



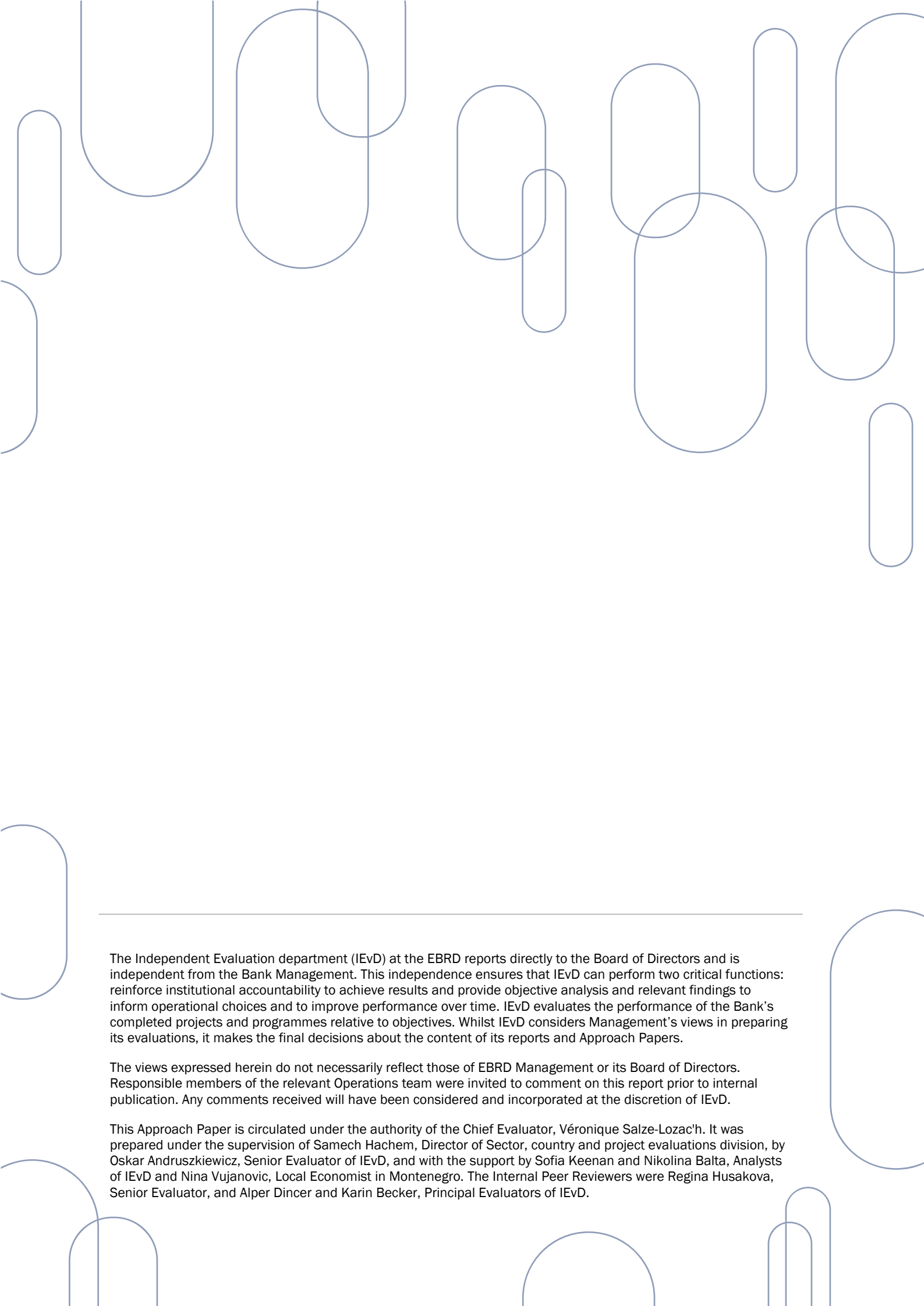
Approach Paper

Country-level Evaluation: the EBRD's activities in Montenegro 2017-2024

EBRD INDEPENDENT EVALUATION DEPARTMENT •
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1. Rationale

The Independent Evaluation Department (IEvD) 2024-2026 Work Program and Budget¹ includes a Country-level Evaluation of Montenegro. This document presents the proposed approach to this evaluation, based on a review of relevant strategic and operational context, portfolio analysis and some preliminary scoping interviews. It also outlines the administrative arrangements and expected timeline for the evaluation.

