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European Bank for Reconstruction and Development | IEvD Independent Evaluation Department

COUNTRY EVALUATION

Transition through grit:

Country-level evaluation: EBRD activities in Montenegro 2017-24

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This report is circulated under the authority of the Chief Evaluator, Véronique Salze-Lozac'h. It was prepared under the supervision of Samer Hachem, Director of Sector, Country and Project Evaluations Division, by Oskar Andruszkiewicz, Senior Evaluator of IEvD, with support from Ana Belen Barbeito, Independent Evaluation Consultant, Bilgehan Kayalar, Principal Evaluator of IEvD, and Martin Schunk, Sofia Keenan and Nikolina Balta, Analysts of IEvD. Nestor Prieto Chavana and Jon Jones, Consultants from CASM Technology, and Nina Vujanovic, Local Economist in Montenegro and Bruegel Affiliate Fellow, also contributed significantly to the evaluation. The external peer reviewer was Stephan Wegner, Senior Evaluator of IEG, World Bank Group.

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Abbreviations

ABI	Annual Bank Investment
AFD	Agence Française de Développement
ASB	Advice for Small Businesses
CAPEX	capital expenditure
CEDIS	National Transmission Operator
CGAP	Corporate Governance Action Plan
CGF	Credit Guarantee Fund
CO_2	carbon dioxide
CSO	civil society organisation
DFI	development finance institution
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EPCG	Electrical Power Company of Montenegro
ERP	Economic Reform Plan
EU	European Union
FLRC	first loss risk cover
GDP	gross domestic product
GEFF	Green Economy Financing Facility
GET	Green Economy Transition
ICT	information and communications technology
IDF	Investment and Development Fund of Montenegro
IEVD	Independent Evaluation Department
IFC	International Finance Corporation
IFI	international financial institution
IMF	International Monetary Fund
KfW	Kreditanstalt für Wiederaufbau
MSMEs	micro, small and medium-sized enterprises
MW	megawatt
OECD	Organisation for Economic Co-operation and Development
PD	policy dialogue
PFI	public finance institution
PIU	project implementation unit
PPA	power purchase agreement
PPP	public-private partnership
RO	Resident Office
SCC	Secretariat to the competitiveness council
SMEs	small and medium-sized enterprises
SOE	state-owned enterprise
TC	technical cooperation
TEN-T	Trans-European Transport Network
WBIF	Western Balkans Investment Framework
WIB	Women in Business
YIB	Youth in Business
ZICG	Railway Infrastructure Management Company
ZPCG	Railway Transport Management Company

COUNTRY-LEVEL EVALUATION

MONTENEGRO

2017 2024

Strategic relevance — **Aligned with Montenegro needs** but some gaps at objectives' level

Committed investments — **Significant in relative terms** e.g. 1.4% of GDP in 2024

Portfolio composition — Mostly with **public sector** clients, particularly for enabling infrastructure

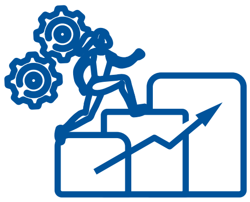
3 KEY PRIORITIES

Green transition

Already some systemic change induced

Flagship projects like smart electricity meter installations already reduced transmission losses and CO_2 emissions

Ongoing projects in renewables, smart grids, and energy efficiency, alongside regulatory reforms



Competitiveness
Regional integration

No systemic change induced by the EBRD (yet)

EBRD is

the only IFI with local presence of banking staff

and

the largest institutional investor in Montenegro since 2024

STRONG EBRD NON-FINANCIAL ADDITIONALITY

Use of **technical assistance**

Local presence of the EBRD team combined with its grit in assisting clients in project design and implementation

EBRD's **public procurement rules** as sought-after alternative to the national framework

Broadly recognised as major features and competitive advantages of the EBRD

SOME CHALLENGES

Low disbursement rate (45%)

Demanding operating environment requiring extra technical assistance and perseverance of the local team

Progress on state-owned enterprise reforms has been limited to date

Municipal investments limited so far

EBRD Country Strategies need greater selectivity, prioritisation and clearer focus on systemic change

Evaluation in a snapshot

Objective	This evaluation contributes to institutional accountability by assessing past operations against their expected results. It fosters institutional learning by offering insights and lessons relevant to the design and implementation of future EBRD operations and approaches, including the upcoming EBRD Montenegro Country Strategy (2026-30), the conceptualisation of which will begin in autumn 2025. As a country-level evaluation, it applies a broad, systemic lens and seeks to explore the changes in Montenegro's economy that may have been influenced by the EBRD, rather than focusing solely on outputs from individual projects.
Scope	The scope of this evaluation encompasses EBRD investment projects, policy dialogue (PD) workstreams and Advice for Small Businesses (ASB) projects signed from 2017 to 2024.
Portfolio	Between 2017 and 2024: • 48 unique operations with a total Annual Bank Investment (ABI) of €490 million • 15 PD workstreams supported with €5.5 million of technical cooperation (TC) grants • 285 ASB projects with the total value of €4.2 million
Evaluation questions	To answer the overarching question of "*To what extent has the Bank addressed and helped to narrow transition gaps in Montenegro?*", the evaluation addressed five specific sub-questions: • **Q1: Relevance -** To what extent did the EBRD's activities respond to the needs of the country and continue to do so as circumstances evolved? • **Q2: Effectiveness -** To what extent did the EBRD contribute to achieving, or is expected to achieve, its strategic priorities in the country? • **Q3: Efficiency -** To what extent did the EBRD implement results on time, within budget and in line with its sound banking mandate? • **Q4: Coherence -** To what extent were the EBRD's activities consistent with the strategies and activities of other actors (external coherence), as well as with its own strategies and activities (internal coherence)? • **Q5: Sustainability** - To what extent do the net benefits of the intervention persist, or are likely to persist?

Executive summary

Context of the evaluation

Country-level evaluations

IEvD country-level evaluations provide a new perspective on how the EBRD contributes to systemic change. Systemic change is a central aspect of how the Bank advances its strategic objectives, yet it is not always clearly visible in the EBRD's project-level monitoring systems. Countries are the unit of reference and accountability for the Bank's transition mandate, which underscores the importance of reporting at country level.

This country-level evaluation covers 2017-24 period. It examines the EBRD's investment projects, policy dialogue (PD) workstreams and technical cooperation (TC) assignments. This timeframe overlaps with the previous (2017-20) and current (2021-26) EBRD's Montenegro Country Strategies.

The evaluation applies a theory-based approach. The focus is on exploring the evidence of the EBRD's contribution to systemic change. It is also a data driven evaluation and drew on rich internal-EBRD and external data.

Montenegro context

With a population of 623,000, Montenegro is the smallest country in the Western Balkans region and the smallest economy in which the EBRD invests. It has the highest gross domestic product (GDP) per capita in the Western Balkans region and a small, open and euroised economy that depends strongly on the tourism sector, which accounts for about 25 per cent of GDP.

The country's foreign policy has long been oriented towards European Union (EU) integration. Since the start of formal EU accession negotiations in 2012, Montenegro has reached an advanced stage of the accession process, which has gained renewed momentum since 2023. The prospect of EU membership has been the main external anchor of the country's reform progress.

The EBRD has been investing in Montenegro since 2006. The Bank maintains an on-the-ground presence through its Resident Office (RO) in Podgorica and a broad range of interventions from direct and indirect financing of private and public clients to support for structural reforms. The Bank's operations have been guided by the EBRD's Montenegro Country Strategies, which have consistently focused on three key priorities during 2017-24: (1) enhancing private sector competitiveness, (2) improving connectivity and regional integration, and (3) fostering Montenegro's Green Economy transition.

Key findings

Significant size of EBRD's financing commitments

For a country of Montenegro's size, even relatively small EBRD investment commitments in absolute terms were significant in relative terms. Excluding the *force majeure* of COVID-19 and the one-off scale-up of financial assistance offered by the Bank in 2020, annual €20-40 million of Annual Bank Investment (ABI) had long been the norm, equivalent to about 0.4-0.8 per cent of annual GDP. Since 2023, the EBRD has reported strong and sustained growth in ABI, reaching €104 million in 2024, or 1.4 per cent of GDP, elevating the Bank to the status of the largest institutional investor in Montenegro in that year.

A major part of the rapid increase in EBRD's lending volumes since 2023 reflects a fast greening of its portfolio. With a rise in the number of signed projects with strong green credentials, the GET ratio surged from an average of 29 per cent over 2017-21 to 81 per cent over 2022-24, by far the largest increase in the portfolio's GET share across the Western Balkans region.

Main priorities well aligned with Montenegro's needs, although some gaps remain at the level of objectives and activities

Key priorities of both EBRD's Country Strategies matched closely the government's priorities. Particularly in promoting energy efficiency measures, investing in road and rail infrastructure, diversifying the tourism sector, and providing financial and non-financial support to micro, small and medium-sized enterprises (MSMEs). EBRD priorities were also closely linked to key milestones of the EU accession process.

However, analysis of the Bank's portfolio composition reveals several gaps at the level of specific objectives and activities. The Bank made no investment in digital infrastructure, limited investment in sustainable municipal infrastructure and little progress in direct lending to private companies. Its plans to support privatisation, improve state-owned enterprises (SOE) operational performance and deploy public-private partnership (PPP) models in Montenegro were unsuccessful.

Portfolio mainly with state clients, for justified reasons

Despite the EBRD's private sector focus, only 26 per cent of the overall 2017-24 portfolio in Montenegro was with private sector clients. However, the Bank's investments with state clients largely targeted *enabling infrastructure* – critical assets such as roads, railways and energy systems – that are essential for unlocking private sector development. Going forward, a solid pipeline of renewable energy projects already being developed by private businesses may offer some opportunities to rebalance the portfolio towards the private sector.

Good complementarity with other DFIs and IFIs

There was no major overlap or duplication between the EBRD and other development finance institutions (DFIs) and international financial institutions (IFIs), and collaboration was generally positive. With a few exceptions, DFIs and IFIs active in Montenegro operated in different segments of the market. Unlike the European Investment Bank (EIB), Kreditanstalt für Wiederaufbau (KfW) and the World Bank, the EBRD was able to finance private clients directly and offer smaller ticket-size loans. Coordination among DFIs and IFIs was mostly informal rather than based on a prescribed division of labour, which is unsurprising in a small country context where personal relationships play an important role.

Strong additionality on balance

Despite a pattern of lower EBRD *financial* additionality, the Bank's blend of *non-financial* attributes offset it and fortified its overall additionality. Number of projects, especially those with local banks, exhibited lower financial additionality due to clients' access to cheaper loans than EBRD interest rates. However, the Bank's technical expertise and capacity building via TC, the application of the Bank's public procurement rules – often the only viable alternative to the national framework – and the local presence of the seasoned and committed EBRD team, these have been the Bank's key differentials and allure.

Low disbursement, major delays but no 'silver bullet' solution

The efficiency of EBRD operations was generally at the lower end of the spectrum. The EBRD disbursement rate in Montenegro was 45 per cent – the lowest across the Western Balkans region – reducing its actual impact on the real economy over 2017-24. This was mainly due to delays in several public sector projects and some recent signings. Key underlying factors such as frequent government changes, limited implementation capacity and to some degree COVID-19, were beyond the Bank's control.

There appears to be no simple solution to these issues. The EBRD's approach to project design and implementation was sound. The close involvement and grit of the local EBRD team along with extensive support through TC grants – effectively the Bank's business model in Montenegro – e.g. to finance project implementation units (PIUs), helped prevent even longer delays.

Most significant contribution to supporting the green transition

Across the three strategic priorities, the EBRD made its most significant contribution to Montenegro's green transition. Its footprint in this area surpassed all others in which it has been active. Even though the Bank's results in the municipal sector were modest, its interventions in energy efficiency have already induced systemic impact. In areas like renewables and electricity grid, such impact, although subject to risks, is likely to materialise following completion of pending projects and regulatory reforms.

The EBRD's leading role in the preparation of the new Renewable Energy Sources Law and the subsequent design and implementation of renewable energy auctions may lead to a breakthrough. The law was adopted in August 2024, and details of the first tender for an inaugural contract for difference auction with a quota of up to 250 megawatts (MW) for solar photovoltaic projects were recently announced. If implementation proceeds as planned, renewable auctions may turbocharge the expansion of wind and solar power in Montenegro's electricity mix.

Some progress but no systemic change induced in private sector competitiveness

In enhancing private sector competitiveness, the EBRD made some headway. The Bank managed to introduce green credit lines, while its Women in Business (WIB) and Youth in Business (YIB) programmes demonstrated clear value added through the non-financial feature of the first loss risk cover (FLRC) mechanism – an innovative approach in Montenegro– and through tailored product design. The PD workstreams it provided were relevant and already impactful. Despite its limited scale, the Advice for Small Businesses (ASB) Programme remained a useful component of the Bank's toolkit in Montenegro. A rare case of direct investment in corporates, the Bank's financial and non-financial support to Voli – the country's largest retailer– achieved strong impact.

However, the Bank did not induce systemic change. Primarily because of limited investment volumes in private companies (both direct and indirect) relative to the sector's size and needs, the absence of improvement in SOE governance and a lack of progress on privatisation. Some of the Bank's PD reforms, especially the new Company Law, may eventually generate meaningful impact, but it is still too early to assess.

No systemic change, though a *promise* of some going forward regarding connectivity and regional integration

There is a *promise* of the EBRD's induced systemic change in the railways sector, less so in the road sector and none in information and communication technology infrastructure. Two pending railway projects – the purchase of new rolling stock and the financing of railway maintenance equipment – may significantly improve sector resilience, although corporate governance reforms in rail authorities remain a prerequisite for systemic change. In the road sector, the

Bank's support for strengthening the institutional capacity of the Transport Administration has been meaningful, and the local and regional road projects financed have produced tangible results from completed sections. However, these efforts have not yet reached a scale sufficient to generate systemic impact.

Concluding categorically on the EBRD's success in inducing systemic change in Montenegro is not straightforward. Systemic change usually occurs over the long term. Its absence at a given point may reflect ongoing progress rather than a lack of success. The limited articulation of systemic change – including the absence of EBRD's Theories of Change for key priorities and sectors, and the lack of clarity on expected timeframes – makes such assessments more challenging.

Questions about selectivity, prioritisation and degree to which systemic change was conceived in country strategies

The EBRD Montenegro Country Strategies appear to lack sharpness. While strategies are intended to provide flexibility and aspirational direction, the list of objectives, and certainly of activities, appears extensive for a country of Montenegro's size. Given finite resources, it is also unclear what the EBRD's concrete stance has been on supporting rail versus road projects, and within the latter, whether to prioritise Bar-Boljare highway or local and regional road projects. For cross-border transport networks requiring synchronised effort, both strategies are silent on coordination activities with the EBRD ROs in Albania and Serbia or with neighbouring countries' authorities.

More fundamentally, EBRD Country Strategies lack clear articulation of an intended systemic change. They lack Theory of Change for systemic change under key priorities or sectors, which would help define what kind of change is sought, how it is expected to occur, and within what timeframe. This has two major ramifications. First, it reduces the Bank's focus on pursuing systemic change. Second, it makes evaluating results and gauging the Bank's success more difficult, with implications for both accountability and learning.

Recommendations

Strategic recommendation

Recommendation 1: Be more selective with the scope of priorities and objectives, including the choice of specific activities, and focus on (sub)sectors with potential for systemic change in the next EBRD Montenegro Country Strategy 2026-30.

Formulation of the previous and current strategies showed some shortcomings. For a country of Montenegro's size, the number of objectives and activities appears high. The Bank's intent regarding systemic change under key priorities and sectors was also not well articulated, specifically what kind of change was sought, how it would be achieved and over what timeframe. The strategies also failed to prioritise certain sectors when it was evident that pursuing all types of investments with the same level of engagement and financing was mutually exclusive.

IEvD recommends greater selectivity in conceptualising the next strategy to avoid an overly broad mix / an amalgamation of objectives and actions. Clearer articulation of systemic change, including Theory of Change for each priority area, will be essential. Explicitly ranking interventions within specific sectors like transport would also strengthen strategic focus.

Operational recommendations

Recommendation 2: Take a more conscious and watchful approach to the adoption and implementation of corporate governance reforms at SOEs and institutional capacity building undertaken by the EBRD.

SOEs account for a very substantial share of the Montenegrin economy and are likely to remain key EBRD counterparties for many projects. Yet, the Bank's efforts to improve SOE operational efficiency, for instance through corporate governance action plans, were unsuccessful so far.

IEvD suggests continuing to use loan covenants for key institutional reforms or corporate governance improvements but strengthening their monitoring and implementation. Implementation of SOE governance action plans could be enhanced by supporting each with dedicated TC, which would also help the local EBRD team. In some cases, conditioning new EBRD project involvement on the achievement of key governance milestones by an SOE could be considered. Collaboration with other DFIs and IFIs, e.g. through coordinated conditionalities and financial incentives, could also be beneficial.

Recommendation 3: Given the limited progress in waste and water sanitation and the absence of progress in decarbonising municipal buildings over 2017-24, and the critical role of the municipal sector going forward, reconsider the EBRD's modalities of engagement with municipalities.

Several constraints have hindered deeper EBRD involvement in the municipal sector, including the small size of Montenegrin municipalities, which makes project origination challenging, and their limited financial and technical capacities for project design and implementation.

At the same time, advancing the green transition, including the decarbonisation of buildings and the development of waste and water sanitation projects, requires active municipal participation.

IEvD sees strong merit in a joint effort among local authorities, the EU, active DFIs and IFIs and other local partners to establish a mechanism that would enable aggregation of viable municipal projects and coordinated support for implementation. A fresh re-think of engagement modalities, including viability of PPP structure in the next strategy period, may present some alternatives. Marked increase in availability of the pre-accession EU funding could also provide tangible incentives and help build local ownership.

Izvršni rezime

Kontekst evaluacije

Evaluacije na nivou zemlje

Evaluacije Odjeljenja za nezavisnu evaluaciju na nivou zemlje pružaju novu perspektivu o tome kako EBRD doprinosi sistemskim promjenama. Sistemske promjene su centralni aspekt načina na koji Banka unapređuje svoje strateške ciljeve, ali nijesu uvijek jasno vidljive u EBRD-ovim sistemima praćenja na nivou projekata. Zemlje su referentna jedinica i jedinica odgovornosti za tranzicioni mandat Banke, što naglašava važnost izvještavanja na nivou zemalja.

Ova evaluacija na nivou zemlje obuhvata period 2017–2024. Ispituje investicione projekte EBRD-a, dijaloge o politikama i tokovima rada, kao i zadatke tehničke saradnje. Ovaj vremenski okvir preklapa se sa prethodnim (2017–2020) i trenutnim (2021–2026) strategijama EBRD-a za Crnu Goru.

Evaluacija primjenjuje pristup zasnovan na teoriji. Fokus je na istraživanju dokaza o doprinosu EBRD-a sistemskim promjenama. Takođe, evaluacija je zasnovana na podacima i koristila je bogate interne i eksterne podatke EBRD-a.

Crnogorski kontekst

Sa populacijom od 623.000 stanovnika Crna Gora je najmanja zemlja u regionu Zapadnog Balkana i najmanja ekonomija u koju EBRD ulaže. Ima najveći bruto domaći proizvod (BDP) po glavi stanovnika u regionu Zapadnog Balkana i malu, otvorenu ekonomiju koja koristi euro kao valutu i koja snažno zavisi od turističkog sektora koji čini oko 25 odsto BDP-a.

Vanjska politika zemlje je duži period orijentisana ka integraciji u Evropsku uniju. Od početka formalnih pregovora o pristupanju Evropskoj uniji 2012. godine, Crna Gora je dostigla naprednu fazu procesa pristupanja, koji je od 2023. godine dobio novi zamah. Izgledi za članstvo u Evropskoj uniji bili su glavno vanjsko uporište reformskog napretka zemlje.

EBRD ulaže u Crnu Goru od 2006. godine. Banka održava prisustvo na terenu putem svoje Rezidentne kancelarije u Podgorici i širokog spektra intervencija, od direktnog i indirektnog finansiranja privatnih i javnih klijenata do podrške strukturnim reformama. Poslovanje Banke vođeno je Strategijama EBRD-a za Crnu Goru, koje su se dosljedno fokusirale na tri ključna prioriteta tokom perioda 2017–2024: (1) jačanje konkurentnosti privatnog sektora, (2) poboljšanje povezanosti i regionalne integracije i (3) podsticanje tranzicije Crne Gore ka zelenoj ekonomiji.

Ključni nalazi

Značajan obim finansijskih obaveza EBRD-a

Za zemlju veličine Crne Gore, čak su i relativno male investicione obaveze EBRD-a u apsolutnom smislu bile značajne u relativnom smislu. Isključujući višu silu tokom perioda COVID-19 i jednokratno povećanje finansijske pomoći koju je Banka ponudila 2020. godine, godišnja ulaganja Banke od 20–40 miliona eura dugo su bila norma, što je ekvivalentno oko 0,4-0,8 odsto godišnjeg BDP-a. Od 2023. godine, EBRD je prijavio snažan i održiv rast godišnjeg ulaganja Banke dostigavši 104 miliona eura u 2024. godini, ili 1,4 odsto BDP-a, podižući Banku na status najvećeg institucionalnog investitora u Crnoj Gori u toj godini.

Veliki dio brzog povećanja obima kreditiranja EBRD-a od 2023. godine odražava brzo ozelenjavanje njegovog portfolija. Sa porastom broja potpisanih projekata sa snažnim zelenim akreditivima, omjer zelene ekonomske tranzicije porastao je sa prosječnih 29 odsto u periodu 2017–2021 na 81 odsto u periodu 2022–2024, što je daleko najveće povećanje udjela portfolija u zelenoj ekonomskoj tranziciji u čitavom regionu Zapadnog Balkana.

Glavni prioriteti su dobro usklađeni sa potrebama Crne Gore, iako i dalje postoje određeni nedostaci na nivou ciljeva i aktivnosti

Ključni prioriteti obje Strategije EBRD-a za zemlju usko su se podudarali sa prioritetima Vlade, naročito u promociji mjera energetske efikasnosti, ulaganjima u putnu i željezničku infrastrukturu, diverzifikaciji turističkog sektora i pružanju finansijske i nefinansijske podrške mikro, malim i srednjim preduzećima. Takođe, prioriteti EBRD-a bili su usko povezani sa ključnim prekretnicama procesa pristupanja Evropskoj uniji.

Međutim, analiza sastava portfolija Banke otkriva nekoliko nedostataka na nivou specifičnih ciljeva i aktivnosti. Banka nije ulagala u digitalnu infrastrukturu, imala je ograničena ulaganja u održivu infrastrukturu lokalnih samouprava, i ostvaren je mali napredak u direktnom kreditiranju privatnih kompanija. Njeni planovi za podršku privatizaciji, poboljšanje operativnog učinka preduzeća u državnom vlasništvu i primjenu modela javno-privatnog partnerstva u Crnoj Gori bili su neuspješni.

Portfolio je uglavnom uključivao državne klijente iz opravdanih razloga.

Uprkos fokusu EBRD-a na privatni sektor, samo 26 odsto ukupnog portfolija u Crnoj Gori za period 2017–2024. bilo je usmjereno na klijente iz privatnog sektora. Međutim, investicije Banke kod državnih klijenata uglavnom su bile usmjerene na *omogućavajuću infrastrukturu* – kritičnu imovinu kao što su putevi, željeznica i energetski sistemi – koja je neophodna za pokretanje razvoja privatnog sektora. U budućnosti, solidan niz projekata obnovljive energije koje već razvijaju privatna preduzeća može da ponudi neke mogućnosti za rebalansiranje portfolija prema privatnom sektoru.

Dobra komplementarnost sa drugim razvojnim finansijskim institucijama i međunarodnim finansijskim institucijama

Nije bilo većih preklapanja ili dupliranja između EBRD-a i drugih razvojnih finansijskih institucija i međunarodnih finansijskih institucija, a saradnja je uglavnom bila pozitivna. Uz nekoliko izuzetaka, razvojne i međunarodne finansijske institucije koje su aktivne u Crnoj Gori, poslovale su u različitim segmentima tržišta. Za razliku od Evropske investicione banke (EIB), *Kreditanstalt für Wiederaufbau* (*KfW*) i Svjetske banke, EBRD je bio u mogućnosti da direktno finansira privatne klijente i ponudi manje kredite. Koordinacija između razvojnih i međunarodnih finansijskih institucija bila je uglavnom neformalna, a ne zasnovana na propisanoj podjeli rada, što nije iznenađujuće u kontekstu male zemlje gdje lični odnosi igraju važnu ulogu.

Snažna dodatnost na uravnoteženost

Uprkos trendu niže finansijske dodatnosti EBRD-a, mješavina nefinansijskih atributa Banke kompenzovala je i ojačala njegovu ukupnu dodatnost. Brojni projekti, naročito oni sa lokalnim bankama, pokazali su nižu finansijsku dodatnost zbog pristupa klijenata jeftinijim kreditima od kamatnih stopa EBRD-a. Međutim, tehnička stručnost Banke i izgradnja kapaciteta putem tehničke saradnje, primjena pravila Banke o javnim nabavkama – često jedina održiva alternativa nacionalnom okviru – i lokalno prisustvo iskusnog i predanog tima EBRD-a, predstavljaju ključne razlike i privlačnost saradnje sa Bankom.

Niske isplate, velika kašnjenja, ali bez univerzalnog rješenja

Efikasnost operacija EBRD-a bila je uglavnom na nižem kraju spektra. Stopa isplate EBRD-a u Crnoj Gori iznosila je 45 odsto – najniža u regionu Zapadnog Balkana – što je smanjilo njen stvarni utjicaj na realnu ekonomiju u periodu 2017–2024. Razlog tome su uglavnom kašnjenja u nekoliko projekata javnog sektora i nekih nedavno potpisanih ugovora. Ključni osnovni faktori poput čestih promjena vlade, ograničenih kapaciteta za implementaciju i do određene mjere COVID-19, bili su van kontrole Banke.

Čini se da ne postoji jednostavno rješenje za ove probleme. Pristup EBRD-a izradi i sprovođenju projekata bio je ispravan. Neposredno učešće i upornost lokalnog tima EBRD-a, zajedno s opsežnom podrškom kroz bespovratna sredstva tehničke pomoći – što je efektivno poslovni model Banke u Crnoj Gori – npr. za finansiranje jedinica za implementaciju projekata, pomogli su u sprečavanju još dužih kašnjenja.

Najznačajniji doprinos podršci zelenoj tranziciji

U okviru tri strateška prioriteta, EBRD je svoj najznačajniji doprinos dao zelenoj tranziciji Crne Gore. Njen uticaj u ovoj oblasti nadmašio je sve ostale u kojima je bio aktivan. Iako su rezultati Banke u komunalnom sektoru bili skromni, njene intervencije u energetskoj efikasnosti već su izazvale sistemski uticaj. U oblastima poput obnovljivih izvora energije i električne mreže, takav uticaj, iako podložan rizicima, vjerovatno će se ostvariti nakon završetka tekućih projekata i regulatornih reformi.

Vodeća uloga EBRD-a u pripremi novog Zakona o obnovljivim izvorima energije i naknadnoj pripremi i sprovođenju aukcija obnovljive energije može da dovede do napretka. Zakon je usvojen u augustu 2024. godine, a nedavno su objavljeni detalji prvog tendera za početni ugovor o aukciji razlike u cijeni sa kvotom do 250 megavata (MW) za solarne fotonaponske projekte. Ako primjena bude tekla po planu, aukcije obnovljivih izvora energije mogu da ubrzaju širenje energije vjetra i sunca u crnogorskom elektroenergetskom sistemu.

Određen napredak, ali bez sistemskih promjena u konkurentnosti privatnog sektora

EBRD je ostvario određeni napredak u jačanju konkurentnosti privatnog sektora. Banka je uspjela da uvede kreditne linije, dok su njeni programi Žene u biznisu i Mladi u biznisu pokazali jasnu dodatu vrijednost kroz nefinansijsku karakteristiku mehanizma pokrića rizika prvog gubitka – inovativan pristup u Crnoj Gori – i kroz prilagođeni dizajn proizvoda. Dijalog o politikama tokova rada koje je pružio bili su relevantni i već su imali uticaj. Program savjetovanja za mala preduzeća ostao je korisna komponenta alata Banke u Crnoj Gori. Kao rijedak slučaj direktnog ulaganja u korporacije, finansijska i nefinansijska podrška Banke kompaniji Voli – najvećem trgovcu na malo u zemlji – ostvarila je snažan uticaj.

Međutim, Banka nije podstakla sistemske promjene. Prvenstveno zbog ograničenog obima investicija u privatne kompanije (i direktne i indirektne) u odnosu na veličinu i potrebe sektora, nedostatka poboljšanja u upravljanju državnim preduzećima i nedostatka napretka u privatizaciji. Neki od političkih dijaloga Banke o reformama, naročito Zakon o privrednim društvima, mogu na kraju da generišu značajan uticaj, ali je još uvijek prerano za takvu procjenu.

Nema sistemskih promjena, iako postoji obećanje za napredak u pogledu povezanosti i regionalne integracije

Postoji obećanje o sistemskim promjenama koje je EBRD podstakao u željezničkom sektoru, manje u sektoru drumskog transporta, a nimalo u infrastrukturi informaciono-komunikacionih tehnologija. Dva željeznička projekta koja su u toku – kupovina novog voznog parka i finansiranje opreme za održavanje željeznica – mogu značajno da poboljšaju otpornost sektora, iako reforme korporativnog upravljanja u željezničkim organima ostaju preduslov za sistemske promjene. U sektoru drumskog transporta, podrška Banke jačanju institucionalnih kapaciteta Uprave za saobraćaj bila je značajna, a finansirani lokalni i regionalni putni projekti dali su opipljive rezultate od završenih dionica. Međutim, ovi napori još uvijek nijesu dostigli dovoljan obim da bi stvorili sistemski uticaj.

Nije lako kategorički zaključiti o uspjehu EBRD-a u podsticanju sistemskih promjena u Crnoj Gori. Sistemske promjene obično se dešavaju dugoročno. Njihovo odsustvo u datom trenutku može odražavati kontinuirani napredak, a ne nedostatak uspjeha. Ograničeni iskaz sistemskih promjena – uključujući odsustvo EBRD-ovih Teorija promjena za ključne prioritete i sektore, kao i nedostatak jasnoće o očekivanim vremenskim okvirima – čini takve procjene još izazovnijim.

Pitanja o selektivnosti, određivanju prioriteta i stepenu u kojem su sistemske promjene osmišljene u strategijama zemalja

Čini se da Strategije EBRD-a za Crnu Goru nijesu dovoljno precizne. Iako su Strategije namijenjene pružanju fleksibilnosti i ambicioznog smjera, lista ciljeva, a svakako i aktivnosti, čine se opsežnim za zemlju veličine Crne Gore. S obzirom na ograničene resurse, takođe nije jasno kakav je bio konkretan stav EBRD-a o podršci željezničkim u odnosu na drumske projekte, a u okviru ovih posljednih, da li dati prioritet autoputu Bar-Boljare ili lokalnim i regionalnim projektima za drumsku infrastrukturu. Za prekogranične transportne mreže koje zahtijevaju sinhronizovane napore, obje strategije ne govore ništa o aktivnostima koordinacije sa regionalnim kancelarijama EBRD-a u Albaniji i Srbiji ili sa vlastima zemalja u okruženju.

Još značajnije je i to da Strategije EBRD-a za zemlju nemaju jasno izraženu namjeru ostvarenja sistemske promjene. Nedostaje im Teorija promjene za sistemske promjene u okviru ključnih prioriteta ili sektora, koja bi pomogla u definisanju kakve se promjene traže, kako se očekuje da će se ostvariti i u kom vremenskom okviru. To ima dvije glavne posljedice. Prvo, smanjuje fokus Banke na sprovođenje sistemskih promjena. Drugo, otežava evaluaciju rezultata i mjerenje uspjeha Banke, što ima implikacije i na odgovornost i na učenje.

Preporuke

Strateške preporuke

Preporuka 1: Veća selektivnost u pogledu obima prioriteta i ciljeva, uključujući izbor specifičnih aktivnosti, i fokus na (pod)sektore sa potencijalom za sistemske promjene u narednoj Strategiji EBRD-a za Crnu Goru za period 2026-2030.

Formulacija prethodne i trenutne strategije pokazala je određene nedostatke. Za zemlju veličine Crne Gore, broj ciljeva i aktivnosti čini se velik. Namjera Banke u vezi sa sistemskim promjenama u okviru ključnih prioriteta i sektora takođe nije bila dobro iskazana, konkretno kakva se promjena traži, kako će se postići i u kom vremenskom okviru. Strategije takođe nijesu dale prioritet određenim sektorima kada je bilo očigledno da se sprovođenje svih vrsta investicija s istim nivoom angažmana i finansiranja međusobno isključuje.

Odjeljenje za nezavisnu evaluaciju preporučuje veću selektivnost u konceptualizaciji naredne Strategije kako bi se izbjegla preširoka mješavina/spajanje ciljeva i akcija. Jasnije izražavanje sistemskih promjena, uključujući Teoriju promjene za svaku prioritetnu oblast je od ključnog značaja. Eksplicitno rangiranje intervencija unutar specifičnih sektora kao što je transport bi takođe ojačalo strateški fokus.

Operativne preporuke

Preporuka 2: Zauzeti svjesniji i pažljiviji pristup u usvajanju i sprovođenju reformi korporativnog upravljanja u preduzećima u državnom vlasništvu i izgradnji institucionalnih kapaciteta koje sprovodi EBRD.

Preduzeća u državnom vlasništvu čine veoma značajan dio crnogorske ekonomije i vjerovatno će ostati ključni partneri EBRD-a za mnoge projekte. Ipak, napori Banke da poboljša operativnu efikasnost preduzeća u državnom vlasništvu, na primjer kroz akcione planove korporativnog upravljanja, do sada nijesu bili uspješni.

Odjeljenje za nezavisnu evaluaciju predlaže nastavak korišćenja kreditnih ugovora za ključne institucionalne reforme ili poboljšanja korporativnog upravljanja, ali i jačanje njihovog praćenja i implementacije. Sprovođenje akcionih planova za upravljanje državnim preduzećima može se unaprijediti podrškom svakom od njih namjenskom tehničkom pomoći, što bi pomoglo i lokalnom timu EBRD-a. U nekim slučajevima, može se razmotriti uslovljavanje novog učešća EBRD-a u projektu postizanjem ključnih prekretnica u upravljanju od strane preduzeća u državnom vlasništvu. Saradnja sa drugim razvojnim i međunarodnim finansijskim institucijama, npr. putem koordiniranih uslovljavanja i finansijskih podsticaja, takođe mogu da budu od koristi.

Preporuka 3: Imajući u vidu ograničen napredak u upravljanju otpadom i sanitacijom vode i odsustvo napretka u dekarbonizaciji objekata lokalnih samouprava u periodu 2017–2024, kao i ključnu ulogu sektora lokalnih samouprava u budućnosti, treba preispitati modalitete rada EBRD-a u saradnji sa lokalnim samoupravama.

Nekoliko ograničenja je ometalo dublje učešće EBRD-a u sektoru lokalnih samouprava, uključujući malu geografsku veličinu crnogorskih opština, što otežava izrada projekata, kao i njihove ograničene finansijske i tehničke kapacitete za izradu i sprovođenje projekata.

Istovremeno, unapređenje zelene tranzicije, uključujući dekarbonizaciju objekata i razvoj projekata za upravljanje otpadom i sanitaciju vode, zahtijeva aktivno učešće lokalnih samouprava.

Odjeljenje za nezavisnu evaluaciju veliku vrijednost u zajedničkom naporu lokalnih vlasti, Evropske unije, aktivnih razvojnih i međunarodnih finansijskih institucija, kao i drugih lokalnih partnera kako bi se uspostavio mehanizam koji bi omogućio agregaciju održivih projekata lokalnih samouprava i koordiniranu podršku za njihovo sprovođenje. Novo preispitivanje modaliteta angažmana, uključujući održivost strukture javno-privatnog partnerstva u narednom strateškom periodu, može da predstavi određene alternative. Značajno povećanje dostupnosti predpristupnih sredstava Evropske unije takođe može da pruži opipljive podsticaje i pomoći u izgradnji lokalnog vlasništva.

1. Background and context

1.1. Evaluation rationale

1. **The Independent Evaluation Department (IEvD) Work Programme[1] includes a country-level evaluation of the European Bank for Reconstruction and Development (EBRD) activities in Montenegro.** This is the second such evaluation by IEvD after the country-level evaluation of Uzbekistan (2017-22) published in 2023.[2]

2. **Conducting an evaluation at country level allows for a more comprehensive assessment of systemic change, as it enables analysis of the broader effects resulting from the interplay of interventions across multiple sectors and markets.** This approach also provides a clearer understanding of the overall contribution of EBRD activities within the national context rather than limiting insights to isolated project outcomes.

3. **A 2010 report on transition and transition impact commissioned by EBRD's Office of the Chief Economist noted that analysis of systemic change is more transparent at the country or country-sector level than at the project level.**[3] Examining change at country level also enables deeper contextualisation and understanding of how the EBRD has contributed to systemic change (Box 1) in the local context. Existing monitoring and reporting systems at the Bank do not offer easily accessible and comprehensive overview of the Bank's interventions at country level – IEvD's country-level evaluations seek to address this gap.

Box 1: What is *systemic change*?

- ***Systemic change*** is change in the underlying causes of market system performance, typically in the behaviour and relationships of system actors, that is significant in scale and sustainable over time.[4] It is based on *three components*: (i) change in the system (structure, functions, rules); (ii) system's response to change (resilience and adaptability) and (iii) attribution to intervention (link between programme and observed change).
- ***EBRD's definition of systemic change***, introduced in the 1997 Transition Concept paper and maintained since, refers to the transformational and lasting changes to market structures, behaviours or institutions triggered by Bank's projects. Driving systemic change often involves altering underlying roles, norms, structures and incentives within a market system rather than focusing on outputs from an individual project. The EBRD's transition mandate focuses on contribution along three dimensions: (i) competitive market structures; (ii) institutions, laws and policies that support markets; and (iii) market-based skills and behaviour.
- ***Most recent update of the EBRD's Transition Impact Assessment Methodology (Q1 2025)*** identifies four triggers considered when assessing individual project's measurable contribution to systemic change at portfolio or market level: (i) novelty, (ii) market structures, (iii) skills transfer and (iv) policy scope (change). It also stresses how vital a clear, ex-ante articulation of systemic change intent is.[5]

Sources: Springfield Centre (2019), *What is Systemic Change?*, Durham; EBRD (2025), *Transition Impact Assessment Methodology Update*, London.

[1] EBRD (2023), *IEvD Work Programme and Budget 2024-26*, London.
[2] EBRD (2023), *Moving the Needle? The EBRD in Uzbekistan (2017-22)*, London. See https://www.ebrd.com/home/news-and-events/publications/evaluation/moving-the-needle.html (last accessed 1 October 2025).
[3] T. Besley (2010), "Transition and transition impact: a review of the concept and implications for the EBRD", London.
[4] Springfield Centre (2019), *What is Systemic Change?*, Durham.
[5] EBRD (2025), *Transition Impact Assessment Methodology Update (SGS25-066 Board Information Session)*, London (internal document).

4. **The selection of Montenegro for IEvD's country-level evaluation followed a structured approach. The choice was based on a few concrete considerations.** First, the timetable for preparing the next EBRD Montenegro Country Strategy (2027-31), with a tentative approval date in mid-2026, offers an opportunity for this evaluation to provide timely and useful insights into the conceptualisation phase starting in autumn 2025. Second, the meaningful size of the Bank's investments relative to Montenegro's gross domestic product (GDP) and total investment, together with important policy dialogue (PD) work, makes the prospect of systemic change more plausible. Third, limited evaluative evidence has so far been gathered on the Bank's activities in Montenegro.

5. **Overall, this evaluation aims to contribute to both accountability and learning.** It supports institutional accountability by assessing past operations against expectations. It also promotes institutional learning by providing insights and lessons relevant to the design and implementation of future operations and approaches, primarily the upcoming EBRD Montenegro Country Strategy (2027-31) and, more broadly, other country strategies.

1.2. Country context

6. **Montenegro gained full independence seceding from Serbia in May 2006, after an independence referendum. Population wise, it is the smallest country in the Western Balkans region[6] and the smallest in which the EBRD invests in.** With 623,000 residents – it is on par with the London boroughs of Croydon and Camden clubbed together, and an area of approximately 13,800 km² – comparable to the Île-de-France region.

7. **With GDP per capita[7] of €19,329 in 2023, Montenegro ranks highest in the Western Balkans.** However, the gap with the European Union (EU)-27 average (€38,133) remains wide, and convergence with EU living standards has been slow. Between 2017 and 2023, Montenegro's GDP per capita rose from 46 per cent to 51 per cent of the EU-27 average.

Figure 1: Montenegro on the map

Source: The Economist.

8. **Montenegro's political landscape has been complex.** In August 2020, seminal parliamentary elections took place ending three decades of rule by the Democratic Party of Socialists led by long-standing political figure Milo Đukanović. Since then, three subsequent coalition governments[8] and frequent reshuffles have followed, including an eight-month interim period (August 2022 – March 2023) marked by political deadlock and the absence of a majority government.

