of the country that regained independence less than two decades ago.

Anti-democratic actors

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Cleavage / conflict management

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The political leadership accommodates civil society actors on some issues while tending to ignore them on others. Representatives of some political parties continue to label NGOs as foreign agents, and parties of the former Democratic Front have even hinted at the need to adopt foreign agents acts, though other coalition members have dismissed such intentions.

Key mechanisms for NGO participation in policymaking are public consultations, working groups and other consultative bodies. Public consultations are not mandatory for defense and security matters, the state budget, extraordinary, urgent or unforeseen circumstances, or minor issues. The list of exemptions leaves room for governments to abuse discretionary powers. Public consultation norms in the policymaking process continue to be violated frequently.

The NGO Institute Alternative (IA) warned in August 2024 that of the 78 government law proposals submitted to parliament since it began work in late 2023, only one-third have undergone public consultation. In addition, some relevant laws were adopted without public consultation or inclusion in the government's work programs.

The IA also warned about the questionable practice in which members of parliament from the governing majority actively propose new laws and alter draft bills proposed by the government. This suggests coordination between members of parliament and the government to speed passage or amendment of important laws by circumventing public consultations, comprehensive impact assessments, harmonization with the European Union's acquis, etc.

From late October 2023 – when the new parliament began work – to mid-August 2024, 131 draft laws were proposed; 40% were submitted by members of parliament, two-thirds of those by the ruling majority. According to IA data, only 15% of members of parliament's laws included some level of financial impact assessment. The government rarely issues opinions on these proposals, although it is obliged to do so.

The European Commission and, specifically, the Internal Residual Mechanism for Criminal Tribunals have praised Montenegrin authorities' renewed efforts to prosecute war crimes committed during the dissolution of the former Yugoslavia.

In June 2024, the Special State Prosecution Office accused Milovoje Katnić, the former chief special prosecutor, of involvement in war crimes in Croatia in the early 1990s; Katnić was already suspected of abuse of official position. It also indicted a Montenegrin police officer for involvement in war crimes on behalf of the Bosnian Serb civil police during the 1992 armed conflict between the Army of the Republic of Srpska and the Army of the Republic of Bosnia and Herzegovina. According to the European Commission's annual report, this brought the total number of active war crime investigations to 12.

## Public consultation

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## Reconciliation

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Montenegro adopted a new and improved strategy for investigating war crimes in mid-2024. However, despite the judiciary's efforts, political parties have not been united on reconciliation. In mid-2024, friction arose when the vote to declare the International Remembrance Day for the Srebrenica Genocide was on the United Nations agenda. The government of Montenegro endorsed the resolution, which incorporated some of its amendments aimed at clearly and unambiguously emphasizing the individualized character of accountability for the crime of genocide, according to Montenegro's representative. However, the endorsement was opposed by several hundred protesters and by ethnic Serbian parties that threatened to withdraw support for the government. After the vote on the Srebrenica resolution, Montenegrin MPs passed a similar resolution condemning the crimes committed by the Croatian Ustaša movement against Serbs in the Jasenovac Concentration Camp during the Second World War. The vote was seen as a balancing act against the condemnation of the Srebrenica genocide and was severely criticized by the opposition. It also strained relations with Croatia.

In January 2025, several high-level officials from New Serbian Democracy, one of the ruling parties, attended the celebration of the Day of Republika Srpska, which has been declared an unconstitutional holiday by authorities in Bosnia and Herzegovina. This prompted their Bosniak and Albanian colleagues to urge respect for the principles agreed on during the government's establishment. These principles included efforts to improve social cohesion and eradicate national, religious and political divisions.

## 17 | International Cooperation

The government has used international assistance to achieve long-term goals and create a road map for political and economic development. Prompted by renewed dynamics within the EU enlargement agenda, Montenegro adopted the Reform Agenda in late 2024, which sets strategic priorities and corresponding benchmarks to absorb assistance available through the European Union's Growth Plan for the region. These reforms in the areas of business development, digital and energy transitions, human capital and the rule of law are essential for aligning Montenegro's policies with EU standards and unlocking €385.5 million in financial support, including €110 million in grants and €275.5 million in favorable loans.

However, the potential of the European Union's support for infrastructure development and modernization is not fully realized, as evidenced by the particularly slow pace of modernization in the road and rail networks. In 2022, an important road infrastructure project was canceled because of inadequate domestic regulations and project design. During the review period, the government reached an agreement with the EBRD and the European Commission for a favorable loan to continue construction of the Bar-Boljare highway. However, the European Commission

Effective use of support

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warned that the limited absorption and management capacity of the responsible administrative bodies caused significant delays in the project. In addition, the European Union's external audit demonstrated that rule-of-law assistance in the region, including Montenegro, was not very effective. Usual impediments to the effective absorption of funds are a lack of local ownership as well as frequent reorganizations, which shift the key beneficiaries of the international assistance.