Country-level Evaluations have been a standard output across evaluation departments at other MDBs, but it is still a fairly new product for the IEvD. Following last year pilot Country-level Evaluation of Uzbekistan², this paper sets out the proposed approach for the second Country-level Evaluation undertaken by the Department. This time it covers the Bank's operations in Montenegro between 2017 and 2024. As such, it also constitutes an opportunity for further refinement of the approach to Country-level Evaluations in Bank's unique institutional context.

Unlike most other evaluation products, Country-level Evaluations provide a unique opportunity to examine how the EBRD has contributed towards systemic change. Broadly, the Bank contributes to impact through two dimensions: (i) the individual outcomes from projects and (ii) the systemic changes that occur in markets over time resulting from Bank interventions. Project-level outcomes are in principle tracked and monitored by the Bank's measurement systems whilst systemic change is typically not, due in part to the challenge of measurement.

A 2010 report commissioned by EBRD's Office of the Chief Economist on Transition and Transition Impact noted that the analysis of systemic change is more transparent at the country or country-sector level than at the project level³. Employing a country-level lens enables the analysis of how different interventions in interrelated sectors and areas within a single market system may have wider synergistic and systemic effects. Examining change at the country-level enables also deeper contextualisation and understanding of how the EBRD has contributed to systemic change in the local context.

Country selection for the IEvD's Country-level Evaluation follows structured approach. The specific choice of Montenegro was dictated by few concrete considerations. Firstly, the timetable for the development of the next Montenegro Country Strategy (2027-31) with a tentative approval date in mid-2026 – presents the possibility for this evaluation to provide timely and useful insights into the conceptualisation starting in autumn 2025. Secondly, meaningful size of EBRD's investments relative to Montenegro's GDP and total investment and important Policy Dialogue work, both making prospect of a systemic change more plausible. Thirdly, very little evaluative evidence has been gathered on EBRD's activities in Montenegro to date.

Overall, the purpose of this evaluation is to contribute to both accountability and learning. Specifically, the evaluation will contribute to institutional accountability by evaluating past operations against expectations. It will also foster institutional learning by offering insights and lessons that may be relevant for the design and implementation of future operations and approaches e.g. primarily the upcoming EBRD Montenegro Country Strategy (2027-2031), and more widely.

¹ EBRD, November 2023. IEvD Work Program and Budget 2024-2026. Available at: <https://www.ebrd.com/what-we-do/upcoming-evaluations.html>

² EBRD, October 2023. Moving the needle? The EBRD in Uzbekistan (2017-22). Available at: <https://www.ebrd.com/what-we-do/evaluation-latest-reports.html>

³ Timothy Besley, Transition and transition impact: a review of the concept and implications for the EBRD, 2010

2. Context

2.1. Country context

Montenegro gained full independence seceding from Serbia in June 2006, after an independence referendum. Population wise, it is the smallest country in Western Balkans region and the smallest in which the EBRD invests in. With 633,000 residents – it is on par with London boroughs of Croydon and Camden clubbed together, and area of approximately 13,800 km² – comparable to Ile-de France Region.

With GDP per capita⁴ of €19,329 in 2023, it ranks the highest in Western Balkans region. However, the gap with the EU27⁵ (€38,133) is wide and the convergence with the EU living standards has been slow. Between 2017 and 2023, the Montenegrin GDP per capita saw only a slight catch up with the EU27 one, from 46% in 2017 to 51% in 2023.