9. **The country's foreign policy has long been oriented towards EU integration.** Formal EU accession negotiations began in 2012, and although domestic political parties remain divided

[6] Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.
[7] In current prices and adjusted for purchasing power standards based on Eurostat data. See https://ec.europa.eu/eurostat/databrowser/view/nama_10_pc/default/table?lang=en (last accessed 1 October 2025).
[8] Governments led by Zdravko Krivokapić (December 2020 – February 2022), Dritan Abazović (April 2022 – August 2022) and Milojko Spajić (October 2023 – present).

between pro-Montenegrin and pro-Serbian camps, 78 per cent of the population supports EU membership.[9] Despite periodic obstacles, Montenegro has often been characterised as a front-runner among the nine EU candidate countries. The EU accession process, reinvigorated since 2023 (through the EU Growth Plan for the Western Balkans[10]), continues to serve as the main external anchor for reforms (see Annex 7 for details). Montenegro also joined North Atlantic Treaty Organization (NATO) in June 2017, despite some domestic opposition.[11]

10. **Montenegro has a small, open and euroised economy with a modest industrial base and heavy reliance on tourism, which accounts for about 25 per cent of GDP.**[12] Services, industry[13] and agriculture correspond to 62 per cent, 16 per cent and 6 per cent of GDP, respectively[14]. The tourism sector – rapidly expanding in recent years – accounts for about one fourth of the GDP (Box 2: Montenegro There have recently been some efforts from the government, supported by EBRD and development partners, to diversify from tourism to other sectors like information technology, agribusiness and renewable energy.

Box 2: Montenegro – (over) reliance on the tourism sector
With a 293-kilometre Adriatic coastline and growing popularity among travellers seeking less conventional European destination, Montenegro's tourism sector has experienced a boom since the mid-2010s, becoming the main engine of economic growth. As of 2023, it accounted for about one quarter of the national GDP (€1.5 billion), 43 per cent of total exports and 10 per cent of total employment.
Pre-pandemic 2019 marked a record high of 2.5 million foreign tourist arrivals – double the 2014 figure. Visitors from Russia and Serbia were the two largest nationalities, together representing over 30 per cent of all foreign arrivals. The COVID-19 pandemic dealt a severe blow to the sector. Arrivals plummeted from 2.5 million in 2019 to 300,000 in 2020, and tourism receipts fell by 87 per cent. In 2023 arrivals exceeded the pre-pandemic levels, reaching 2.6 million.[15]
Montenegro has sought to position itself as an upscale, year-round tourism destination by targeting more affluent visitors, attracting large international hotel chains and promoting eco-tourism. The sector continues to play a vital role in containing the elevated current account deficit. According to the International Monetary Fund (IMF), without tourism, the current account gap would have been around 20 percent of GDP larger.
Source: IMF Country Reports (2016-2022); WorldData.info; Monstat.

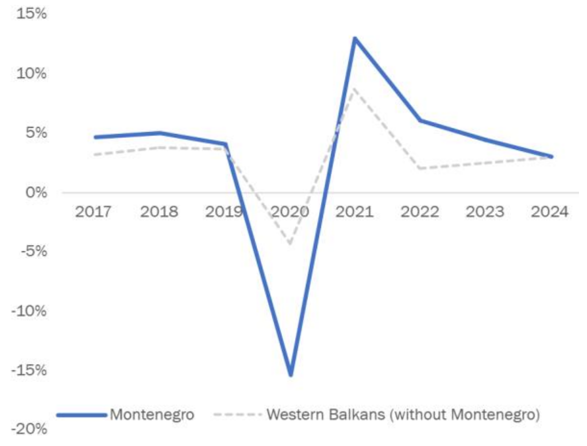
11. **From 2015 to 2019, Montenegro experienced robust GDP growth averaging 4 per cent, outperforming all Western Balkans peers except Kosovo (Figure 2). The COVID-19 pandemic hit the economy hard, albeit it saw strong recovery in the aftermath.** Growth over 2015-19 was bolstered by large investments, particularly in the first phase of the Bar-Boljare highway,[16] and to

[9] According to the 2023 census, 33 per cent of Montenegro's citizens identify as ethnic Serbs, compared with 41 per cent as ethnic Montenegrins; 45 per cent define Serbian as their mother tongue, compared with 36 per cent who declare Montenegrin as their mother tongue.
[10] European Commission (2025), *Growth Plan for Western Balkans*. See https://enlargement.ec.europa.eu/enlargement-policy/growth-plan-western-balkans_en (last accessed 1 October 2025).
[11] About 42 per cent of the public opposed NATO membership at the time. See https://www.iri.org/resources/montenegro-poll-reveals-anti-western-tilt-widespread-dissatisfaction-with-countrys-trajectory/ (last accessed 1 October 2025).
[12] Economist Intelligence Unit, Montenegro website: https://country.eiu.com/montenegro (last accessed 1 October 2025).
[13] Including construction and manufacturing.
[14] As of 2023, based on World Bank data. See https://data.worldbank.org/indicator/NV.IND.MANF.ZS?locations=ME (last accessed 1 October 2025).
[15] Monstat (2024), Arrivals and overnights of tourists website: https://www.monstat.org/eng/novosti.php?id=3884 (last accessed 1 October 2025).
[16] The 42 km segment (Podgorica-Mateševo) of the Bar–Boljare highway, connecting the Serbian border at Boljare with Podgorica, is part of a 163 km corridor linking Boljare to the coastal town of Bar. Construction began in 2015 and was completed in 2022 (nearly 3 years late). It was financed by a loan from the Export-Import Bank of China and built by the China Road and Bridge Corporation. Initial cost estimated at US$ 570 million eventually ballooned to over US$ 1 billion (around one quarter of GDP), making it one of the most

a lesser extent in energy and tourism[17]. The deep contraction in 2020, which exceeded that of other Western Balkans economies by a wide margin, reflected the high share of tourism in national output. Authorities resorted to several measures to cushion the pandemic-related shock,[18] and the EBRD ramped up its investments. Subsequent rebound of the economy reflected the normalisation of tourism, stronger private consumption[19] (supported by an influx of foreigners)[20] and export growth.[21]

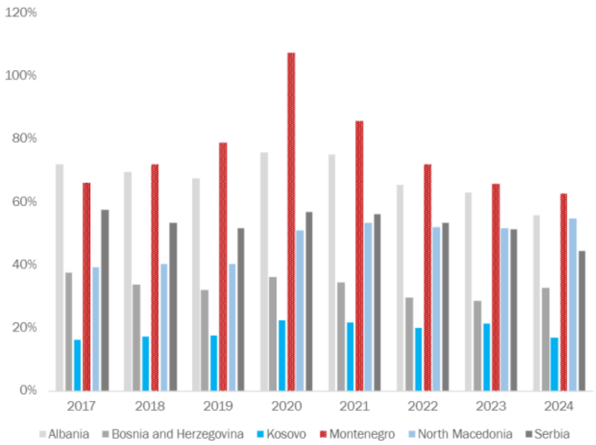
12. **Public debt rose quickly in the pre-pandemic years, heightening fiscal vulnerabilities and limiting the government's fiscal space (Figure 3).** Construction of the first phase of the Bar-Boljare highway absorbed half of the state investment budget from 2015 onwards. It also drove government debt, triggering a major fiscal adjustment initiated in 2017, a vulnerability exacerbated in 2020 when the public debt-to-GDP ratio reached 107 per cent, largely due to the fall in economy activity caused by the COVID-19 pandemic. Since then, public debt has fallen substantially to 63 per cent of GDP by the end of 2024.

Figure 2: GDP growth – Montenegro and Western Balkans, 2017-24



Source: IMF WEO April 2025 and IEvD calculations.

Figure 3: Public debt to GDP – Montenegro and Western Balkans, 2017-24



Source: IMF WEO April 2025 and IEvD calculations.

13. **Investment levels in Montenegro averaged 29.5 per cent of GDP over 2017-24, exceeding those of most of the Western Balkans peers.**[22] During 2017-19 growth was supported by public investment (Bar-Boljare highway) and private investment in energy and tourism, peaking at 32 per cent of GDP in 2019 (or €1.6 billion). It started to tail off from 2019 as the first phase of the Bar-Boljare highway project began to wind down. Between 2023 and 2024 growth was driven primarily by services,[23] while industrial production fell sharply mainly because of a decline in electricity generation.

expensive roads in the world. The loan carried a fixed interest rate of 2 per cent in US dollars. In 2021 the government arranged a 4-year currency hedge. As this represents only one quarter of the total highway length, its economic and financial returns have been estimated by international financial institutions to be limited, although traffic volumes have recorded double-digit growth for the second consecutive year.

[17] IMF (2019), *Country Report*.

[18] For instance, wage subsidies, tax deferral and loan moratoria.

[19] Propped up by 2022 labour reform ('Europe Now 1'), which increased nominal earning by about 30 per cent through higher minimum wage and the abolition of healthcare contributions.

[20] Primarily Russian citizens. While no exact figures are available, some estimates suggest that 60,000-70,000 Russian nationals currently reside in Montenegro, many having arrived after Russia's second war on Ukraine began in February 2022.

[21] Economist Intelligence Unit (EIU), Montenegro Country Profile website: https://country.eiu.com/montenegro (last accessed 1 October 2025).

[22] Averages for 2017-24: Albania (24.3 per cent), Bosnia and Herzegovina (25.1 per cent), Kosovo (34.6 per cent) and Serbia (23.9 per cent).

[23] Predominantly trade, hospitality and professional and administrative services.

14. **The banking sector has been stable, liquid and well capitalised. Lending to private companies has grown steadily since late 2016, although this masks some underlying issues.** The number of banks operating in Montenegro declined from 15 in 2017 to 11 as of end-2024[24], of which the EBRD has done business with four[25]. Non-performing loans went down markedly in recent years (3.8 per cent as of end-2024), and banks withstood the pandemic shock well and remained generally well capitalized partly due to the inflow of low-cost deposits.[26] While lending to non-financial corporations has been rising, until recently interest rates on banks' loans have been higher than in the Eurozone, and majority of lending has been short-term for liquidity, rather than long-term for investment in fixed assets[27]. The pervasive informality and limited capacity among SMEs (e.g. insufficient professional management experience) also constrain the number of firms considered eligible for banking services.

15. **Montenegro has suffered from a number of structural problems:**

- **Rigid labour market and high informality.** Labour productivity is low, and participation, at around 55 per cent, remains well below EU levels. Strict dismissal rules constrain mobility, and public-sector wages typically exceed those in the private sector. The labour tax wedge, at nearly 40 per cent in the late 2010s, was the second highest in the Western Balkans, reducing incentives for formal hiring.[28] In 2022 the Ministry of Finance estimated that the informal economy represented 38 per cent of GDP.[29] The European Commission described informality as a major obstacle to competitiveness.[30]
- **Weak rule of law, corruption and limited administrative capacity.** While reforms have been introduced to improve the legal system and court efficiency, enforcement remains inconsistent. The judiciary, though formally independent, continues to face political influence. Integrity issues persist, especially at the municipal level, in public procurement and privatisation processes.[31] Montenegro scored 46 out of 100 in Transparency International's 2024 Corruption Perception Index.[32]
- **Poor infrastructure.** Montenegro faces vast infrastructure needs, especially in roads and railways, further exacerbated by its mountainous topography. As of 2017, it had the lowest Logistics Performance Index[33] in the Western Balkans.[34] These infrastructure gaps persist partly due to limited implementation capacity in the public sector.[35]
- **Sizable and low-productivity state-owned enterprise (SOE) sector.** Montenegro has around 50 SOEs at the central government level with fixed assets estimated at 66 per cent of GDP.[36] Many operate inefficiently and pose fiscal risks.
- **Large current account deficit.** Montenegro exports relatively few goods and hosts a limited number of higher value-added companies, while trading across borders remain expensive. It

[24] Central Bank of Montenegro, Banks in Montenegro website: https://www.cbcg.me/en/public-relations/information/useful-links/banks-in-montenegro (last accessed 1 October 2025).
[25] The market share of these four banks was approximately 60 per cent as of end-2024.
[26] Inflow of cheap deposits was driven, inter alia, by limited investment opportunities due to political instability, increase in minimum wage from €250 in 2021 to €600 in 2024, government tax reform that raised nominal minimum wages by about 40 per cent and the inflow of tourists and Russian and Ukrainian residents.
[27] According to the *Central Bank of Montenegro 2024 Stability Report*, in 2023 borrowing for liquidity and working capital accounted for 61.5% of all extended loans. The implementation of investment programmes and the acquisition of fixed assets represented the next largest categories: 12.8 per cent and 10.3 per cent of all new loans extended.
[28] IMF (2019), *Country Report*.
[29] BMI (2024), *Kosovo and Montenegro Country Risk Report*.
[30] European Commission (2024), *2023 Enlargement Report*.
[31] Standards & Poor's (2024), *Montenegro Country/Territory Report*.
[32] Transparency International (2025), Corruption Perception Index website: https://www.transparency.org/en/cpi/2024
[33] The World Bank Index covers six areas: customs, infrastructure, international shipments, logistics competence, tracking and tracing, and timeliness.
[34] EBRD (2018), *2017 Transition Report*.
[35] EIU (2024), *Montenegro Country Profile*.
[36] IMF (2022), *Country Report*.

has consistently run a trade deficit (-19 per cent of GDP in 2023) and a double-digit current account deficit (-17 per cent of GDP in 2024).[37]

1.3. Evaluation methodology

1.3.1. Scope and approach – country-level evaluation

16. **The scope of this evaluation covers all EBRD activities – projects' financing, PD and technical cooperation (TC) assignments – in Montenegro during 2017-24**. This period overlaps with the previous (2017-20) and current (2021-26) EBRD's Montenegro Country Strategies.

17. **The methodology employed by IEvD follows a theory-based approach with three stages.** A detailed outline of the methodological approach is presented in Annex 1.

18. **While the search for evidence of systemic change is the main rationale for this evaluation, it is not the only one.** Findings related to individual interventions or sets of interventions that may not plausibly induce systemic change are still given due attention to maximise learning from the evaluation.

1.3.2. Evaluation questions

The evaluation report seeks to address one overarching question: *To what extent has the Bank addressed and helped narrow transition gaps in Montenegro?*

19. **To answer this question, the evaluation team identified five sub-questions:**

EQ1 (relevance): *To what extent did the EBRD's activities respond to the country's needs and continue to do so under changing circumstances?*

EQ2 (effectiveness): *To what extent did the EBRD contribute towards achieving, or is expected to achieve, its strategic priorities in the country?*

EQ3 (efficiency): *To what extent did the EBRD deliver results on time, within budget and in line with its sound banking mandate?*

EQ4 (coherence): *To what extent were the EBRD's activities consistent with those of other actors in the same context (external coherence) and with its own strategies and activities (internal coherence)?*

EQ5 (sustainability): *To what extent do the net benefits of interventions persist or appear likely to persist?*

1.3.3. Data collection and research tools

20. **The evaluation adopted a mixed methods approach (Annex 1) using the following sources of evidence:**

- **Portfolio and wider market and macro data.** The portfolio analysis of EBRD's 48 investment operations complemented with external data sources such as the International Monetary Fund (IMF) World Economic Outlook, World Bank, Organisation for Economic Co-operation and Development (OECD) databases and national statistics (Annex 3).
- **Desk review.** Consisting of two categories of documentation: (i) internal EBRD materials, including country strategies, related diagnostics documents, Country Strategy Delivery

[37] World Bank data and IMF WEO April 2025

Reviews and Transition Performance Reports (2017-24), along with various EBRD internal project documentation[38]; and (ii) external sources, including government of Montenegro policies and strategies,[39] EU and selected development finance institutions (DFIs) and international financial institutions (IFIs) strategies and reports and relevant academic and grey literature.

- **Interview programme.** A total of 80 semi-structured interviews were conducted. The majority (55) related to EBRD's investments, PD workstreams and Advice for Small Businesses (ASB) projects.[40] In addition, the team met representatives of most DFIs and IFIs active in the country and the EU,[41] relevant ministries and authorities, selected private market players and civil society organisations.[42] All external interviews were conducted without the presence of EBRD's banking teams and on a "not for attribution" basis.[43]
- **Sector notes.** Four sector notes on transport (railways and roads), energy, SOEs, and information and communications technology (ICT) and broadband infrastructure were developed to gauge sectoral progress (or lack thereof) and the relative significance of EBRD contributions.
- **Media content analysis.** Frequency and sentiment analysis of 1,239 news articles with specific references to EBRD and the European Investment Bank (EIB) for benchmarking published over 2017-24 by three Montenegrin media outlets: Vijesti.me, Investitor.me and Bankar.me. The analysis, conducted using AI Large Language Model with support from CASM Technology, aimed to understand public perception and media framing of EBRD activities in Montenegro, also relative to EIB.[44]

1.3.4. Challenges and limitations of the evaluation

21. **Assessing contributions towards systemic change is inherently challenging, given the presence of multiple actors, context-specific factors and complex processes.** The EBRD has rarely been the sole investor in a sector, with other DFIs, IFIs, government entities and commercial lenders typically involved. In addition, exogenous factors and the longer timespan for results to materialise sometimes made disentangling the EBRD's specific contributions difficult. Demonstration effects were assessed on the best-effort basis due to limited IEvD resources. These challenges were exacerbated by the insufficient articulation of the Bank's intent regarding systemic change, including how it may be induced and within what timeframe. At times, scarce data available from EBRD's internal monitoring of systemic changes added difficulty.

22. **The political economy context of each economy where EBRD invests influences the Bank's activities significantly, and this is true in Montenegro's case too.** In-depth analysis of how the Bank's results and operational efficiency interact with the political environment, including the effects of political cycles, was intentionally excluded from the evaluation's scope.

23. **Notwithstanding these limitations, the reliability and validity of the evaluation are strong.** While findings are more tentative in some areas given the type and quality of data available, the systematic use of the evaluation framework, triangulation of project data, interviews and

[38] Including Board approval documents; Directors' Advisors' Questions; Credit, TIMS, PMM, PSD and CSD/ESD notes (for investment projects); and policy dialogue workstream documentation.
[39] For instance, Economic Reform Plans.
[40] This subset of interviewees included (i) EBRD banking and non-banking teams, and (ii) clients – typically senior staff such as heads of departments or directors in SOEs and local banks, and top management in SMEs and corporates.
[41] Including the Council of Europe Development Bank, EIB, IFC, World Bank, AFD, KfW, the Energy Community Secretariat and the EU Delegation in Montenegro.
[42] Including the American Chamber of Commerce, CEE Bankwatch Network, Chamber of Commerce, Competitiveness Council, Employers Union, Foreign Investors Council in Montenegro, Institute of Strategic Studies and Prognoses, and the University of Montenegro.
[43] Unless explicit consent was sought and agreed.
[44] CASM Technology website: https://www.casmtechnology.com/ (last accessed 1 October 2025).

secondary data sources that underpinned inferencing, as well as multiple rounds of internal and external peer reviews, all provided a robust foundation for the findings.

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2. Alignment, additionality, coherence and efficiency of EBRD's delivery in Montenegro

Key findings

EBRD operations have been well aligned with government priorities and coherent with other DFIs and IFIs. The Bank's priorities and activities were closely aligned with government strategic priorities, often linked to the EU accession process outlined in the Economic Reform Programmes. They were also coherent with other DFIs and IFIs.

Alignment with EBRD's Strategies' priorities was good, though with gaps at specific objectives' level. There was a balanced distribution of EBRD's financial commitments across all three priorities. However, there were some gaps at the level of specific objectives and activities, e.g. investments in sustainable municipal infrastructure, promotion of PPP and SOE privatisation, among others.

On balance, EBRD operations demonstrated strong additionality. There was a consistent pattern of lower *financial* additionality across operations with private sector clients, especially local banks. This was, however, offset by generally strong non-financial additionality across the portfolio.

The efficiency of operations was generally on the lower end of the spectrum. The disbursement rate (45 per cent) was the lowest across the Western Balkans region, mainly on account of delays in some larger public sector projects but also some larger recent signings and one cancellation. Frequent use of sound TCs to support projects' design and implementation, and local presence of the EBRD team and its close involvement in project design and delivery, alleviated some issues.

2.1. EBRD priorities and sizable investments match Montenegro's needs

24. **Over the evaluation period and across both Country Strategies, the EBRD consistently maintained three key strategic priorities in Montenegro, with only a few exceptions (Figure 4).** These have been: (i) enhancing/strengthening private sector competitiveness, (ii) improving connectivity and regional integration, and (iii) deepening/fostering Montenegro's Green Economy Transition. Few changes between the current and previous County Strategy relate to:

- Emphasis on diversifying away from tourism (Priority 1/Objective 1), whereas the old Strategy linked tourism with agribusiness (Priority 1/Objective 2).
- Greater focus on SOEs (Priority 1/Objective 2).
- Greater emphasis on financing the development of renewables capacity, particularly wind and solar (Priority 2/Objective 1), and delineating climate resilience/adaptation aspect under current Strategy (Priority 2/Objective 2).
- Inclusion of the new element of digitalisation, including support of the broadband, data centres and critical public ICT infrastructure investments (Priority 3/Objective 2).

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Figure 4: 2017-20 and 2021-26 EBRD Montenegro Country Strategies – priorities, objectives and selected activities

2017-20 Strategy

Priority 1: Enhance *Competitiveness* of the private sector, including by leveraging agribusiness value chain and backward linkages in tourism

- Objective 1: Increase operational efficiency, productivity and intensified competition, including through adoption of best practices and know-how

Activities (selected): *direct & indirect lending and ASB to SMEs supporting operational efficiency including underserved segments (i.e., WiB); PD to improve investment climate; SOEs' privatization*

- Objective 2: Enhance links between SMEs in the agribusiness sector and aggregators, food processors/ retailers, as well as with the tourism sector, through adoption of international best practices in supply chain management and logistics

Activities (selected): *Investments/ ASB/ PD promoting linkages between agribusiness and tourism*

Priority 2: Improve connectivity and regional *Integration* by expanding cross-border transport and energy links

- Objective 1: Promote integration and sector reform through supporting the development of key regional transport infrastructure

Activities (selected): *Investments in cross-border transport links (road, rail and aviation); TC support to authorities in design and implementation*

- Objective 2: Strengthen regional energy market integration through cross-border power connections and gas pipeline

Activities (selected): *Cross-border electricity transmission infra i.e., IT-MNE undersea cable; TC/ financing of Ionian Adriatic Pipeline*

- Objective 3: Support trade and investment flows with the extended region

Activities (selected): *TFP; ASB to export oriented SMEs*

Priority 3: Continue to foster transition to a *Green* economy, including sustainable tourism

- Objective 1: Support implementation of the institutional framework, finance programmes and investments that promote energy and resource efficiency, with a particular focus on the tourism sector

Activities (selected): *Investments/TC in water/ waste/ energy efficiency (i.e., municipal and tourism SMEs); PD in tourism sector*

- Objective 2: Diversify Montenegro's energy mix by increasing share of renewable resources, provided there is political will

Activities (selected): *Energy efficiency projects (i.e. public buildings, expansion of grid/ smart grid); PD in regulatory reform for renewable energy area*

2021-26 Strategy

Priority 1: Strengthening *Competitiveness* by enhancing private sector capacity and improving the business environment

- Objective 1: Strengthen capacity of SMEs and greater diversification of the economy

Activities (selected): *direct & indirect lending, ASB, new products to SMEs (diversifying from tourism sector) supporting operational efficiency including underserved segments (i.e. women & youth); TFP; digitalization*

- Objective 2: Increased commercialisation and private sector participation

Activities (selected): *particular focus on SOEs (i.e., tourism and ICT sector) with financial and non-financial support; seek privatization outcomes, PPPs*

- Objective 3: Increased skills and economic inclusion/ improved governance and business environment

Activities (selected): *support in skills development (to corporates and other partners); PD in areas of e-governance, informality, business friendly reforms; PD in area of financial resilience (CBCG)*

Priority 2: Deepening Montenegro's *Green* Economy Transition through clear energy and more sustainable municipal services

- Objective 1: Increased renewable energy capacity

Activities (selected): *direct & indirect financing of wind and solar; increase in grid capacity; PD in regulatory reform for renewable energy area*

- Objective 2: Increased energy and resource efficiency and climate resilience

Activities (selected): *rehabilitation and upgrade of EPCG assets; ASB/ direct & indirect financing to increase energy efficiency of SMEs/ residential/ public buildings; climate resilience advisory in tourism sector*

- Objective 3: Increased performance, service delivery & sustainability of municipal infra.

Activities (selected): *investments & TC (incl. sov. guarantees) in water/ wastewater & waste-management/ district heating/ sustainable transport; PPPs*

Priority 3: Supporting further connectivity and *Integration* by expanding cross-border transport, energy and digital links

- Objective 1: Improved quality and connectivity of transport and energy networks

Activities (selected): *investments and TC in road/ rail/ port and airport/ high voltage energy grids/ gas interconnections; PPPs; PD in the area of regional energy market*

- Objective 2: Improved quality and connectivity of digital infrastructure

Activities (selected): *investments in broadband infrastructure/ data centers/ critical public ICT infra.; PD in digital area; smart cities solutions (i.e., via Green Cities)*

Source: Reproduced by IEvD based on the EBRD Montenegro Country Strategies 2017-20 and 2021-26.

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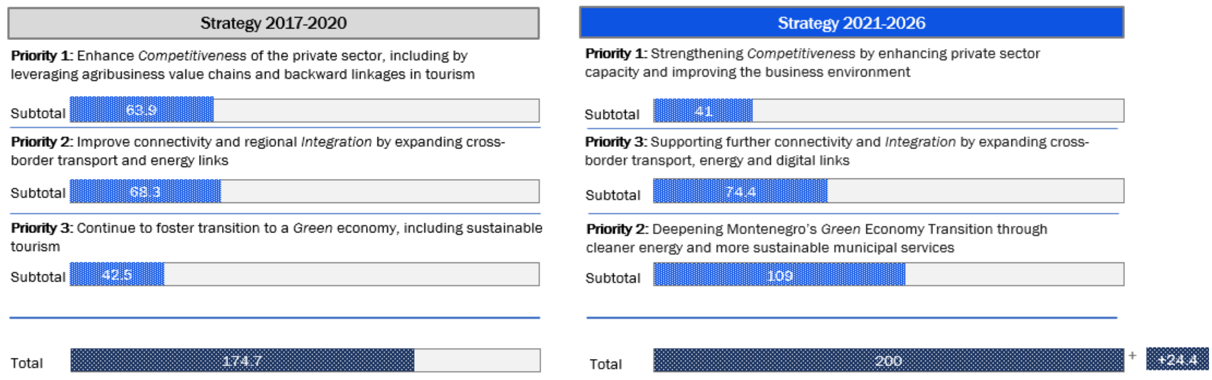
2.1.1. EBRD's main priorities were well aligned with Montenegro's needs, although some gaps remained at the level of objectives and activities

25. **Montenegro's formal strategic framework has been based on the hierarchy of documents derived from the government's political vision and international commitments.**[45] Montenegro Development Directions 2018-21[46] set out foundations for medium-term planning and sector-specific policies, including those laid out subsequently in the Economic Reform Programmes – the country's principal economic policy document with a two-year horizon, revised annually and serving also as a basis for ongoing dialogue and assessment with the EU.[47]

26. **Both EBRD Country Strategies closely matched the government's priorities outlined in the Economic Reform Plans (ERPs).** Key ERP areas, typically eight or nine, remained constant over 2017-24. The EBRD alignment was particularly close with three ERP areas: (i) *energy, transport and telecommunication markets*, which included energy efficiency measures and road and rail transport; (ii) *sectoral development*, which covered diversification of the tourism sector and development of agriculture; and (iii) *the business environment and reduction of the informal economy*, which targeted, among others, financial and non-financial support for MSMEs. All these featured prominently under both EBRD Country Strategies.

27. **The EBRD's Montenegro's portfolio shows good alignment with both Country Strategies.** To illustrate the distribution of investment volumes across priorities, the IEvD mapped all individual projects accordingly. It found that none of the priorities had drastically lower volumes than others (Figure 5). However, there has been a clear trend: while the *enhancing/strengthening private sector competitiveness* priority has seen some decline in investments under the current strategy, there has been a sharp increase in investment volumes under *deepening/fostering Montenegro's green economy transition* priority.[48]

Figure 5: Montenegro 2017-20 and 2021-26 Strategies – operations mapping, amount in € million as per project approvals, 2017-24



[45] IMF (2022), *Montenegro: Technical Assistance Report – Public Investment Management Assessment*. Available at: https://www.elibrary.imf.org/view/journals/002/2022/166/article-A001-en.xml (last accessed 1 October 2025).
[46] Government of Montenegro (2018), *Montenegro Development Directions 2018-2021*. Available at: https://www.gov.me/en/article/184592–montenegro-development-directions-2018-2021 (last accessed 1 October 2025).
[47] Government of Montenegro (2025), *Montenegro Economic Reform Programme, 2017-2024*. Available at: https://www.gov.me/en/article/montenegro-economic-reform-programme (last accessed 1 October 2025).
[48] The EBRD did not finance a single investment in renewables under previous strategy. This changed under the current strategy, when it signed €57 million loan in 2023 to co-finance Gvozd Wind farm.

Note: Two operations not included: (1) RF - VISP - EPCG Solidarity loan (52037), €50 million signed in July 2020 and subsequently cancelled; and (2) Deposit Protection Fund Montenegro - Senior Line II, €50 million signed in July 2020 and undisbursed.
Source: Reproduced by IEvD.

28. **However, several gaps were identified in the portfolio when examining specific objectives and activities corresponding to key priorities.** Concretely, there were (i) no investments in digital infrastructure, (ii) limited investments in municipal infrastructure, (iii) no single case of public-private partnership (PPP) or SOE privatisation, (iv) limited direct lending to private companies, (v) limited investments supporting internal diversification of the tourism sector away from the dominant "sun-and-beach" model. Reasons for these gaps varied and are discussed in Section 3. It also appears that both strategies may have incorporated a high number of activities, particularly under Priority 1.

29. **Interviews with non-EBRD stakeholders, including civil society organisations (CSOs), did not point to gaps in the Bank's programmatic approach spelled out in its Country Strategies.** A recuring theme, however, was the persisting need for the Bank's investments in transport infrastructure.

30. **Besides investment projects, the EBRD supported structural reforms in Montenegro via 15 standalone PD workstreams.** With a total budget of €5.5 million for TC support funded by the EBRD and external grants (e.g. EU) these workstreams were relatively balanced across sectors in terms of the number of TCs, while the energy sector and SMEs benefited from the largest overall budgets (Figure 6: There was a good or very good rationale for all. A full list of all PD workstreams undertaken in the country during 2017-24 is presented in Annex 5.

31. **Lastly, EBRD's offering in Montenegro included ASB services provided to private enterprises.** Over 2017-24, the local team in Montenegro initiated 285 projects with a total value of €4.2 million, most for SMEs.

Figure 6: Policy dialogue workstreams by sector, number of TCs and € budget

Source: EBRD TCRS.

2.1.2. Sizable EBRD ABI with a sharp (and sustained) ramp-up since 2023

32. **While the total amount invested by the EBRD may not seem large in absolute terms – understandable given Montenegro's small size – the investments are significant when measured against the country's GDP, total investment and on a *per capita* basis.** Cumulative Annual Bank Investment (ABI) of €490 million over 2017-24 was the smallest volume across all other Western Balkans peers, and more broadly only 7 of the 38 economies where the EBRD invests received smaller ABI.[49] Yet these were significant when viewed in the context of the country's GDP (Figure 7). Further, with an aggregate ABI of €773 *per capita* over 2017-24, Montenegro topped the list of all economies where the EBRD invests.

[49] Tajikistan (€358 million), Czech Republic (€343 million), Kyrgyz Republic (€312 million), Cyprus (€309 million), Lithuania (€150 million), Turkmenistan (€81 million) and Russia (€1 million). Note that this analysis does not include Benin, Côte d'Ivoire, Ghana, Nigeria and Senegal, which recently joined the EBRD as part of its expansion to sub-Saharan Africa.

Figure 7: EBRD ABI as share of countries' GDP, 2017-24

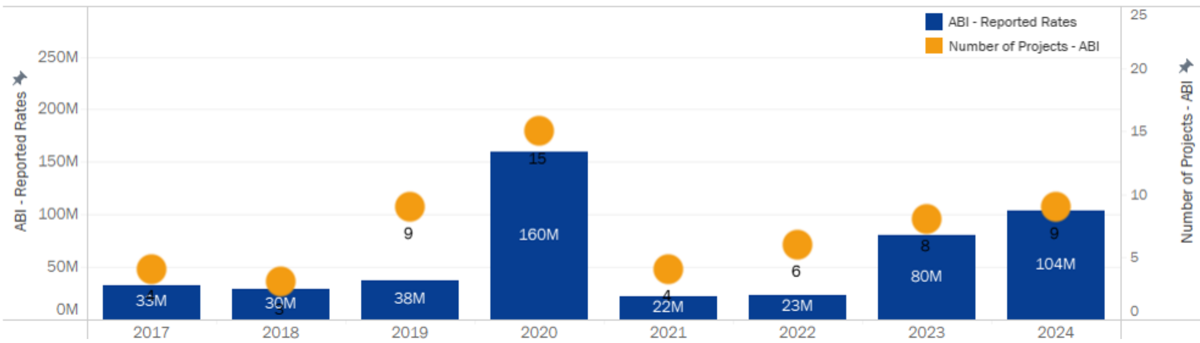
Country	2017	2018	2019	2020	2021	2022	2023	2024
Greece	0.37%	0.45%	0.31%	0.52%	0.44%	0.33%	0.23%	0.19%
Hungary	0.10%	0.09%	0.04%	0.07%	0.04%	0.13%	0.04%	0.06%
Czech Republic	0.00%	0.00%	0.00%	0.00%	0.00%	0.04%	0.07%	0.07%
Montenegro	0.82%	0.62%	0.76%	4.09%	0.42%	0.40%	1.24%	1.41%
Estonia	0.01%	0.20%	0.13%	0.49%	0.17%	0.21%	0.10%	0.57%
Latvia	0.01%	0.14%	0.27%	0.07%	0.32%	0.20%	0.32%	0.13%
Lithuania	0.21%	0.30%	0.13%	0.25%	0.21%	0.31%	0.21%	0.28%
Georgia	2.00%	1.73%	1.88%	4.76%	1.79%	0.94%	0.73%	2.17%

Note: Comparison countries listed in the table are those for which current EBRD Country Strategies expire in late 2025 or 2026. These constituted an initial list of candidate countries considered for this country-level evaluation.

Source: EBRD DW_Banking_Operational, IMF WEO April 2025 and IEvD calculations.

33. **Excluding 2020 – an outlier year due to a surge in signed volumes triggered by the COVID-19 pandemic – annual ABI oscillated between €20 million and €30 million. Then came a sharp and sustained rise in volumes since 2023.** A small universe of bankable projects, coupled with a highly liquid banking sector and abundant IFIs' financing,[50] reduced EBRD's commercial opportunities in the country.[51] In 2023 and 2024, however, ABI rose markedly to €80 million and €104 million respectively, three times the 2017-22 average (excluding 2020 outlier), elevating the Bank to the status of *the largest* institutional investor in Montenegro in 2024 (Figure 8). A strong 2025 pipeline suggests that it may be heading for a record year. More broadly, in Montenegro's context, signing one large project can make a difference between an ordinary and extraordinary year.

Figure 8: ABI in Montenegro and number of operations, 2017-24



Note: Two operations signed in July 2020 were subsequently cancelled and undisbursed: (1) RF - VISP - EPCG Solidarity loan (52037), €50 million; and (2) Deposit Protection Fund Montenegro - Senior Line II (51810), €50 million.

Source: EBRD DW_Banking_Operational and IEvD analysis.

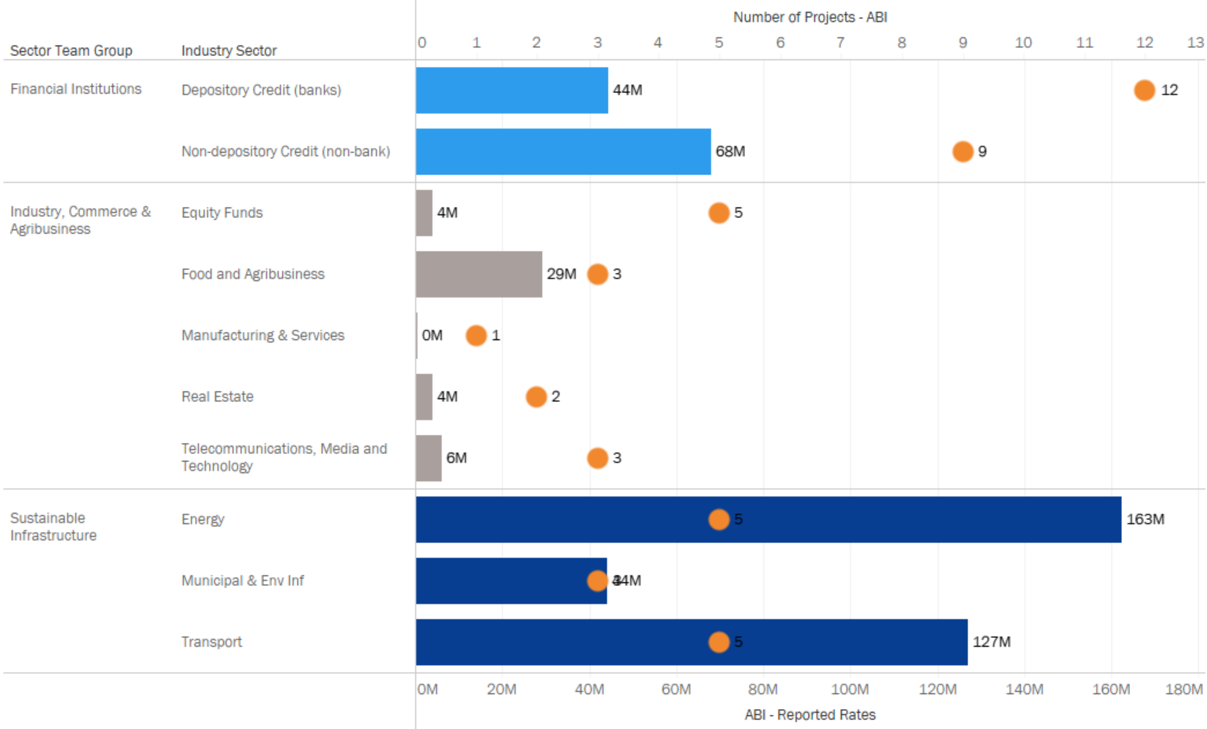
34. **Projects in energy and transport, part of the sustainable infrastructure sector, attracted the largest EBRD commitments – combined €290 million, or 60 per cent of total reported ABI (Figure 9).** These followed by financial institutions sector (€112 million or 23 per cent of ABI) and corporate sector (former industry commerce and agribusiness sector) with €44 million (or 9 per cent of ABI). A full portfolio analysis is presented in Annex 3.

35. **EBRD's support for Montenegro's green transition has been a tale of two periods – before and after 2021 – with a turnaround and rapid greening of the portfolio post-2021 (Figure 10).** GET financing originated primarily from the sustainable infrastructure sector – €201 million over

[50] Channelled also through the local development bank IDF
[51] CSDR for 2023

2017-24, or 90 per cent of all GET financing. From a broader Western Balkans perspective, Montenegro's overall GET ratio of 45 per cent over 2017-24 was higher than those of Albania, Serbia, Bosnia and Herzegovina, and North Macedonia, and was second only to Kosovo.[52] Moreover, during 2022-24 Montenegro saw by far the largest increase in the GET share in the portfolio.[53] A maturing market with rising readiness for sustainable solutions, long-planned projects finally materialising post-2021 and the appointment of the new head of RO in 2021 with technical credentials in energy may all help explain the post-2021 GET trend reversal.

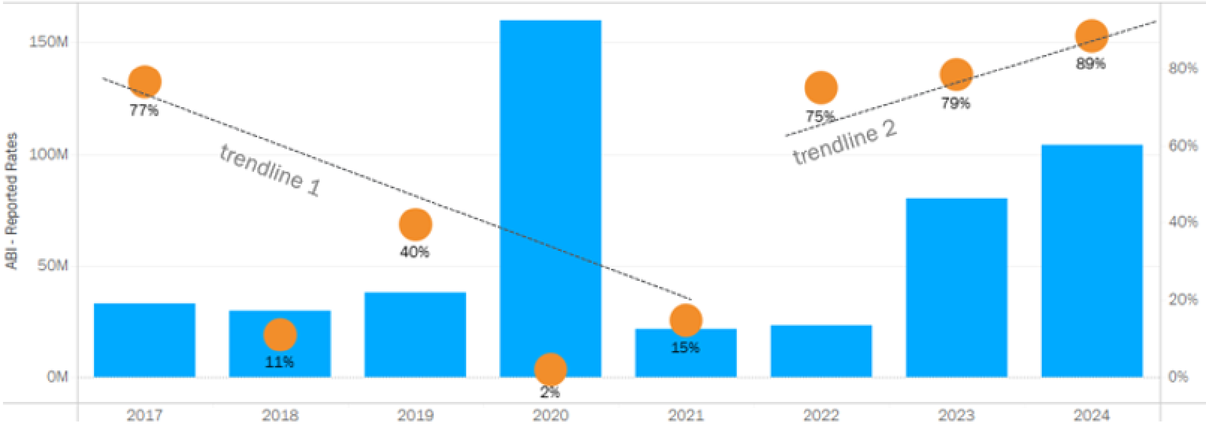
Figure 9: ABI in Montenegro and sector and industry distribution, 2017-24



Source: EBRD DW_Banking_Operational and IEvD analysis.