The United States and the United Kingdom also provide support for various areas, including civil society, justice and security-sector reforms. Additionally, U.N. agencies and development agencies from several EU member states are active in the country.

Montenegro remained fully aligned with the European Union's Common Security and Foreign Policy, including all sanctions on Russia and Belarus. In its 2024 report, the European Commission also praised Montenegro for taking steps to align its law on restrictive measures with earlier recommendations.

In general, Montenegro remains committed to its international obligations and aligned with the positions of its key international partners. However, its visa policy is not yet fully aligned with the EU list of visa-required countries. Several states with visa-free access to Montenegro are considered by the European Union to pose irregular migration or security risks, as noted by the European Commission in its 2024 report.

Montenegro actively participates in regional cooperation efforts. Its relations with Serbia have occasionally been strained in recent years, despite the close historic, cultural and family ties between the two countries. During the review period, relations improved slightly as Montenegro and Serbia appointed new ambassadors, ending an extended period during which the two countries were represented at the *chargé d'affaires* level.

In contrast, relations with neighboring Croatia seriously deteriorated. First, disagreements arose over ownership of the naval training ship *Jardan*, which Croatia claimed, even though the ship was stationed in Montenegro and used to train military officers. Relations further deteriorated after the Montenegrin parliament adopted a resolution on crimes committed at the Jasenovac camp, on Croatian territory, during World War II. Although these crimes have been widely acknowledged, Croatian authorities saw the resolution as a provocation. They then declared the speaker of the Montenegrin parliament and the country's deputy prime minister *persona non grata*. Furthermore, Croatia blocked the closure of the chapter on foreign and security policy in Montenegro's EU accession negotiations. The Montenegrin government promised to smooth out relations with its neighbor, though this might pose further challenges on its path to the European Union.

#### Credibility

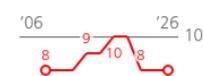
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#### Regional cooperation

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Relations with Bosnia and Herzegovina continued to face sporadic challenges stemming from the attitudes of representatives of the former Democratic Front who are very friendly with Milorad Dodik, the leader of Republika Srpska, who frequently makes secessionist claims. In addition, some representatives of the ruling parties attended celebrations or sent congratulations on the occasion of the Day of Republika Srpska in January 2025, although this holiday had been declared unconstitutional by authorities in Bosnia and Herzegovina.

Montenegro advanced toward the European Union at a faster pace, as best reflected by the closure of three chapters in late 2024. The EU hinted at the possibility of admitting Montenegro as the 28th member by 2028.

## Strategic Outlook

Montenegro's party system continues to evolve following the 2020 shift in power that ended the dominance of the Democratic Party of Socialists (DPS). The Europe Now movement, which won one-fifth of the vote in 2024, faced serious challenges after poor results in key municipal elections and a rift between its two founding leaders that triggered early elections in the capital, Podgorica.

Although Bosniak, Albanian and Serb parties had long been on opposite sides, they joined the government of Prime Minister Milojko Spajić after its reshuffle in mid-2024. Bosniak and Albanian parties have threatened to leave the coalition several times, but the government remained intact as of early 2025. This left open the prospect of either greater consensus on EU priorities or deeper national polarization.

EU integration remains a shared priority among political elites and enjoys broad public support. The process has gained new momentum, yet deteriorating relations with Croatia could complicate Montenegro's path toward membership. On one hand, the Council of the European Union has pledged to prepare for an accession treaty, provided that Montenegro "continues its steadfast reform progress and delivers on required reforms." On the other, Croatia's decision to block the closure of one chapter underscored how unresolved bilateral issues and domestic political divisions could obstruct further progress.

Following a positive report on interim benchmarks, Montenegro received closing benchmarks for the rule of law and security chapters in the EU accession talks. These benchmarks place greater emphasis on implementation and require stronger monitoring. Final targets and measurable benchmarks will be defined once Montenegro adopts revised action plans for these two chapters, as requested by the European Union. Work on the plans began during the review period. It is essential that Montenegrin authorities deliver sustainable results in fighting corruption and organized crime and in protecting fundamental rights. With the tangible prospect of EU membership, political parties can no longer invoke "accession fatigue" as an excuse for inaction. The European Union, for its part, should continue to encourage reforms and use Montenegro's potential accession to show that enlargement remains credible and that conditionality can be applied more effectively.

Domestically, five years after the historic 2020 shift in power, new leaders – particularly Prime Minister Spajić – face growing criticism for failing to deliver tangible improvements in governance, while inflation has eroded much of the wage and pension gains their policies introduced. Rising electoral volatility, reflected in fluctuating support for Spajić's Europe Now movement across municipalities, suggests that voters are more willing to reassess loyalties and more critical of government performance. Decision-making processes, which have often bypassed public consultations, must become more transparent. Reducing the oversized public sector will be a key priority in the coming years, as the expanding wage bill and entrenched clientelism are unsustainable. Rationalizing public expenditures, particularly through cuts in public employment, will test the government's commitment to good governance and reveal whether its survival strategy extends beyond the distribution of political favors.