Montenegro has a small, open, euroized economy with modest industrial base and strong dependence on tourism which accounts for circa 25% of GDP⁶. Services, industry⁷ and agriculture correspond to 62%, 16% and 6% of GDP respectively⁸. The tourism sector – in rapid expansion over the recent years – accounts for approximately one fourth of the GDP

. There has recently been some effort from the government with some support from EBRD and development partners, to diversify from tourism towards other sectors like IT, agribusiness and renewable energy (see Box 2 and 0).

Box 1: Montenegro – (over) reliance on tourism sector

With the Adriatic Sea coastline stretching 293 kilometres and growing popularity of less conventional holiday destinations in Europe, since mid-2010s the tourism sector of Montenegro has seen a boom and became the main motor of economic growth. As of 2023, it accounted for around one fourth of the national GDP (or €1.5 bln), 43% of total export and 10% of total employment.

Pre-pandemic 2019 was a record-year in foreign tourists' arrivals reaching 2.5 mln (double cf. 2014). Tourists from Russia and Serbia, with a fairly equal split, have been two most represented nationalities accounting for over 30% of all foreign arrivals. COVID-19 pandemic dealt a major blow to the sector (and the whole economy). Arrivals plummeted from 2.5 mln in 2019 to mere 300k in 2020 while tourism receipts fell by 87%. 2023 was the first year where arrivals exceeded the pre-pandemic level (2.6 mln)⁹.

Montenegro has sought to position itself as an upscale, year-round tourism destination tapping into the market for more affluent visitors, for instance by luring large foreign hotel chains and developing eco-tourism. The sector continues to play a vital role in containing the current account deficit, already elevated by all standards. According to the IMF data, without the tourism sector, the current account gap would have been larger by around 20 percent of GDP.

Source: IMF Country Reports (2016-2022); WorldData.Info, Monstat

⁴ In current prices and adjusted for PPS based on Eurostat data. Available at:

https://ec.europa.eu/eurostat/databrowser/view/nama_10_pc/default/table?lang=en

⁵ The term "EU27" refers to the 27 member countries of the European Union that remained after the United Kingdom's departure from the EU in 2020

⁶ The Economist Intelligence Unit, 2024. Montenegro. Available: <https://country.eiu.com/montenegro>

⁷ Including construction and manufacturing

⁸ As of 2023, based on World Bank data. Available at: <https://data.worldbank.org/indicator/NV.IND.MANF.ZS?locations=ME>

⁹ Monstat, 2024. Arrivals and overnights of tourists. Available at: <https://www.monstat.org/eng/novosti.php?id=3884>

Box 2: Montenegro – (highly) promising renewables sector?

Montenegro has high potential for development and expansion of solar and wind energy plants. 'Rich' solar radiation with around 2,000-2,500 sunshine hours per year¹⁰ 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 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, also compared to its Western Balkans peers, with somewhat better headways in wind. The first ever solar photovoltaic power plant in the country in Čevo became operational only in December 2023. Development of wind farms, although earlier and in greater scale with the first Western Balkans private wind farm in Krnovo constructed in 2017, has been still well below the potential too.

In 2019, the completion of €1.1 bln Montenegro-Italy interconnector of 423 km undersea electricity cable for energy transmission allowed excess energy produced by the domestic renewable sector to be now exported to the EU as well.

A more detailed overview of Montenegro's energy sector is presented in Annex 7.

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

The country's foreign policy has been oriented towards EU integration (see also Annex 5).

Montenegro began formal EU accession negotiations in 2012, although domestic political parties have remained divided between pro-Montenegrin and pro-Serbian, with approx. 78 % of the population in favour for EU membership¹¹. Despite obstacles, it has been often characterised as a 'front-runner' among other nine candidate countries. Overall, the EU accession process has been the main external anchor of country's reform progress¹². Montenegro also joined NATO in June 2017, despite some strong public disapproval¹³.