[52] Albania (30 per cent), Serbia (36 per cent), Bosnia and Herzegovina (38 per cent), North Macedonia (42 per cent) and Kosovo (57 per cent).
[53] Albania (from 20 per cent over 2017-21 to 30 per cent over 2017-24: +10 percentage points), Serbia (from 29 per cent over 2017-21 to 36 per cent over 2017-24: +7 percentage points), Bosnia and Herzegovina (from 32 per cent over 2017-21 to 38 per cent over 2017-24: +6 percentage points), North Macedonia (from 37 per cent over 2017-21 to 31 per cent over 2017-24: -5 percentage points), Montenegro (from 18 per cent over 2017-21 to 45 per cent over 2017-24: +27 percentage points).

Figure 10: GET ratio, 2017-24



Source: EBRD DW_Banking_Operational and IEvD analysis.

36. **Overall, as the operating environment evolved, EBRD's approach to originating investment projects changed as well.** Due to a limited pool of investment options during the first strategic period, the Bank's choices were more constrained – it would reach out to various counterparties to "harvest" project proposals, of which only a few were bankable. This has since changed in due course though, a function of higher clients' readiness in some sectors like energy, more clients reaching out proactively to the Bank and more follow-up projects.

2.1.3. Majority of portfolio with state clients, albeit for enabling infrastructure

37. **Despite the EBRD's private sector focus, only 26 per cent of the overall EBRD 2017-24 portfolio in Montenegro was with private sector clients, lower than the Western Balkans average (57 per cent) and below each peer individually.**[54] This share was also below the overall EBRD average (75 per cent). Public sector clients were concentrated in the sustainable infrastructure sector.

38. **However, the low share of private sector operations may not be as what it appears at first sight. The EBRD's public sector focus over 2017-24 was justified, as it sought to upgrade critical infrastructure needed to enable private sector development, for which alternative sources of finance were not available.** Nearly 90 per cent of public clients were in the infrastructure space (railways, roads and energy projects) – vital for opening new regions for investment, enhancing trade, upgrading the energy grid and adding renewable generation capacity, which form the foundations for future private capital investment.

39. **In addition, alternative funding sources were not available. Only a few lenders in the country were able or willing to take on large and complex projects, while PPP structures were hardly feasible (Section 3.1.3).** The authorities' long-dated standing plan to modernize and scale up two national airports in Podgorica and Tivat is a telling example of the persisting challenges in upgrading infrastructure in Montenegro (Box 3).

[54] Albania: 47 per cent; Bosnia and Herzegovina: 35 per cent; Kosovo: 59 per cent; North Macedonia: 34 per cent; Serbia: 81 per cent.

Box 3: Podgorica and Tivat airports – missing pieces of enabling infrastructure

Both airports have outdated infrastructure, resulting in bottlenecks during peak periods (summer), with passengers often waiting outside in the sun or rain because terminal facilities cannot accommodate high traffic volumes. Both airports also suffer from poor landing infrastructure: Tivat operates only during daylight hours due to the absence of landing lights, and both airports cannot operate during low visibility as they lack instrumental landing systems. The Montenegro market is also highly seasonal, with limited winter flight options for business and fewer tourists visiting mountain areas.

It ultimately took six years to select a private investor for 30-year operating concession of the two airports. The recently announced winner – a South Korean consortium – is expected to invest over €500 million and double the existing 2.5 million-passenger capacity over the next decade.

Source: IEvD interviews and InfraPPPworld.com.

40. **Going forward, a gradual tilting of the portfolio towards the private sector may be expected.** Especially on the back of plausible increase in new investment opportunities in wind and solar energy generation following the launch of renewable auctions in Montenegro (section 3.3.4), where the EBRD would be well placed to act as a key financier. In addition, the development of energy storage systems, and in the longer, a potential industrial revival (e.g. in the aluminium and cement sectors), which would depend on access to clean and affordable energy and the prospect of EU membership, could also spur new private sector investment opportunities.

2.1.4. Good complementarity and interoperability with other DFIs and IFIs

41. **Apart from the EBRD, several other DFIs and IFIs have been active in Montenegro.** Over 2017-24, the EIB reported the highest investment volume among multilateral development banks – €674 million in total.[55] The World Bank, although on a smaller scale, also provided meaningful financing.[56] Support from the EU, mainly via the Instrument for Pre-Accession programme and the Western Balkans Investment Framework (WBIF), was substantial, averaging €80 million – €100 million annually, mostly in grants. Agence Française de Développement (AFD), Kreditanstalt für Wiederaufbau (KfW) and International Finance Corporation (IFC) recorded smaller cumulative investments.[57]

42. **With a few exceptions, DFIs and IFIs active in Montenegro were broadly operating in different market segments, reflecting their respective mandates, expertise and product offerings.** The World Bank provided mostly policy-based guarantees and direct budget support, which the EBRD does not do. The EIB focused on large road and railway projects but also financed heavily SMEs' credit lines. KfW concentrated on water and energy (hydropower) sectors. Among the IFC's few investments, key ones targeted telecommunications and retail. AFD, still a relatively new player in Montenegro, made only two investments during 2017-24.

43. **Unlike some DFIs and IFIs, the EBRD has invested in private sector projects and offers smaller ticket-size loans.** The EIB, KfW and the World Bank did not directly finance any private sector projects. In addition, the IFC generally does not consider transactions below €20 million, and deals smaller than €15 million – €20 million have not been palatable for the EIB.

44. **The EBRD's collaboration was particularly close with the World Bank, the EIB and the EU Delegation.** With the World Bank, it partnered successfully to promote the most significant piece of legislation supported by the EBRD over 2017-24 – the new *Renewable Energy Sources Law*, a

[55] The figure includes concessional funding from the WBIF combined with EIB's own resources (both as per signings). EIB (2025), Finance Projects. https://www.eib.org/en/projects/loans/index.htm (last accessed 1 October 2025).
[56] World Bank Group (2025), Montenegro – approved projects website: https://financesone.worldbank.org/countries/montenegro (last accessed 1 October 2025).
[57] About €100 million for IFC and AFD, and about €150 million over 2017-24.

prerequisite for launching competitive renewable energy auctions in Montenegro (see Section 3.3.4). The World Bank supported SOE reforms at the horizontal level, while the EBRD worked to improve efficiency at the enterprise level. With the EIB, the EBRD co-financed and supported implementation of some joint projects in the transport sector.

45. **Overall, there was no major overlap or duplication among DFIs and IFIs, and collaboration was largely positive.** Coordination was mostly informal rather than based on a prescribed division of labour, which is expected in a small country context where personal relationships matter. IEvD interviews with DFIs and IFIs indicated consensus on the Bank's role in the system.

"The collaboration with the EBRD has been very positive. There is trust and goodwill, we share a lot. It is the best from all countries I have been in."

Representative of an IFI

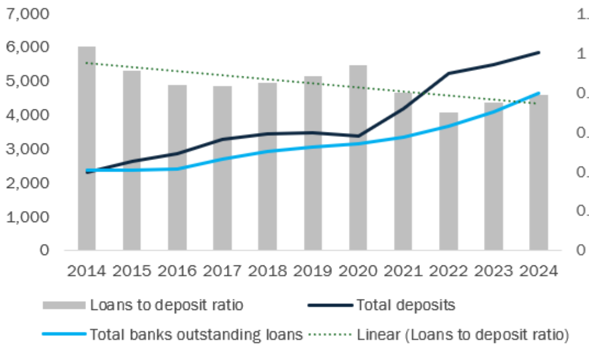
2.1.5. Limited EBRD lending to local financial institutions

46. **Overall, there has been limited scope and need for EBRD lending to banks in Montenegro and, by extension, for other IFIs as well.**[58] Local banks have been highly liquid and able to access cost-free capital from abundant household deposits, despite most offering near zero-interest current and saving accounts. Figure 11 shows the faster pace of deposit inflows compared with lending and decreasing loan-to-deposit ratio over the last 10 years. In parallel, local banks' external borrowing remained small and declined from €297 million (about 10 per cent of total assets) in 2018 to €269 million (4 per cent) in 2024. When they did borrow, banks often resorted to the preferential financing from parent companies such as Erste Group Bank, OTP Budapest and NLB Slovenia.

47. **Against this backdrop, the EBRD's lending to local banks during 2017-24 was limited, also compared with its portfolios in other Western Balkans countries (Figure 12:).**[59] Typically, around €5 million – €6 million annually, mostly contained to a small ticket-size deals (€2 million – €3 million each), at costs and tenors that were rarely more attractive than market alternatives. Instead, local banks typically sought EBRD financing for reasons beyond pricing, such as the Bank's know-how in green finance and support for Women in Business (WIB) and Youth in Business (YIB) initiatives. These included TC grants for market diagnostics, product development and capacity building,[60] as well as first-loss risk coverage to mitigate credit risk.

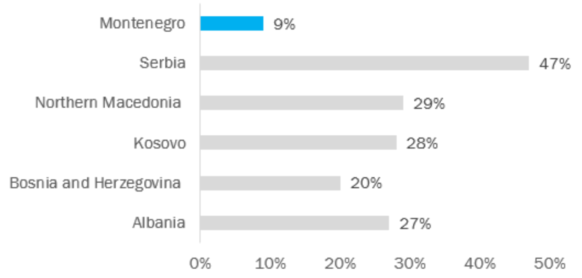
[58] EIB was an exception, becoming a significant lender to local banks with an average of €35 million in lending annually over 2017-23, nearly half of all IFIs and seven times EBRD's volumes. For instance, in April 2020 it signed €50 million loan to Erste Bank to support SME credit lines.
[59] Cumulative ABI with local banks was €44million, or 9 per cent of the total ABI over 2017-24. For comparison, the share of local banks in EBRD's total ABI over the same period in Albania, Bosnia and Herzegovina, Kosovo, North Macedonia and Serbia was 27 per cent, 20 per cent, 28 per cent, 29 per cent and 47 per cent, respectively.
[60] Out of 11 FIs present in Montenegro and four with which EBRD has invested, two benefited from TC support for green credit lines and one from TC support for WIB and YIB.

Figure 11: Banks' loans and deposits, in € million



Source: CBCG and EBRD data, and IEvD calculations.

Figure 12: Share of FIs in total ABI, 2017-24



Source: EBRD data.

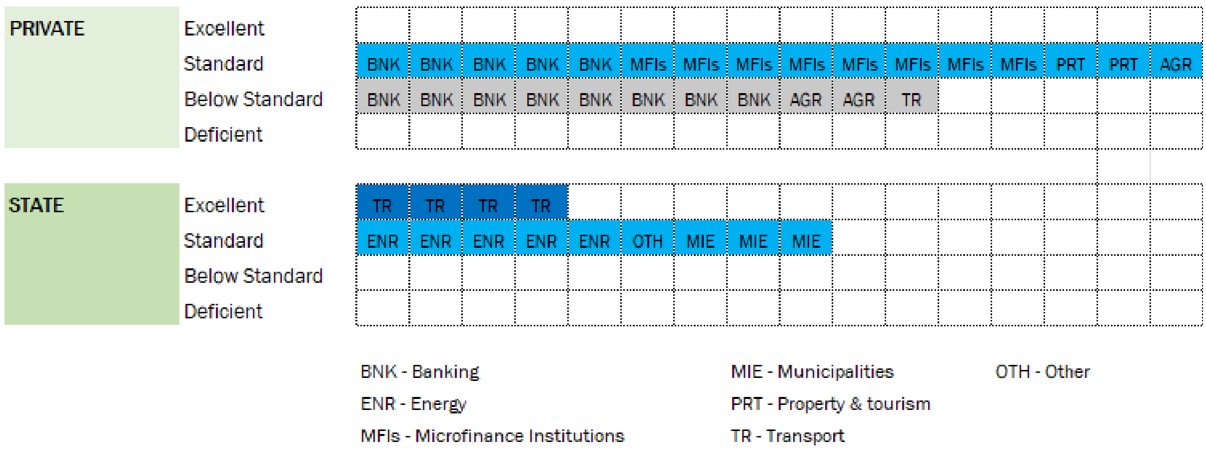
48. **From an additionality point of view, however, limited lending to financial institutions is a positive story.** For details, see discussion under Section 2.2.1.

2.2. Additionality – lower on financial terms but strong on balance

2.2.1. Financial additionality – consistently low for private sector clients

49. **IEvD's in-depth additionality assessment of all portfolio projects[61] revealed a pattern of lower EBRD *financial* additionality for private compared to public sector clients (Figure 13).** This was especially the case for local banks, where 8 of 13 EBRD projects exhibited *Below Standard* financial additionality due to cheaper loans that clients could have tapped onto. In contrast, in the transport, energy and municipal sectors the Bank's financial terms were more competitive. It offered higher-ticket loans with long tenors (up to 15 years), routinely with repayment grace periods of 2-3 years, and often blended with concessional finance for complex projects where little or no alternative funding was available, certainly not from commercial lenders.

Figure 13: Financial additionality assessment – project distribution across the portfolio



Note: Eight regional projects not assessed due to insignificant or no investments in Montenegro.
Source: IEvD analysis using IEvD, 2017. Guidance Note 6 – Performance Rating Criteria.

[61] Additionality assessment was based on the typology reflected in the MDB Harmonised Framework for Additionality. Available at: https://www.ebrd.com/home/who-we-are/ebrd-values/ebrd-additionality.html.

50. **Zooming in on projects with local banks, *Below Standard* financial additionality reflected the market context and in most cases was offset by positive non-financial additionality.** By and large, EBRD resisted the temptation to push volumes at expense of additionality. With two exceptions of fairly plain vanilla credit lines and debatable transition impact, the EBRD team supported local banks in launching more bespoke products, often novel to the local market and with a good degree of innovativeness, frequently complemented by a €300,000 - €400,000 TC funded by the EU or EBRD to transfer know-how and strengthen local banks' capacity – two decisive factors for their engagement despite the less competitive financial terms of EBRD loans. Concrete examples include three green credit lines with CKB and NLB banks under the Green Economy Financing Facility (GEFF) and GO Green. Unlike EBRD, other IFIs like IFC or EIB have not been able to offer small €1 million - €4 million ticket-size transactions.

51. **Three projects also benefited from capital expenditure (CAPEX) grants financed by the WBIF, with a total amount of €13 million[62] - an attractive feature for clients.** For some public sector projects financed by DFIs and IFIs active in Montenegro, the provision of CAPEX grants has been an entry point. Leveraging WBIF and EU resources has been and will remain essential in the country's context while carefully monitoring concessionality levels.

2.2.2. EBRD non-financial attributes provided strong additionality

52. **In certain cases, EBRD's financing alone may not have been additional, but the Bank's rare blend of non-financial attributes fortified overall additionality.** Provision of technical expertise and capacity building, also via *transactional* TCs, and the use of EBRD's legal framework for public procurement (rather than a national one) and implementation advice often stood out.

53. **EBRD's offer of technical expertise and capacity building via *transactional* TCs has been its key differentiator and allure and the de facto business model in Montenegro.** IEvD found that 27 of 41 (66 per cent) of portfolio projects[63] had at least one transactional TC, and often more. Delivered jointly with EBRD's external consultants, TCs funded a wide range of activities.[64] Such assistance that tops-up loan financing is not part of local banks' offerings. Other DFIs and IFIs either do not provide it (e.g. Council of Europe Development Bank) or do so with less intensity (e.g. AFD, EIB, IFC, KfW). EBRD's Shareholder Special Fund was the most common source of *transactional* TC funding[65] followed by the EU.

54. **EBRD's *non-financial* additionality took various forms, especially for complex state-owned projects** (Box 4). **Its added value in public procurement was often crucial.** National procurement rules have been seen as ambiguous, leading to contestations, cancellations and long delays. EBRD's procurement rules – aligned with the EU and international standards – offered a vital alternative.

"Without the EBRD, we would have to follow public procurement law, which would be very complicated. Public law is unfit for technical projects."

EBRD client

[62] €2 million for Hospitals Energy Efficiency Project [Op ID: 54452]; €4 million for Education Energy Efficiency Project [Op ID: 54660]; €7 million for CGES - SS Brezna [Op ID: 54749].
[63] 27 out of 41, after exclusion of 7 regional projects with little or no investment in Montenegro.
[64] For instance, technical, financial and environmental due diligence; environmental assessments; feasibility studies; support with procurement and project implementation (e.g. PIUs); and clients' capacity building activities e.g. training, improvement and action plans.
[65] 22 out of 41 (after excluding seven regional projects with little or no investment in Montenegro), or more than half of all portfolio projects, benefited from TC assignments supported by the EBRD Shareholder Special Fund.

Box 4: Examples of *non-financial* additionality – snapshot of key attributes

Attribute 1: EBRD's public procurement rules as a key alternative to the national framework

For several projects with public clients in the transport and energy sectors, relying on EBRD's procurement rules instead of the national framework was instrumental. It reduced the risk of protests, delays and costs overruns and ensured greater transparency through the involvement of an impartial and respected institution like the EBRD.

Attribute 2: Project implementation units (PIUs) coupled with EBRD's direct involvement

A majority (7 of 13) of projects with public clients included PIUs, staffed with external technical experts who worked closely with project managers. Funded by the EBRD or external donors, PIUs provided additional capacity and monitoring support to clients with major capacity constraints. They were complemented by the expertise of both from the operation leader and headquarters teams, such as technical engineering specialists from the Climate Strategy and Delivery team.

Attribute 3: EBRD's knowledge sharing

Interviewees, including many clients, often referred to the EBRD as a knowledge hub, particularly in the energy sector, and to some degree in green and Women in Business (WIB) credit lines as well.

Attribute 4: EBRD de-risking of political risks

Few private sector clients alluded to the Bank's special relationship with national authorities as an extra assurance shielding them potentially against political interference, such as adverse administrative decisions.

Source: IEvD's interview programme, including Bank clients and market stakeholders.

55. **The EBRD has been unique among DFIs and IFIs in maintaining a local presence comprising banking staff, which has played a significant role in effectively delivering non-financial additionality in Montenegro.** Neither KfW nor EIB nor IFC has local offices in Podgorica.[66] Their clients have been served on a *fly-in, fly-out* basis, with banking teams visiting for major project milestones but otherwise operating from regional offices or main headquarters. In contrast, EBRD's local team of six, including seasoned bankers fluent in the local language, grasp well the intricacies of the country's context, meet clients regularly in person and are closely involved throughout the project cycle. Given the challenges of delivering public sector projects, this has been seen as a critical EBRD advantage and has fostered its reputation as a hands-on and delivery-oriented partner. IEvD identified three complex state-client projects where the deciding factor for clients' choice of the Bank's offer was its local team's presence.

56. **Mobilisation of private capital was limited, albeit commensurate to the market size.** Annual Mobilised Investment (AMI) in Montenegro over 2017-24 was small, though it reflected the size of the market with a total of €40.5 million generated by three projects.[67] This trailed other Western Balkans countries except Kosovo, though, when adjusted for population size, Montenegro performed better than Bosnia and Herzegovina, Kosovo and North Macedonia.[68]

[66] AFD has stationed one permanent staff member in Podgorica since early 2025, though without a banking background.

[67] €25 million, €13.5 million and €2 million by Gvozd Wind farm [Op ID: 50427], CEDIS Smart metering completion [Op ID: 48402], and Hipotekarna Banka – Mortgage Line [Od Id: 55578], respectively.

[68] Albania: €666.5 million (€225 per capita); Bosnia & Herzegovina: €88.5 million (€26 per capita); Kosovo: €37.3 million (€24 per capita); North Macedonia: €83.9 million (€46 per capita); Serbia: €863.8 million (€131 per capita); Montenegro: €40.5 (€64 per capita).

2.3. Efficiency of implementation – persisting hurdles

2.3.1. Low disbursements, major delays but no "silver bullet" solution

57. **To examine the efficiency of implementation, IEvD focused on the adequacy of disbursements.** Project timelines matter on their own, but fundamentally EBRD impact materialises only when funds are released to clients and reach the real economy.

58. **As of end-2024, EBRD disbursement rate[69] in Montenegro was low (45 per cent), with cumulative disbursements of €187 million over 2017-24.** This ratio was the lowest among all Western Balkans countries and substantially lower than in the EBRD's advanced transition countries.[70] Projects with state clients in the energy, municipal and transport sectors largely drove this outcome (Table 1). The evaluation team acknowledges, however, that to a certain degree low rate is explained by one unused €50 million credit line[71] and several recent signings. Specifically, the large €57 million and €28 million loans for the Gvozd Wind farm[72] construction and the Brezna electrical substation upgrade,[73] for which disbursements have not yet begun.

59. **There was one justified project cancellation.** The €50 million loan to Electrical Power Company of Montenegro (EPCG),[74] approved in the midst of COVID-19, was eventually cancelled due to better-than-expected customer payments, though it still provided confidence during a period of high uncertainty.

Table 1: Top 8 projects by EBRD investment, disbursements as of end-2024 and extent of delays

Project [Op ID]	Signing date/EBRD € million NCBI	Disbursement rate	Extent of delay
Gvozd Wind farm [50427]	June 2023/€57 million	0%	~1.5 year
Deposit Protection Fund Montenegro [51810]	July 2020/€50 million	0%	Unused guarantee
Main Roads Reconstruction [49075]	December 2017/€40 million	73%	~4 years
Montenegrin Railways Passenger Trains [55258]	June 2024/€30 million	0%	none
Substation Brezna [54749]	July 2024/€28 million	0%	~2-3 months
Local Roads Reconstruction [51798]	November 2020/€26 million	100%	~2 years
Regional Water Supply System Expansion [50612]	December 2019/€24 million	40%	~2 years
Education Energy Efficiency Project [54660]	November 2024/€20 million	0%	none

Note: Extent of delay compares the original timetable at signing with the current status (as of Q1 2025). Disbursement rate reflects progress as of end-2024.

60. **Due to differences in project nature and structure, like-for-like comparisons of EBRD disbursements with those of other DFIs and IFIs are not feasible.** However, the EIB – with a

[69] Cumulative disbursements over net cumulative bank investments (NCBI).
[70] Montenegro: 45 per cent; North Macedonia: 47 per cent; Serbia: 74 per cent; Albania: 48 per cent; Bosnia and Herzegovina: 65 per cent; Kosovo: 63 per cent; Poland: 85 per cent; Estonia: 75 per cent; Latvia: 88 per cent; Lithuania: 81 per cent.
[71] €50 million stand-by credit line to Deposit Protection Fund of Montenegro [Op ID: 51810] signed in July 2020 and intended for use only in the event of the bankruptcy or resolution of a member bank – an event that did not occur.
[72] Op ID 50427.
[73] Op ID 54749.
[74] Op ID 52037.

portfolio exhibiting some similarities to the EBRD's – reported that disbursement pace for most of its projects in the country has been "*much behind the original schedules*."

61. **In the grand scheme of things, delays and low disbursements stemmed from factors beyond EBRD's control, such as government changes, limited implementation capacity and the COVID-19 pandemic.** Other delays arose from unforeseen issues related to permits, procurement and construction. The seminal 2020 elections, and to a lesser extent subsequent ones, triggered administrative changes and the departure of technical staff familiar with ongoing projects. These exacerbated the capacity constraints of public clients and slowed decision-making. The pandemic also disrupted progress on several projects.

62. **There is no "silver bullet" to these issues. Close involvement and perseverance by the local EBRD team helped prevent more significant delays.** Three-quarters of public sector projects were supported by technical assistance, yet many still faced major delays. Many public sector operations also featured EBRD or donor-funded PIUs – a must, in IEvD's view – which were broadly sensibly structured and adequately funded. Nonetheless, ensuring effective knowledge transfer from the PIUs to the SOEs or state institutions once the PIUs are disbanded remains crucial.

63. **In addition, the local EBRD team demonstrated notable grit and tenacity in overcoming frequent implementation challenges – a huge asset in the Montenegrin context.** Across IEvD interviews with clients, CSOs and other DFIs and IFIs, the local team was consistently recognised for its focus on project delivery rather than business volume. IEvD found multiple examples of the team's perseverance in resolving complex implementation issues, at times going well beyond a financier's standard remit – acting *de facto* as project co-managers for public sector clients.

64. **The rise in EBRD's ABI since 2023 occurred without a parallel increase in the RO's headcount, although internal resources still appear sufficient.** The local RO operated with six staff members over 2017-24. While the team reported a marked increase in workload, it still considered it manageable, with no adverse effects on clients' service speed and quality.

65. **Of the 15 policy dialogue (PD) workstreams, most (10) were completed by end-2024.** IEvD found them generally well planned and executed, albeit those demanding legislative changes sometimes faced long delays.[75] Consultants' contracts were based on well-designed terms of reference and appropriately funded to avoid spurious savings from engaging lower-cost but less qualified experts. EBRD staff managing these assignments were experienced and committed. Since 2022, to better align incentives, the RO has adopted a pacing approach – launching new PDs only after previous ones were completed. IEvD considers this sensible, though it notes a decline in PDs initiated since 2022. The potential risk of mistaking selectivity for complacency, which could lead to underuse of PDs even when opportunities arise, should therefore be kept in mind.

2.3.2. EBRD's visibility and perception – strong brand in energy and frequent media coverage

66. **Interviews across all stakeholder categories revealed that the EBRD is most recognised for its work in the energy sector.** When asked, "*In which area or sector does the Bank have the strongest brand?*," a clear majority pointed to energy.

"EBRD has the strongest brand in energy among all DFIs/IFIs active in Montenegro."

Representative of an IFI

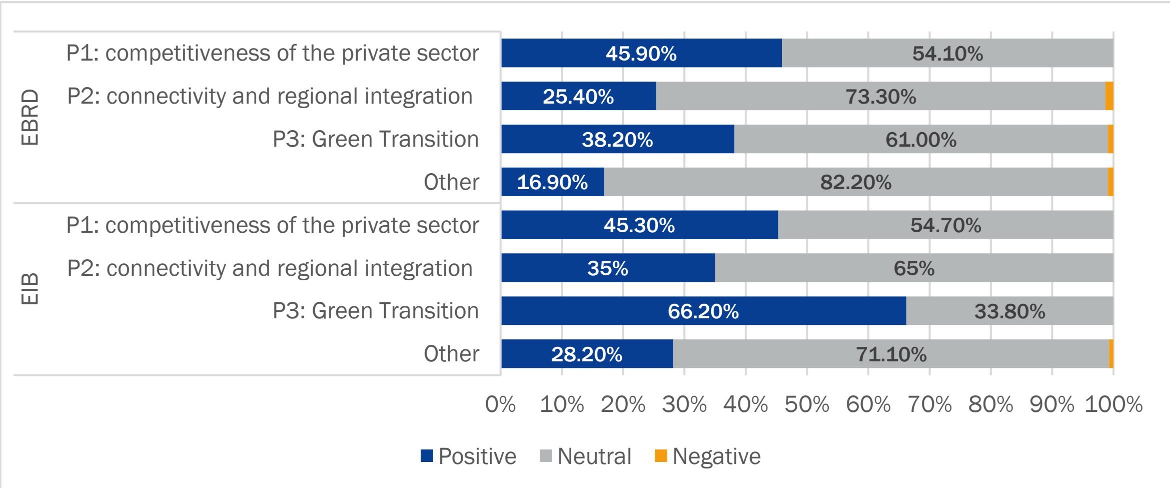
[75] For instance, PD workstreams related to the new Company Law and the new Renewable Energy Law.

67. **The EBRD also maintains a relatively strong presence in Montenegrin media.** The media content analysis (Annex 6) indicates that, based on frequency of coverage, the EBRD was mentioned approximately 2.3 times more often than the EIB in news articles – 68 per cent of which were classified as EBRD-related, compared to 29 per cent for the EIB (and 3 per cent for both) – despite EBRD's lower financing volumes over 2017-24 (€490 million versus €674 million).

68. **Media coverage of the EBRD's activities in Montenegro was mainly neutral.** According to the sentiment analysis (Annex 6), 72 per cent of EBRD-related segments were classified as neutral, while 28 per cent were positive. A very small fraction (1 per cent) was negative. By contrast, although coverage of the EIB was also largely neutral, it tended to be more positive overall, with 41 per cent of EIB-related segments classified as positive. This suggests that Montenegrin media generally portrays the EIB in a more favourable light than the EBRD.

69. **Although still mainly neutral, media sentiment towards the EBRD across the three priorities of its Country Strategies for Montenegro varied (Figure 14).** The most positive sentiment was associated with Priority 1: Enhancing competitiveness of the private sector, where nearly half of the relevant segments expressed a positive tone. By contrast, coverage related to Priority 3: Deepening Montenegro's green transition was more favourable towards the EIB than the EBRD. While somewhat at odds with insights from interviews, this suggests that Montenegrin media may perceive the EIB more positively as a "Green Bank" than the EBRD.

Figure 14: Sentiment per theme and entity across Montenegrin media outlets



Note: The priorities from the EBRD's two Country Strategies were mapped onto EIB segments solely to facilitate comparison between the two institutions. This does not imply that the EIB aligns its strategy for Montenegro with that of the EBRD.

Source: IEvD.

3. What results and systemic change has the EBRD delivered?

Key findings

As of end-2024, the only evidence of the EBRD-induced systemic change that has already materialised was in one area under Priority 3. Otherwise, it is still building up towards it, with varying likelihood of eventual systemic effects across priorities and sectors. Specifically:

- **For Priority 1 (Enhancing competitiveness of the private sector), the EBRD did not induce systemic change.** Primarily because of its limited investment volumes in private companies (both directly and indirectly) relative to the size and needs of the sector, the lack of improvement in SOE governance and the absence of progress in privatisation. Some of the Bank's PD reforms – particularly the new Company Law – may eventually generate meaningful impact, but it is still too early to assess.
- **For Priority 2 (Improving connectivity and regional integration), there is some *promise* of EBRD-induced systemic change in the railways sector, to a lesser extent in roads and none in ICT infrastructure.** Two pending railway projects related to new rolling stock and maintenance equipment financed by the Bank will not transform the sector on their own but once completed could make it more resilient. Progress in corporate governance reforms of the rail authorities is also a prerequisite for systemic change. In the roads sector, the Bank's support in strengthening the institutional capacity of the transport administration has been meaningful, while local and regional road projects have been highly relevant, such as the vital Tivat-Jaz coastal section under construction and tangible improvements on already completed sections (e.g. reduced travel time). However, these have been too few given the scale of needs. In ICT infrastructure EBRD investment has remained minimal partly because private operators have been able to finance new broadband infrastructure themselves.
- **For Priority 3 (Deepening Montenegro's green transition), the EBRD has played a major role. It has already induced some systemic change, with more to come.** Even though its results in the municipal sector were modest, the Bank played a transformational role in accelerating renewable energy installation and co-financing an exceptionally impactful project in energy efficiency. Going forward, as significant investments and regulatory reforms continue to unfold, larger-scale impact is likely.

Further details on the Bank's performance over 2017-24, including caveats on assessing its systemic impact, are presented in Annex 1.

3.1. Enhancing competitiveness of the private sector

70. **EBRD has sought to support the competitiveness of the private sector through the following channels:**

- Improving SOE performance and supporting privatisation.
- Providing direct and indirect financing to private sector businesses, including SMEs and WIB and YIB programmes.

- Supporting diversification of economy from and within the tourism sector.
- Enhancing SME competitiveness through advisory services under the ASB Programme.
- Supporting competitiveness and business environment reforms.

71. **The competitiveness of Montenegro's private sector, including SMEs, has remained broadly unchanged from 2017 to 2024, despite some positive developments.** Inefficient SOEs continue to play a central role (Section 3.1.1). Low value-added domestic products and the small size of local companies have constrained growth.[76] While the share of exporting SMEs increased from 6.3 per cent to 11.2 per cent during 2017-24, most of this was driven by the tourism sector. Productivity growth has remained negative in recent years – among the lowest in Western Balkans – while real wages have risen.[77] On a brighter note, the ICT sector expanded rapidly, with revenues increasing from 5 per cent to 10 per cent of total output over 2017-24. The three sectors with the highest employment growth during 2017-23 were ICT (120 per cent), construction (64 per cent) and accommodation and food services (63 per cent).[78] The informal economy may have somewhat shrunk, albeit some estimates still place it around 30 per cent of GDP.[79]

3.1.1. SOEs performance improvement and privatisation – inertia and no systemic change

72. **It is hard to overstate the role and importance of the SOEs in Montenegro.** As of 2023, Montenegro had fifty SOEs at the central government level, with total assets equivalent to 66 per cent of GDP, compared with 14 per cent in Kosovo, 22 per cent in Serbia and 52 per cent in Bosnia and Herzegovina.[80] Many operate in strategic sectors such as energy sector (accounting for 46 per cent of SOE assets and dominating generation and distribution) and enjoy quasi-monopolistic powers. Other sectors include transport, tourism (accommodation)[81] and primary industries (agriculture, fisheries and forestry).

73. **Reforming SOEs and fostering privatisation have long featured on the government's agenda, with the EU and the World Bank – two lead supporters in this area – and the EBRD all providing support.** Annex 9 presents IEvD's detailed analysis of these efforts. Given SOEs' sheer size in the economy, stakes have been high.

"SOEs are screaming for reforms. We have easily a couple of percent of GDP sitting there. Just by improving their corporate governance."

Infrastructure Expert/CSO

[76] European Commission (2024), *Montenegro Report 2024*. Available at: https://enlargement.ec.europa.eu/montenegro-report-2024_en.
[77] World Bank (2024), *Western Balkans Regular Economic Report – Spring 2024*.
[78] Monstat (2024), *Employment data*.
[79] The Ministry of Finance estimated in 2022 that the informal economy represented 38 per cent of Montenegro's GDP. While some progress might have been made, also thanks to Europe Now program, the most recent available estimates still point to the informal economy accounting for around 25-30 per cent of GDP. See for instance: https://www.oecd.org/content/dam/oecd/en/events/2024/10/grc_montenegro/Presentation-CO-Data-Hub-and-MNE-Findings.pdf.
[80] Note that for Serbia and Bosnia and Herzegovina, the shares refer to all SOEs i.e. at central and municipal levels. Figures for Montenegro refer to SOEs at the central level only.
[81] For instance Institute Igalo and hotel Groups Budvanska rivijera and Ulcinjska rivijera.

74. **Yet, the government's privatisation plans over 2017-24 did not materialise. There was not a single case of privatisation,[82] and if anything, the total number of SOEs even increased, with the government expanding its stakes in several entities.** Overall, successive governments have made no tangible progress, with the process facing public scepticism and concerns over potential misappropriation of public assets. Political uncertainties have further discouraged foreign investors.

"Generally, privatisation is a toxic issue in Montenegro, often spelled out along corruption and at times instrumentalised to attack political opponents."

International Financier

75. **There were likewise no PPP projects implemented over 2017-24.** A limited pool of bankable projects suitable for PPP format and the relative complexity of PPPs coupled with small size and often limited capacity of authorities at both municipal and central level were among the key factors.

76. **When it comes to improving SOE operational performance, the government's attempts have not been successful. In fact, in some cases SOEs have even rolled back further.** According to the *OECD Western Balkans Competitiveness Outlook 2024: Montenegro*[83] report, Montenegro's aggregate score[84] for SOEs dropped from 2.7 in 2018 to 2.5 in 2023. The report cites, among others, the absence of a state ownership policy to harmonise and professionalise ownership practices across a dispersed portfolio; weaknesses in SOE boards independence; and shortcomings in transparency by SOEs on their non-financial performance, as well as by the state on the performance of the overall SOE portfolio. "*Heavy politicisation of SOEs*" and their "*limited capacity*" were recuring themes in IEvD's interviews across all categories of stakeholders.

77. **Privatisation and PPPs featured under both EBRD Country Strategies, but neither progressed during the evaluation period.** With respect to PPPs specifically, the EBRD provided two TCs in 2019 to support the drafting of a new PPP law and to strengthen the institutional capacity of the Ministry of Finance. However, although the TC outputs were successfully delivered, the effectiveness of these interventions (e.g. whether the authorities followed EBRD's recommendations on improving the PPP-related institutional setup) cannot be properly assessed due to a lack of follow-up by the Bank. Overall, the stalemate in PPPs appears to be for reasons largely beyond EBRD's control.

78. **Corporate governance reforms accompanying some EBRD loans have so far failed.** The Bank committed substantial resources supporting six SOEs through eight loans totalling €228 million, or 45 per cent of all lending signed in Montenegro over 2017-24.[85] In parallel, the EBRD supported the design and implementation of Corporate Governance Action Plans (CGAPs) in four of these six SOEs. These were typically covenanted in loan agreements – a sensible approach – but subsequent monitoring and implementation fell short.[86] In three out of four cases the efforts had partly or fully failed by end-2024 (see Annex 8).

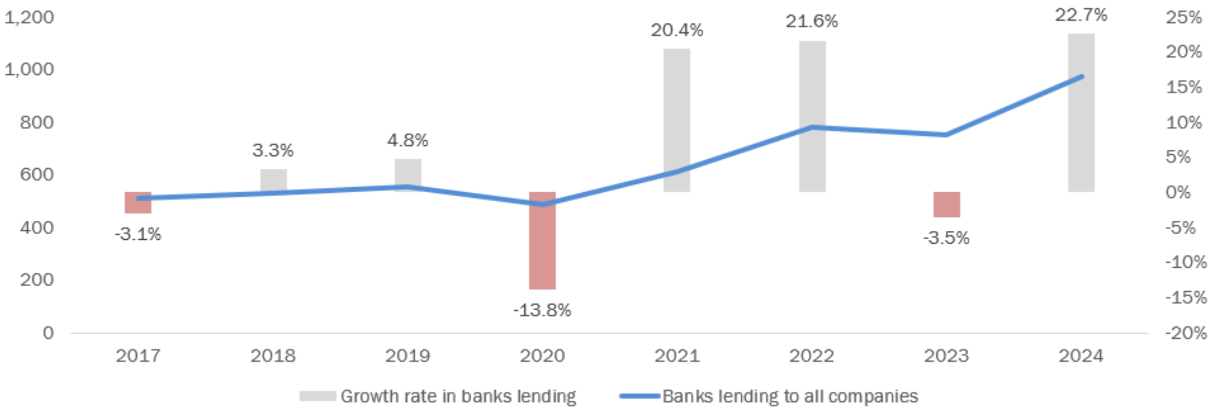
[82] Despite explicit governments targets. See for instance: https://www.gov.me/en/article/privatisation-and-capital-projects-council-holds-its-third-session.
[83] OECD (2024), *Western Balkans Competitiveness Outlook 2024: Montenegro*. Available at: https://www.oecd.org/en/publications/western-balkans-competitiveness-outlook-2024-montenegro_ead1588e-en.html.
[84] The score consists of three sub-dimensions: (i) efficiency and performance through improved governance, (ii) transparency and accountability and (iii) ensuring a level playing field. See OECD (2024), *Western Balkans Competitiveness Outlook 2024: Montenegro*.
[85] Although one €50 million loan was eventually cancelled.
[86] For instance, while the loan agreement with ZICG [51806] covenanted the CGAP – i.e. "adoption and implementation of the CGAP," – the TIMS monitoring indicator focused only on ("CGAP approved"). The progress report produced by ZICG on the implementation status of the CGAP by end-2024 was also of substandard quality.

79. **Overall, the limited outcomes of EBRD's efforts to support privatisation, PPPs and SOE operational performance have not been unique.** Several World Bank-led initiatives, along with EU efforts, have likewise not resulted in major improvements.

3.1.2. No systemic change induced by direct and indirect financing of private sector businesses, including WIB and YIB programmes, and ASB Programme

80. **With some periodic exceptions, lending by local banks to companies (including SMEs) has been on the rise over 2017-24.** Lending volumes by local banks nearly doubled over the evaluation period, reaching €974 million in 2024. The average annual growth rate in lending of 6.5 per cent outpaced the average inflation for the same period (4 per cent). The exceptions were 2020, marked by the COVID-19 outbreak, and to lesser extent 2017 and 2023.

Figure 15: Lending of local banks in Montenegro to all companies, in € million



Source: CBCG data and IEvD analysis.

81. **In this context, even when combining EBRD's direct and indirect (via FIs) lending to the private sector, the Bank's volumes were far too small for systemic change to be plausible.** Combined EBRD's direct and indirect lending averaged about €11 million annually over 2017-24, corresponding to less than 2 per cent of local banks' annual lending to all private companies in Montenegro. While lending data disaggregated for SMEs are not available, available estimates suggest that lending to SMEs accounted for about three quarters of total banks' lending to private companies.

"History of Voli are essentially two periods: before EBRD and after EBRD."

Founder of Voli

82. **One bright spot of possibly wider impact was EBRD's support to Voli, a leading retail supermarket chain in the country.** The Bank provided three loans: €10 million for store expansion in 2019, €10 million working capital during COVID-19 and €4 million for the first-of-its-kind installation of solar panels on the roofs of Voli's largest supermarkets in 2023. These were three of only five direct loans by the Bank to private companies in Montenegro over 2017-24. They showcased the viability of sustainable solutions in the retail sector and contributed to Voli's growth, solidifying its number 1 position[87] in the domestic retail market. In addition, EBRD has been a minority (8 per cent) shareholder in Voli. IEvD found evidence that EBRD's non-financial inputs around corporate governance standards, financial planning and overall business strategy have been transformational. Nonetheless, while Voli's operations attract widespread attention, including

[87] With 2,367 employees in 2024 (compared with 1,865 in 2017), Voli is the largest employer in Montenegro. Its annual turnover grew from €250 million in 2017 to €369 million in 2024. Its share of the national retail food market rose from 30 per cent to 35 per cent over 2017-24.

from other retailers, this evaluation did not find demonstration effects stemming from EBRD interventions.[88]

> *"We have seen very few bankable projects in Montenegro due to informality. Businesses need to become visible first, to become bankable."*
>
> Erste Bank Montenegro

83. **Overall, bankable SMEs in Montenegro no longer face major problems in accessing finance. At the same time, a sizable segment remains non-bankable and struggles to source external capital.** There has been stiff competition among local banks to acquire and retain sound clients. SMEs' access to finance has improved recently. However, more problematic, has been a sizable pool of (M)SMEs that are not bankable. Lack of collateral, endemic informality (e.g. operating without proper financial reporting, sound tax documentation or required permits) and limited capacity at (M)SMEs level (e.g. cursory professional management experience) make some businesses, including financially sound ones, hardly bankable for local banks.

84. **The establishment of Montenegro's Credit Guarantee Fund (CGF) – an initiative supported directly by the EBRD – has often been presented[89] as the main viable solution to scale up funding to underserved and currently non-bankable (M)SMEs.** However, four years since the conceptual work on the Fund began, its set-up is still pending (Section 3.1.4).

85. **Lastly, equity investments featured more strongly under the previous Country Strategy.[90] Yet, direct and indirect equity investments by the Bank in Montenegrin companies have been negligible, and the use of EBRD's two flagship programmes − Star Venture[91] and Blue-Ribbon[92] − has also been very limited.** The low level of equity investment may be explained by the small market size, while the stalemate in the privatisation process has not helped either (Annex 3). On the other hand, the start-up and early-stage company ecosystem, though still nascent, has recently seen respectable growth, e.g. in the ICT sector.

Diversifying from and within the tourism industry – mixed results

86. **Supporting diversification of Montenegrin economy away from heavy reliance on the tourism sector and within the sector away from the "sun-and-beach" model towards a more sustainable one feature strongly under the current EBRD Country Strategy.** Concretely, it envisaged supporting the growth of other promising sectors such as renewable energy and ICT; strengthening backward linkages between tourism, agribusiness and health; and co-financing more environmentally sustainable infrastructure in the coastal region, such as water supply and wastewater management.

87. **Overall, Montenegro reliance on the tourism sector remains very high, while progress in diversification and sustainability has been mixed.** The government's Smart Specialisation Strategy 2019-24 identified sustainable and health tourism as one of the key development priorities. However, the sector remains highly seasonal; nature-based tourism and eco-tourism, including in the northern region, remain nascent; and there has been no significant improvement in wellness and health tourism infrastructure. Small farm sizes, geographical remoteness, limited

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[88] While these may exist, a proper assessment would require more data e.g. through interviews with Voli's direct competitors.
[89] By representatives of the EBRD, other IFIs, the Ministry of Economic Development as well as some interviewed business associations.
[90] The previous strategy envisaged equity (and debt) products to support private companies and knowledge transfers, including in the processing industry and tourism. The current strategy contains no such references, although it alludes to the Star Venture and Blue Ribbon programmes and their use to identify clients in the ICT and digital segments.
[91] EBRD (2025), *Star Venture*. Available at: https://www.ebrd.com/home/what-we-do/products-and-services/support-for-start-ups-and-msmes/our-programmes/star-venture.html.
[92] EBRD, (2025), *Blue Ribbon*. Available at: https://www.ebrd.com/home/what-we-do/products-and-services/support-for-start-ups-and-msmes/our-programmes/blue-ribbon.html.

market access and weak vertical integration, among other factors, have hindered deeper agribusiness-tourism integration. Larger coastal hotels continue to rely heavily on imported food.

88. **EBRD support took several forms, but it is hard to argue that it has amounted to a systemic change.** The Bank financed one important water supply and treatment project in the coastal region (Section 3.3.3), but seasonal stress on the water system has not eased much, volumes of untreated wastewater have not diminished, and the tourism sector remains by far the largest contributor to pollution along the Adriatic coast.[93] Plans to invest in the health and spa resort Institute Dr Simo Milošević Igalo did not materialise, as the privatisation process was not completed. On the other hand, EBRD support for developing transport infrastructure to improve access to northern communities and for advancing the renewables sector is a significant part of the diversification story. The Bank's advisory support to the national retailer Voli (Section 3.1.2) contributed to the expansion of its vertical fruit and vegetable supply chain and the development of its own farms.

WIB and YIB programmes – without systemic change but with an impact

89. **Over 2017-24 the EBRD has gradually introduced the WIB and YiB programmes in the financial sector through partnerships with long-standing local public finance institutions (PFIs).** The Bank approved WIB credit lines amounting to €12 million through five projects with three PFIs: three with the main local microfinance institution (Alter Modus) and two with leading commercial banks (NLB and CKB). The YIB programme has so far partnered only with Alter Modus, through two loans totalling €5 million. Both market segments are underserved and require customised financial products.

90. **EBRD's value added lay in the non-financial feature of the first loss risk cover (FLRC) which was and remains an innovative approach in Montenegro, as well as in product customisation.** The FLRC was instrumental for two PFIs in offering improved terms and conditions to borrowers. It encouraged one previously risk-averse bank to lower collateral requirements and offer longer tenors, while the microfinance institution noted that without the FLRC it would have been impossible to offer loans based on soft collaterals.[94] There was also innovation − for some banks it was their first exposure to the FLRC, and they valued the new knowledge gained. The programme also encouraged PFIs to customize their credit offerings to varying degrees. Under the WIB programme, some PFIs removed hard collateral requirements, while others offered longer tenors (up to 5 years), reduced interest rates (by 1 percentage point) and removed processing fees. As of end-2024, reported disbursements reached €9.6 million.[95] None of the three PFIs reported organisational or process changes, apart from adjustments to authorisation levels,[96] to better serve women.

91. **Systemic change has not yet occurred and will not occur if based solely on lending volumes alone. However, the EBRD portfolio's demonstration effect, coupled with sector-level activities, is contributing to some changes in the market.** The on-lending amounts by the PFIs are and will remain modest compared with the overall size of the market. For instance, full achievement of WIB programme lending targets (1.4 times the lending amount) would generate €15 million in sub-loans against €750 million lending to MSME lending nationwide. Nonetheless, the successful

[93] See for instance, United Nations Economic Commission for Europe (2024), *Environmental Performance Review* and World Bank (2021), *Montenegro Systematic Country Diagnostic Update*.
[94] Soft collateral is based on intangible assets such as promissory notes.
[95] Figures for Alter Modus, NLB and CKB
[96] At least one PFI acknowledged that, thanks to EBRD reporting requirements and subsequent adjustments to its management information systems, it is now able to generate tailored reports on women and other products.

deployment of the FLRC mechanism may trigger a demonstration effect. For more detailed assessment of the WIB Programme see Annex 9.

Advice for Small Businesses (ASB) Programme of limited scale but relevant addition to the EBRD's toolkit in Montenegro

92. **ASB support in Montenegro has delivered modest but targeted volumes.** Over 2017-24, the local ASB team implemented 285 projects worth €4.2 million, with €2.3 million of EBRD grants and the rest co-financed by clients (see Annex 10). Compared to regional peers, outreach in Montenegro was limited.[97] The portfolio has been highly concentrated: ICT, marketing, and quality management alone accounted for 78 per cent of all projects, illustrating a deliberate emphasis on modernising business practices and boosting competitiveness. Nearly half of these projects have supported digital and green transitions, in close alignment with EBRD Country Strategy objectives. However, only 4 per cent of projects directly targeted the vital tourism sector, although related industries like wholesale, retail and construction benefited indirectly.

93. **Despite its valuable contributions, the ASB Programme's scale inherently limits its ability to drive systemic change, but it remains a valuable instrument in the EBRD's toolkit.** As detailed in Annex 10, the programme reached less than 0.5 per cent of Montenegrin SMEs, with average support per beneficiary standing at €17,000. While some clients showed significant growth in turnover and employment, these outcomes are highly sensitive to outliers. Moreover, the causal link between advisory services and broader access to finance or export expansion remains unclear. Still, with its focus on advisory services and few alternative schemes offered in Montenegro, it remains highly relevant and complements other Bank interventions as well.

3.1.3. PD supporting competitiveness and business environment – relevant EBRD efforts with one of potentially systemic implication

94. **Among 15 PD workstreams undertaken by the EBRD over 2017-24 and supported by TCs, four were of particular relevance in the area of private sector competitiveness and the business environment, of which one carries potential for systemic change.** Specifically, the recent approval of the new Company Law in August 2025 has systemic change potential in the long run, while the establishment of the CGF, the Single Access Point for SMEs and support to the Competitiveness Council were also relevant reforms (Annex 5).

95. **Although potentially very consequential for many businesses in Montenegro and of a systemic scale, the new Company Law has only been approved by Parliament.** The previous Company Law – prescriptive (333 articles) and with unfit provisions on limited liability companies (90 per cent of entities in Montenegro), business registration and the public registry – was inadequate. Drafting of the new law began in 2021 with support from an EBRD-funded TC. After protracted delays, the draft law was submitted to the European Commission for compliance assessment with the *EU acquis* in late 2024. While interviewed private sector representatives assessed the draft as "*good*," some calling it as "*the most important piece of legislation for years*," they warned of the risk of last-minute amendments without consultations prior to the Parliament vote. The new Company Law (along with the new Law on Registration of Business and Other Entities) was eventually approved in August 2025, considering all EU suggestions and reflecting prior consultations with the local business community. The outcome will also depend on the institutional set-up of the implementing agency, including its digitisation.[98]

[97] For example, Kosovo and Serbia ran more than twice as many local consultancy projects — yet this mirrors Montenegro's smaller SME base.
[98] Competitiveness Council (2025), *2024 Progress Report*.

96. **While widely supported and possibly impactful, the concept behind the CGF has still not taken off.** Based on a first-loss guarantee structure, funded with €10 million in seed capital from the Ministry of Economic Development[99] and offering 50 per cent coverage to local banks in the event of an (M)SME default, the CGF would seek to address the current market gap by incentivising risk-averse local banks to finance firms that, despite insufficient collateral and/or operating partly in grey economy, may have still sound financials but do not pass banks' credit due diligence. The EBRD has supported the inception of the CGF since 2020.[100] The draft law on the CGF, prepared with the Bank support and submitted to Parliament in March 2025, was adopted in August 2025. Progress now depends on swift implementation.

97. **The SMEs Single Access Point web portal was set up swiftly but does not deliver.** Intended as a "*Single Access Point for SMEs in Montenegro*," the portal was meant to, among others, aggregate up-to-date information on financial support schemes available to Montenegrin SMEs and offer a centralised direct application function. While successfully launched in 2022, over time the Ministry of Economic Development has not been able to manage and promote the portal. It now lacks timely updates, and the number of SMEs accessing it has declined.

98. **Since 2017, to support public-private dialogue, EBRD and the UK have been funding the Secretariat to the Competitiveness Council (SCC). By and large, a highly relevant and effective actor in Montenegro.** The SCC has coordinated private sector responses on new bills, including on the recently adopted Company Law and Law on Registration of Business and Other Entities, and systematically monitors the level of private sector involvement in legislative reforms.[101] In 2024, it provided analysis of barriers to doing business in Montenegro, all 11 of which were subsequently incorporated in the EU Growth Plan. It also led the design and implementation of the successful *Women Trademark* project and set up the Register of Levies, offering comparative overview of business levies across the municipalities. It has been regularly consulted as an unbiased source of information by the EU Delegation and the World Bank. Going forward, however, UK funding for its operations post-2025 is uncertain. IEvD therefore notes the vital role of securing stable and appropriate funding and reiterates the key recommendation of the 2024 Evaluation of Investors Council Projects in the Eastern Neighbourhood Good Governance Fund: "*Resist the pressure to hand over Councils' funding to private sector or the government*."

3.2. Improving connectivity and regional integration

99. **There were two central themes under both Country Strategies with respect to improving connectivity and regional integration**:

- Improving the quality and connectivity of transport networks by upgrading the main internal roads connecting to cross border corridors with Serbia and Bosnia and Herzegovina, possibly with private participation via PPP mechanisms, and modernising and constructing railway links to Serbia and Albania.
- Improving critical ICT infrastructure such as broadband.

[99] Potentially to increase further in the future by EBRD and other partners.
[100] With two non-transactional TCs to date.
[101] The Competitiveness Council monitoring shows that the level of private sector involvement in consultations on draft laws has been fairly stable and has not improved significantly in recent years – 2019: 40 per cent; 2020: 34.9 per cent; 2021: 26.3 per cent; 2022: 26.3 per cent; 2023: 37.6 per cent; 2024: 43.8 per cent. This remains well below the EU-27 benchmark of 100 per cent.

3.2.1. Railways – have kept rolling but no systemic change (yet)

Figure 16: Montenegrin railway network

Source: IEvD.

100. **The Montenegrin railway network is minuscule compared with other countries.** It consists of 249 km of single track and just three lines: 168 km Bar-Podgorica-Vrbnica (Serbia) – a backbone south-north line and part of the Trans-European Transport Network (TEN-T) rail corridor; 56 km Podgorica-Nikšić; and freight only 25 km Podgorica-Shkodër (Albania) (Figure 16). The scenic, mountainous topography imposes engineering and maintenance challenges, as two-thirds of the network includes 106 tunnels and 107 bridges. The share of railways in passenger transport lags far behind the EU average (1.3 per cent vs 7.9 per cent) and the latter is dominated by cars[102].

101. **The modernisation of the railways has been a key government priority and featured prominently under both EBRD Country Strategies.**[103] Limited alternatives to road transport, especially during the summer season, have hampered growth. Poor rail connections to Serbia and the absence of one with Albania have hindered regional cohesion and economic integration. Greenhouse gas emissions from the transport sector (34 per cent of the total) soared by 28 per cent during 2017-22[104] and the railways' role in decarbonising the sector has been crucial. While majority of country's freight moves by railway (55 per cent as of 2023[105]), the competitiveness of Bar – the country's only cargo seaport – now depends on the urgent upgrade of the railway link to Belgrade.

102. **Still, railways infrastructure has remained outdated and suffered from years of underinvestment.** A shortage of skilled staff, old tracks and signalling system and rolling stock of which much dates back to Yugoslav times have resulted in low speeds and arduous journeys, caused safety issues and plagued the network with delays and unreliable timetables. None of the four state entities operating the network[106] has had a sustainable business model, and they have been dependant on annual state subsidies to operate.

103. **Over 2017-24, the railways saw some investment and modernisation. Though, huge needs persist.** *"Point by point"* rehabilitations, even though lacking a comprehensive plan, were badly needed. The number of passengers has gradually increased since the pandemic, reaching 850,000 in 2024.[107] Overall, however, no new lines were opened, and rehabilitation of existing ones has been sluggish and patchy. The reliability of passenger train timetables remains mediocre,[108] safety has not improved significantly,[109] and for many residents travelling by train is more of a curiosity and the appeal of rail travel over car remains doubtful at best. The share of

[102] EBRD GAP Analysis – Strategy for Sustainable and smart mobility in the Western Balkans.
[103] Including *"modernise and rehabilitate railways and links to Serbia and Albania"* under 2021-2026 County Strategy.
[104] IEA (2025), *Montenegro*. Available at: https://www.iea.org/countries/montenegro/emissions
[105] Rail goods transport 1,114,000 tons; and road goods transport 961,000 tons.
[106] Montecargo (freight transport), ZICG (infrastructure management), ZPCG (transport management), Uniprom (industrial rail operations).
[107] CEIC (2025), *Montenegro*. Available at: https://www.ceicdata.com/en/countries.
[108] According to ZPCG data, the average delay per train over 2017-23 was 13 minutes, increasing to 21 minutes in 2022 and 17 minutes in 2023.
[109] According to ZPCG data, the aggregate number of incidents and accidents on the network during 2017-23 remained broadly stable: 22 in 2017, 22 in 2019, 23 in 2021, 21 in 2023.

railways in freight has fallen[110] caused also by network and capacity issues, leading to a decline in the Port of Bar's competitiveness vis-à-vis Rijeka and other regional ports. Regional rail connectivity is still largely missing,[111] though investments in Albanian and Serbian networks linking them with Montenegro are in various planning stages.[112]

104. **The government's fiscal space for investment has been limited, and the EIB and EBRD have been the sole external financiers of Montenegrin railway modernisation.** Since 2017 the EIB has invested €115 million (of which €56 million in grants[113]) in two projects – both focused on rehabilitating the crucial Bar-Podgorica-Vrbnica line. In turn EBRD has invested €41 million in two projects: first, an €11 million loan to Railway Infrastructure Management Company (ZICG) signed in 2022,[114] focused on network safety and financing the purchase of machinery for maintaining civil engineering and electrical railway infrastructure to ensure safety standards; and second, a €30 million loan to Railway Transport Management Company (ZPCG) signed in 2024, financing the purchase of three electric multiple-unit locomotives to replace the 40-year-old, energy-inefficient loco-hauled train sets currently in operation. The project is expected to reduce maintenance costs, increase reliability of service and result in annual carbon dioxide (CO_2) emission savings of 18,000 tonnes.

105. **At this stage, it remains *a promise* rather than an actual systemic change induced by the EBRD.** The ZPCG's project carries clear potential for impact, with three new locomotives corresponding to 60 per cent of the total operational passenger rolling stock in the country.[115] However, it is still at the pre-procurement stage, with no disbursements made, while for the ZICG project, intended to be completed by December 2024, no contracts had been signed by mid-2025. Likewise, if successful, the Bank's support for corporate governance reforms of ZPCG and ZICG (as per CGAPs), a prerequisite for the systemic change, could bring tangible benefits. So far, however, little progress has been made on that front, although corporate governance reforms at ZPCG have seen some progress in 2025 (Annex 8).

106. **The IEvD found that implementation issues were largely due to the clients' limited capacity and beyond the EBRD's control.** In the same vein, the 2024 European Commission report highlighted significant delays in the vital TEN-T rail corridor Bar-Vrbnica project, attributing those to *limited absorption capacity and administrative hurdles*.[116]

3.2.2. Roads: valuable Bank contributions but no systemic change yet

107. **In road transport, the EBRD approved €66 million in loans for two projects seeking to upgrade four main and local road sections**. The first project, Main Roads Reconstruction,[117] consisted of a €40 million loan approved in 2017 to upgrade three sections of the country's main road network with combined length of 51.5 km: the Rozaje-Špiljani road near the border with Serbia; the Tivat-Jaz-Budva section, the main link between Podgorica and Montenegro's summer beach resorts on the Adriatic Sea connecting to the main routes towards Croatia; and the Podgorica-Danilovgrad section linking Podgorica with Sarajevo. The second project, *Local Roads*

[110] CEIC (2025). *Montenegro Railway Transport: Quarterly Goods*. Available at: https://www.ceicdata.com/en/montenegro/railway-transport/railway-transport-quarterly-goods.
[111] There is no passenger connection with Albania, Kosovo or Bosnia and Herzegovina, while the existing Bar-Belgrade connection requires major modernisation to shorten the current 12-hour journey (compared with 8 hours by car).
[112] See for instance: https://www.railwaypro.com/wp/albania-montenegro-rail-link-rehabilitation-endorsed/.
[113] Including €39.7 million from the WBIF.
[114] Railways Maintenance Equipment Renewal, Op ID: 51806.
[115] Three diesel locomotives, of which one is operational, and eight electric locomotives, of which four are in reasonably good condition, according to ZPCG.
[116] European Commission (2024), *Montenegro 2024 Report*.
[117] Op ID: 49075.

Reconstruction,[118] approved in 2020, was a €26 million loan increase to cover a budget gap from an earlier local roads projects[119] and to complete the Lubnice-Jezerine section of the Kolašin-Berane road in the north of the country, the main route to Serbia.

108. **The EBRD's interventions targeted sections identified as priorities by the Montenegrin authorities, which are also part of the TEN-T.** Two sections, Tivat-Budva and Podgorica-Danilovgrad, were particularly congested, with the former being the busiest road in Montenegro, carrying an estimated 7-8 million cars annually and forming the main bottleneck during the summer season. Both projects included upgrades to road sections in the northeast that form part of the two main routes connecting Montenegro and Serbia. These complemented the EIB's interventions during the period i.e. an €80 million loan approved in 2018 to rehabilitate five road sections totalling 180 km.

109. **Completed road sections have yielded savings in travel time. However, the Tivat-Jaz section, the most congested road in the country during the summer and a vital part of the TEN-T Adriatic corridor, still has an uncertain completion date.** Thanks to the Local Roads project, travel time from Podgorica to Berane has been reduced.[120] The road's status has also been upgraded from local to regional, opening up access to a national park and a ski resort. Under the Main Roads project, stakeholders reported improved travel time between Podgorica and Danilovgrad, now around 30 minutes (baseline unavailable). But the Tivat-Jaz road remains unfinished: works on two of eight sections (3-4 km) are on hold following complaints by neighbouring residents officially filed with the EBRD.[121] Transport authorities did not provide official data on traffic volumes or road safety indicators for the completed sections.[122]

110. **EBRD projects addressed key bottlenecks, but the country's needs remain high, particularly for rehabilitating internal road network underpinning rural economic development.** Montenegro's road network totals 6,153 km, comprising 917 km of main roads, 966 km of regional roads and 4,270 km of local roads. Although the EBRD addressed critical bottlenecks with €66 million in investments (€80 million by EIB), the Bank's upgrades cover only 68 km[123] of the 914 km of main roads, or 7.5 per cent of the main roads network. The EIB's projects upgraded 120 km, or 13 per cent. Travel time from Podgorica to the Bosnian and Serbian borders via the main routes – of which these upgraded sections form part – still takes 2-3 hours for distances of 130-150 km. Generally, Montenegro's road network improvements have been limited.[124] CSOs interviewed by the IEvD stressed the need for continuous investment in main and local roads for rural economic development and expressed concern that new sections of the Bar-Boljare highway, though important, may divert resources from rehabilitating the internal network, which is equally critical.

> *"Large projects are taking over the agenda and prioritisation, while local and regional projects may be forgotten e.g. railways."*
>
> **CEE Bankwatch Network**

111. **The IEvD found no reference in the EBRD's Country Strategies to whether the Bank intends to prioritise local and regional networks over the Bar-Boljare highway or vice-versa.** It is similarly unclear whether the Bank aims to focus more on railways or roads.

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118 Op ID: 51798.
119 Op ID: 43060 was approved in 2013 and Op ID: 48169 was approved in 2015. The programme comprised three sovereign loans totalling €51 million for reconstructing a section of the Berane-Kolašin road and upgrading it to regional road status.
120 Travel time was reduced from 1 hour 40 minutes to 30 minutes and distance shortened from 150 to 83 km (as reported by the EBRD and validated by stakeholders).
121 EBRD (2025), *IPAM: Main Roads Reconstruction Project*. Available at: https://www.ebrd.com/home/what-we-do/projects/independent-project-accountability-mechanism/case-registry/Main-Roads-Reconstruction-Project.html.
122 Data on road safety are particularly relevant, as the EBRD required the introduction of road safety measures in all constructed sections and provided TC for capacity building.
123 Including the unfinished section.
124 Montenegro's score in the Word Bank Logistic Performance Index has barely budged (2.57 in 2018 vs. 2.50 in 2023).

112. **The EBRD made a worthwhile contribution to strengthening the institutional capacity of the Transport Administration, which manages and maintains the road infrastructure.** Through a TC grant the Bank financed preparation of the Road Asset Management System, Road Maintenance Manual and a road database. The Transport Administration found[125] these outputs *extremely useful* and confirmed their use for prioritising both new investments and maintenance of existing roads. Yet, despite improvements, challenges remain. According to EU reports the new 2023-30 Road Safety Strategy is still in draft form, no medium-term road maintenance and rehabilitation programme has been prepared, and ad hoc annual planning prevails. The EU continues to urge Montenegro to strengthen its administrative capacity in the transport sector by improving decision-making on new projects and increasing capacity to absorb funding.[126]

3.2.3. Digital infrastructure: major strides but with very limited Bank role

113. **During 2017-24, Montenegro made good improvements in broadband connectivity and expanded its regulatory framework.[127] It also adopted several strategic documents[128] in the digital and ICT domain.** As of 2024, according to the National Statistical Office, 85 per cent of respondents used a fixed broadband connection, a 12 percentage-point increase from 2017. Mobile broadband penetration also rose rapidly by 26 percentage points over 2017-24 to 72 per cent of users, though some rural areas remain underserved. In ICT, the country ranks among the top regional performers according to the ICT Regulatory Tracker 2022,[129] though this index does not measure the quality of implementation. Despite improvements, ICT still accounts for a small share of the country's GDP. In 2017, the ICT sector contributed 4.4 per cent of the GDP, and by 2023 this share had risen by only 0.6. percentage points to 5 per cent.

114. **The EBRD's contributions to the listed improvements have been negligible, as the private sector has managed to finance investments reasonably well without IFIs involvement.** The Bank has implemented only one project in this sector,[130] an equity investment in a regional company that owns 13 per cent of mobile towers in Montenegro, though it had made no direct investments in the country as of end-2024. Besides, the EBRD launched a feasibility study for the development of broadband in rural areas.[131] Building on this, it has been in advanced discussions with some private telecom operators, including for potential co-financing of one project (no commitment yet, as of end-2024).

3.3. Deepening Montenegro's green transition

115. **Both strategies, although the current one to an even greater extent, have centred on promoting the green transition through**:

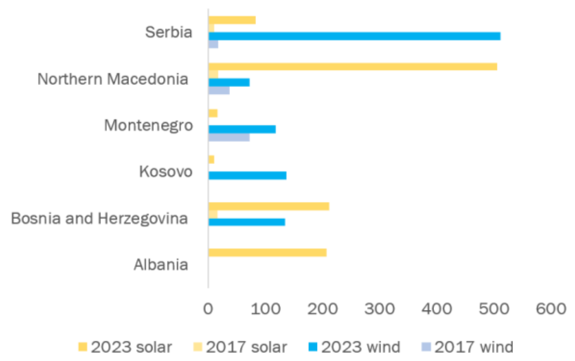
- Increasing the share of renewables in the energy mix (primarily solar and wind) and expanding electrical grid capacity via both financing and support for regulatory reforms.
- Enhancing energy and resource efficiency, including GEFF credit lines to the private sector, ASB support and investments in public buildings.

[125] Based on interview with the Transport Administration.
[126] European Commission (2024), [Montenegro Report 2024 - European Commission](#).
[127] Law on Electronic Identification and Electronic Signature (adopted in 2017), Law on Electronic Government (adopted in 2019), Electronic Document law (adopted in 2022), and most recently Law on Information Security (adopted end of 2024)
[128] Smart Specialisation Strategy (S3) of the European Commission (adopted in 2019), Digital Transformation Strategy 2022-26, and Cyber Security National Strategy for 2022-26.
[129] ICT Regulatory Tracker. Available at https://composite-indicators.jrc.ec.europa.eu/explorer/indices/ictrt/ict-regulatory-tracker
[130] Project Luna (Op ID: 54827).
[131] WBIF (2020). EU-Funded Technical Assistance for the improvement of the broadband infrastructure development in Montenegro. Available at: https://wbif.eu/news-details/eu-funded-technical-assistance-project-improvement-broadband-infrastructure-development-montenegro.

- Improving the performance and sustainability of municipality services, including water and wastewater management, particularly in coastal and tourism-dependant regions.

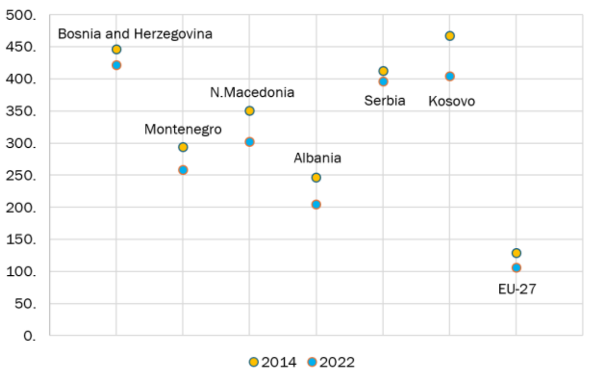
116. **Montenegro made some strides in advancing its green transition over 2017-24. A number of unresolved issues and challenges persist though, and progress was uneven.** The country still lacks a comprehensive framework for decarbonisation: it has not defined its 2030 climate target in national legislation, nor finalised its draft National Energy and Climate Plan, unlike Albania, North Macedonia and Serbia. Its single coal-fired power plant in Pljevlja accounts for 60 per cent of the country's greenhouse gas emissions, continues to pollute and poses grave health risks in the region.[132] This dependence may soon cost Montenegro's competitiveness dearly raising a question mark over the ambitious plans to scale-up energy export to the EU[133]. Meanwhile, politically sensitive commitment to a coal phase-out timetable remains elusive. In renewables, there were notable advancements in wind power during the late 2010s,[134] but solar energy has expanded more slowly than in all regional peers except Kosovo (Figure 17). Energy intensity has declined, but the gap with the EU-27 average persists (Figure 18).

Figure 17: Installed wind and solar, 2017 vs 2023, in MW



Source: Energy Community Secretariat Annual Reports.

Figure 18: Energy intensity, kg of oil equivalent per €1,000 output, 2014-22



Source: Eurostat.

117. **There have also been clear positives.** CO_2 emissions have decoupled from GDP growth since 2017.[135] Montenegro now has a strong pipeline of solar and wind projects estimated at over 2 gigawatts (GW).[136] Several significant energy efficiency and grid-focused projects (some financed by the EBRD) are under implementation. In 2023 Montenegro launched a day-ahead electricity market and made tangible legislative and operational progress towards market coupling with Italy, positioning itself as one of the regional front-runners. Regulatory alignment with the EU acquis has also advanced, including approval of the new Renewables Energy Law in August 2024 and preparations for the first renewables auction anticipated in July 2025.

118. **Overall, the EBRD has made a significant contribution to Montenegro's green transition. Its footprint on this area surpassed that of all other sectors of engagement.** In energy efficiency segment, the Bank has already induced systemic impact. In other areas like renewables and grid development, systemic change – though subject to risks – is likely to materialise upon completion

[132] CCE Bankwatch Network (2025), *Pljevlja I Power Plant, Montenegro*. Available at: https://bankwatch.org/project/pljevlja-i-power-plant-montenegro#:~:text=The%20estimated%20625%20deaths%20in,countries'%20economies%20EUR%2051.3%20million.
[133] Starting from 1 January 2026, EU countries importing energy from non-EU countries will be required to pay a carbon tax under Carbon Border Adjustment Mechanism. The Pljevla plant violates the Large Combustion Plants Directive, making any exemption uncertain. This could undermine Montenegro's energy sector competitiveness, including its plans to scale up energy exports to the EU.
[134] Krnovo Wind Farm (74 MW) and Mozura Wind farm (46 MW), which began operations in 2017 and 2019, respectively.
[135] World Bank (2025), *Montenegro – Annual CO_2 emissions*. Available at: https://ourworldindata.org/co2/country/montenegro.
[136] Based on grid connection agreements issued by the national transmission operator (CEDIS), including several with major international developers.

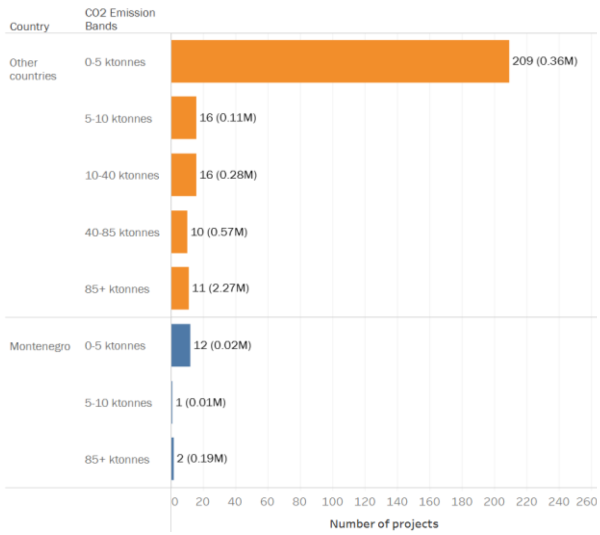
of pending projects and reforms. Section 3.3.1 shows the evidence of results across renewables and grid, energy efficiency, sustainable municipal services and EBRD-supported reforms. Box 5 offers a data-driven insight on one concrete measure – the scale of *expected* CO_2 emission reductions induced by the Bank.

Box 5: EBRD investments in Montenegro – relative *expected* CO_2 emission reduction

Using the GET-database of *expected* reductions, the IEvD estimated the relative scale of CO_2 emission reduction *expected* from the entire EBRD 2017-24 portfolio in Montenegro compared with the country's total CO_2 emissions. Specifically, with total CO_2 emissions of 2.3 million tonnes in 2023,[137] and if *expected* reductions from the EBRD 2017-24 portfolio (0.22 million tonnes) were realised, they would account for about 7.7 per cent of all national CO_2 emissions that year – material enough to qualify as systemic change, had those outcomes already materialised.

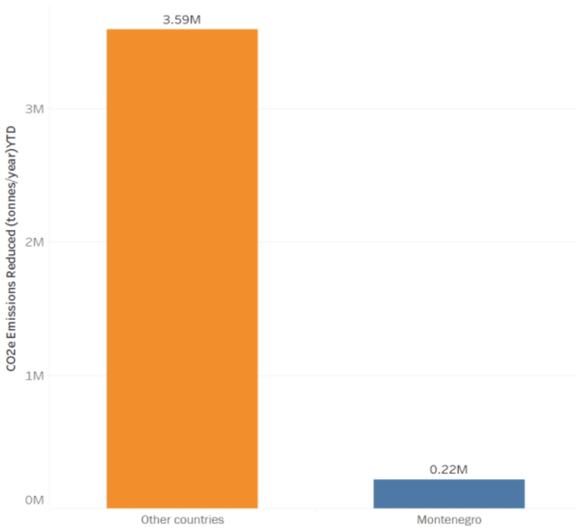
Expected CO_2 emission reductions from the EBRD Montenegrin portfolio also compare favourably with other Western Balkans portfolios. According to the EBRD internal benchmark, *expected* annual reductions of 85,000 tonnes or more places a project within the top 10 per cent of the Bank's most impactful investments. Despite accounting for less than 4 per cent of the Western Balkans' population, Montenegro had four times the proportional share of projects in this top 10 per cent group (2 of 13, or 15 per cent) (Figure 19). In aggregate, *expected* CO_2 emission reduction from the Montenegrin portfolio stood at 6 per cent of total *expected* reductions across the EBRD's Western Balkans portfolio – well above the country's relative population share (Figure 20).

Figure 19: Number of projects by expected emission reductions, 2017-24



Source: GET database, IEvD and OSP team calculations.

Figure 20: Total expected emission reductions – Montenegro vs. Western Balkans, 2017-24



Source: GET database, IEvD and OSP team calculations.

3.3.1. Renewables and grid: significant EBRD projects, but systemic change still pending

119. **Despite high potential (Box 6), new investments in renewables in Montenegro and changes in its energy mix over 2017-24 were somewhat slower.** The share of wind and solar in total electricity generation grew from 0 per cent in 2017 to 7.9 per cent in 2023, of which wind accounted for 7.5 per cent. Although not the sole explanation, a key factor behind the slow uptake has been the lack of power purchase agreements (PPAs)[138] available to prospective

[137] World Bank (2025), *Montenegro – Annual CO_2 emissions*. Available at: https://ourworldindata.org/co2/country/montenegro.
[138] Long-term contracts between renewable energy providers and purchasers.

developers and the small domestic market size. The lack of PPAs specifically translated into an elevated risk profile of potential investments – therefore deterring interest from commercial lenders.

Box 6: Montenegro – (highly) promising renewables sector

Montenegro has strong potential for development and expanding solar and wind energy plants. The country benefits from high solar radiation with around 2,000-2,500 sunshine hours per year[139] almost everywhere, providing a favourable foundation, although its hilly and rugged terrain poses challenges for large-scale solar installations. For onshore wind, the total power requested by developers from the national grid operator exceed several times the total installed production capacity in Montenegro. For offshore wind, recent research suggests potential for at least 2.3 GW of capacity (mostly floating structures). Annex 11 provides a more detailed overview of the renewables sector.

Source: IEA, Bankwatch Network; Bogdanovic, M; and Ivosevic, S. 2024. *Winds of change: A study on the resource viability of offshore wind in Montenegro*.

120. **Over 2017-24, the EBRD financed one wind farm in Montenegro – of significant size – and played a central role in supporting wind generation capacity more broadly.** The Bank's €57 million investment in the Gvozd Wind Farm in 2023 will add 55 MW[140] to the current 118 MW of installed wind capacity from two wind farms: Krnovo (72 MW), also financed by the EBRD and operational since mid-2017, and Mozura (46 MW), operational since 2019.[141] However, construction of Gvozd has only recently started, so results are yet visible. Crucially, for the state-owned EPCG, this represents its first-ever project in wind or solar energy, marking a milestone in its decarbonisation pathway.[142] While still tentative, this precedent may encourage EPCG to increase investments in renewables and gradually shift its portfolio from fossil fuels to clean energy. EPCG has since established a small dedicated solar team and is exploring new projects, including solar and energy storage. To date, no other DFIs or IFIs apart from EBRD have financed wind energy in Montenegro.

121. **However, the Bank has been entirely absent in solar investments due to few viable opportunities.** The country's first solar photovoltaic power plant, in Čevo, became operational only in December 2023. This delay reflected factors such as the absence of PPAs (common for wind and solar), difficulties in land acquisition and permitting, and the country's mountainous topography. According to the recent World Bank's energy system scenario modelling, to meet net zero by 2050 Montenegro would have to install 250 MW of solar capacity by 2030 and 1.5 GW by 2050,[143] compared with just 16 MW currently installed.

122. **According to the Energy Community Secretariat, Montenegro's electricity grid experienced significant development during 2017-24.** In 2019 completion of the €1.1 billion Montenegro-Italy interconnector – a 423 km undersea electricity cable co-financed by the EBRD – enabled export of surplus renewable energy to the EU. In addition, most of the new 400 kV transmission line from Lastva to Pljevlja was completed, forming a national 400 kV ring. Also, in 2019 a new SCADA/EMS system was installed in the national dispatching centre, improving system controllability of the power system is now high. The network does not have any stability issues, regardless of the input from renewables and has also one of the best nominal cross-border transmission capacities in Europe.

[139] For coastal and central regions, this is on par with southern Greece and Italy. For comparison, London has around 1,000 sunshine hours annually.
[140] Equivalent to the annual energy consumption of 25,000 households. In August 2025, the EBRD signed another €26 million loan with EPCG for the expansion of the Gvozd Wind Farm to 75 MW.
[141] OECD (2025), *Energy Prices and Subsidies in the Western Balkans*. Available at: https://www.oecd.org/en/publications/energy-prices-and-subsidies-in-the-western-balkans_082ea26a-en/full-report/energy-prices-and-subsidies-in-montenegro_4520c191.html.
[142] Solar and wind. During Yugoslav times EPCG undertook some hydro projects.
[143] World Bank (202), *Montenegro – Country Climate and Development* Report.

123. **To further strengthen the grid, the EBRD provided €38 million through two projects with potentially significant results, though both are still under implementation.** In July 2024 the Bank signed a €28 million loan with CEDIS[144] to upgrade the Brezna substation from 110/35 kV to 400/110/35 kV by installing two 400/110 kV power transformers. The project, expected to be completed in 2028, is designed to enable 200 MW of new renewable capacity added to the grid by 2028, with some concrete investments already in the pipeline,[145] and to reduce transmission system losses by 13 GWh annually, an equivalent to 9 per cent of total 2024 losses (149 GWh).[146] In addition, it may also enhance regional connectivity with Bosnia and Herzegovina through the planned OHL Brezna-Sarajevo 400 kV transmission line (also currently supported by the EBRD[147]). The second project, a €9 million loan extension of the 2013 Lastva-Pljevlja Transmission Line project,[148] financed installation of a variable shunt reactor at the Lastva substation – essential amid mounting grid pressures.[149] The project is currently on schedule, with completion expected in 2026.

3.3.2. Energy efficiency: clear-cut systemic change of the landmark CEDIS smart metering projects

124. **In energy efficiency, the EBRD provided €57.5 million financing as part of five projects.** Specifically, three green credit lines to CKB[150] and NLB[151] banks, of which two under GEFF, for a total amount of €7 million. Then, €12 million loan for the energy efficiency transformation of three public hospitals and €20 million loan for energy efficiency improvements in 21 schools, both signed in 2024 with ministries of health and education, respectively. It also provided €18.5 million loan (and helped to mobilise an additional €13.5 million) as part of another landmark smart metering project with CEDIS signed in 2017.

125. **Results from EBRD green credit lines have been somewhat underwhelming so far.** Two GEFF-supported green credit lines for residential energy efficiency to CKB[152] and NLB[153] banks, each worth €2 million, saw low disbursements of only around €700,000 in total. This was due to low uptake by sub-borrowers, caused by the initial absence of incentives or sales targets for loan officers promoting the products, suboptimal marketing campaigns and the existence of other parallel government schemes[154] in the market offering similar financial incentives to sub-borrowers.

126. **These green credit lines are not yet mainstream products, and there has been no systemic change.** However, some local banks have continued to expand similar product offerings with ongoing EBRD support.[155]

127. **Results from the hospitals and schools energy efficiency transformation projects are due 2029 and may trigger demonstration effects.** The former covers 3 out of 10 public hospitals in

[144] Coupled with €7 million CAPEX grant.
[145] (i) Bijela wind power plant (118 MW), (ii) Dubrovska-Duži solar power plant (195 MW), and (iii) Somina solar power plant (240 MW). In addition, the expansion of the Gvozd Wind Farm is also linked to the Brezna project.
[146] EPCG (2025), *Energy Balance Report*. Available at: https://www.gov.me/dokumenta/fc7893e9-5a17-4e14-a960-0dcde0f5f22e.
[147] By financing the feasibility study and environmental assessment.
[148] Op ID: 42768.
[149] Due to the changed demand profile in the energy market in Montenegro and the region, including higher demand in the coastal region and an increasing share of renewables, voltages continuously exceeded permitted values, putting the overall transmission system at risk.
[150] Op ID: 50969.
[151] Op ID: 53712 and Op ID: 55513.
[152] Op ID: 50969.
[153] Op ID: 53712.
[154] EPCG and Ecofond Solari 3000+, Solari 500+, and Solari 5000+ initiatives promoting subsidising and financing for installing solar photovoltaic systems of up to 10 kilowatts (kW) for residential buildings and up to 30 kW for businesses.
[155] For instance, CKB has recently rolled out a GEFF-supported credit line and in March 2025 signed another agreement with the EBRD for the GO Green Facility.