From 2015 to 2019, Montenegro experienced robust output growth averaging 4%, overtaking all Western Balkans peers except Kosovo (Figure 2). The COVID-19 pandemic hit country's economy hard, albeit it saw strong recovery in the aftermath (Figure 1). Growth over 2015-19 period was bolstered by large investments, in particular construction of the first phase of the highly controversial Boljare-Bar highway¹⁴ and to lesser extent energy projects, and tourism¹⁵. Deep contraction in 2020, exceeding those in all Western Balkans peers by a wide margin, was largely due to much higher share of tourism in Montenegro's national output. Authorities resorted to number of measures to contain COVID-19 induced shock¹⁶ and EBRD ramped up its investments.

¹⁰ For coastal and central regions, this is at par with Southern Greece and Italy. For comparison, London has ca. 1,000 sunshine hours annually

¹¹ According to 2023 Census, 33% of Montenegro citizens are ethnic Serbs, compared to 41% who identify themselves as ethnic Montenegrins. 45% define Serbian language as their mother tongue, compared to 36% that declare Montenegrin language as their mother tongue.

¹² EBRD, 2019. 2017-18 Transition Report

¹³ 42% of the public opposed membership at the time

¹⁴ Construction of 42 kilometres segment (Podgorica-Matešev) linking the town of Boljare on Serbian border with the capital Podgorica, part of the 163 kilometres highway project connecting Boljare with coastal town Bar, began in 2015 and was completed in 2022 (nearly 3 years' delay). It was funded by a loan from Export-Import Bank of China and built by China Road and Bridge Corporation (CRBC). Initial cost estimated at US\$ 570 mln, eventually ballooned to over US\$ 1 bln, or ca. ¼ of country's GDP, making it world one of the most expensive roads. Loan terms were 2% fixed interest rate stated in USD. Montenegro government managed to do 4-year hedge against currency swings in 2021. As this represents only ¼ of the whole highway its economic financial returns have been estimated by international financial institutions to be small, though number of vehicles frequency records double digits for the second year.

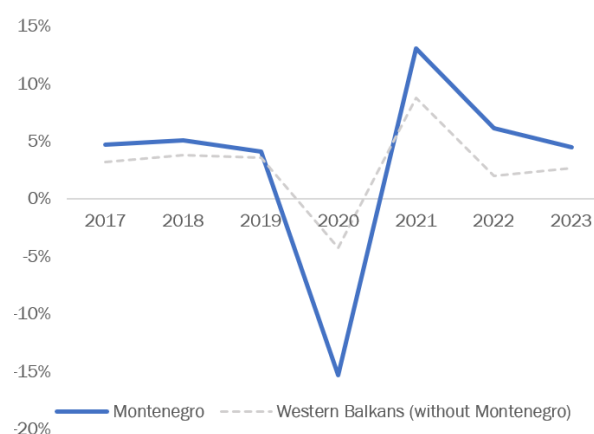
¹⁵ IMF, 2019 Country Report

¹⁶ For instance, wage subsidies, tax deferral, loan moratoria

Subsequent rebound of the economy reflected normalisation of tourism, as well as private consumption¹⁷ supported by influx of foreigners¹⁸ and export growth¹⁹.

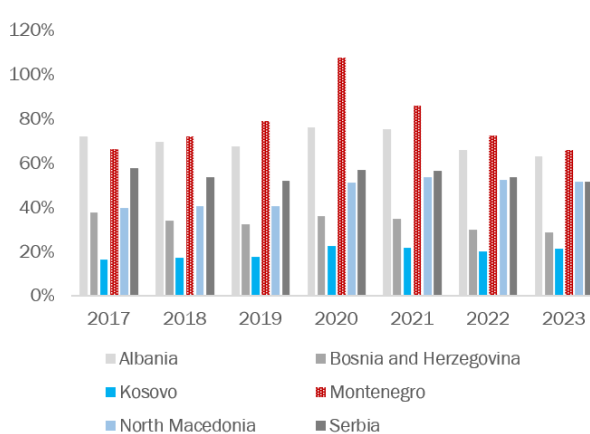
The level of public debt rose quickly in the pre-pandemic years, fuelling vulnerabilities and limiting the government's fiscal space. Construction of the first phase of Boljare-Bar highway was absorbing about half of the state investment budget since 2015. Though, it was also driving government debt (triggering a major fiscal adjustment program initiated in 2017), a vulnerability exacerbated sharply in 2020 when public debt to GDP ratio reached 107%, largely due to fall in economy activity caused by COVID-19 pandemic. Since then, public debt fell substantially to 60.3% of GDP at the end of 2023. According to the EBRD Economist Office the debt to GDP ratio at the end of 2024 is projected at 63.3 per cent.

Figure 1: GDP growth – Montenegro & Western Balkans, 2017-2024



Source: IMF WEO October 2023

Figure 2: Public debt to GDP – Montenegro & Western Balkans, 2017-2024



Source: IMF WEO October 2023

Investment levels in Montenegro as share of GDP from 2017 to 2023 exceeded those of most of the Western Balkans peers (Figure 3). Montenegro – gross fixed capital formation as % of GDP, 2016-2023). Between 2017-19, it was fostered by public (Bar-Boljare highway) and private (energy and tourism) investments²⁰ peaking at 32% of GDP in 2019, or €1.6 bln. It started to tail off from 2019 as the first phase of the Bar-Boljare highway project began to wind down. Going forward, investment may remain constrained by higher interest rates and limited fiscal space of the authorities. Continuous expansion of capacity in tourism sector and improvement in transport links and energy infrastructure are likely to prop it up somewhat though²¹. 2023 and 2024 growth was driven by services, predominantly trade and hospitality and professional and administrative services, while industrial production recorded a deep decline caused mostly by a drop in electricity production.

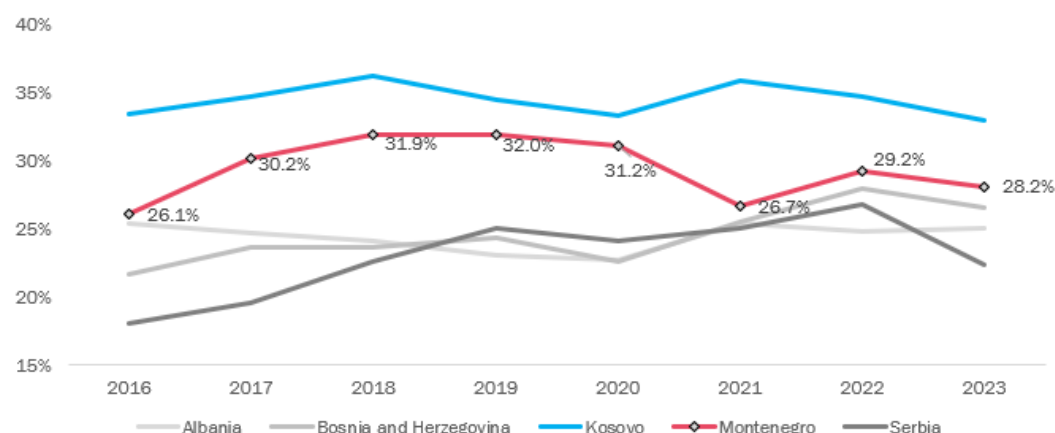
¹⁷ Propped up by 2022 labour reform ('Europe Now 1') which increased nominal earning by ca. 30% by increasing minimum wage and abolishing health care contributions

¹⁸ Primary Russian citizens. While no exact figures are available, some estimates on the number of Russian citizens who currently reside in Montenegro point to 60,000-70,000. Many arrived following Russia second war on Ukraine started in February 2022.