Montenegro, or 30 per cent of all the country's hospital infrastructure, including the largest one in Podgorica. The scale of the latter is also material, covering 18 elementary and 3 secondary schools, representing 6 per cent and 11 per cent of the national stock, respectively. Apart from achieving 50 per cent primary energy savings compared with baseline energy consumption, both projects could also improve patients' health and pupils' educational outcomes.[156] Both also demonstrate that originating bankable projects in the building sector, one requiring large-scale decarbonisation, is viable. IEvD therefore notes that both projects may trigger demonstration effects and lead to new ones, as interest has already been expressed by the ministries.

128. **Lastly, EBRD's CEDIS smart metering project is an outstanding example of how EBRD's systemic impact may look in practice.** In 2017, the EBRD provided CEDIS with €18.5 million loan and mobilised an additional €13.5 million from a local bank for the purchase and installation of 60,000 smart electricity meters in Montenegro,[157] along with other investments.[158] This project continued the effort initiated back in 2010, when EBRD provided a €65 million loan to the national utility company for procuring and installing over 275,000 smart electricity meters,[159] bringing the total to 335,000 meters. As a result, Montenegro became the leader in the Western Balkans, with the share of households with smart meters reaching 82 per cent by end-2021. For comparison, the shares in Bosnia and Herzegovina, Kosovo and Serbia by end-2021 stood at 13 per cent, 15 per cent and 1 per cent, respectively.[160] The EBRD projects also generated other positive and far-reaching outcomes (Box 7).

Box 7: EBRD financing of electricity smart meters – exceptional engagements and impact

The roll-out of the smart meters enabled more efficient payment collection by CEDIS and reduced customers' outstanding debt (from €120 million to €60 million). It also significantly lowered losses (from 20.5 per cent in 2010 to 10.1 per cent in 2024) and introduced tariff plans for customers, with potential welfare effects.

In terms of CO_2 emission reduction, the 2017 project alone resulted in a reduction of 86,000 tonnes per year, equivalent to 3.5 per cent of total national CO_2 emission as of 2023.

Source: IEvD interviews and projects documentation.

3.3.3. Sustainable municipal services: modest results and issues with origination

129. **There are large unaddressed needs in sustainable municipal infrastructure in Montenegro.** In 2024 only 56 per cent of the population was served with wastewater collection and treatment systems (compared with 47 per cent in 2021), with untreated effluent impacting rivers in the north and the touristic south.[161] Issues with wastewater treatment and water supply regularly escalate during the peak tourist season. Notably, construction of wastewater treatment facilities is required for EU accession. Heating and cooling systems remain outdated and inefficient, with coal and gas accounting for 97 per cent of energy used for heating. District heating is virtually non-existent, and buildings in Montenegro remain largely uninsulated. According to the World Bank, achieving net zero will require particularly ambitious efforts in building decarbonisation.[162]

[156] The upgraded heating and ventilation systems in hospitals will enhance hygiene and comfort, improve indoor air quality, reduce healthcare-associated infections, shorten inpatient stay and decrease hospitalization costs.
[157] Op ID: 48402.
[158] Two other important components of this project included the modernisation of low-voltage infrastructure including substations and the installation of a modern Energy Management System (SCADA).
[159] Op ID: 40219.
[160] ECRB (2022), *Market Monitoring Report*. Available at: https://www.energy-community.org/dam/jcr:1be3ccce-7262-45c5-b17c-a9c020c0b651/ECRB_RetailMMR2021_approved.pdf.
[161] IFAD (2024). *Country strategic opportunities program*.
[162] World Bank (2024), *Montenegro – Country Climate and Development Report*.

> *"Even the EBRD, which has repeatedly been talking about aligning its investments with the Paris Climate Accord, is failing to make sustainable heating a priority in the Western Balkans region."*
>
> CEE Bankwatch Network

130. **EBRD achievements in the sustainable municipal sector over 2017-24 were modest.** In 2019 the Bank financed one project[163]: a €24 million loan to regional water supply company of Montenegro (RVCP) for constructing water pipelines in Herceg Novi municipality along the existing Budva-Tivat pipeline, as well as water and sewage infrastructure in Dobre Vode municipality. Over the same period KfW and EIB invested €77 million and €26 million in water supply and sanitation projects, respectively. The EBRD project helped address severe water scarcity, particularly during the tourist season. So far, less than half of the loan has been disbursed: construction of both pipelines is completed, but the Dobre Vode investment remains on hold. For district heating and colling, the EBRD made no investments over 2017-24 – a gap noted by the CEE Bankwatch Network. More broadly, the Bank struggled to originate municipal projects largely due to the small size of municipalities in Montenegro (except Podgorica), their limited financial resources and capacity, and the difficulty of aggregating project proposals from several municipalities into viable project scales.

3.3.4. Policy dialogue – a breakthrough may be brewing

131. **Of the 15 PD workstreams undertaken by the EBRD in Montenegro over 2017-24, 5 were in energy efficiency and generation (Annex 5). By far the most significant reform initiative across all sectors has been the Bank's support in preparing the new Renewable Energy Sources Law and designing and implementing renewable auctions.** The Bank has a successful track record in introducing renewable auctions across Western Balkans region (and beyond). In Montenegro, lagging behind some regional peers, drafting of the primary law (a prerequisite for the auctions) began in July 2022, with adoption originally planned for December 2022. However, due to the dissolution of the governing coalition in October 2022 and resulting political instability,[164] the law was adopted only in August 2024. IEvD found that had adoption condition of the law not been incorporated as one of the World Bank's seven prior actions for US$ 80 million budget support,[165] could have been further delayed. This coordination between the local EBRD and World Bank teams was exemplary.

132. **If implemented as planned, EBRD support could lead to a breakthrough and systemic change, as it did in Albania and Serbia where the Bank successfully supported renewable auctions.** The first tender for the inaugural Contract for Difference auction has already been announced, with a quota of up to 250 MW for solar photovoltaic projects. Actual launch may take place in 2025. As part of the EU Growth Plan, Montenegro has committed to add 400 MW of renewable capacity over 2025-27 – more than double its existing solar and wind capacity of 134 MW. If successful, competitive auctions would mark a milestone toward achieving or even exceeding this target. Detailed assessment of the EBRD's support for renewable auctions in Montenegro, along withs results from past auctions in Albania and Serbia, is provided in Annex 12.

[163] Od Id: 50612.
[164] There were a total of four ministers of energy involved in drafting the law over 2022-24, triggering also a major turnover among the ministry's technical staff.
[165] World Bank (2024), *2024 Development Policy Financing*. Available at: https://documents1.worldbank.org/curated/en/099091324110541505/pdf/BOSIB12fcebff70d01bd7010c9cbf214dcb.pdf.

4. Insights, lessons and recommendations

4.1. Key insights and lessons

EBRD made the strongest impact on green transition. For systemic scale change, there is a good prospect of it in some areas, but overall, it has yet to materialise. Opining on Bank's success requires nuance, particularly with respect to the timeline dimension.

133. **Across the three priorities, the EBRD made a significant contribution to Montenegro's green transition. Its footprint on this area surpassed all the rest in which it has been involved.** Thanks to the EBRD's flagship support for the installation of smart electricity meters, over 335,000 meters have been installed in Montenegro, resulting in substantial reductions in transmission losses and CO_2 emissions, among others. Yet, more systemic change is still expected from several other major projects across renewables, smart grid and building energy efficiency areas that are at various stages of implementation. On the reforms front, EBRD support for the drafting of the new Renewable Energy Sources Law and subsequent design and implementation of renewable auctions hold the promise of a quantum leap in solar and wind installations.

134. **Across two other priorities – *enhancing competitiveness of the private sector* and *improving regional integration and connectivity* – the EBRD has not yet induced systemic change.** In the former, the Bank's investment volumes, e.g. in SMEs, were simply too small, even though on the regulatory front its support for the recently passed Company Law may eventually prove consequential. In the latter, particularly the railways sector where the Bank and the EIB have been the sole and vital external financiers for years, there remains the potential for systemic scale impact upon successful completion of ongoing projects and corporate governance reforms of rail authorities.

135. **Concluding categorically on the degree of the EBRD success' in inducing systemic change in Montenegro is not straightforward.** Systemic change typically occurs over the long run, so its absence at a given point may indicate either a lack of success or simply reflect the stage of progress rather than the end result. Insufficient clarity in the articulation of systemic change, including missing EBRD's Theories of Change structures for key priorities or sectors and related expected timeframes, makes such assessment more challenging.

EBRD's Montenegrin portfolio is skewed towards state clients. Yet, the majority were investments in *enabling infrastructure*. As these unlock private sector development, the rationale for the Bank's continuous involvement with state clients remains high.

136. **The currently low share of private sector clients in EBRD's Montenegrin portfolio may in fact be a lesser concern.** Much of the Bank's public sector investments supported critical infrastructure – essential for catalysing private sector development. Demand for EBRD's investment in local transport, energy and municipal infrastructure is very unlikely to subside over 2026-30. Going forward, a solid pipeline of renewable energy projects already put forward by private business may offer opportunities for rebalancing the portfolio towards the private sector.

EBRD was unsuccessful in its plans to improve SOE efficiency, advance privatisation and made only modest investments in the municipal sector.

137. **Despite potentially large dividends from improving SOE efficiency, EBRD's effort yielded little results, while the privatisation process in Montenegro has stalled over 2017-24.** The Bank sought to support reforms of inefficient SOEs, including through Corporate Government Action Plans with few of them. However, these have mostly failed so far. For privatisation processes, inherently dependant on government's will, no progress was achieved, rendering EBRD's objectives unmet.

138. **To further advance Montenegro green transition, municipal investments in areas such as buildings decarbonisation, heating and cooling, and waste and water sanitation are crucial.** So far, however, the EBRD succeeded in making only modest in-roads. Much of it was due to constraints such as the small size of Montenegrin municipalities, their limited fiscal space, and their project origination and implementation capacities. At the same time, persisting needs, as well as opportunities from the increased availability of EU pre-accession funding, make a tenacious effort and search for a feasible format of engagement continuously valid.

There were two-fold benefits of EBRD's strong *non-financial* additionality. It helped offset the Bank's lower *financial* additionality while it was also instrumental in raising the likelihood of more efficient and effective delivery.

139. **While the *financial* additionality of EBRD operations in Montenegro was often lower, particularly for local banks, the *non-financial* additionality was generally strong and offset the former.** This was thanks to enhanced support in project design and implementation and clients' capacity building through well-thought-out use of TC, as well as close and continuous involvement of the seasoned and locally present EBRD team, whose support went at times well beyond a typical financier's role.

140. **A lesson here is related to the value of the Bank's non-financial contributions.** In an environment like Montenegro, where private clients with bankable projects have access to cheap funding and public clients' capacity may be limited, the Bank's *non-financial* contributions are valuable for both, strengthening the rationale for EBRD's project involvement and increasing the likelihood of efficient and effective delivery.

Delivery efficiency in Montenegro was relatively low, though it could have been even lower without the perseverance of the local EBRD team and strong reliance on sound TCs. Customising the Bank's support to the local context is key.

141. **EBRD's 45 per cent disbursement rate over 2017-24 was the lowest across the Western Balkans region.** Delays in larger public sector projects, along with some recent signings and one cancellation, drove this low rate. Key underlying factors such as government changes, limited implementation capacity and COVID-19 were beyond EBRD's control. However, the tenacity of the local EBRD team in solving implementation challenges and the frequent use of sound TC to support projects' design and implementation such as PIUs have likely helped to avoid even lower disbursement rate.

142. **The lesson here is that implementation risks can be mitigated by customising support to the local context.** The use of TC, coupled with the strong local presence of the EBRD team, does not guarantee success but can help alleviate some of the hurdles. For PIUs specifically, a regular

and essential feature in Montenegro, their customisation warrants a forward-looking element as well. Specifically, the modalities of knowledge transfer from PIUs to hosting SOEs and state institutions, and how to lock in the know-how once the former are disbanded, are essential.

EBRD Montenegro Country Strategies enumerate many objectives and activities, and systemic change is insufficiently articulated. This raises the question about greater selectivity, prioritisation and the degree to which systemic change was conceived.

143. **The EBRD Montenegro Country Strategies appear to lack sharpness.** It is understandable that these should offer a degree of flexibility and serve as an aspirational statement of some sort. But for a small country like Montenegro the list of objectives, and certainly the list of activities, seems high. Moreover, given the need for prioritisation due to the Bank's finite resources, it is unclear what the EBRD's concrete stance has been (if any) regarding its approach to supporting railways versus road projects and, within the latter, the Bar-Boljare highway versus local and regional road projects. For the Bank's initiatives related to *cross-border* transport networks requiring synchronised effort, both strategies remain silent on coordination activities with the local EBRD ROs in Albania and Serbia or with neighbouring countries' authorities.

144. **More fundamentally, EBRD Country Strategies lack clear articulation of intended systemic change.** Strategies do not include the Theory of Change for systemic change under key priorities or sectors, which would help articulate the Bank's intent on what, how and within what timeframe it seeks to induce systemic change. This may have two major ramifications: first, less focus on pursuing systemic change by the EBRD; and second, greater difficulty in evaluating the Bank's results and gauging the degree to which it has been successful, with consequences for both accountability and learning.

4.2. Recommendations

145. **Based on these findings, IEvD puts forward three recommendations**: one focused on the Bank's strategy in Montenegro, and two operational recommendations for activities in Montenegro.

Strategic recommendation

Issues	Recommendation 1
▪ The recent update of the EBRD's Transition Impact Assessment Methodology calls for stronger diagnostics and promotion of projects with potential for systemic change. ▪ Both Country Strategies covered many areas and activities, between which links are at times missing. ▪ Neither Country Strategy elaborates on key EBRD investment projects in the neighbouring countries and their potential linkages with those envisaged in Montenegro, nor on possible coordination actions and synergies between EBRD ROs and other stakeholders. ▪ The order of importance of specific activities within certain priorities is also missing. For	**Be more selective with the scope of priorities and objectives, including the choice of specific activities, and focus on (sub)sectors with potential for systemic change in the next EBRD's Montenegro Country Strategy 2026-30.** Within that context, the Bank should consider: ▪ Identifying and focusing on (sub)sectors where EBRD can drive systemic change, amplifying the impact of its interventions. Selection should be based on well-articulated theories of change. Projects that contribute to systemic change, such as upgrading or developing energy infrastructure, can have long-lasting and wide-reaching benefits. ▪ At the conceptualisation stage, setting limits for the scope of the new strategy, spelling out trade-offs between the number of objectives and

instance, given finite resources, the typically large size of individual projects and their implications for the Bank's portfolio, it is unclear whether it intends to prioritise roads over railways, or vice versa.	actions and the desired focus to avoid a "long shopping list" or amalgamation of objectives and actions, and ensuring a right degree of ownership by the local team in the final decision on inclusions and exclusions may be beneficial. ▪ Where relevant, indicating the order of importance for some interventions within specific sectors (e.g. EBRD investments in roads versus railways or solar versus wind) to sharpen the approach. Montenegro's decarbonisation plans (e.g. its National Energy and Climate Plan) and international commitments (e.g. EU accession agenda) may also help to guide prioritisation. ▪ For objectives and actions particularly sensitive to changes in government ownership – such as privatisation or the establishment of the Credit Green Fund – consider scenario planning to nuance EBRD's course of action should ownership proved lower than anticipated. ▪ Successful implementation of some objectives and actions set out in the next EBRD Montenegro Country Strategy 2026-30 may also depend on those in the Bank's County Strategies in neighbouring countries like Albania, Bosnia and Herzegovina, and Serbia. Intentional prioritisation and sequencing may therefore be warranted. The evaluation team stresses that greater selectivity and flexibility to respond to emerging priorities in a dynamic context may not be mutually exclusive.

Operational recommendations

Issues	Recommendation 2
▪ SOEs account for a very substantial share of the Montenegrin economy. They have been and will continue to be key counterparties for many projects and recipients of sizable financing. Efficiency gains would have therefore significant implications. ▪ All Corporate Governance Action Plans (CGAPs) undertaken with SOEs have either partly or fully failed. ▪ No project was undertaken in the PPP format in Montenegro over 2017-24.	**Take a more conscious and watchful approach to the adoption and implementation of corporate governance reforms at SOEs and to institutional capacity building undertaken by the EBRD.** Enhanced design and supervision of implementation may consider: ▪ Collaborating with other DFIs/ IFIs, e.g. through coordinated conditionalities and financial incentives. ▪ Continuing to use loan covenants for key institutional reforms or corporate governance improvements, while strengthening their monitoring and implementation. ▪ Obtaining TC support for every CGAP implemented with SOEs and tightening their monitoring and implementation. ▪ Further strengthening of SOEs' tailored PIUs, including ensuring sustained knowledge transfer once these are disbanded.

	▪ Conditioning new EBRD project involvement on an SOE’s successful achievement of key milestones in its corporate governance reform plan.

Issues	Recommendation 3
▪ To further advance the green transition, including decarbonisation of buildings and waste and water sanitation projects, municipalities need to be brought into the picture. ▪ EBRD made only one investment in municipal infrastructure over 2017-24. ▪ Limited capacity of municipalities may hamper absorption of EU funds, the availability of which has recently increased markedly. ▪ There have been major constraints hindering larger EBRD and other DFIs/IFIs involvement in the municipal sector in Montenegro, including (i) the small size of municipalities, except Podgorica; (ii) limited financial capacities; (iii) limited project design and implementation capacities; (iv) suboptimal coordination at times with the central government.	**In light of limited progress in waste and water sanitation and no progress in municipal buildings decarbonisation over 2017-24, and the critical role of the municipal sector going forward, reconsider the EBRD’s modalities of engagement with municipalities.** This may comprise: ▪ A fresh rethink of where and how the PPP format could be deployed. ▪ A joint effort by local authorities, the EU, active DFIs/IFIs, and other local partners to establish a mechanism or structure that allows aggregation of viable municipal projects and coordinate support for their implementation.

ANNEXES

Annex 1. Evaluation methodology

IEvD's methodological approach to country-level Evaluations has been outlined in the internal guidance note to country-level Evaluations. In a nutshell, it is built around developing a Theory of Change based on the country strategies and using a mixed-methods approach to address evaluation questions largely based on the OECD-DAC Evaluation Framework.

The primary rationale for introducing country-level Evaluations is that they provide a unique opportunity to examine to what degree and how the EBRD may have contributed to systemic change (Box 8). Here, IEvD will examine the pathway of success and traces of systemic change originating at micro level (i.e. induced by an investment project), at meso level (i.e. induced by policy dialogue focused on a sector), and where relevant, comment on EBRD's plausible contributions at macro level.

Box 9 outlines also some further considerations around the systemic change. These include some nuancing of the evaluative judgments about the EBRD's performance depending also on whether such change has been already induced by the Bank, has not but there is some likelihood of it in the future, or has not and it is unlikely it will in a foreseeable future.

Box 8: What is *systemic change*?

- ***Systemic change*** is change in the underlying causes of market system performance, typically in the behaviour and relationships of system actors, that is significant in scale and sustainable over time.[166] It is based on *three components*: (i) change in the system (structure, functions, rules); (ii) system's response to change (resilience and adaptability) and (iii) attribution to intervention (link between programme and observed change).
- ***EBRD's definition of systemic change*** introduced in the 1997 Transition Concept paper and maintained since then refers to the transformational and lasting changes to market structures, behaviours, or institutions triggered by Bank's project(s). Driving systemic change often involves changing the underlying roles, norms, structures, and incentives within a market system rather than focusing on the outputs from an individual project. EBRD's transition mandate focuses on contribution along three dimensions: (i) competitive market structures; (ii) institutions, laws and policies that support markets; and (iii) market-based skills and behaviour.
- ***Most recent changes to the EBRD's Transition Impact assessment (Q1 2025)*** further expand these dimensions to support capturing Bank's impact beyond client/ beneficiary level. It identifies four triggers that are considered when assessing individual project's measurable contribution to systemic change at portfolio or market level: a) novelty; b) market structures, c) skills transfer, and d) policy scope (change).[167]

Source: IEvD

Box 9: Systemic change – additional considerations

The Bank's Transition Impact Methodologies incentivise the focus on investments and policy resources (e.g. via TI scoring) that can generate systemic improvements in the quality of markets. These also acknowledge, however, that such impact may be at times achieved in the *long run* only. Therefore, the

[166] Springfield Centre (2019) "What is Systemic Change?"
[167] EBRD internal document (2025) SGS25-066 Board Information Session "Transition Impact Assessment Methodology Update"

judgment whether the absence of systemic change at any given point of time constitutes the Bank's failure (or not) requires a more nuanced consideration.

Firstly, this is because if systemic change still has not materialised *here and now*, it does not mean that it may not occur later. It is common that transformational changes in some sectors imply a long-time horizon. Yet, the crucial point here from the evaluative standpoint is what the intended time horizon for systemic change may have been e.g. 2 years, 5 years (duration of the Bank's Country Strategy), a decade? Currently, this is not articulated, including in the EBRD Country Strategies. As a result, evaluative judgment whether the Bank succeeded/ tracks well/ failed in inducing systemic change, without clarity on an *ex-ante* schedule of by when it may have intended to do so, needs to grapple with that issue.

Secondly, articulation of systemic change in EBRD's approach is currently insufficient. For instance, the term *systemic change* does not appear a single time in the EBRD Montenegro Country Strategies 2017-20 and 2021-26, and so it is challenging to glean under which Priority-ies/ which sectors and how it was intended to be induced. A recent update of the Transition Impact Assessment Methodologies calls for '*a clear Theory of Change structure articulating the impact narrative by denoting outputs, outcomes and contribution to systemic change*'.

Thirdly, some EBRD's interventions are by default of a limited scale e.g. ASB which reached less than 0.5 per cent of SMEs in the Montenegro and an average €17,000 support per project/ company – a modest resource. Thus, it may not be reasonable to expect large impact (i.e. systemic change) from such interventions. At the same time, their usefulness and added value can be still hardly questioned.

The *temporal* scope of this evaluation covers the period from January 2017 to December 2024. This includes operations and policy dialogue workstreams approved and signed within that window. This time-frame overlaps with the past (2017-2020) and more than half way term of the current (2021-2026) Montenegro Country Strategy. This will allow inclusion of mature and more recent interventions alike, while both Country Strategies exhibit high degree of continuity and hence a higher plausibility of systemic impact. Portfolio analysis and other type of analysis presented in this document will be updated with 2024 figures once those are available.

The *product* scope of this evaluation covers all EBRD investment activities in Montenegro and related transactional Technical Cooperation assignments, Advisory for Small Business projects, and selected policy dialogue workstreams. This wider scope reflects the fact that systemic change is often the product of a range of connected initiatives rather than the outcome of a single project or Technical Cooperation assignment. For policy dialogue workstreams, the evaluation will be selective and prioritise those that carried a greater promise of systemic change ex-ante, based also on information provided by the local Resident Office (RO) team.

Developing a Theory of Change

The starting point for this evaluation is to use a Theory of Change (ToC), which will act as the framework for understanding the link between EBRD activities in Montenegro and addressing transition gaps. The ToC identifies the causal pathways and key assumptions of the changes (and transition impacts) to which EBRD was expected to contribute and the core areas and cross cutting themes on which this country-level Evaluation will focus.

Theory-based approaches seek to:

- understand the underlying operating mechanisms that generate the observed changes. Hence, theory-based approaches go beyond assessing "what has changed" to answer the more difficult questions of how, why, where and for whom as well.
- identify and explain the influence of the social, political, economic context on the strategy results and transition impacts.

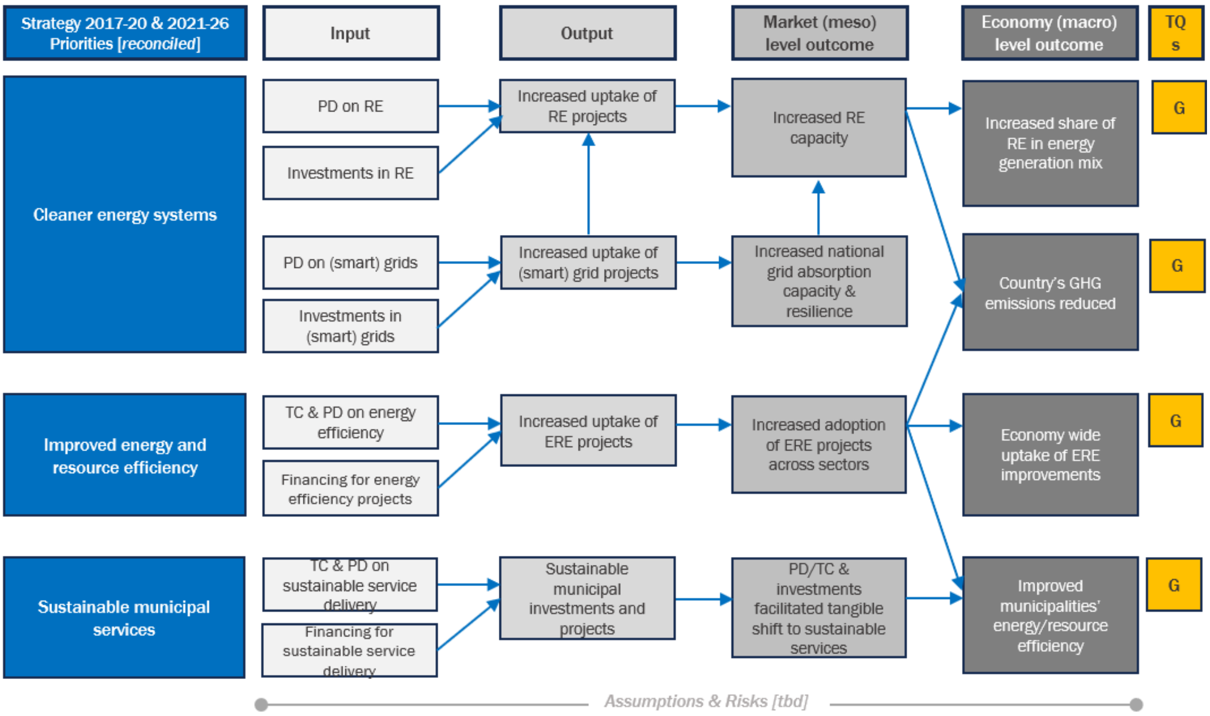
ToC suits country-level Evaluations as it allows to develop system perspective rather intervention perspective. Systemic changes at sector or country level, with a plethora of factors at play and agents involved, are extremely unlikely to be the result of a monocausal relationship. For instance, while the EBRD may have contributed to green transition of Montenegro's economy, the EU, other IFIs/ DFIs, key private market players, authorities' reform ownership and host of exogenous factors i.e. energy prices, have certainly played a role too. Gauging a relative magnitude of the EBRD contributions, including leading/ supportive/ negligible role compared to other promoters of systemic change like IFIs/ DFIs, will therefore be pertinent.

For the country-level Evaluation of Montenegro, as for the previous country-level Evaluation of Uzbekistan, IEvD will develop a theory-based approach using a three-stage process:

- *Stage 1 - Identification of areas of sectoral focus for the Bank*: The selection of sectoral focus areas reflects the areas of concentration of the Bank's portfolio in Montenegro as well as key Priorities under past and current Country Strategy – based also on the assumption that a prerequisite for influencing systemic change is critical mass in implementation within a particular sector.
- *Stage 2 – Development of structured ToC for each area/ sector*: The IEvD design three *ex-post* ToC, one for each reconciled priority[168] across both Country Strategies, based on document review and interviews with key staff in RO Podgorica. Figure 21: presents an example developed for deepening/ fostering Montenegro's *Green* economy transition priority. These, along two other ToC structures for two other Priorities, were used as frameworks to map and collate the data that IEvD was gathering, providing a framework to illustrate how much evidence there may be for the EBRD's contribution towards systemic changes in the respective area/ at sector level.
- *Stage 3 – Synthetising systemic change at the level of the EBRD's wider strategic priorities*[169]: A tabular approach mapped areas of potential change at the sectoral level versus each of the Bank's strategic priority areas presented in Table 2. The aim was then to assess whether, and if so, to what degree the Bank has contributed to systemic change for each of the strategic priorities. Noteworthy, assessment of the EBRD's relative contributions (or lack thereof) to a systemic change was preceded and grounded in a thorough analysis of evolutions of these sectors overall, to support the robustness of these assessments.

[168] (1) Enhancing/ strengthening of private sector competitiveness, (2) Improving connectivity and regional integration, and (3) Deepening/ fostering Montenegro's green economy transition
[169] As per past (2017-2020) and current (2021-2026) Montenegro Country Strategy

Figure 21: Stage 2 - ToC for Deepening/ fostering Montenegro's *Green* economy transition



Source: IEvD

Note 1: relationship between components may be at times non-linear and nonproportional
Note 2: explanatory narrative on key terms in ToC based on reconciliation of both Country Strategies:

Energy systems – here defined as energy generation systems like solar and wind, but also strengthening and expansion of the (smart) grid that features under both Country Strategies.

Municipal services – these include water and wastewater, waste management, district heating and sustainable transportation. Municipal services seem to have been given somewhat more prominence under the current Country Strategy cf. previous one (spelled out in the actual title of the Priority). Though, waste/ water management was spelled out under the previous Country Strategy still, and there was a very explicit link between municipal infrastructure and sustainable tourism under previous one too, for instance.

Sustainable tourism – features strongly under previous Country Strategy (in the title of the Priority and detailed description in the text). Interventions directly in tourism sector companies/ assets, but also municipalities in tourist areas.

Improved energy and resource efficiency – tourism sector features strongly under previous and current Country Strategy, while under current Country Strategy there is also direct reference to 'rehabilitation and upgrade of EPCG assets in generation and distribution'.

RE (Renewable Energy) – while under previous Country Strategy development of renewable energy sources was qualified in the text by 'subject to political will', under the current Country Strategy RE features more prominently with specific emphasis on 'primarily wind and solar' and is not conditioned by political will.

Table 2: Stage 3 - Tabular approach adapted to country-level Evaluation of Montenegro

		EBRD Strategic priorities in Montenegro		
		Enhancing/strengthening private sector *Competitiveness*	**Improving connectivity and regional *Integration***	**Deepening/ fostering Montenegro's *Green* economy transition**
Sectoral focus	**Supporting the growth of private sector businesses and SOEs' turnaround**	Direct/ indirect lending & ASB services to private enterprises (including agribusiness – tourism linkages and enhancing enterprises operational efficiency) Support of business-friendly reforms (e.g. via policy dialogue workstreams) SOEs' efficiency improvements & privatisation	Direct/ indirect lending & ASB services to export oriented enterprises	Direct/ indirect lending & ASB services to private enterprises (including sustainable tourism) on energy & resource efficiency solutions Support to private sector renewable energy capacity expansion Support of regulatory reform in renewables area (e.g. via policy dialogue workstreams)
	Expanding *cross-border* energy, ICT and transport infrastructure	Investments and Technical Cooperation in energy connectivity/ transmission infrastructure, transport and ICT projects boosting regional connectivity	Investments and Technical Cooperation in transport and ICT projects boosting regional connectivity Support of reforms in digital and regional energy markets areas (e.g. via policy dialogue workstreams)	Investments and Technical Cooperation in energy connectivity/ transmission infrastructure
	Upgrading municipal infrastructure	Support to the roll-out/ use of PPP structure	Investments and Technical Cooperation in transport and ICT infrastructure	Investments and Technical Cooperation in energy & resource efficiency infrastructure (including EPCG assets)

Source: Based on IEvD's review and interpretation of Montenegro Country Strategies, CSDRs and portfolio analysis.

IEvD’s use of the ToC was caveated with several considerations. First, in using a ‘reconstructed’ ToC, IEvD stayed aware that the EBRD is also a demand-driven institution. This implies that Country Strategies cannot be entirely prescriptive or selective and should afford banking teams flexibility and capacity to manoeuvre and respond to market demands. Second, the ToC was intended to be a ‘live’ document and will be updated as IEvD progresses in grasping how causal mechanisms in Montenegro worked. Third, IEvD avoided hindsight bias while interpreting causal links and will remain receptive to wider range of causal pathways and interpretations including unintended effects and crucial RO’s staff perceptions.

Gender and inclusion are components of both Country Strategies and were integrated across all evaluation questions. Both Country Strategies identified explicitly WIB programme as a mechanism in which they seek to promote gender and inclusion. They also target identifying opportunities to promote gender inclusive growth at the project-level. Similarly, digital transition and environmental sustainability are present as key cross-cutting principles.

IEvD used a range of both qualitative and quantitative data collection methodologies to gather evidence against each stage of selected causal chains. At the ‘strategic focus’ level, project-level data was used to build a narrative. Moving to market-wide outcomes and economy-wide outcomes entailed more reliance on qualitative data collected via interviews and secondary data sources. This process helped IEvD to determine how plausible the narrative was for the EBRD’s contribution to systemic outcomes. The purpose was not to deliver a quantification of systemic outcomes but a credible narrative of EBRD contribution to transition.

Lastly, for the purpose of clarity, it is important to bear in mind what this country-level Evaluation is *not*. It is not an assessment of Montenegro’s performance or performance of its successive governments, nor is it an evaluation of EBRD RO’s performance. It also does not seek to gauge quantifiable contribution that the Bank has made towards country’s Assessment of Transition Qualities scores i.e. EBRD direct impact on these scores. Furthermore, this country-level Evaluation is not a ‘fully fledged’ assessment of Montenegro Country Strategies. Although, the latter provide an important departure point as they present a framework for understanding the Bank’s intent in the country, and where relevant, the evaluation team may comment on their overall fit.

Content below presents evaluation questions and examples of key inquiry lines as well as an outline for data collection methodologies and research tools. In addition, potential limitations and challenges to the evaluation are discussed briefly too.

Evaluation questions

This evaluation will address an overarching evaluation question:

To what extent has the Bank addressed and helped to narrow transition gaps in Montenegro?

To respond to the overarching evaluation question, IEvD proposes a set of sub-questions framed around the OECD-DAC Evaluation Criteria (relevance, effectiveness, efficiency, coherence and sustainability).

EQ1 (relevance): ***To what extent did the EBRD’s activities respond to the needs of the country, and continued to do so in changed circumstances?***

Under relevance, the evaluation team will explore the rationale for EBRD investments, Advisory for Small Business and key policy dialogue workstreams undertaken over the period 2017-24.

This will be done against: (i) gaps in Transition Qualities, (ii) findings of *ex-ante* diagnostics underpinning both Country Strategies and priorities laid out in both Country Strategies themselves, and more widely, (iii) government and EU strategic priorities (e.g. as per Montenegro's Economic Reform Programs 2017-24).

Being cognisant that the EBRD is a demand-driven institution operating in environment with exogenous constraints (e.g. pool of bankable projects; permitting times; local authorities' capacity) and affected by unforeseen events (e.g. COVID-19; war on Ukraine), IEvD will examine alignment of the investment portfolio with both Country Strategies (e.g. by mapping it onto them), and its relative significance (e.g. as share of country's GDP and total investment flows; total investment in renewable/ transport infrastructure CAPEX projects and total SMEs lending; and relative to other IFIs' flows). In the same vein, it will also assess selection rationale with respect to contemplated and being pursued policy dialogue workstreams[170]. Where useful, the evaluation will seek views of external stakeholders, for instance on relevance of EBRD's priorities and its *modus operandi* in Montenegro (e.g. fit of product offer[171]), as seen by locally operating IFIs/ DFIs, project financiers & developers, clients and Civil Society Organisations.

In addition, financial and non-financial additionality of Bank's operations will be assessed, with due differentiation for sectors' specifics (e.g. SMEs lending, renewables, municipal infrastructure). Where feasible, evidence on EBRD's efforts to crowd in private capital will be gleaned and analysed.

EQ2 (effectiveness): ***To what extent did the EBRD contribute towards achieving, or expected to achieve, its strategic priorities in the country?***

Both Country Strategies offer a high-level description of systemic changes the Bank expects to influence. The three reconstructed ToCs across the three (reconciled) Pillars[172] set out the causal pathways through which the Bank's activities are expected to contribute towards these systemic changes. These two elements provide a starting point and conceptual frameworks for the evaluation team to collect and analyse evidence, to understand the EBRD contributions to systemic outcomes.

IEvD is mindful that many of the Bank's activities are in support of longer-term strategic priorities, which can take a significant amount of time to materialise and come to fruition. Particularly in some sectors (e.g. infrastructure) projects can have a long 'lead-time', and so in some cases the focus will be on emerging evidence and likely future contribution to outcomes. Presence of exogenous constraints, impact of unforeseen events, disentangling EBRD's attribution from impact of other institutions[173], difference between *de jure* and *de facto*[174], and prerequisite of avoiding hindsight bias by the evaluation team, all will be duly considered.

The evaluation team will also examine evidence for wider results that occurs outside the scope of the ToCs and Transition Qualities framework and may not have been intended e.g. whether positive or negative.

[170] Cases where a policy dialogue operation was contemplated, but eventually dropped, will be also explored. Selected set of policy dialogue operations that carried out a greater promise of systemic change ex-ante, will be subject to more in-depth analysis – succinct policy dialogue operations project fiches will be produced for each.
[171] Including sweet-spots/ potential for further tailoring, gaps and duplications
[172] Reconciled Pillar I: Enhancing/ strengthening of private sector competitiveness; Reconciled Pillar 2: Improving connectivity and regional integration; Reconciled Pillar 3: Deepening/ fostering Montenegro's green economy transition
[173] For instance, by attempting rigorously to establish a relative contribution of the EBRD to certain reforms that may have plausibly led to systemic outcomes vis-à-vis other reform promoters in Montenegro, like key IFIs and/or the EU. Did EBRD initiate and led on a reform, or joined effort at later stage and acted as one among several promoters i.e. leading vs reinforcing role? Had there been evidence of a tangible reform appetite and ownership among the authorities, or it had to be build-up?
[174] Particularly relevant for policy dialogue workstreams focusing on regulatory reforms where such difference may reveal implementation deficit (and hence lower/ no systemic impact)

EQ3 (efficiency): ***To what extent did the EBRD implement results on time, within budget and in line with its sound banking mandate?***

The efficiency related evaluation question focuses on the resources and processes used to deliver results. This will hinge on the assessment of extent to which the EBRD activities have respected the 'sound banking' mandate, including overall profitability of the portfolio. In addition, the redeployment of capital, including analysis of approval rates, speed of disbursement, delays, cost overruns and cancellations, will be performed. Insights will be contextualised by benchmarking against sample of other portfolios of economies where EBRD invests,[175] and where applicable, available metrics from other IFIs and EU financial instruments. Inherent differences between private and (sub)sovereign portfolios will be considered.

The evaluation team will also seek to gather evidence on possible streamlining of EBRD processes ('simplify to amplify'), and clear-cut examples of approaches & fixes that turned out to be consistently effective (or ineffective) e.g. in relation to implementation of investment projects with public sector clients or/ and in an effort to boost traction of policy dialogue induced reforms.

Lastly, visibility of the EBRD activities in Montenegro, and surrounding communication activities, will be also examined. Findings from media content analysis[176] will feed into this inquiry, among others.

EQ4 (coherence): ***To what extent were the EBRD's activities consistent with other actors' strategies and activities in the same context (external coherence), as well as with its own strategies and activities (internal coherence)?***

Coherence is demarcated between internal coherence, meaning the extent to which the EBRD's activities were coherent and synergistic with each other, and external coherence, which considers the consistency of the Bank's activities with other actors in the same context.

Given that policy dialogue is a multi-stakeholder process, by definition, coherence is a fundamental part of any policy dialogue process. In assessing coherence, IEvD will review the mapping of international partners that informed both Country Strategies. In particular, it will examine the extent to which the Bank's policy dialogue was coherent with other actors, especially IFIs and the EU, and complementary rather than duplicative or contradictory to the efforts of other policy advocates.

With respect to internal coherence, the evaluation will examine the extent to which EBRD used the different instruments available in synergy to maximise transition impact, as well as coherence across different sector and industry groups (e.g. SIG, ICA and FI) and cross-cutting themes (e.g. gender, green, inclusion).

EQ5 (sustainability): ***To what extent do the net benefits of the intervention persist or are likely to persist?***

In assessing sustainability, IEvD is primarily referring to the sustainability of outcomes and transition impact without the Bank's continued involvement (not environmental sustainability). The evaluation team intends to assess sustainability by looking at two criteria: institutional sustainability and market sustainability. Institutional sustainability is assessed by examining

[175] For instance, against Western Balkans peers

[176] Focusing on two (on-line) media outlets in Montenegro that are known for more detailed coverage of economic and financial news: (1) Vijesti.me and (2) Investitor.me, this would comprise, among others, frequency and sentiment analysis of news involving specific references to the EBRD, over 2017-24 period. Such analysis could also cover EIB – similarly to the EBRD, another significant IFI in the country. To offer some useful comparison, where relevant.

whether policy objectives have been enshrined within legislation, and key institutions have built their capacity (such that they continue initiatives *without* the Bank's support). Market sustainability is the extent to which the Bank has contributed to ongoing private sector interest and financial investment in the sectors the EBRD is seeking to support. In assessing both dimensions, the focus is on the sustainability of direct outcomes that the Bank has contributed towards, and what measures the Bank has taken to improve the likelihood of sustainability.

Data collection methods

The evaluation was grounded in the mixed methods approach comprising:

- **Portfolio and wider market & macro data***:* The portfolio analysis of EBRD's 48 investment operations, with most assessed on a standalone basis using standardised project assessment template, based on Bank's databases complemented with external data sources such as IMF World Economic Outlook, World Bank, OECD databases and national statistics informing the country/ Western Balkan context.
- **Desk review:** Examined documentation fell into two categories: Internal/EBRD where Country Strategies and related diagnostics documents, Montenegro Country Strategy Delivery Reviews and Transition Performance Reports (2017-24), along with various EBRD internal project documentation[177] were reviewed. External, where government of Montenegro policies and strategies[178], EU and selected DFIs/ IFIs strategies and assessment reports and relevant academic and grey literature, among others, were accessed.
- **Interview programme:** this evaluation draws on 80 semi-structured interviews. The majority (55) related to EBRD's investments, policy dialogue workstreams and ASB projects and consisted of: (i) EBRD banking and non-banking teams, and (ii) clients – typically senior staff e.g. Heads of Departments/ Directors in State Owned Enterprises and local banks and top management in SMEs/ corporates. In addition, to ensure the that the evaluation draws on the valuable sector & country perspective, the team met representatives of virtually all DFI/ IFIs active in the country and the EU[179], relevant Ministries and Authorities, selected private market players and Civil Society Organisations[180]. All external interviews were conducted without the presence of the EBRD's banking teams and on a "not for attribution basis".
- **Sector notes:** Four sector notes on transport (railways & roads), energy, State Owned Enterprises and ICT & broadband infrastructure were developed to gauge progress within sectors (or lack thereof) and relative significance of EBRD's contributions.
- **Media content analysis:** Frequency and sentiment analysis of 1,239 news articles with specific references to EBRD (and EIB to offer a benchmarking insight) published over 2017-24 period by three Montenegrin media outlets: Vijesti.me, Investitor.me and Bankar.me. The analysis was performed with the use of AI Large Language Model and support of CASM Technology[181].

[177] Including Board Approval documents, Directors Advisors Questions, Credit, TIMS, PMM, PSD and Central and South Eastern Europe Department/ESD notes (for investment projects) and Policy Dialogue workstream documentation.
[178] For instance, Economic Reform Plans.
[179] Including Council of Europe Development Bank, EIB, IFC, World Bank, AFD, KfW and the Energy Community Secretariat and the EU Delegation in Montenegro.
[180] Including American Chamber of Commerce, CEE Bankwatch Network, Chamber of Commerce, Competitiveness Council and Employers Union of Montenegro, Foreign Investors Council in Montenegro, Institute of Strategic Studies and Prognoses and University of Montenegro.
[181] CASM Technology, 2025. Available at: https://www.casmtechnology.com/

Annex 2. Evaluation Matrix

Evaluation question	Judgement Criteria	Indicators	Sources
EQ1 (relevance): ***To what extent did the Bank's strategies and activities respond to the needs of the country, and continue to do so if circumstances change?***	**Relevance of EBRD activities cf. (i) Transition Quality gaps; (ii) Bank's strategic priorities; (iii) external (strategic) priorities**	• Degree of alignment of EBRD investments, ASB services and policy dialogue workstreams with gaps identified in *ex-ante* diagnostics, Transition Qualities' assessment and Country Strategies • Degree of alignment of EBRD's strategic priorities with structural challenges, government and the EU reform priorities, and the way EBRD priorities were operationalised (e.g. product offer), and feedback on above from external stakeholders • Relevance of EBRD interventions in response to COVID-19 pandemic • Presence and relevance of gender and inclusion components, including at project level, and against identified gender and inclusion gaps	Document review – Project level documentation – List of policy dialogue workstreams considered & initiated by EBRD between 2017-23 – Other relevant EBRD documentation e.g. Transition Qualities' assessment for Montenegro; *ex-ante* diagnostics, 2017-20 and 2021-26 CSs; CSDRs – Relevant external documentation e.g. cross-checking of EBRD CSs with government strategic priorities laid out in the ERPs 2017-23; EU and selected IFIs/ DFIs diagnostics, strategic priorities and analyses; think-tank and consultancy reports Key informant interviews – EBRD local RO & HQ staff (e.g. OLs and non-banking teams) – EBRD local clients – Local authorities e.g. relevant ministries, CBM – Selected IFIs/ DFIs e.g. EIB, WB, IFC, KfW – EU representatives e.g. EU Delegation, DG ECFIN WB desk – Local lenders (including non-EBRD clients) e.g. depository and non-depository credit institutions, other financiers, IDF – CSOs e.g. academia, business association, chamber of commerce, local/ regional economic think-tanks, specialised media outlets Portfolio, market and socio-economic data analysis
	Relative significance of EBRD activities in Montenegro's context	• Size of EBRD investment portfolio relative to: (i) Montenegro's GDP and public & private investment flows; (ii) other IFIs flows; (iii) total investment in renewable/ transport infrastructure CAPEX projects; (iv) overall SMEs lending	Document review – List of policy dialogue workstreams considered & initiated by EBRD between 2017-23 – Relevant external documentation e.g. EU Progress Reports 2017-23 Key informant interviews

		• Selection rationale for considered & pursued/ completed policy dialogue workstreams	– EBRD local RO & HQ staff (e.g. OLs and non-banking teams) – EBRD local clients – Local authorities e.g. relevant ministries – Selected IFIs/ DFIs e.g. EIB, WB, IFC, KfW – EU representatives e.g. EU Delegation, DG ECFIN WB desk – CSOs e.g. academia, business association, local/ regional economic think-tanks, specialised media outlets Portfolio, market and socio-economic data analysis – IMF WEO & WB macro/ socio-economic statistics – Monstat and Central Bank of Montenegro statistics – Data on IFIs investments and key reform initiatives in Montenegro (2017-23) – Web-scrapping to compile the comprehensive list of renewable/ transport infrastructure projects in the country (2017-23) and scale of the EBRD involvement
	Additionality – financial	• Interest rate/ tenor/ repayment structure/ concessional element(s)/ other, beyond what market could have offered	Document review – Project level documentation – List of policy dialogue workstreams initiated by EBRD between 2017-23 – Relevant external documentation e.g. sector focused reports Key informant interviews – EBRD local RO & HQ staff (e.g. OLs and non-banking teams) – EBRD local clients – Local lenders e.g. depository and non-depository credit institutions, other financiers – Selected IFIs/ DFIs e.g. EIB, WB, IFC, KfW Portfolio and market data analysis – CBM, IDF and Monstant data on prevailing financing conditions and constraints
	Additionality – non-financial	• Measures mitigating non-financial risks • Measures leading to higher standards achieved by clients including environment and social standards	Document review – Project level documentation – List of policy dialogue workstreams initiated by EBRD between 2017-23 – Relevant external documentation

		• Measures related to policy, sector, institutional or regulatory change	Key informant interviews – EBRD local RO & HQ staff (e.g. OLs and non-banking teams) – EBRD local clients Portfolio and market data analysis
	Mobilisation	• Evidence of direct and indirect mobilisation that can be attributed to the EBRD investments with reasonable certainty	Document review – Project level documentation – EBRD reporting on mobilisation – Relevant external documentation Key informant interviews – Project level documentation – EBRD staff e.g. local RO staff and Ols – EBRD local clients Portfolio and wider EBRD data analysis
EQ2 (efficiency): ***The extent to which strategies and activities deliver, or are likely to deliver results in line with the EBRD sound banking mandate and in timely fashion with respect to approvals, disbursements, and implementation***	**Overall portfolio profitability for the Bank**	• Bank rate of return across key sectors, including comparison with selected CoOs • Repayment delays, NPL ratio and default rates, including comparison with selected CoOs	Document review – Project level documentation – Relevant external documentation e.g. financial reporting of other IFIs/ DFIs Key informant interviews – EBRD local RO & HQ staff (e.g. OLs and non-banking teams) – Selected IFIs/ DFIs e.g. EIB, WB, IFC, KfW Portfolio analysis
	Implementation efficiency of Bank's operations	• Time elapsed between project approval and signing • NCBI and disbursement rates across key sectors, and in comparison with selected IFIs/ DFIs and CoOs • Cancellations rate and presence of irregularities • Presence of approaches/ processes conducive for efficient implementation • Visibility of EBRD activities in Montenegro, and efficiency of core communication activities	Document review – Project level documentation – List of key communication activities intended to support EBRD workstreams in Montenegro – Relevant external documentation e.g. financial reporting of other IFIs/ DFIs Key informant interviews – EBRD local RO & HQ staff (e.g. OLs and non-banking teams) – Selected IFIs/ DFIs e.g. EIB, WB, IFC, KfW – EBRD local clients

			– CSOs e.g. academia, business association, local/ regional economic think-tanks, specialised media outlets Portfolio analysis and wider EBRD financial reporting
EQ3 (effectiveness): ***The extent to which Bank has contributed towards achieving, or expected to achieve, its strategic priorities?***	**Emerging evidence on Bank's achieving (or expecting to achieve) its strategic priorities**	• Changes in Montenegro's transition gaps over 2017-24 period • Examples of EBRD investments generating wider outcomes e.g. via demonstration effect • Example of ASB projects generating wider outcomes • Examples of EBRD policy dialogue workstreams and plausible linkage to market/ country level outcomes	Document review – Project level documentation – List of policy dialogue workstreams initiated by EBRD between 2017-23 – Other relevant EBRD documentation e.g. Transition Qualities' assessment for Montenegro, CSDRs – Relevant external documentation e.g. Ministry of Finance ERPs implementation reports; EU and other IFIs/ DFIs Montenegro's assessments Key informant interviews – EBRD local RO & HQ staff (e.g. OLs and non-banking teams) – EBRD local clients/ beneficiaries – Local authorities e.g. relevant ministries – Selected IFIs/ DFIs e.g. EIB, WB, IFC, KfW – EU representatives e.g. EU Delegation, DG ECFIN WB desk – CSOs e.g. academia, business association, local/ regional economic think-tanks, specialised media outlets Portfolio and wider market/ country level data analysis
	Emerging evidence on systemic impacts resulting from the Bank's activities *outside* of the scope of the ToCs	• Progress in Montenegro's economic development and areas of structural reforms over 2017-24 interval • Examples of EBRD investments and policy dialogue workstreams generating wider (unintended) market/ country level outcomes	*Ditto*
EQ4 (coherence): ***To what extent the Bank's strategies and activities have been consistent with other actors' strategies and activities in the***	**Internal coherence**	• Coherence across instruments, sectors and industry groups and cross-cutting themes	Document review – Project level documentation – List of policy dialogue workstreams initiated by EBRD between 2017-23 – Other relevant EBRD documentation e.g. Transition Qualities' assessment for Montenegro; *ex-ante* diagnostics, 2017-20 and 2021-26 CSs; CSDRs Key informant interviews

same context (external coherence), as well as with its own strategies and activities (internal coherence)?			– EBRD local RO & HQ staff (e.g. OLs and non-banking teams) – EBRD local clients Portfolio and wider market data analysis
	External coherence	• EBRD investments and policy dialogue workstreams do not duplicate/ overlap with initiatives of other IFIs/ DFIs/ EU efforts	Document review – Project level documentation – List of policy dialogue workstreams initiated by EBRD between 2017-23 – Relevant external documentation e.g. list of reforms directly supported by other IFIs/ DFIs and the EU, and their investment portfolios Key informant interviews – EBRD local RO & HQ staff (e.g. OLs and non-banking teams) – Local authorities e.g. relevant ministries – Selected IFIs/ DFIs e.g. EIB, WB, IFC, KfW – EU representatives e.g. EU Delegation Portfolio and wider market data analysis
EQ5: ***The extent to which the net benefits of the intervention continue or are likely to continue?***	**Institutional and market sustainability**	• Benefits of the EBRD policy dialogue workstreams, including regulatory changes and institutional improvements, have been long-lasting • Market outcomes induced directly by EBRD have been long-lasting	Document review – Project level documentation – Relevant external documentation Key informant interviews – EBRD local RO & HQ staff (e.g. OLs and non-banking teams) – Selected IFIs/ DFIs e.g. EIB, WB, IFC, KfW – EBRD local clients/ beneficiaries e.g. Competitiveness Council Portfolio and wider market data analysis

Source: IEvD

Annex 3. Portfolio analysis

Between January 2017 and December 2024, the Bank approved and signed a total of 48 unique individual operations in Montenegro for the amount of €502 million[182]. Of those 22 were stand-alone operations and 26 sub-operations under frameworks. As of December 2024, of these 48 operations, 40 were still active, while 7 were completed and 1 cancelled.

Table 3: Number of unique operations signed, in € million, 2017-2024

Product	2017	2018	2019	2020	2021	2022	2023	2024	Total
# of unique Ops signed	3	3	8	11	2	7	5	9	48
Total amount [in € million]	63	32	49	144	4	26	69	113	502

Source: EBRD DW_Banking_Operational

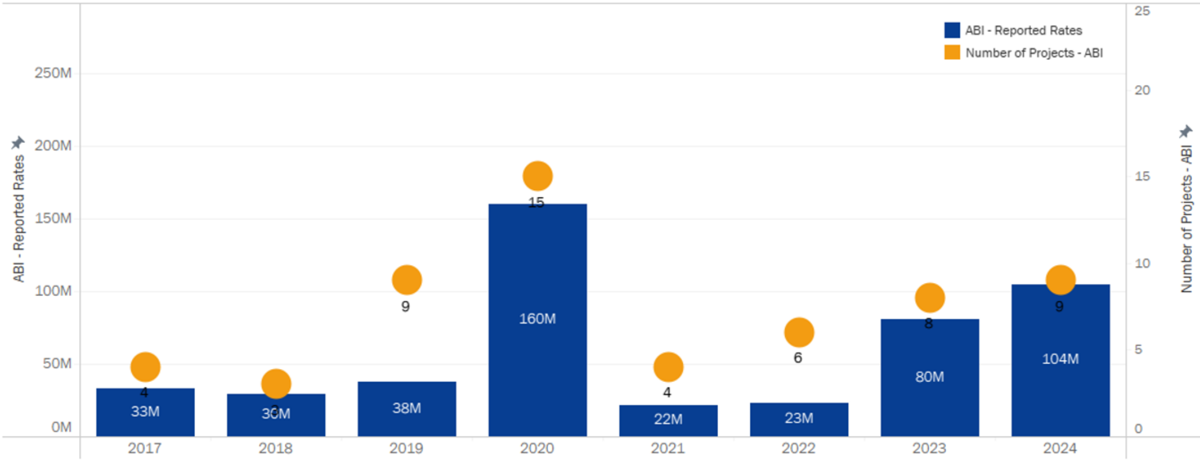
Based on the IEvD mapping exercise, out of 48 unique operations, 22 were signed under the 2017-20 Strategy and 26 under the 2021-26 Strategy (Table 3). For the 2017-20 Strategy, and in € terms, the operations were fairly evenly distributed across its three priorities in terms of volume. However, for the current 2021-26 Strategy, Priority 2: Deepening Montenegro's Green Economy Transition through cleaner energy and more sustainable municipal services, have attracted the largest volumes – a sign of portfolio tilting towards green (Figure 4).

Annual business volume[183]

The total Annual Bank Investment (ABI) in Montenegro over the period 2017-2024 was €490 million across 58 projects. Until quite recently and excluding an odd year of 2020 with unprecedented surge in business triggered by Covid-19 and two large €50 million signings, the ABI oscillated around €20-30 million annually (Figure 22). In 2023 and 2024, however, ABI rose markedly to €80 million and €104 million respectively, and strong pipeline suggests that this large increase in volumes may be sustained in 2025 too. More generally, a small universe of bankable projects coupled with highly liquid banking sector and abundant IFI financing[184] have limited somewhat EBRD's commercial opportunities in the country[185]. Relatively small ABI volumes in Montenegro's context meant also that signing of one larger project can make a difference between an ordinary and extraordinary year[186].

[182] The evaluation will include sub-operations approved under Regional Frameworks if the former envisaged specific investments in Montenegro e.g. WB GEFF II.
[183] This portfolio analysis is based on EBRD DW_Banking_Operational data as of end-December 2023, unless stated otherwise. It considers all Operations with signing date falling between 1 January 2017 and 31 December 2023.
[184] Channelled also through the local development bank IDF
[185] CSDR for 2023
[186] For instance, signing of the €57 million loan with the national power utility (EPCG) for the construction of 55 MW wind power plant in Gvozd (OpID: 50427) lifted ABI for 2023 to a second highest on record from what would be otherwise a fairly quiet year (business-wise).

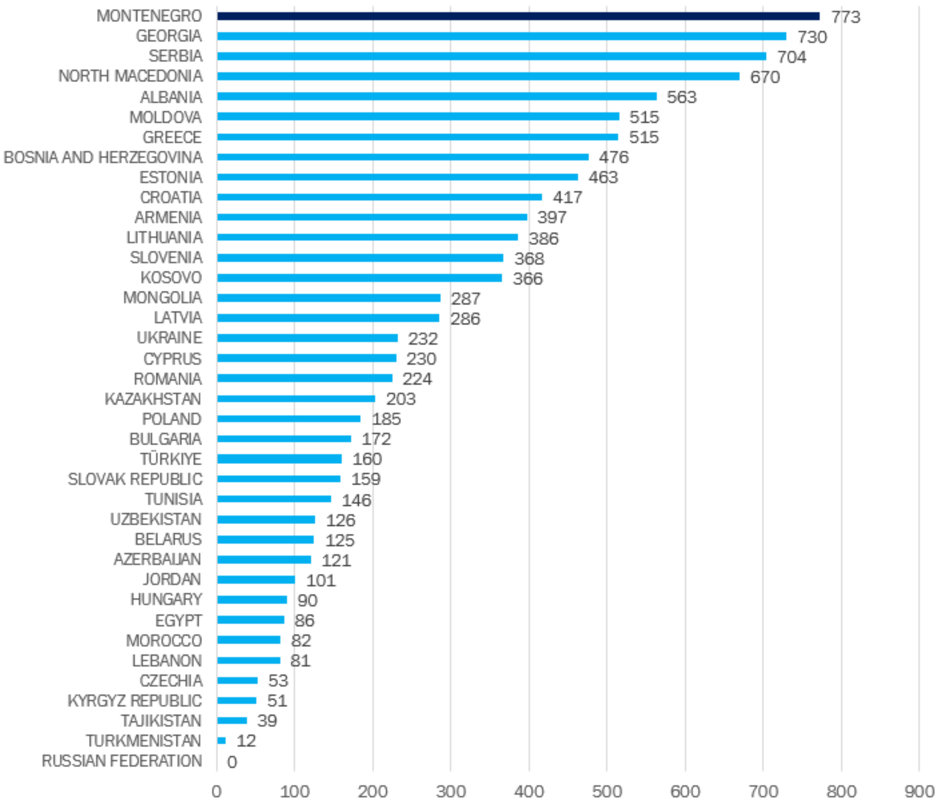
Figure 22: ABI in Montenegro and number of operations, 2017-2024



Source: EBRD DW_Banking_Operational and IEvD analysis

ABI in Montenegro in absolute term has been naturally small when compared with most of the other EBRD CoOs. On per capita basis, however, it topped the list of all EBRD CoOs. Over 2017-24 period Montenegro attracted cumulatively €490 million ABI, the lowest volume out of all countries in the Western Balkans region, and 32nd out of 38 EBRD CoOs. Hardly surprising given country's size. Yet, adjusting for population size, and on per capita basis and using aggregate ABI for the period 2017-24, Montenegro ABI was €773 — the highest among all EBRD CoOs (Figure 23).

Figure 23: ABI *per capita* for all EBRD CoOs



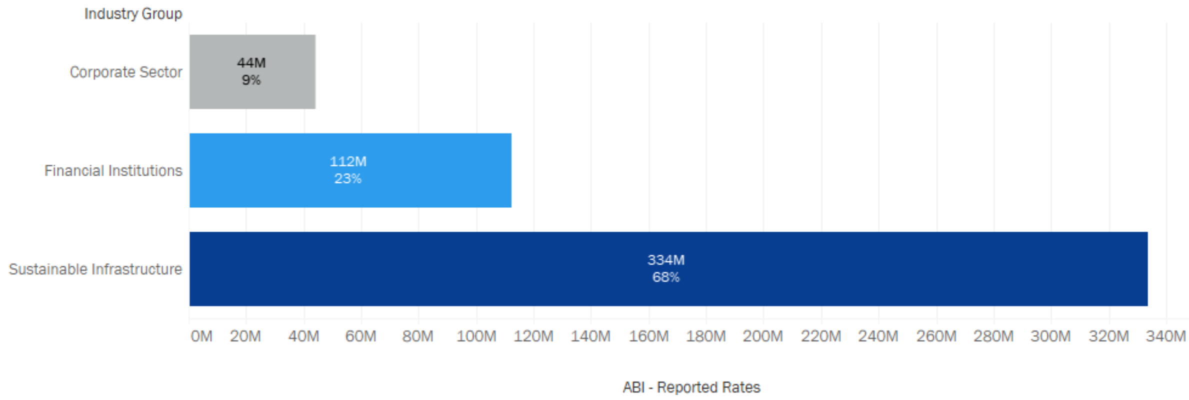
Source: EBRD DW_Banking_Operational, Eurostat and UN population data, and IEvD analysis

Note: Per capita figure is a quotient of cumulative ABI for 2017-23 period and country's population data as of 2023

Sector distribution

Two thirds of the ABI in Montenegro over the period 2017-2024 was delivered by Sustainable Infrastructure sector. Cumulatively, ABI in Sustainable Infrastructure reached €334 million, accounting for 68% of the total ABI, and circa 3 x and 7.6 x more compared to Financial Institutions (FIs) and Corporate Sector (former ICA) respectively (Figure 24)

Figure 24: ABI in Montenegro and sector distribution, 2017-2024

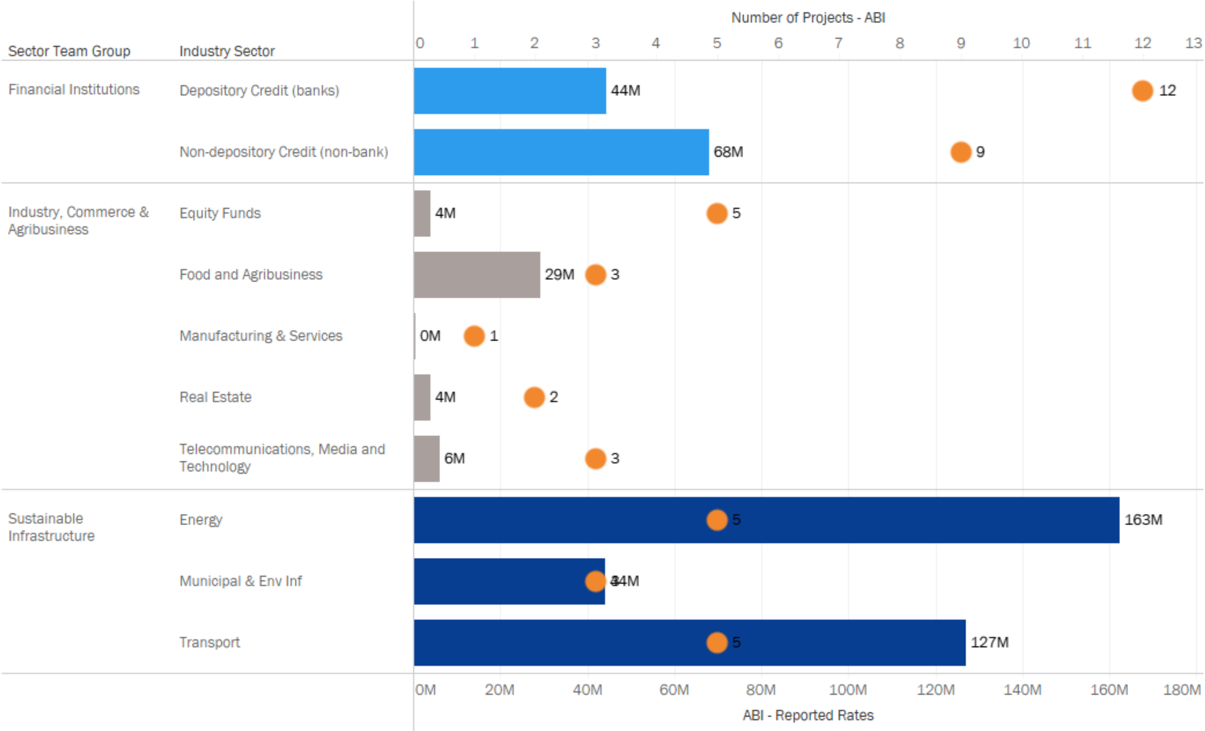


Source: EBRD DW_Banking_Operational and IEvD analysis

Zooming in on specific industry distribution across these three main sectors, energy, transport and non-depository credit institutions were three main recipients (Figure 25). These three accounted for €163 million, €127 million and €68 million, or 33%, 26% and 14% of the total ABI over 2017-2024 period respectively. Little surprise, energy and transport projects were on average the largest in the whole portfolio. Substantial ABI in non-depository credit institutions, double the size of the banks, was on the back of €50 million Stand-by Credit Line to Deposit Protection Fund of Montenegro following the outbreak of the COVID-19 pandemic[187], and five distinct operations with Alter Modus – leading microcredit institution in the country. FI operations in the Montenegrin banking sector were quite limited also in comparison to other Western Balkan countries.

[187] To support potential pay-outs of insured deposits in case of bankruptcy or resolution of Montenegro's bank(s). Ultimately, the funds have not been used.

Figure 25: ABI in Montenegro and sector & industry distribution, 2017-2024



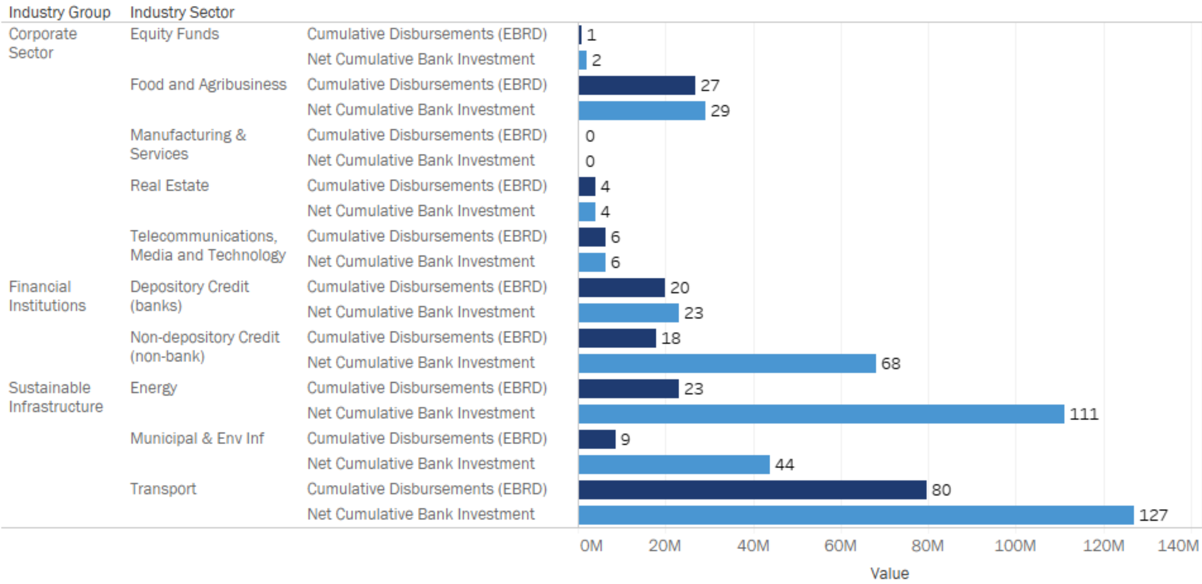
Source: EBRD DW_Banking_Operational and IEvD analysis

Cumulative investment, disbursements and cancellations

Net Cumulative Bank Investments (NCBI)[188] over the period 2017-24 reflected *broadly* the ABI sectoral split and stood at €415 million. Cumulative Bank disbursements was fairly low (€187 million), even by Wester Balkans region standards, with few sectors exhibiting high undrawn commitment ratios, albeit at times explained by projects' rationale or very recent signing (Figure 26). Discrepancy between NCBI and disbursement figures was mainly driven by projects in SI sector notably, still no disbursements made as part of large and recently signed €57 million and €28 million loans for the construction of Gvozd wind farm[189] and upgrade of Brezna electrical substation[190]. Low cumulative disbursement in non-depositary credit industry was somewhat expected – an up to €50 million Stand-by Credit Line in favour of Deposit Protection Fund of Montenegro (DPFM)[191] signed in July 2020 meant to be utilised only in case of bankruptcy or resolution of a bank member – an event that never occurred. Montenegro's disbursement rate[192] was the lowest among all Western Balkan peers, and largely lower compared those in EBRD Advanced Transition Countries[193].

[188] The value of all commitments made by the Bank since inception less the sale of commitments or any other cancelled commitments
[189] Op ID 50427
[190] Op ID 54749
[191] Op ID 51810
[192] Cumulative disbursements/ Net Cumulative Bank Investments
[193] Montenegro: 45 per cent; Nort Macedonia: 47 per cent; Serbia: 74 per cent; Albania: 48 per cent; Bosnia and Herzegovina: 65 per cent; Kosovo: 63 per cent; Poland: 85 per cent; Estonia: 75 per cent; Latvia: 88 per cent; Lithuania: 81 per cent.

Figure 26: NCBI, cumulative disbursements, 2017-2024

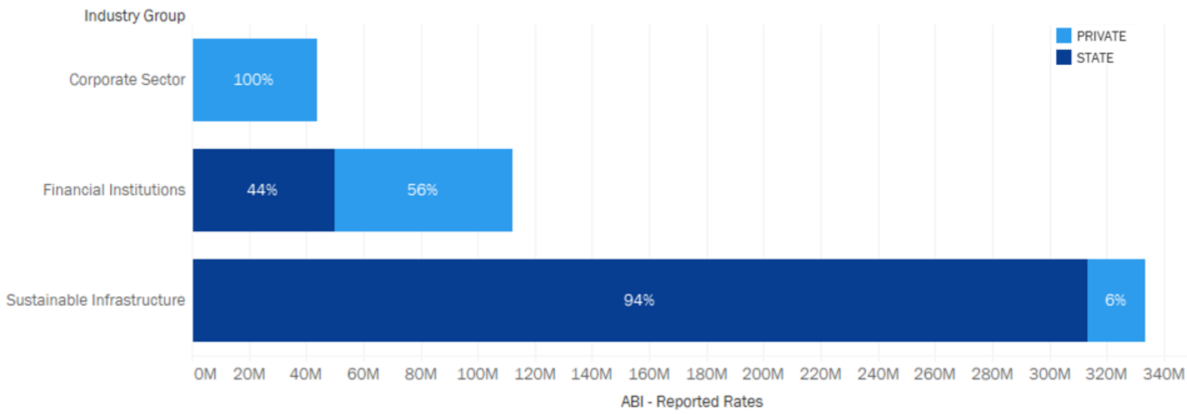


Source: EBRD DW_Banking_Operational and IEvD analysis

Portfolio class

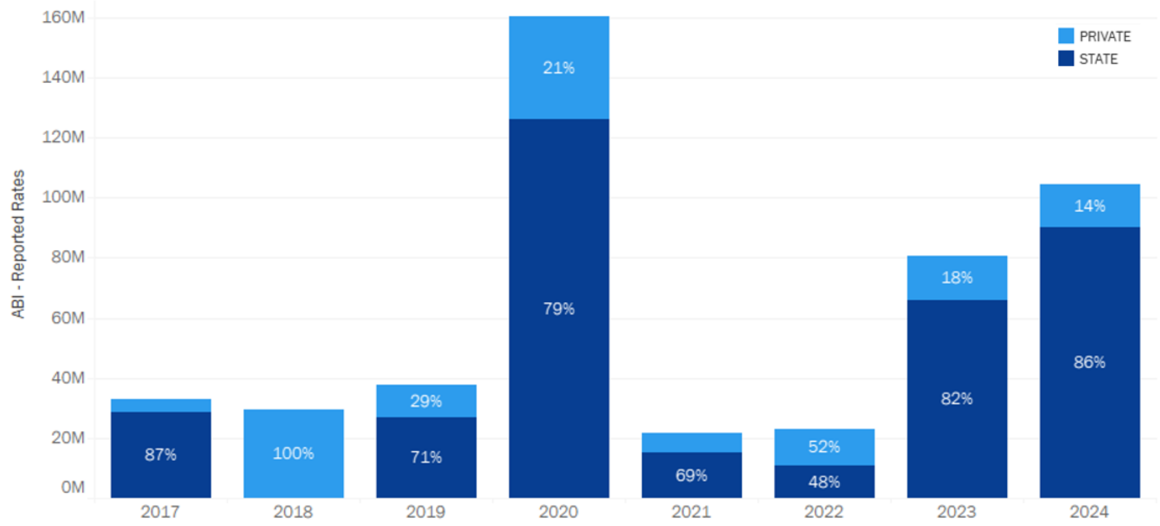
Only minority (26 per cent) of the ABI in Montenegro was in the private portfolio class (€126 million), albeit the composition varied across sectors. While for Corporate sector the entire ABI was in private sector class, almost the opposite was the case for SI with 94% of the entire ABI channelled into state-own projects (Figure 27). Noteworthy, the share of private sector over the period 2017-24 does not reveal any particular trend (Figure 28).

Figure 27: Portfolio class of operations by sector, 2017-2024



Source: EBRD DW_Banking_Operational and IEvD analysis

Figure 28: Portfolio class of operations by sector and year, 2017-2024



Source: EBRD DW_Banking_Operational and IEvD analysis

Transition Qualities

Green was the most represented primary Transition Quality in ABI terms (€119 million, or 24%) followed by Resilient (€85 million, 17%). Projects with primary Green Transition Quality originated mostly from SIG sector. Projects with Resilient as primary Transition Quality were more evenly distributed across sectors. Lastly, projects with Well-Governed as Primary Transition Quality came exclusively from SIG (0.

Table 4: Primary Transition Quality by sector, in # and € million ABI terms (2017-2024)

Sector	Competitive	Green	Inclusive	Integrated	Null Value	Resilient	Well-Governed
FIs	**7**	**3**	**8**	:	**1**	**3**	:
ICA	3	2	3	:	4	1	:
SIG	0	5	1	2	3	1	2
Total #	10	10	12	2	8	5	2
FIs	15,630,000	3,000,000	11,500,000	0	5,000,000	57,000,000	0
ICA	24,471,490	6,000,000	7,950,000		4,520,000	400,000	
SIG	0	110,000,000	11,000,000	41,000,000	63,500,000	28,000,000	80,000,000
Total	**40,101,490**	**119,000,000**	**30,450,000**	**41,000,000**	**73,020,000**	**85,400,000**	**80,000,000**

Source: EBRD DW_Banking_Operational

Products

Bulk of EBRD investments in Montenegro were made in the form of loans with only sporadic equity investments. Overall, over the period 2017-2024, debt accounted for 94% (€462 million out of €490 million) of the total ABI in the country (Table 5).

Table 5: ABI by product in € million, 2017-2024

Product	2017	2018	2019	2020	2021	2022	2023	2024	Total
Debt	31	26	34	155	18	20	75	102	462
Equity	:	:	1	2	0	1	4	0	8

Guarantees	2	3	3	3	3	2	2	2	20

Source: EBRD DW_Banking_Operational

Zooming in on direct and indirect investments in Montenegro over 2017-24, these were negligible.

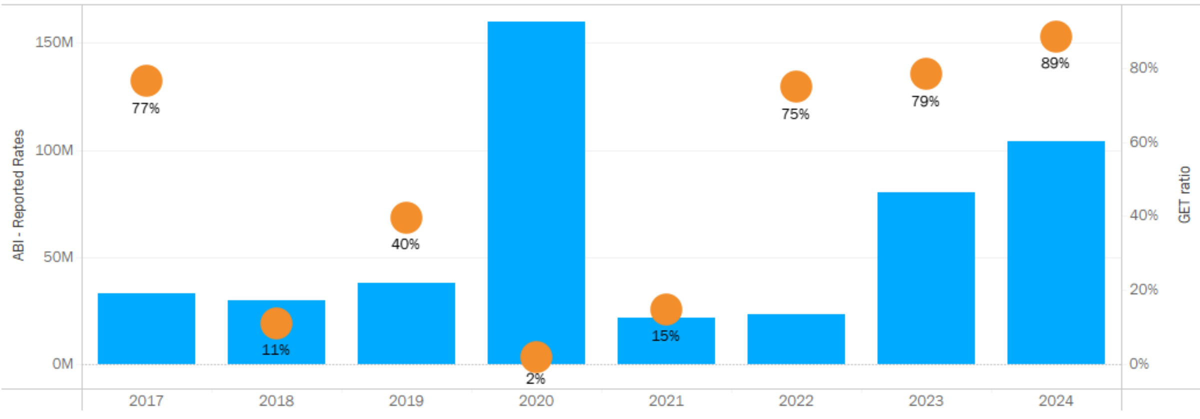
Table 6: EBRD direct/ indirect equity investments in Montenegrin companies, 2017-24

Instrument	Investments
Direct equity	Standalone and VCIP: no investments made in Montenegro over 2017-2024 period
Indirect equity	Investments in four regional VC/PE funds with Southern Europe/ Western Balkans focus: - VC Fund: SCV Technology Fund III (51958) - VC Fund: Innovation Nest Fund II (50014) - PE Fund: Invera Private Equity Fund (50071) - PE Fund: ENEF II Western Balkans (52255). There were no individual investments in Montenegro by any of these funds. Under ENIF I[194], signed in December 2014, investments in two Montenegrin companies were done: Daktilograf in December 2018 and in Uhura Solutions in August 2019.

GET financing

The overall GET ratio for the period 2017-2024 was 45% (€223 million out of €490 million), albeit it saw a large and sustained rise since 2022 (Figure 29). GET financing originated primarily from SI sector – €201 million over 2017-2024 period, or 90% of all GET financing. ICA/Corporate Sector (€15 million) and FIs (€6 million) added relatively small amounts (Figure 30). Taking broader perspective of Western Balkans, Montenegro's GET ratio was higher than for Albania and Serbia, Bosnia and Herzegovina and North Macedonia, and lagged only the one in Kosovo[195]. Importantly, looking at the recent period of 2022-2024, Montenegro has seen by far the largest increase in the GET share of the portfolio[196].

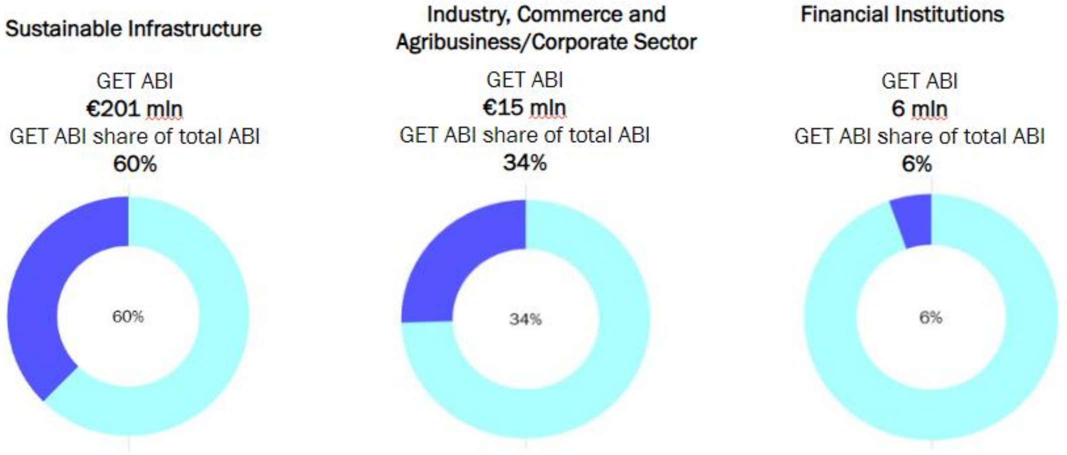
Figure 29: GET ratio, 2017-2024



Source: EBRD DW_Banking_Operational and IEvD analysis

[194] Op ID: 43457
[195] Albania (30%), Serbia (36%), Bosnia and Herzegovina (38%), Northern Macedonia (42%) and Kosovo (57%).
[196] Albania (from 20% over 2017-21 to 30% over 2017-24: +10%), Serbia (from 29% over 2017-21 to 36% over 2017-24: +7%), Bosnia and Herzegovina (from 32% over 2017-21 to 38% over 2017-24: +6%), North Macedonia (from 37% over 2017-21 to 31% over 2017-24: -5%), Montenegro (from 18% over 2017-21 to 45% over 2017-24: +27%)

Figure 30: GET ratio by sector, 2017-2024



Source: EBRD DW_Banking_Operational and IEvD analysis

ASB and MDA projects and activities

Over the period January 2017 – December 2024, the local team has started 285 projects with the total value of €4.2 million and EBRD grant contribution of €2.3 million. Majority of projects (78%) were in three areas: ICT (28%), marketing (28%) and quality management (20%), with an increase of two latter ones since COVID-19 pandemic. Majority of beneficiaries (53%) were small companies, followed by micro companies (29%), medium (14%) and large companies (4%). In addition, the local team pursued 54 Market Development Activities (MDA) involving hosts of projects related to trainings, workshops and communication focused activities i.e. conferences, seminars, business matching and other visibility activities.

Blue-Ribbon and Star Venture Programs

Blue-Ribbon

Advisory projects

In Blue Ribbon Program for 2017-2024 portfolio, out of 285 advisory projects, there were 4 advisory projects for the total amount of €52,086 in Montenegro, though there was no new project signed since end-2021. This equates to 1.8% from the total number of projects in all regions and 1% from the total EBRD commitments in all the countries in the examined period respectively. Looking at the Western Balkans region specifically, Montenegro had the lowest share of number of advisory projects and funding (Table 7).

Table 7: Blue Ribbon Advisory Projects and EBRD Commitments in the Western Balkans region, 2017-2024

Country	N of Advisory Projects	EBRD Commitment (EUR)	% (from total N of projects)	% (from total EBRD commitment)
Serbia	14	315,170	6.3	6.4
North Macedonia	13	216,145	5.9	4.4
Kosovo	12	193,405	5.4	3.9

Country	N of Advisory Projects	EBRD Commitment (EUR)	% (from total N of projects)	% (from total EBRD commitment)
Bosnia and Herzegovina	11	254,012	5.0	5.1
Albania	6	190,150	2.7	3.8
Montenegro	4	52,086	1.8	1.1

Source: SME F&D Dataset

The cumulative duration of the advisory was estimated to be 608 days. This was much less than the record holder in that category – North Macedonia – 11,811 days, and still less then all remaining Western Balkan peers. Please refer to the table 2 below.

Looking at the type of advisory projects which were delivered in all regions, as per Blue Ribbon Program portfolio for 2017-2024, the most popular was International Advisory – 82 (37%). Further, Accounting and Financial Reporting - 30 projects (13.5%), Information Communication Technology 25 projects (11%) & Marketing - 22 projects (10%). As for Montenegro, out of 4 projects 2 were under Information Communication Technology, 1 for Accounting and Financial Reporting and 1 for Engineering Solutions.

Investment projects

In Blue Ribbon investment programme out of 84 projects in all the economies where EBRD invests, there was none in Montenegro over 2017-2024 (Table 8). In Western Balkans the overall picture is fairly modest - Albania had 8 investments projects (9.5% from the total numbers of projects in all regions), North Macedonia 3 (3.6%), Kosovo and Serbia 2 projects each (2.4% and 2.4%) while Bosnia & Herzegovina has only 1 project (1.2%).

Table 8: Blue Ribbon Investment Projects and EBRD Commitments in the Western Balkans region, 2017-2024

Country	N of Investment projects	Sum of EBRD Amount (EUR)	% (from total n of investment projects)	% (from total EBRD amount)
Albania	8	6,513,431	9.5	3
North Macedonia	3	8,700,000	3.6	4
Kosovo	2	1,750,000	2.4	0.8
Serbia	2	1,910,000	2.4	1
Bosnia and Herzegovina	1	1,000,000	1.2	0.5
Montenegro	0	0.00	0	0

Source: SME F&D Dataset

Star Venture

There were in total 11 LCs (Local and International advisory projects), 10 MDAs (Market Development Activities) and 7 BMTs (Business Matching Trips) EBRD assisted in Montenegro over the period 2017-2024. All of these programmes were targeting 5 Montenegro enterprises. 3 of LCs graduated since and the rest of them are still active. Most of them were in B2B and were mainly women led. Total utilised budget was EUR 214,648 (10.3% from Western Balkans budget). In comparison with Western Balkans peers, Montenegro is somewhere in the middle having 10.5% from total number of LCs in the region and 10.6 % of BMTs in the region. Serbia is leading this group with the highest number of both LCs and BMTs, utilising 54.5% of the total Western Balkans budget. Bosnia and Herzegovina show the minimum numbers in LCs – 3, with no BMTs.

Table 9: Western Balkans Star Venture Programme in numbers (LCs, BMTs, utilities budget and % calculations)

Countries	Number of LC	% from total WB	Total LC Budget utilised	% from total WB	Number of BMT	% from total WB	Total BMT Budget utilised	% from total WB	TOTAL BUDGET UTILISED	% from total WB
Serbia	56	53.3	803139	52.8	37	69.81	9,344	80	1,135,829	54.5
North Macedonia	15	14.3	251,375	16.5	3	5.66	8,580	5	304,682	14.6
Kosovo	14	13.3	158,060	10.4	4	7.55	9,091	6	234,058	11.2
Montenegro	11	10.5	160,450	10.6	7	13.21	12,571	8	214,648	10.3
Albania	6	5.7	115,106	7.6	2	3.77	2,474	2	156,306	7.5
Bosnia	3	2.9	32,470	2.1	0	0.00	0.00	0.00	39,396	1.9

Annex 4. List of projects

Op ID	Operation Name	Portfolio Class	Sector	ABI reported rate	Day of Op Signing Date
48402	CEDIS smart metering completion project	STATE	SIG	18,500,000	17 May 2017
49075	Main Roads Reconstruction Project	STATE	SIG	40,000,000	7 December 2017
49160	Regional TFP: NLB Banka a.d. Podgorica	PRIVATE	FI	0	29 October 2020
49210	FIF - Alter Modus	PRIVATE	FI	5,000,000	27 November 2017
49335	CTGC (Port of Bar) Privatisation Project	PRIVATE	SIG	20,000,000	26 February 2018
49624	Hystead Montenegro	PRIVATE	ICA	3,270,000	26 February 2018
50014	Innovation Nest Fund II	PRIVATE	ICA	80,000	17 December 2019
50071	Invera Private Equity Fund	PRIVATE	ICA	500,000	9 July 2019
50427	Gvozd Wind farm	STATE	SIG	57,000,000	19 June 2023
50565	DFF - United Group Equity Investment (f.Project Summer)	PRIVATE	ICA	400,000	28 June 2019
50612	Regional Water Supply System Expansion	STATE	SIG	12,000,000	26 December 2019
50893	FIF - Project Rose	PRIVATE	FI	630,000	29 April 2019
50969	GEFF - Western Balkans - CKB	PRIVATE	FI	1,000,000	7 December 2020
51231	FIF - WB WIB Phase II - NLB Podgorica	PRIVATE	FI	2,000,000	24 February 2020
51240	FIF - WB WIB Phase II - Alter Modus	PRIVATE	FI	1,000,000	24 September 2019
51241	Alter Modus – MSE and WIB line	PRIVATE	FI	2,000,000	24 September 2019
51264	DFF: Voli Store Expansion Loan	PRIVATE	ICA	20,000,000	30 September 2019
51531	Project Autumn	PRIVATE	ICA	2,300,000	24 January 2020
51586	FIF - Regional SME CSP - CKB	PRIVATE	FI	3,000,000	21 December 2022
51613	Regional: Erste Inclusive Tourism Credit Facility	PRIVATE	FI	500,000	13 January 2020
51798	Local Roads Reconstruction Loan Increase	STATE	SIG	26,000,000	26 November 2020
51806	Railways Maintenance Equipment Renewal	STATE	SIG	11,000,000	28 December 2022
51810	Deposit Protection Fund Montenegro - Senior Line II	STATE	FI	50,000,000	28 July 2020

Op ID	Operation Name	Portfolio Class	Sector	ABI reported rate	Day of Op Signing Date
51958	Western Balkans SME Platform SCV Technology Fund III	PRIVATE	ICA	400,000	17 December 2021
52037	RF - VISP - EPCG Solidarity loan	STATE	SIG	50,000,000	30 July 2020
52214	RF - Hipotekarna Banka	PRIVATE	FI	5,000,000	23 June 2020
52250	RF - Alter Modus Senior Debt	PRIVATE	FI	2,000,000	14 September 2020
52255	Western Balkans SME Platform: ENEF II Western Balkans	PRIVATE	ICA	950,000	3 November 2022
52260	Hilton Podgorica II	PRIVATE	ICA	670,000	21 May 2020
52597	FIF - Lovcen banka - SME line	PRIVATE	FI	2,000,000	22 December 2021
53038	Regional TFP: Lovcen Banka	PRIVATE	FI	0	18 October 2022
53690	DFF - Voli Solar Panels	PRIVATE	ICA	4,000,000	12 June 2023
53712	Western Balkans GEFF II - NLB	PRIVATE	FI	1,000,000	10 November 2023
53713	FIF - WB WIB Phase II - NLB II	PRIVATE	FI	1,000,000	20 June 2023
53922	FIF - WBWIB Phase II - CKB	PRIVATE	FI	1,000,000	21 December 2022
53969	FIF - WB Youth in Business - Alter Modus	PRIVATE	FI	3,000,000	24 November 2022
54012	Schwarz Sustainable Regional Retail Exp Western Balkans	PRIVATE	ICA	5,250,000	16 September 2022
54827	Luna Towers (f. Project Luna)	PRIVATE	ICA	3,521,490	27 December 2023
54452	Hospitals Energy Efficiency Project	STATE	SIG	12,000,000	28 Jun 2024
54660	Education Energy Efficiency Project	STATE	SIG	20,000,000	1 Nov 2024
54749	CGES - SS Brezna	STATE	SIG	28,000,000	19 Jul 2024
55258	Montenegrin Railways Passenger Trains	STATE	SIG	30,000,000	28 Jun 2024
55269	FIF - MSME Loan - Alter Modus III	PRIVATE	FI	2,000,000	10 Sep 2024
55270	FIF - WB Youth in Business - Alter Modus II	PRIVATE	FI	1,000,000	10 Sep 2024
55271	FIF - WB WIB Phase II - Alter Modus II	PRIVATE	FI	2,000,000	10 Sep 2024
55513	FIF - SME Go Green - NLB	PRIVATE	FI	2,000,000	13 Dec 2024
55578	Hipotekarna Banka - Mortgage Line	PRIVATE	FI	5,000,000	25 Nov 2024

Annex 5. List of policy dialogue workstreams

	Title	Start date	Expected completion	Sector
1	TC Programme for Cybersecurity Resilience	4 September 2023	4 October 2026	Digital
2	Support for the Implementation of Renewable Energy Auctions in Montenegro	29 June 2022	31 December 2026	Energy
3	Technical cooperation and assistance in establishing Montenegro Credit Guarantee Fund (Phase 2)	4 October 2021	04 January 2023	Financial
4	COVID-19 Tourism Recovery Technical Assistance Package	25 May 2021	30 September 2022	SMEs
5	Montenegro: Establishment of a Single Access Point for SMEs	17 December 2020	30 June 2024	SMEs
6	Capacity enhancement and enabling framework development for PPP and concessions projects in Montenegro with a post-crisis revival focus (Phase 2)	17 November 2020	01 March 2023	Infrastructure
7	Capacity Building for the Deposit Protection Fund of Montenegro	1 September 2020	01 December 2022	Financial
8	Environmental, Health, Safety and Social Technical Assistance to Montenegro Transport Administration	25 May 2020	25 May 2021	Infrastructure
9	EBRD-IDLO Cooperation Framework for Strengthening Dispute Resolution Systems in EBRD's Countries of Operations Assignment 25: Montenegro - Strengthening Commercial Mediation	22 May 2020	31 December 2024	Other
10	Capacity Enhancement and Enabling Framework Development for Public-Private Partnerships (PPP) and Concessions Projects in Montenegro	4 February 2019	04 October 2019	Infrastructure
11	Enhancing Public-Private Dialogue in Montenegro: EBRD Support to the Competitiveness Council	3 September 2018	31 December 2025	SMEs
12	REEP+: Support in the Development of the 4th National Energy Efficiency Action Plan (NEEAP) of Montenegro	22 February 2019	31 December 2019	Energy
13	REEP+: Montenegro: Implementation of Ecodesign and energy labelling requirements (air conditioners and fans; refrigerators; lamps: standby control; water heaters; transformers; Ecodesign & labelling - capacity building)	28 February 2018	31 December 2019	Energy
14	REEP+: Support for transposition of Article 14 of Energy Efficiency Directive and Action plan	09 November 2022	31 March 2023	Energy
15	Capacity building to the Energy and Water Regulatory Agency of Montenegro (REGAGEN)	29 November 2024	28 August 2025	Energy

Annex 6. Media Content Analysis

To examine the visibility and perception of the EBRD activities in Montenegro, the evaluation team conducted a media content analysis that comprises of a frequency and sentiment analysis of news articles with specific references to the EBRD and published over the 2017-24 period. This media content analysis was further supported by consultants from CASM technology.[197]

Scope and Dataset

Key lines of inquiry of this media content analysis were: How often did local media cover the EBRD? In what context e.g. specific investment(s) or/and policy dialogue? Was the tone typically positive/ neutral/ negative? To compare results to other international financial institutions that invest in Montenegro, the evaluation team further applied similar lines of inquiry for the EIB.

Following the suggestion of the local consultant, the focus of this analysis was the online presences of the following three Montenegrin media outlets:

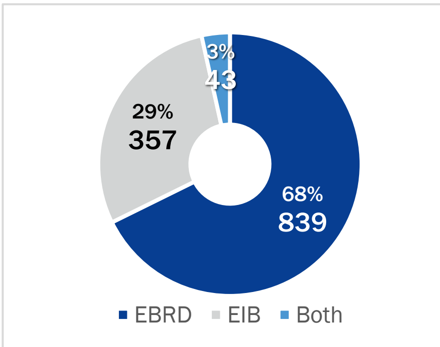
- Vijesti.me is the digital platform of Montenegro's first independent post-Soviet newspaper, Vijesti. Since 2011, it has covered diverse topics including business and economy, claiming over 80 million monthly page views.
- Investitor.me is a business-focused news site covering Montenegro and the region. It has around 4,000 followers on Facebook and LinkedIn, though page view data is unavailable.
- Bankar.me reports on business and finance in Montenegro, the region, and globally. It also has about 4,000 social media followers.

A total of 1,239 news articles from the three media outlets were identified using each site's search or tagging features to search for the terms 'EBRD' and 'EIB'. The resulting pages were scraped and cleaned using standard Python libraries. Along with the text contents of the page, metadata for every article was collected, including title, publication date, and relevant entity mentioned. To pre-process the data set for the sentiment analysis, the news articles were further chunked into smaller paragraphs that constitute segments of news articles.

Frequency analysis

The EBRD appears to have a relatively good presence in Montenegrin media. A frequency analysis of news articles per entity reveals that news articles on the EBRD make up 68% of the data collected while news articles on the EIB make up 29%. A similar make-up can be observed in the news segments where, based on frequency of coverage, the EBRD was mentioned approximately 2.4 times more often than the EIB in news article segments across three monitored media outlets. This is despite lower financing volumes over 2017-24: The EBRD invested €490 million, while the EIB invested €674 million in Montenegro.

Figure 31: Distribution of news articles per entity



Source: IEvD

197 https://www.casmtechnology.com/

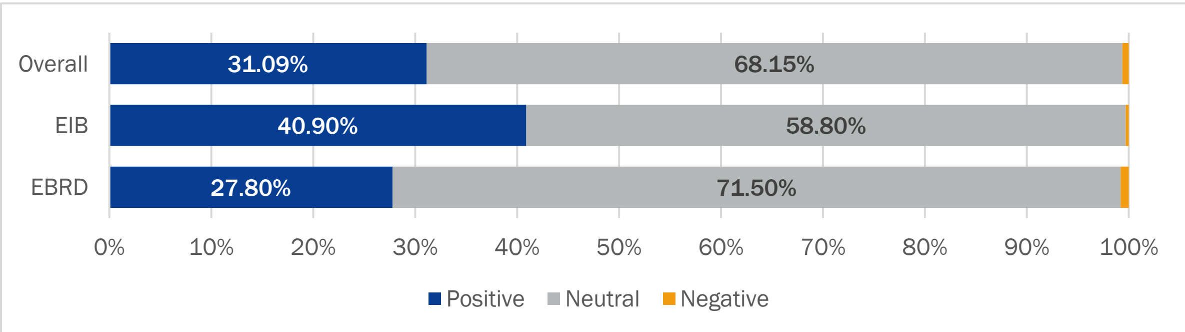
Sentiment analysis

The sentiment analysis used large language models (LLMs) to uncover key themes and sentiments in the dataset of news segments. First, semantic mapping grouped similar segments into clusters, which were reviewed to define four main themes in accordance with the two EBRD Country Strategies for Montenegro 2017-20 & 2021-26 (see chapter 2.1.1).[198] An "Other" category was established to capture themes that cannot be classified into any of the three strategic priorities. Then, Entity-Level Sentiment Analysis (ELSA) was used to assess how the EBRD and EIB were portrayed based on mentions in the segment:

- Positive: A positive sentiment, such as support, approval or admiration, expressed about the relevant entity.
- Negative: A negative sentiment, such as criticism, expressed about the relevant entity.
- Neutral: No sentiment expressed towards the relevant entity.

Neutral sentiment dominates for both entities. This may not come as a surprise given the nature of the news articles – often short pieces of news articles that tend to report facts without much editorialisation. However, the analysis notes that Montenegrin media tends to portray the EIB in a more favourable light than the EBRD (Figure 36). 72% of EBRD-related segments were neutral, 28% positive, and 1% negative, while EIB coverage was more frequently positive (41%).

Figure 32: Sentiment proportions per entity mentioned in segment



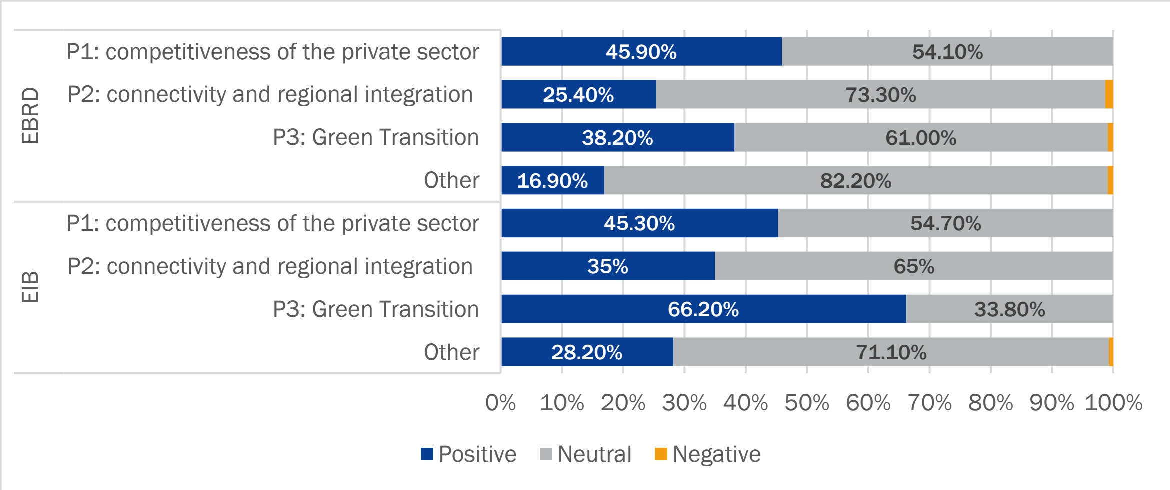
Source: IEvD

The EIB received the highest proportion of positive sentiment in coverage related to the Transition to Green Economy (P3), with 66.2% of mentions framed positively. This suggests particularly favourable media framing of the EIB's role in green investments. In contrast, coverage related to Investments in Infrastructure (P2) and Competitiveness of the Private Sector (P1) was more neutral in tone, with positive sentiment accounting for 35% and 45.3% of mentions, respectively.

The EBRD received a higher proportion of negative sentiment compared to the EIB, though it remained limited in absolute terms. Notably, negative sentiment was concentrated in coverage related to priority theme 2 (connectivity and regional integration), where 1.3% of mentions were negative. This was also the theme with the lowest share of positive sentiment (25.4%) for the EBRD, and the highest proportion of neutral sentiment (73.3%).

[198] The priorities from EBRD's two country strategies were mapped onto EIB segments solely to facilitate a comparison between the two institutions. This does not imply that EIB aligns its approach for Montenegro with that of the EBRD.

Figure 33: Sentiment per theme and entity across Montenegrin media outlets



Source: IEvD

There are a few limitations to keep in mind when interpreting these findings. First, the data collection relied on scraping the websites of three news outlets based on each site's search or tagging features, which means some relevant articles may have been missed if they were not tagged with expected keywords or if search functions worked differently across sites. As a result, the data may not fully represent all coverage of the EBRD and EIB and findings should be seen as proportions within the sample, not as definitive for each outlet. Second, negative sentiment is likely underrepresented, both because news articles are often factual rather than critical, and because negative examples were rare and harder for the LLM to detect. Therefore, results on negative sentiment should be viewed as indicative, not comprehensive.

Overall, this media content analysis revealed that the EBRD has a good media presence in Montenegrin media. However, the EBRD is viewed less positively in the context of priority themes 2 (connectivity and regional integration). Similarly, even though most the EBRD's ABI went towards priority theme 3 (green transition), the EIB is still seen more positively as a "Green Bank".

Annex 7. Montenegro – EU accession

Montenegro EU accession journey

Montenegro submitted formal application for the European Union (EU) membership in December 2008, was granted candidate status in December 2010, with formal accession negotiations commencing in June 2012. In May 2021, the European Council agreed to apply the revised enlargement methodology[199] to the EU accession negotiations to reinvigorate the process, emphasising fundamental reforms, predictability of the process and providing political steer. Brussels' appetite to accelerate the process was further strengthened after Russia's full-scale invasion of Ukraine in 2022.

A precedent in the EU's engagement with the region, the EU adopted the Growth Plan for the Western Balkans in November 2023 to deliver tangible economic benefits early in the accession process, reinforcing political commitment to EU accession. This initiative seeks to accelerate economic convergence with the EU by granting partial access to the EU's single market[200] prior to membership, promoting regional integration through the Common Regional Market[201] based on EU rules and standards, and increasing pre-accession financial support tied to implementation of specific socio-economic and fundamental reforms. Funding is provided through the EUR 6bn Reform and Growth Facility (2024–2027), with 6.8 % earmarked for Montenegro. Following the approval of Montenegro's Reform Agenda under the Growth Plan in October 2024, the country is set to receive up to EUR 383 million by 2027, contingent on progress in rule of law, fundamental rights, renewable energy, digital economy, human capital, and private sector development.

Among the nine EU candidate countries (i.e., Albania, Bosnia and Herzegovina, Georgia, Moldova, Montenegro, North Macedonia, Serbia, Türkiye, and Ukraine), Montenegro has been often seen as a "front-runner". Though, despite bold declarations of country's establishment to join the EU by 2028, the exact date remains uncertain, with some experts doubting its feasibility[202]. As of August 2025, thirteen years after negotiations began, Montenegro has opened all 33 chapters and provisionally closed seven, four of them within the past year.[203]

Montenegro's EU accession process has divided its political parties. Historically, successive pro-Western governments have supported EU integration, including imposing sanctions on Russia. Yet, political instability and deep polarization have hindered consistent progress. The process seemed to gather some pace following the August 2020 elections, ending the 30-year rule of the Democratic Party of Socialists. Subsequent coalition governments pledged to accelerate EU integration, albeit eventually made little headway, resulting in growing scepticism from Brussels. In late 2022, EU Commission Progress Report stated that "*Montenegro's membership process has stalled*". Some renewed vigour came with 2023 election success of centrist Europe Now Movement (PES)[204]. The new coalition government, led by Prime Minister Milojko Spajić successfully enacted some key judicial appointments and legislation.[205]

Over the past 13 years, Montenegro has been working to align its national legislation with EU standards, and the 2024 EC Progress Report highlights strong progress in several key areas, particularly those

[199] According to this methodology, the negotiating chapters are grouped in six thematic clusters (fundamentals; internal market; competitiveness and inclusive growth; green agenda and sustainable connectivity; resources, agriculture, and cohesion; and external relations).
[200] Seven priority actions for integration into the EU's single market include: Free movement of goods; Free movement of services and workers; Access to the Single Euro Payments Area (SEPA); Facilitation of Road transport; Integration and de-carbonisation of energy markets; Digital Single Market; and Integration into industrial supply chain.
[201] The Common Regional Market (CRM) is an initiative launched by the Western Balkans countries (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia) to deepen regional economic integration by aligning with EU rules and standards. It aims to facilitate the free movement of goods, services, capital, and people, serving as a stepping stone toward full integration into the EU Single Market.
[202] Collective view expressed by the EIU editorial. See EIU, June 2024. Montenegro. Available at: https://country.eiu.com/montenegro
[203] Science and Research (2012); Education and Culture & External Relations (2020); Intellectual Property Law, Information Society and Media, & Enterprise and Industrial Policy (2024); and Public Procurement (2025).
[204] Founded in 2022 by Milojko Spajić and Jakov Milatović, currently the Prime Minister and President of Montenegro, respectively.
[205] In 2024, the government of Montenegro adopted the Judicial Reform Strategy 2024-2027 and passed the set of laws focused on justice, media, and fight against organized crime and corruption. These legislative actions were crucial for receiving a positive Interim Benchmark Assessment Report (IBAR) concerning the chapters 23 and 24 that form the 'Fundamentals' cluster.

central to the rule of law and governance fundamentals. In June 2024, the fulfilment of interim benchmarks for Chapters 23 (Judiciary and Fundamental Rights) and 24 (Justice, Freedom, and Security) marked a major milestone, paving the way for potential closure of other chapters. This achievement was underpinned by substantial justice reforms, merit-based high-level judicial appointments, and legislative changes in line with European and Venice Commission recommendations. Furthermore, anti-corruption efforts progressed with the adoption of the 2024–2028 Anticorruption Strategy, a new Law on Prevention of Corruption, and stronger provisions for asset confiscation. Montenegro also advanced in tackling organised crime, improving migration and asylum management, and expanding media freedoms through a comprehensive legislative package. Beyond governance, notable gains were made in enterprise and industrial policy through the rollout of a new industrial strategy and addressing business barriers via the Competitiveness Council. Good progress was also seen in intellectual property law, digital transformation, trade facilitation, and the development of the innovation ecosystem. Agriculture and rural development moved forward, while the green agenda benefitted from further alignment of national legislation with the EU acquis.[206]

Despite these advances, several areas remain notably behind. Public administration reform has seen only limited progress, with persistent weaknesses in capital investment planning, merit-based recruitment, and transparency. Progress in strengthening the capacity to withstand competitive pressures and market forces in the EU has likewise been limited, hindered by shortcomings in the education system, structural labour market issues, a narrow production base, and substantial infrastructure gaps. Other lagging areas include competition policy, company law, financial control, financial services, taxation, and transport policy. In the energy sector, despite having a good level of preparation, progress has been constrained by major delays in drafting and adopting the National Energy and Climate Plan and in aligning with the Electricity Integration Package. Additionally, while the fulfilment of interim benchmarks in Chapters 23 and 24 was an important milestone, the EU's 2024 common position stressed that Montenegro must still make substantial, tangible improvements in judicial independence, anti-corruption enforcement, and the fight against organised crime before these chapters can be provisionally closed.[207]

More broadly, and despite challenges, the EU accession process has been the main anchor of Montenegro's reform progress. The emphasis on meeting the EU's stringent criteria has driven numerous political, economic, and legal reforms within the country.

Montenegro's bid for EU membership enjoys broad public backing. In a March 2024 public opinion poll, 79% of respondents said they would vote to join the EU if a referendum were held today, a figure nearly identical to the 79.3% who expressed strong or moderate support for accession in a May 2023 survey.[208]

Over the recent years, the EU has channelled substantial funds to Montenegro to support its accession process, mainly through the Instrument for Pre-Accession Assistance (IPA). The annual IPA II funds for Montenegro averaged EUR 41.9 million between 2017 and 2020.[209] With the launch of IPA III (2021–2027), funding is no longer allocated per country but through five thematic windows aligned with EU priorities and mirroring the clusters of negotiation chapters. The total indicative budget for IPA III is EUR 14.2 billion (IPA II: EUR 12.8 billion), with allocations based on each beneficiary's reform progress. According to 2024 EC Progress Report, Montenegro received EUR 26.6 million under the 2024 annual programme, focusing on the rule of law, further alignment with the EU acquis and institutional capacity building, and preparations for IPA III operational programmes in environment and climate change, and employment and social inclusion. These bilateral annual programmes are further complemented by multi-country and regional programmes under IPA III.

Sources: European Commission; Council of the European Union; German Council on Foreign Relations; Bechev D. Carnegie Europe (2024); Delegation of the European Union to Montenegro; The Economist Intelligence Unit.

206 European Commission 2024 Montenegro Progress Report. Available at: https://enlargement.ec.europa.eu/document/download/a41cf419-5473-4659-a3f3-af4bc8ed243b_en?filename=Montenegro%20Report%202024.pdf
207 Ibid.
208 International Republican Institute (2024). Western Balkans Regional Poll 2024. Montenegro - March 2024 Opinion Poll; Delegation of the European Union to Montenegro (2023). May 2023 Opinion Poll. Montenegro - May 2023 Opinion Poll.
209 European Commission. Montenegro – financial assistance under IPA. Montenegro IPA_European Commission.

Annex 8. Montenegro – SOEs sector

As of 2024, Montenegro had fifty majority state-owned enterprises (SOEs) at central government level. Roughly half (46%) were located in the country's capital, and the rest distributed equally across the seaside and inland.[210] Over half of these firms (52%) are wholly (100%) state-owned, while the remaining are characterized by significant state managerial power.[211] Montenegrin SOEs are relatively older firms with an average timespan of 15 years, albeit almost half (46%) were established more than 20 years ago. Many rely on older production technologies, lag in business management practices and thus suffer from lower productivity.

Majority of SOEs (62%) in Montenegro are either large or medium-sized.[212] In 2023, their total assets accounted for 66% of the country's GDP, compared to 13.5%, 22.1% and 52.3% in Kosovo, Serbia and Bosnia and Herzegovina[213]. Many SOEs operate across strategic sectors e.g. the energy sector where SOEs account for about 46% of total SOEs' assets, dominate energy generation and distribution and enjoy (quasi) monopolistic powers. Other sectors include transport, tourism (accommodation)[214], and primary industries (agriculture, fishery and forestry).

For many years SOEs were a financial strain on the state budget, though 2017-2021 data on the level of aggregate loss-making is not available. However, more recently, this has somewhat changed. In 2023, SOEs in their entirety, have been profitable with total net income standing at €115.8 million or 1.6% of GDP, as of 2023. This was mainly thanks to the energy sector that generated 67% of net income from all SOEs. Notably, for EPCG - energy generation SOE and largest company in Montenegro – y-o-y net income increased eleven-folds in 2023[215] reaching €53 million, after record-high electricity production and exports. Due to the composition of energy production bias towards hydropower (roughly 50%), profitability rates are sensitive to hydrological conditions (and climate change in the long run) though: in 2022, when rainfall and export energy prices were lower, the SOEs net income was €32.1 million or 0.5% of GDP. For the same reason, export dropped by 44.6% in 2024[216]. These profitability rates may be challenged in 2025 too due to reduced energy export related to the reconstruction (and temporary closure) of the coal plant in Pljevlja, which contributes about 40% of electricity generation. The closure will last from April 2025 till end of the year.

At the same time, sixteen SOEs in 2023 were loss-making with the total bill of €22 million, majority (around 60%) accruing to rail transport, metal and primary industries. In 2019 state granted €155 million to a single SOE – *Montenegro Airways*, as high as 3% of its GDP.[217] In 2020, explicit state guarantees on SOEs loans were estimated at €515 million[218]. The EU state-aid rules, however, prohibites any state aid that could distort competition.[219] According to publicly available SOEs financial data from the Ministry of Finance, as of 2023, about one-third (fifteen) of all SOEs were considered 'high-risk' in terms of their financial performance. Still, a progress compared to 2020 when almost half (22) of the SOEs topped this category. Table 10 shows top-5 most profitable/ loss making SOE in Montenegro over 2018-2023 period.

[210] 28% and 26% respectfully.
[211] In 20% of these firms state equity is 80-99%, and in 28% the state equity is between 50.1%-79%.
[212] As per European Commission MSMEs definition: https://single-market-economy.ec.europa.eu/smes/sme-fundamentals/sme-definition_en
[213] Note that the figures for Serbia and Bosnia and Herzegovina, the shares refer to all SOEs i.e. at central and municipal level. Figures for Montenegro refer to SOEs at the central level only.
[214] For instance Institute Igalo and Hotel Groups – 'Budvanska rivijera' and 'Ulcinjska rivijera'
[215] From €4.3 million in 2022 to €53 million in 2023
[216] Monstat, 2024. Available at http://www.monstat.org/eng/page.php?id=1631&pageid=32
[217] World Bank Montenegro Country Economic Memorandum (2023). Available at https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099051523104018239/p1773730df9e270120b9590413ec7f8a6c5
[218] Institute Alternativa, 2021. Who Owns Our Public Enterprises in Montenegro, Institut Alternativa, https://media.institut-alternativa.org/2022/04/Cija-su-nasa-javna-preduzeca-ENG-Final.pdf
[219] European Commission Competition Policy available at https://competition-policy.ec.europa.eu/state-aid/overview_en

Table 10: Top 5 net-profit/ loss SOEs in Montenegro in €million, 2018-2023

SOE	2018	2019	2020	2021	2022	2023
	Top 5					
EPCG - Electricity Company, Nikšić	44.1	28.4	16.2	47.5	4.2	54.3
CGES - Montenegrin Electric Transmission System, Podgorica	4.2	3.6	12.5	16.9	20.3	35.7
Coal Mine, Pljevlja	6.6	9.6	13.1	4.4	9.4	15.1
Airports Montenegro, Podgorica	9.6	14.1	-14.3	2.4	1.4	9.6
Monteput (road maintenance company)						
	Bottom 5					
13 Jul Plantaže, Podgorica (wine producer)	2.4	0.2	-18.9	-20.3	-12.9	-5.9
EPCG Željezara, Nikšić						-3.5
Railway Infrastructure, Podgorica	-0.8	-2.8	-0.6	-30.9	0.3	-3.2
EPCG Solar, Nikšić				-0.1	-2.2	-2.7
Montepranzo Bokaprodukt, agri, food and service company, Tivat	-0.1	-0.1	-0.05	-0.4	-4.8	-2.1

Source: IEvD calculations based on Ministry of Finance registry of SOEs database

The governmental attempts to improve meaningfully SOEs' management have not been successful, and in some cases SOEs even rolled back further, while their reforming continue to feature among government's priorities. The Economic Reform Program (ERP) 2017-2019 included the measure on *strengthening of managerial responsibility in public sector*, though it did not feature in 2018-2020 ERP anymore. Also due to lack of political agreement, since 2020 the care-taker government stepped back from the previous plans to formulate SOEs' strategy and improve their management practices and financial performance[220]. In 2021, the government established a separate state entity – the so-called "Montenegro Works" (MW), with the aim to support the SOEs' managerial capacities. This holding aimed at more efficient use of state resources, increase of SOEs financial sustainability, monitoring and business culture upgrades and implementation of reforms with MBD technical support. However, after less than a year, with the change in government, MW was liquidated. More recently, the government incorporated SOEs' reforms under 2022-2024 and 2023-2025 ERPs, which included the measure on improving SOEs business management and establishing a rigorous oversight system. SOEs' reforms also feature among the government's reform priorities under the EU Growth Plan agreed in May 2024[221]. According to the data available in the public registry of the SOEs, the number of SOEs assessed to be 'at high fiscal risk' rose from 13 in 2019 to 15 in 2023. OECD's Montenegro's aggregate score[222] for SOEs dropped from 2.7 in 2018 to 2.5 in 2023 referring to, among others, the absence of a state ownership policy to harmonise and professionalise ownership practices across a dispersed portfolio; weaknesses in SOE board independence; and shortcomings in transparency by SOEs on their non-financial performance and by the state on the performance of the SOE portfolio as a whole.

The government privatization plans over the period 2017-2024 failed. There was no single case of privatization, and if anything, total number of SOEs rose while government stakes in few SOEs also increased. Over the 2017-2024 period, the authorities planned privatization of ten SOEs, either through public procurement or via purchase of equity, though none of it materialised. At the

[220] European Commission
221 European Commission, May 2024, available at https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/growth-plan-western-balkans_en
[222] Score consists three sub-dimensions: (1) efficiency and performance through improved governance, (2) Transparency and accountability, (3) Ensuring a level playing field. See OECD, 2024. Western Balkans Competitiveness Outlook 2024: Montenegro.

same time, ten new SOEs were established during the 2017-2024 period, of which three were in the energy sector. In addition, state ownership in EPCG increased to nearly 100% in 2018 after it bought back the shares from the Italian A2A. The state expanded further in the energy sector in 2021 by establishing EPCG Solar Gradnja DOO – entity installing solar panels as part of the effort to speed up the green transition. The transport sector noted changes too. State airline company Montenegro Airlines was shut down when COVID-19 hit, following years of financial losses and generous state subsidies, although the new and replacing SOE ('To Montenegro') reached its first positive business result only in 2023. Going forward, the state equity may increase further as the government contemplates the acquisition of privately owned Port of Adria in 2025 and its merger with state-owned Port of Bar (79% of state equity), In March 2025, the Government and a local hotel operators – two largest shareholders of the Institute 'Dr Simo Milošević' Igalo agreed €88 million package to help the SOE from looming bankruptcy. The package included state acquisition of the institute's „children department' for €4.8 million.

More broadly, there is currently no apetite in government to kick start the privatisation process[223]. Recently re-opened tendering process for 30-year concession of the two international airports (Podgorica and Tivat) might result in concession approval in 2025. Otherwise, there are no other potential SOEs where increase in private-sector participation is likely in 2025.

World Bank (WB) has been the key multilateral development bank supporting the Montenegrin SOEs restructuring since years. In 2017, WB's €80 million Policy Based Guarantee included also some provisions to improve SOEs management[224]. In 2021-2022, WB was also supporting the establishment of legal frameworks for SOEs holding, oversight, fiscal risk monitoring and disclosure. More recently (February 2024), €3.5 million EU financed and WB implemented reform facility as part of the EU pre-accession public sector program[225] which includes technical assistance in legal policy, institutional reforms and SOEs oversight. Lately, WB began also supporting Western Balkan countries in improving the capacities in sustainability reporting, including SOEs[226]. Further, the 2024 WB DPL (€80 million) for Montenegro's first resilient Fiscal and Sustainable Development includes one prior action on new SOE regulatory framework and development of the oversight mechanism (with IMF support).[227]

The EU has also played a significant role in the process of SOEs' restructuring through IPA framework. IPA III (2021-2027) facility envisaged technical assistance to reform SOEs. Some indicative outcomes included staff and management requirements, ownership policies, functional investments and innovation grants. The adoption of the Law on Business Organizations was part of the demanded legislative changes in tackling SOEs reforms too. More recently, New EU Growth Plan[228] of the EC has also insisted on improvements in SOEs' governance. EC enacted the New EU Growth Plan for the Western Balkans in 2023 to spur the region's convergence towards the EU. In the area of SOEs specifically, it focuses on the strengthening of the SOEs' financial performance, efficiency, transparency, and integration in public procurement, as well as the financial independence of the State Aid authorities, all aligned with the EU rules.

[223] Montenegro Business, 2024. Montenegro halts privatisation efforts this year to preserve state-owned enterprises.
[224] World Bank, 2017. World Bank backs fiscal and financial sector reforms in Montenegro. Available at: https://www.worldbank.org/en/news/press-release/2017/12/20/world-bank-backs-fiscal-and-financial-sector-reforms-in-montenegro
[225] World Bank, September 2024, available at https://blogs.worldbank.org/en/governance/improving-public-sector-governance-is-vital-for-montenegro-s-eu- The programme is known as BEST, standing for Building an Effective and Sustainable Transformational (BEST) Public Sector.
[226] Source: https://cfrr.worldbank.org/sites/default/files/2024-11/CFRR-Results-Story-November-17-2024.pdf
[227] World Bank, September 2024. Montenegro First Resilient and Sustainable Development DPF. Available at: https://documents1.worldbank.org/curated/en/099091324110541505/pdf/BOSIB12fcebff70d01bd7010c9cbf214dcb.pdf
[228] European Commission, 2024, available at https://neighbourhood-enlargement.ec.europa.eu/document/download/a732b6c0-ae10-4bc6-b301-5db4a97994b3_en?filename=SWD_2024_245_5_EN_autre_document_travail_service_part1_v3.pdf

During 2017-2024, EBRD supported the SOEs' investments with eight loans for the total amount of €227.5 million (45% of all EBRD's lending in the country signed over 2017-2024), albeit one €50 million loan was eventually cancelled. These included five projects with SOEs from energy sector (i.e. EPCG: 2; CGES: 2; CEDIS:1), two from the railway sector (i.e. ZPCG: 1; ZICG: 1) and one from water sector (Regional Water Supply Company – RVCP). In addition, EBRD supported the design and implementation of the Corporate Governance Action Plans (CGAPs) in three SOEs. These efforts partly failed by now (Table 11).

Table 11: List of EBRD loans to SOEs in Montenegro, 2017-2024

No	SOE's name	Project [OpID]	EBRD loan [€ million]	TCs related to corporate governance improvement/ IEVD's assessment
1	CEDIS	CEDIS smart metering completion project [48402]	18.5	TC [€70k funded by the SSF] Support to create and implement the compliance programme as a component of the Corporate Governance Action Plan (CGAP). IEvD's assessment: *partly failed* – as of late-2024, 1/3 out of 69 consultant's recommendations have been implemented by CEDIS. A further TC is planned to assist CEDIS in the implementation of the remaining CGAP actions (including selected compliance measures). This was requested by the company at the time of the SCADA project in 2024, Although beyond evaluation period, this may suggest a shift in the client's commitment towards these reforms.
2	CGES	Sub-Station Brezna [54749]	28	:
3	CGES	Lastva - Pljevlja Transmission Line – Variable Shunt Reactor [42768]	9	:
4	EPCG	VISP - EPCG Solidarity loan [52037]	50	:
5	EPCG	Gvozd Wind farm [50427]		:
6	ZPCG	Montenegrin Railways Passenger Trains [55258]	30	TC [€150k funded by EU IPA] for the enhancements of the company's corporate governance standards and practices (e.g. Board's composition and effectiveness, directors' and Audit Committee independence, non-financial disclosure) through the adoption and implementation of the (CGAP) that has been covenanted in the Loan Agreement. In addition, amendment of the Public Service Contract ("PSC") in line with EU standards to improve railways financial sustainability was envisaged. IEvD's assessment: *too early to assess* – CGAP implementation to be completed by 2028.

				This TC started in January 2025. Gap analysis with recommendations was delivered to client in May 2025, draft PSC contract was expected by the management to be finalised in September 2025.
7	ZICG	Railways Maintenance Equipment Renewal [51806]	11	Approval and implementation of CGAP – key element of Primary *Well-Governed* TQ – by end-2024, covenanted in the Loan Agreement, though no standalone TC devoted for it. IEvD's assessment: *partly failed* – Out of 10 CGAP actions, 6 *failed* and 1 *partly failed* by end-2024. Although CGAP was covenanted in the loan agreement as 'to be adopted and implemented', TIMS monitoring indicator did not capture the latter.
8	Regional Water Supply Company	Regional Water Supply System Expansion [50612]	24	Preparation of CGAP with 11 measures to improve corporate management. No TC was available for this task but it has been covenanted in the Loan Agreement i.e. 'adoption and implementation of CGAP'.. IEvD's assessment: *entirely failed* – new management of the Company established in July 2021 did not show an interest to implement pre-agreed CGAP. This was due to political changes beyond EBRD's control.
	Total		**227.5**	

Note: €50 million loan to EPCG was eventually cancelled

Source: EBRD DW_Banking database and IEvD interviews

Annex 9. Women & Youth in Business Programs

Over the evaluated period EBRD has gradually introduced the WIB and YiB programs in financial sector by working with long standing local PFIs. The Bank approved WIB credit lines for a total amount of €12 million, through five projects with three PFIs: three with main local microfinance institution (Alter Modus) and two with leading commercial banks (NLB and CKB). YiB program has only partnered with Alter Modus so far, through two loans of €4.5 million in total. Both of these segments are underserved and required customized financial products. For instance, 60% of women entrepreneurs' report[229] that they have never used credit services, and list high cost of credit and lack of hard collateral (only 20-30% of women own real state) as the top two constraints to access finance, along with cumbersome loan procedures

EBRD's value added was rooted in the non-financial feature of the first loss risk cover (FLRC) which was and remains an innovative approach in Montenegro. The FLRC was instrumental in enabling two PFIs to provide better terms and conditions to the borrowers. It encouraged first risk averse bank to lower collateral requirements and offer longer tenors, while the microfinancial institution reported that without it, it would have been impossible to offer loans based on soft collaterals[230] as it would required higher capital allocation. There was also innovation – for some banks it was their first exposure to the FLRC, new knowledge they valued.

The program encouraged PFIs to customize their credit offering to women and youth. While all PFIs modified their loan products to better serve these segments, the degree of customization varied. In the case of WIB, some PFIs simply removed the hard collateral requirements, whereas others were more generous offering longer tenors (up to 5 years), lower interest rates (1 pp) and removed processing fees. As of end-2024, the reported cumulative disbursements were €9.6 million[231]. Portfolio quality was good, well below the 5% PAR 90 limits established by EBRD. Credit lines were complemented by TCs232, which covered baseline assessments, training to PFIs' staff and seminars to existing and potential borrowers. None of the three PFIs reported organizational/ process changes, beyond adjustments to authorisation levels[233], to better serve women.

Systemic change has not occurred yet and will not occur if based solely on lending volumes. Still, EBRD portfolio's demonstration effect coupled with sector level activities are contributing to some changes in the market. The on-lending amounts by the PFIs are and will be modest compared to size of the market. For instance, full achievement of WIB program lending targets (1.4 times the lending amount) will generate €15 million of sub-loans against 750 million lending to MSMEs nationwide. There has not been a multiplier effect within the PFIs' portfolios either, as none of them have extended the favourable WIB loan conditions outside the FLRC cover. However, the successful deployment of the FLRC mechanism may trigger a demonstration effect. The envisaged Credit Guarantee Fund has women as one of the target recipients and PFIs and local CSOs noted that WIB intervention provides a practical example of how to properly target women and design a red-tape free guarantee scheme. EBRD is also part of the We Finance

[229] Survey by Secretariat to the Competitiveness Council. The results showed, among others, that access to finance remains the greatest obstacle for the women entrepreneurs, and most have not used credit services. The availability of initial capital is recognized as the key challenge. The findings also point to insufficient visibility and adaptability of financial products. Available at: https://scc.org.me/web/publikacije/Ekonomsko%20osna%C5%BEivanje%20%C5%BEena/2025/Zene%20u%20biznisu%20stavovi%20i%20iskustva%20nositeljki%20ZZB.pdf
[230] Soft collaterals are based on intangible assets such as promissory notes.
[231] Figures for Alter Modus, NLB and CKB
[232] Between €85k and €225k per project
[233] But at least one acknowledged thanks to EBRD reporting requirements and subsequent adjustments to their MIS that it is now able to generate tailored reports on women and other products

Initiative[234] and has supported the SCC in the “Women’s Trademark” project[235]. Several banks agreed to finance MSMEs that hold this trademark.

[234] https://www.ebrd.com/home/work-with-us/donor-partnerships/women-entrepreneurs-finance-initiative.html
[235] https://topwomenbusiness.me/awarded-certificates-trademark-womens-business/?lang=en

Annex 10. ASB

The ASB Programme in Montenegro is designed to strengthen MSMEs and diversify the economy. In Montenegro's context, and as per both EBRD Country Strategies, it sought to help micro, small, and medium-sized enterprises (MSMEs) scale-up and improve productivity, particularly by adopting digital and green practices. The programme also supports firms in enhancing corporate governance, aligning with EU standards, and becoming more export-ready.

Between 2017 and 2024, local ASB team delivered 285[236] projects worth €4.2 million —modest in scale but targeted in focus. The EBRD contributed €2.3 million in grants, with the remainder covered by client co-financing. Compared to regional peers, Montenegro's outreach is limited, though reflects also country size. For example, Serbia implemented 636 local consultancy projects versus Montenegro's 279. International advisory support was even more modest, with only five projects delivered over the same period (Table 12 & 13).

Table 12 & 13: Local Consultancy Projects and International Advisory Projects, 2017-2024

	Montenegro	Albania	Bosnia and Herzegovina	Kosovo	North Macedonia	Serbia
# of Local Consultancy Projects	279	455	465	527	390	636
Total Project Cost (EUR)	3,865,246	5,186,772	5,291,502	7,253,578	5,806,914	11,226,526
EBRD Grant (EUR)	2,085,242	3,098,969	2,709,478	4,133,433	3,235,200	6,112,986
Client Contribution (EUR)	1,780,004	2,087,803	2,582,024	3,120,145	2,571,715	5,113,541
Avg. Total Project Cost (EUR)	13,854	11,399	11,380	13,764	14,890	17,652

	Montenegro	Albania	Bosnia and Herzegovina	Kosovo	North Macedonia	Serbia
# of International Advisory Projects	5	19	22	14	16	51
Total Project Cost (EUR)	212,000	780,000	910,000	559,738	625,433	2,045,500
EBRD Grant (EUR)	183,120	633,600	717,800	476,775	521,553	1,610,500
Client Contribution (EUR)	28,880	146,400	192,200	82,963	103,880	435,000
Avg. Total Project Cost (EUR)	42,400	41,053	41,364	39,981	39,090	40,108

Source: ASB Data

ASB interventions in Montenegro are highly concentrated in ICT, marketing, and quality management. These three areas account for 78% of all projects, reflecting a deliberate focus on business modernisation and competitiveness.

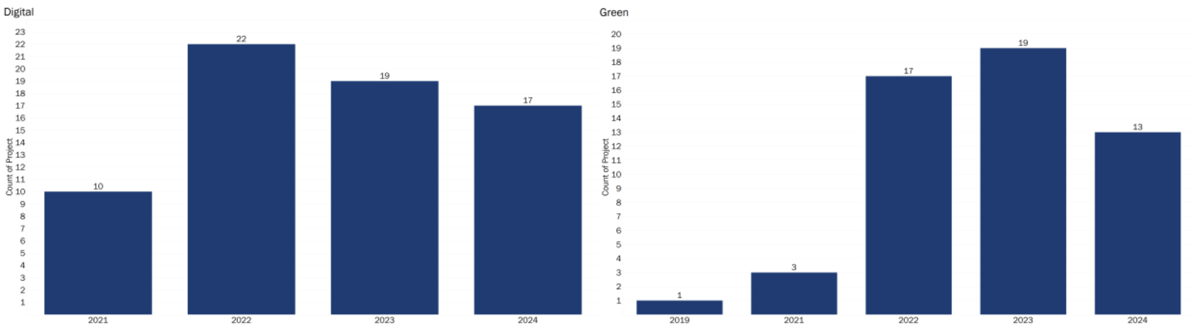
Despite tourism's central role in the economy, only 4% of projects directly targeted the sector directly. However, many interventions supported tourism-dependent industries such as wholesale and retail (29%), construction/engineering (11%), and food and beverage (9%).

236 Local Consultancy: 279 ; International Advisory: 5; Group Advisory: 1

The programme supported primarily small and micro enterprises, with limited reach into rural areas. Small businesses made up 53% of beneficiaries, followed by micro (29%), medium (14%), and large firms (3%). Geographically, 44% of projects were in Podgorica, with the rest spread across Central (35%), Southern (13%), and Northern (6%) Montenegro. Only 12% of projects were in rural areas, suggesting room for broader geographic inclusion.

While ASB complements other national SME support schemes, it remains unique in its tailored, hands-on approach. Montenegro's SME Strategy for Development (2023–2027) highlights persistent gaps in access to finance, advisory for green and digital transformation, and internationalisation. ASB addresses many of these gaps, with nearly half of ASB projects are digital or green.

Figure 34: Number of Digital and Green projects in ASB portfolio, 2021-2024

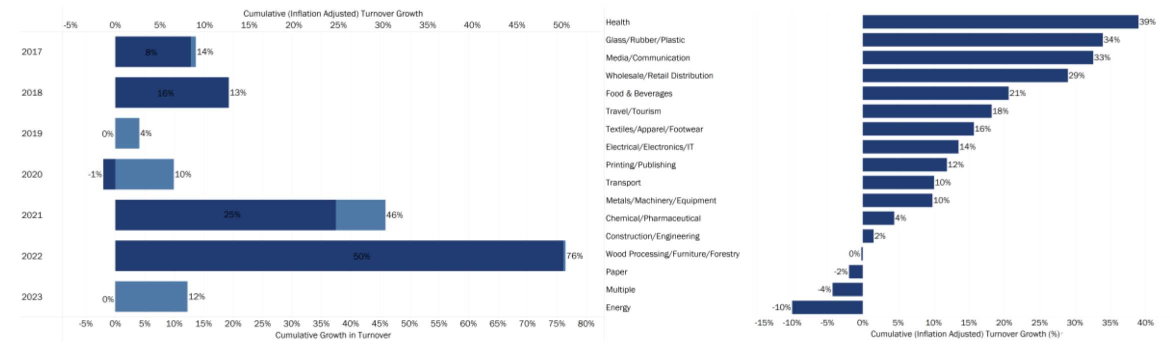


Source: ASB Data

Advisory support has strong potential to complement access to finance; however, the causal link between advisory services and tangible financing outcomes remains insufficiently evidenced. Both past and current EBRD strategies emphasise the need to strengthen SMEs' competitiveness through integrated access to know-how and finance. Of the 285 ASB projects, 65 were implemented under programmes such as Women in Business, Blue Ribbon, and Youth in Business — all of which combine advisory support with dedicated credit lines through Partner Financial Institutions (PFIs). Despite this, the extent to which advisory interventions have translated into improved access to external finance is unclear due to limited outcome-level tracking and attribution.

ASB beneficiaries exhibited high, though volatile turnover growth. Growth rates were particularly high in 2021 and 2022, though equally, if adjusted by inflation, 2019, 2020 and 2023 saw no real growth. Furthermore, results data is affected by outliers; for example, a single health sector project contributed disproportionately to a 161% increase in 2022, skewing aggregate results.

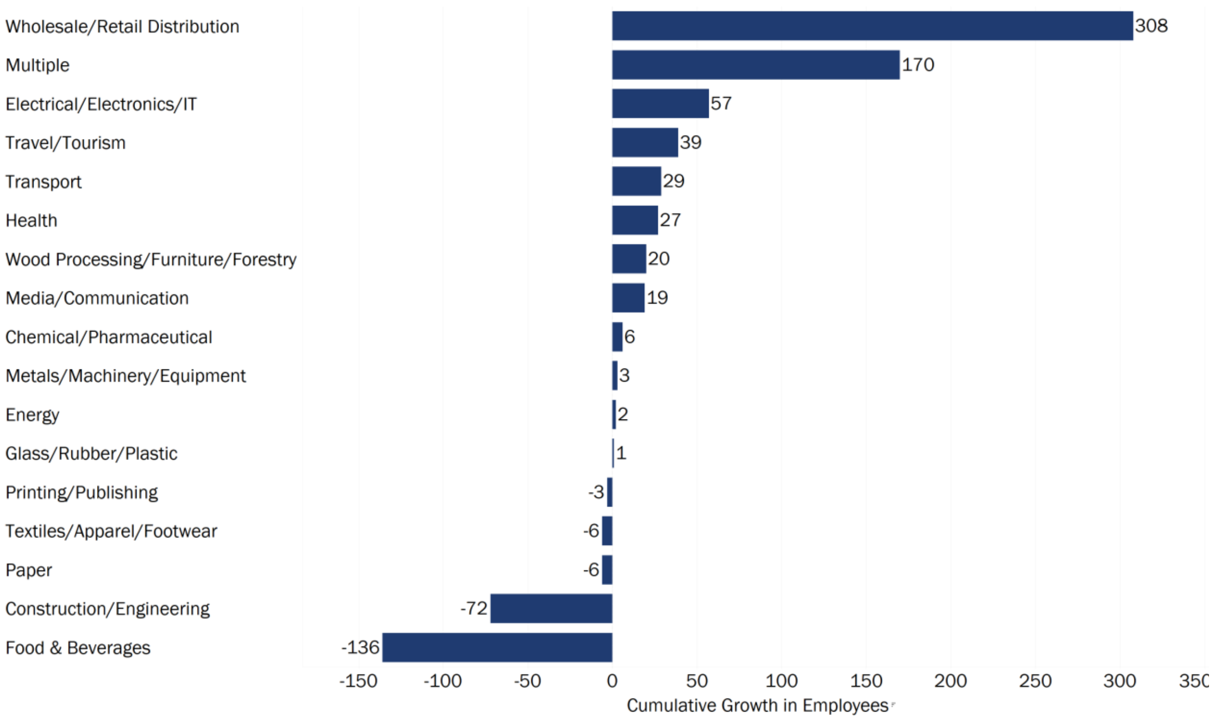
Figure 35: Cumulative (Inflation Adjusted) Turnover Growth (%) in ASB projects, 2017-2023



Source: ASB Data

Employment outcomes were uneven across sectors, and a few high-impact projects driving most of the gains. From 2017 to 2023, employment growth varied widely. For instance, three projects in the wholesale/retail sector accounted for the largest gains, while one project in Northern Montenegro caused a significant drop. These fluctuations highlight the sensitivity of aggregate results to individual project performance.

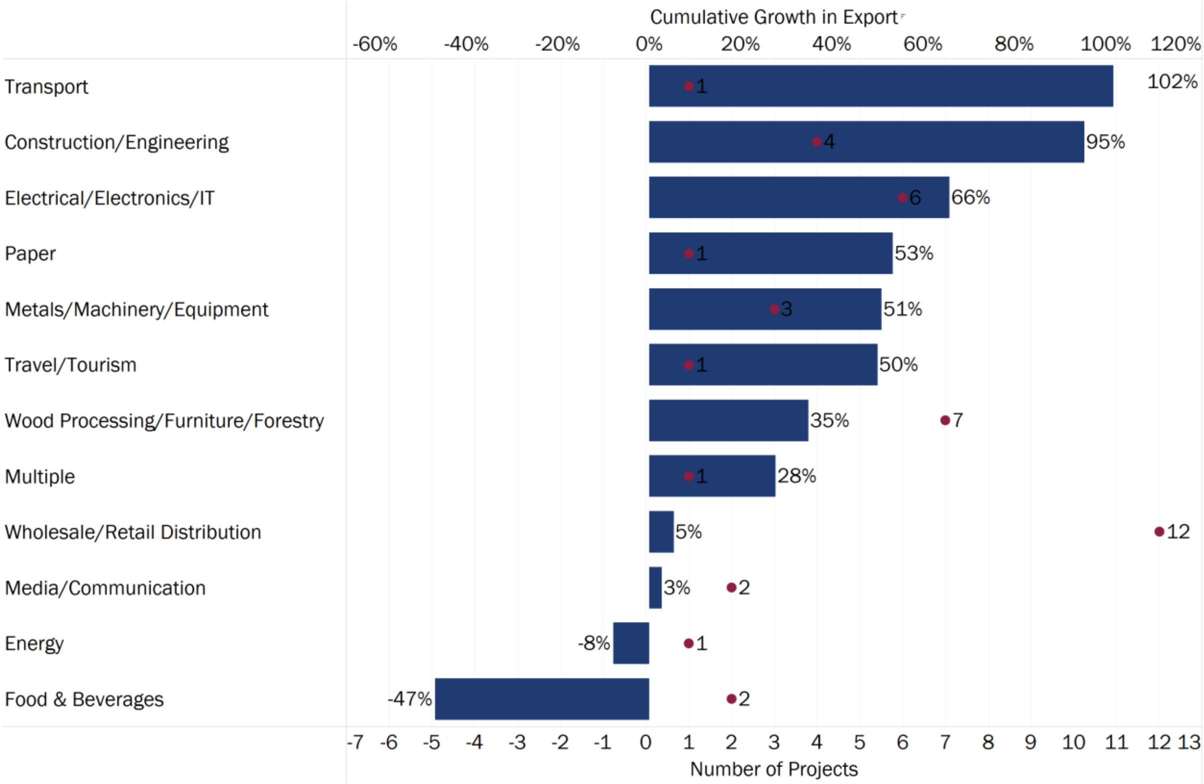
Figure 36: Cumulative Growth in Employee Numbers from ASB Projects, 2017–2024



Source: ASB Data

Export growth among ASB clients remained limited and inconsistent. Only 35 of 221 self-evaluated projects reported increased exports. The transport sector showed the highest growth, but this was due to a single architectural planning and design project. In contrast, the food and beverage sector saw a 47% decline, driven by one project that ceased exporting post-completion.

Figure 37: Cumulative Export Growth in ASB Projects, 2017–2024



Source: ASB Data

More generally, and in relation to the reporting on the ASB related activities, there appears to be a systematic overrepresentation of the program actual impact. Average ASB support per company in Montenegro in 2024 was €17k. It is less plausible that for many beneficiaries whose annual turnover may exceed €200k, €500k or €1 million, and who saw a major increase in turnover, export or employment, these rises might be still attributed to that relatively small ASB support. Yet, the Bank's reporting e.g. via CSDRs, lacks a cautionary note for the reader on that, who otherwise may misinterpret/ exaggerate Bank's contribution to these outcomes.

Sample of interviewed ASB beneficiaries viewed the ASB Programme as well-managed and responsive, despite some implementation challenges. Beneficiaries consistently praised the local ASB team for their accessibility and support throughout the project cycle. Consultants were generally well-matched, and the EBRD's role in identifying qualified advisors was seen as critical.

Overall, systemic change is not a realistic expectation from ASB projects in Montenegro, given its limited scale. Firstly, the ASB Programme reached less than 0.5% of the Montenegrin MSMEs[237].Secondly, with the average ASB support per beneficiary of €17k it is hard to expect transformational changes. While the programme is a valuable part of the EBRD toolkit, understandably it rather complements other interventions and its potential to drive structural transformation is inherently constrained.

237 As of 2023, MSMEs accounted for 99.3% (54,035) of the total number of active business entities in Montenegro.

Annex 11. Montenegro – Energy Sector

Energy Sector in Montenegro

Overview

Energy intensity of Montenegro's economy improved by 15% over the last decade (2013-2022). Yet, it still lags markedly behind the EU average. According to the Eurostat data, energy intensity of Montenegro economy is circa 2.5 times higher than EU-27 average[238]. This has also been due to its coal, chemical and aluminium-making industries, though the last aluminium plant in the country was shut recently (May 2023). Reducing the energy intensity (and transition away from fossils) has been seen as critical for country's competitiveness going forward[239].

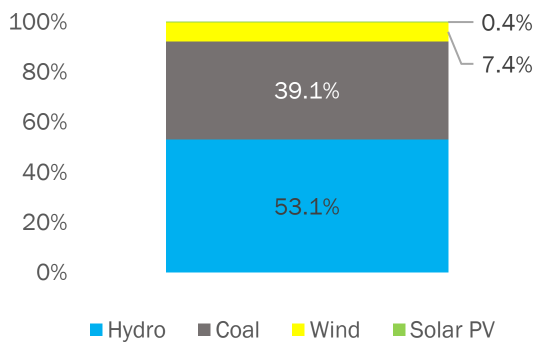
The energy sector of Montenegro is small, with only 450,000 customers and overall demand of approximately 3,500 gigawatt hours (GWh) annually. Majority state-owned Electrical Power Company of Montenegro (EPCG) plays a central role in energy generation[240], transmission, distribution and supply.

Domestic electricity generation in Montenegro in 2023 was 4.04 GWh, of which more than a third came from coal. Entire electricity generated from coal in the country comes from one single 225 MW Pljevlja coal-fired Thermal Power Plant unit[241]. More broadly, coal, and hydro accounted for 39.1%, 53.1% of the total domestic electricity generation in 2023 respectively. Wind and solar together, stood for the remaining and tiny share of 7.8%, according to IEA[242], compared to 0% in early 2017. The share of wind accounted for 7.4%of total electricity generation, with further solar adding further 0.4%[243] (Figure 38:).

When it comes to domestic energy consumption, transport and residential sectors stood for two thirds of the total consumption. Specifically, transport, residential, industry and commercial and public services accounted for 38.5%, 32.7%, 10.8% and 14.3% respectively[244] (Figure 39:).

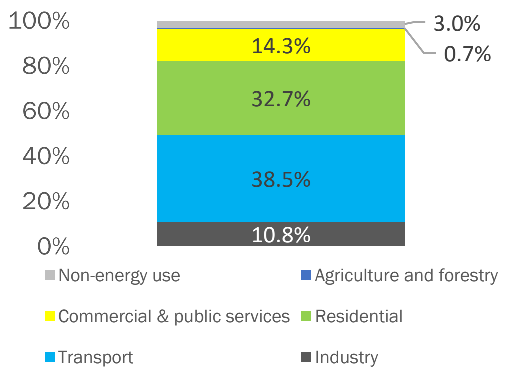
[238] Using kilograms of oil equivalent (KGOE) per thousand euro as unit measure where EU-27 average and Montenegro being 107 and 259 respectively. Available at: https://ec.europa.eu/eurostat/databrowser/view/nrg_ind_ei__custom_9183490/default/table?lang=en
[239] See for instance World Bank, 2023. Montenegro Country Economic Memorandum. Available at: https://documents1.worldbank.org/curated/en/099051523104018239/pdf/P1773730df9e270120b9590413ec7f8a6c5.pdf?_gl=1*1xjq7fq*_gcl_au*MTc3Njc4OTU0NS4xNzI1Mjk1MjQ4
[240] It owns the largest coal-fired plant in the country and holds stakes in some renewables' projects.
[241] It is expected to operate till at least 2035. The plant will be soon renovated and upgraded, also to reduction greenhouse gas emission intensity. In its current form it is responsible for 70-80% of the total CO2 emission in Montenegro.
[242] IEA, 2024. Montenegro. Available at: https://www.iea.org/countries/montenegro
[243] OECD, 2025. Energy Prices and Subsidies in the Western Balkans. Available at: https://www.oecd.org/en/publications/energy-prices-and-subsidies-in-the-western-balkans_082ea26a-en/full-report/energy-prices-and-subsidies-in-montenegro_4520c191.html
[244] IEA, 2024. Montenegro. Available at: https://www.iea.org/countries/montenegro

Figure 38: Domestic electricity generation, 2023



Source: IEA

Figure 39: Domestic energy consumption, 2023



Source: IEA

Over the last decade Montenegro was often a net energy importer, while in this decade it has been consistently a net energy exporter[245]. Moreover, it may become a major export hub of green energy in the foreseeable future. Energy export, although dependent also on hydrological conditions, was already a significant trade position and stood at 15% of all exported goods as of 2021[246]. In 2022 and 2023, however, it grew sharply to 24% and 31% respectively[247], also thanks to falling demand from aluminium industry[248], with Bosnia and Serbia being two top trading partners accounting for nearly half of all electricity export[249]. With respect to share in total export (goods & services), it was estimated at 5.6% and 6.0% in 2022 and 2023 respectively[250].

In 2019, the €1.1 billion Montenegro-Italy interconnector, 423 km undersea electricity cable allowing energy transmission from and to Italy, was completed. With the capacity of up to 600 MW (which will become 1,200 MW when the second cable is laid, scheduled for the near future), the interconnector alleviates the constraint for an amount of excess energy that could be potentially exported by the domestic renewable sector to the EU, while other Balkan countries have diverse energy structures with respect to renewable and thus their export advantage varies.[251]

Montenegro has also some oil and gas deposits along Montenegro's deep-water Adriatic coast. Until 2024, the government issued two offshore exploration licenses. Oil explorations have not been conclusive so far. New gas exploration concessions are expected to be issued this year[252]. Though, explorations raised concerns about potential environmental impact and damage to the

[245] OEC, 2024. Electricity in Montenegro. Available at: https://oec.world/en/profile/bilateral-product/electricity/reporter/mne?yearExportSelector=exportYear1

[246] World Bank, 2023. Montenegro Country Economic Memorandum. Available at: https://documents1.worldbank.org/curated/en/099051523104018239/pdf/P1773730df9e270120b9590413ec7f8a6c5.pdf?_gl=1*1xjq7fq*_gcl_au*MTc3Njc4OTU0NS4xNzI1Mjk1MjQ4

[247] Monstat data

[248] Country's aluminium producer (KAP) remained operational until mid-2023. It was responsible for considerable electricity consumption at subsidised prices, which acted as a drag down on the EPCG's revenues, and squeezed the electricity export potential significantly too. With the official closure of KAP and then upward trends in electricity prices globally, following the war in Ukraine, the export of electricity received further boost.

[249] OEC, 2024. Electricity in Montenegro. Available at: https://oec.world/en/profile/bilateral-product/electricity/reporter/mne?yearExportSelector=exportYear1#market-growth

[250] Evaluation team calculations using Central Bank and Monstat data

[251] Bosnia and Herzegovina and Albania are also rich in renewable energy sources, just like Montenegro. According to 2020 Eurostat data, Montenegro contained around 44% of renewable sources in the energy production mix, cf. 45% and 39% in Albania and Bosnia respectively. The situation differs for Serbia and North Macedonia, which depend highly on solid fossil fuel and also gas (Serbia). Their renewable energy sources are responsible for 26% (Serbia) and 19% (North Macedonia) total production.

[252] Serbia-Energy.eu, 2024. Montenegro to launch tender for gas exploration in 2024. Available at: https://serbia-energy.eu/montenegro-to-launch-tender-for-gas-exploration-in-2024/

tourism industry, among others. They have question from a purely commercial standpoint given fast decreasing comparative cost of solar and wind.

Currently, the Energy Development Strategy of Montenegro[253], approved originally in 2015, guides formally the government strategic approach to energy sector. It sets out objectives and mechanisms for the transition from the current energy system to a new one with 2030 target date[254]. The Strategy has been subject of some major criticism[255]. Although delayed already, once adopted, the National Energy and Climate Plan will become the new strategic plan for the development of the energy sector until 2030. It will include policy and measures in the field of renewable energy and energy efficiency and align Montenegro's energy policy with 2030 Energy Community targets.

More recently (August 2024), the new Renewable Energy Sources Law,[256] part of aligning the environmental standards with the EU *acquis*, was adopted. The law aims at, inter alia, further decarbonisation of the energy sector, lowering energy export dependence, and reducing greenhouse gas emissions. It envisages a new investment incentive scheme (e.g. market premiums and feed-in tariffs) for renewable energy industrial activities available over twelve years. EBRD supported drafting of the law and continuous its assistance in devising international action scheme.

Renewables (hydro, wind and solar)

Montenegro only uses approximately 20% of its hydropower potential. However, hydropower has been vulnerable to climate change. Although it has been cited less frequently than Albania as an example of a country relying (too) heavily on hydro, country ability to meet electricity demand domestically has also varied depending on the hydrological situation in a given year[257]. New hydro projects have also faced resistance from local communities and environmental groups.

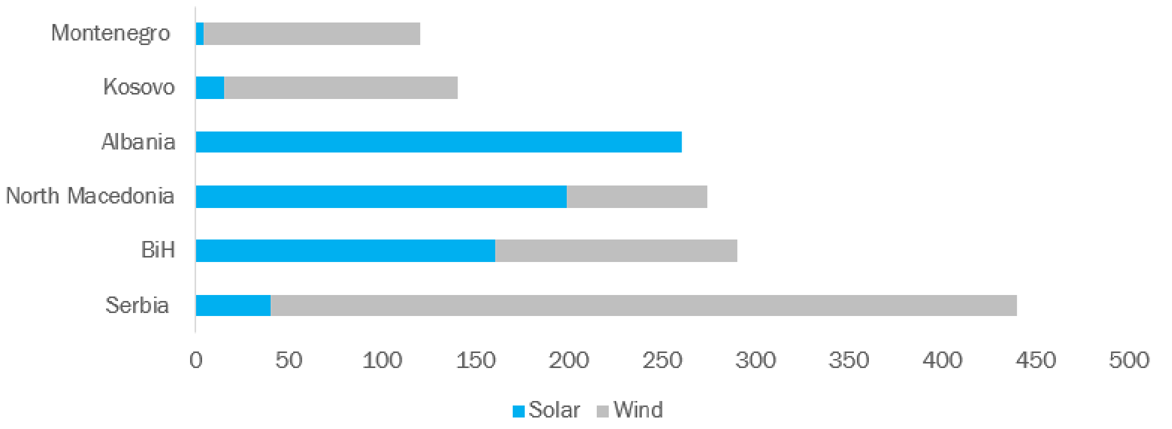
Solar and wind energy plants' development in Montenegro offers large potential and scope for expansion. 'Rich' solar radiation with around 2,000-2,500 sunshine hours per year[258] almost everywhere in the country offer a viable backdrop, although its hilly and rugged terrain may present some challenges for large-scale solar installations. For onshore wind, the total power requested by developers at the national grid operator exceeds several times the total installed production capacity in Montenegro, as of November 2024. For offshore wind, recent research suggests that the country has the potential for at least 2.3 GW of offshore wind (mostly floating structures).

Yet, the country made limited use of its solar potential so far[259], also compared to its Western Balkans peers, with somewhat better headways in wind (Figure 40: Operating solar and wind power in the Western Balkans). First ever solar power plan in the country in Čevo became operational only in December 2023. Development of wind farms, although earlier and in greater

[253] Montenegro Ministry of Economy, 2014. Energy Development Strategy of Montenegro till 2030. Available at: https://www.fao.org/faolex/results/details/fr/c/LEX-FAOC208502/
[254] IEA, 2024. Montenegro. Available at: https://www.iea.org/countries/montenegro
[255] For instance, its overreliance on hydro in achieving environmental targets, insufficient detail on wind and solar development, and unrealistic assumption and lack of clarity in terms role of heavily polluting aluminum, steel and coal industry.
[256] 2024. Government of Montenegro. Available at: https://www.gov.me/en/documents/a27cd863-07c1-454c-bb9a-38101b5982a4
[257] Bankwatch, 2023. The energy sector in Montenegro. Available at: https://bankwatch.org/beyond-fossil-fuels/the-energy-sector-in-montenegro
[258] For coastal and central regions, this is at par with Southern Greece and Italy. For comparison, London has ca. 1,000 sunshine hours annually
[259] Bankwatch Network, 2023. The energy sector in Montenegro. Available at: https://bankwatch.org/beyond-fossil-fuels/the-energy-sector-in-montenegro

scale with the first wind farm in Krnovo constructed in 2017, has been still well below the potential too.

Figure 40: Operating solar and wind power in the Western Balkans



Source: Global Solar Power Tracker, Global Wind Power Tracker, Solar Asset Mapper

Note: Data includes only solar project phases with a capacity of 1 megawatt (MW) or more and wind project phases with a capacity of 10 MW or more

There have been number of obstacles slowing down the development of wind and solar in Montenegro. The country still lacks a supportive legal framework for renewables fully compliant with the EU *acquis*[260]. Limited administrative capacity of the national authorities also translated into slugging planning, delayed permits and longer implementation timespans. To speed up the wind and solar development, the country also needs to upgrade its complementary infrastructure including transmission and distribution networks. Table 14 outlines the list of wind and solar projects in Montenegro, being completed/ at advanced stage of development (at least close to constriction kick-off) at the cut-off point of no later than end-2024.

Table 14: Wind and solar projects – completed/at advanced stage, as of end-2024

Project Name	Type	Start/ Completion	Capacity in MW	Overview
Krnovo Wind Farm	Wind	2014/2017	74.1	– Country first ever wind farm consisting of 26 turbines and developed by Masdar, UEA based renewable energy company. – Total cost: €139 million – EBRD involvement: Yes
Mozura	Wind	2015/2019	46	– Country second wind farm consisting of 23 turbines and developed by Maltese state-owned Enemalta. – Total cost: €86 million – EBRD involvement: No

[260] GEM & Bankwatch, 2024. A race to the top – Western Balkans. Available at: https://bankwatch.org/wp-content/uploads/2024/07/RTTTWesternBalkans-2024_v7.pdf

Project Name	Type	Start/ Completion	Capacity in MW	Overview
Brajici Wind Park	Wind	August 2020/2026	100	– The project is owned and being developed by consortium of WPD AG (Germany) and Vjetroelektrana Budva – Total cost: US$107 million – EBRD involvement: No
Gvozd Wind Farm	Wind	June 2021/2026	56	– Developed with support from Ivicom and EBRD, and owned by EPCG, the Montenegrin national power utility. – Total cost: ca. US$ 95 million – EBRD involvement: Yes
Željezara Nikšić	Solar	2022/2025	10	– Developed and owned by EPCG – Solar panels on the rooftop – Installation completed in December 2024 – Total cost: €20 million – EBRD involvement: no
Cetinje	Solar	February 2023/TBC	385	– PV park consisting of seven locations in Lastva and Ubli near Cetinje developed by RES Montenegro Group. Biggest in Montenegro and one of the largest in WB region at that time. – Total cost: €300 million – EBRD involvement: No
Cevo Solar	Solar	2022/December 2023	4.4	– First ground-mounted plant built in Montenegro by Sun Horizon and Obovlijvi consisting of over 8,000 panels and developed by Green Grow Energy (GGEN). – Total cost: US$ *tbc* – EBRD involvement: No
Vucha 1, 2 and 3	Solar	2023/tbc	123.6	– BSD Mont in coopereation with partners from Hungary to built three solaw power plants in Vucha near Rozaje – Total costs: €200 million – EBRD involvement: No
Total	**7**		**799.1**	
EBRD share	**2**		**tbc**	

Source: EBRD, Bankwatch Network, Power Technology, Ekapija, Solarno, Energetika

Note: Figures compiled based on available public information on best-effort basis may differ in reality.

Annex 12. Montenegro – EBRD support of the renewable auctions

EBRD support in the preparation and implementation of competitive RE auctions, including improving the efficiency of the balancing costs arrangements for RE[261]

Context

IEvD concurred with the view of the staff in the RO Podgorica that out of 15 PD workstreams (of which 5 in energy sector) undertaken by the EBRD in Montenegro over 2017-24 period, the support for the preparation and implementation of the competitive RE auctions carries potentially the greatest promise of the EBRD's induced systemic change.

Until now, the critical element that has hampered faster development of wind and solar in the country has been unpalatable risks for private renewables developers (and financiers), due to the absence of Power Purchase Agreements (PPAs). While some projects still took off, including recent 56 MW Gvozd wind farm where EPCG's involvement effectively guaranteed to absorb the electricity, many have not materialised. As put by one of the leading renewables' investors in the region "*We looked at some large projects in wind and solar – but when it comes to off-take, no one gives us a clear answer in Montenegro*". At the same time, as of end-2024, there was an equivalent of 2.2 GW grid connection agreements issued by the national transmission operator (CEDIS), of which some with serious international developers – a proxy for the size of potential supply. Competitive renewable energy auctions with Contracts for Difference (CfD) guaranteeing the set of purchase price for renewables developers have been one of the tools to unlock these investments, while being also cost effective and fiscally responsible[262]. This PD workstream has been also relevant in the context of diversifying country's economy from tourism (by boosting energy export).

The EBRD has already a strong track record in supporting renewable energy auctions in Western Balkans (and beyond), with very tangible results in Albania and Serbia already. Albania has seen four auctions with total of 746 MW auctioned so far. Serbia, in turn, managed to launch two renewable energy auctions so far with the total of 650 MW auctioned. Montenegro is the fourth country in the Western Balkans region, followed recently by Northern Macedonia, that has been working on renewable auctions framework.

Country	Start of the EBRD support	Actual/ *expected* date of launching the 1st auction
Albania round 1	2018 December 2018	January 2020
Albania round 2	n/a	November 2020
Albania round 3	n/a	December 2021
Albania round 4	n/a	January 2024
Azerbaijan	August 2019	April 2024
Bulgaria RES + BESS	April 2023	March 2024
Bulgaria BESS	April 2023	August 2024
Moldova	October 2018	August 2024
Montenegro	July 2022	*Q2 2025*
Northern Macedonia	April 2025	*Q4 2025 / Q1 2026*
Romania round 1	September 2019	September 2024
Romania round 2	n/a	May 2025
Serbia round 1	December 2020	June 2023
Serbia round 2	April 2024	November 2024
Egypt	July 2018	July 2018 (EBRD provided in-house support on tender design)
Uzbekistan round 1	August 2019	September 2020
Uzbekistan round 2	n/a	April 2022
Kazakhstan	December 2019	November 2022

Design, implementation and partial results (so far)

[261] TCRS Id: 16189 / 115669

[262] According to the IEA, average global auction prices for onshore wind have dropped from US$65 per MWh in 2014 to around US$30 per MWh for the plants due to be commissioned in 2023. Source: IEA, Renewables 2019, Analysis and Forecast to 2024

Upon request from the Montenegrin authorities (Ministry of Energy) in late 2021, the EBRD put in place TC agreement worth €1.45 million[263], covering preparation and implementation of RE auctions, and to be implemented with support of consulting consortium led by Shoenherr Attorneys at Law. It has entailed full cycle support including drafting the primary Renewables Energy Law (to be transposed from the EU Renewable Energy Directive) and secondary legislation, as well as actual implementation of auctions and evaluation post-auctions to fine-tune the system.

The work started in July 2022 and envisaged initially the adoption of the primary law by December 2022. However, in October 2022 the government dissolved, and the new one was formed only in November 2023, with no functioning government in the interim. Eventually, the primary law was adopted only in August 2024. Montenegro, apart from Bosnia and Herzegovina, has been the last country in Western Balkans that managed to transpose the Renewable Energy Directive. IEvD found that the delay has been largely out of EBRD/ consultant's control e.g. due to subsequent changes in the government, there has been in total five Ministers of Energy involved in the drafting of the law over 2022-25 period, including major turnover of Ministry's technical staff too. IEvD also concurs with the RO's view that had the law not been incorporated by the World Bank (WB) as one of its prior actions linked to US$ 80 million budget support (WB's 2024 DPF[264]) – an excellent example of coordination between the local RO and the WB – the adoption would have been further delayed.

Most recently, details of the first tender for inaugural Contract for Difference auction have been announced e.g. up to 250 MW quota for solar PV with no site preselection.

The current absorption of the Montenegrin grid is estimated at 1 GW. As part of the EU Growth Plan, the country committed to add additional 400 MW renewable capacity between 2025 - 2027 – more than double of existing solar and wind capacity (148 MW) as of end-2024.

Some renewables developers interviewed for the evaluation also urged, however, not to overestimate the role RE auctions may play in green transition in Montenegro, and Western Balkans more broadly: "*CfDs is just a start, then there is a whole market that needs to be put in place including intra-day market, liquidity, adequate power storage regulation, etc.*". In addition, the pace and scale of the development of the renewables is also conditional on the decision/ timing of the phase-out of the Pljevlja Power-Plant[265].

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263 Funded partly by the EBRD (HIPCA) and partly by the EU Reform Facility and Austria
264 World Bank, September 2024. 2024 Development Policy Financing. Available at: https://documents1.worldbank.org/curated/en/099091324110541505/pdf/BOSIB12fcebff70d01bd7010c9cbf214dcb.pdf
265 For instance, its large share in energy production coupled with inability to stop production when variable price may approach price of power production, and therefore the need to stop production by renewable producers or otherwise facing the risk of negative prices, may continue to discourage some renewables developers.