¹⁹ EIU, 2024. Montenegro Country Profile

²⁰ IMF, Country Report 2019

²¹ Some of it may be also co-financed from €6 bln (€4 bln loans + €2 bln grants) EU Growth Plan for Western Balkans where Montenegro's allocation for the period 2024-27 is €383 mln (€273 mln loans + €110 mln grants). Available at: https://neighbourhood-enlargement.ec.europa.eu/document/download/5b511ed0-b2ba-41c3-905c-74b95ae52c37_en?filename=C_2024_7375_1_EN_annexe_acte_autonome_nlw_part1_v1.pdf

Figure 3: Montenegro – gross fixed capital formation as % of GDP, 2016-2023

Source: IMF WEO October 2023

Note: no data for Kosovo available

The country's banking sector was “overbanked” for long with some credit institutions struggling with thin profit margins. However, the sector has been generally stable, liquid and adequately capitalised. As of 2017, there were 15 banks operating in Montenegro, one per 40,000 residents²². As a result of bankruptcies of two smaller banks and some consolidation, it declined to 11 as of end-2023²³, of which the EBRD has done business with four banks and with one micro-finance institution. Eight banks are foreign-owned and hold 80% of total banking assets, as of 2023. The level of the market concentration is *moderate*²⁴. While NPLs was still a material issue till mid-2010s, its level went down markedly since then (5.0%, as of end 2023)²⁵. Banks withstood pandemic shock well and have been generally well capitalised, also due to inflow of cheap deposits²⁶.

Banks' lending to private enterprises in nominal terms has grown steadily since late 2016, although this masks some underlying issues (Figure 4). While lending to non-financial corporates grew by 3.9% in 2021 (to €1.25 bln), it fell in relation to GDP from 21.3% to 19.1% and saw also negative growth in real terms since 2022. Until recently, interest rates on banks' loans have been mostly much higher than in the Eurozone. In addition, the majority of banks' lending has been short-term for liquidity and working capital, rather than long-term associated with investment in fixed assets²⁷. Endemic informality and lack of capacity at SMEs level (e.g. absence of professional management experience) also reduced the pool of bankable firms in the country.

²² IMF, 2017 Country Report

²³ Central Bank of Montenegro, 2024. Banks in Montenegro. Available at: <https://www.cbcbg.me/en/public-relations/information/useful-links/banks-in-montenegro>

²⁴ Central Bank of Montenegro, Financial Stability Report 2023. Available at <https://cbcbg.me/en/publications/regular-publications/financial-stability-report>

²⁵ 6.3% as of 2022, according to World Bank data

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 rising the nominal minimum wage by ca. 40% as well as inflow of tourists and Russian and Ukrainian citizens residing in Montenegro.

²⁷ According to 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 programs and the acquisition of fixed assets represented the next largest categories: 12.8% and 10.3% of all new loans extended

Figure 4: Montenegro – banks' lending to private non-financial corporations, 2016-2023

Source: IEvD based on Central Bank of Montenegro and ECB

Note: ECB and CBM data refer to loans to corporations (new businesses), other than revolving loans

Montenegro has suffered from number of structural problems:

- *The economy has a rigid labour market and high degree of informality:* The labour force productivity has been low while participation, at only around 55%, has been well below EU levels. Major obstacles to dismiss employees hindered mobility while public sector wages have been typically above those in private. The labour tax wedge, at nearly 40% in the late 2010s, was the second highest in Western Balkans and reduced incentives for hiring in formal sector²⁸. The Ministry of Finance estimated in 2022 that the informal economy represented 37.5% of Montenegro's GDP²⁹. EC has seen it as 'major obstacle to Montenegro's competitiveness'³⁰;

A weakened rule of law, corruption and relatively low capacity in public administration:

Despite some reforms of legal system and improvement in court efficiency, enforcement remains inconsistent. The judiciary, although nominally independent, in practice remains heavily politicised. Corruption is a major problem, especially at the municipal level, public procurement and privatisation³¹. Montenegro scored 46 out of 100 in Transparency International's 2023 Corruption Perception Index³²;

- *Poor infrastructure:* Montenegro faces vast infrastructure needs, especially in terms of roads and railways, which have been further exacerbated by its mountainous topography. As of 2017, the country had the lowest Logistics Performance Index³³ in Western Balkans³⁴. Infrastructure gaps persist, also due to weak public investment implementation capacity in the public sector³⁵;

Sizable and unproductive State-Owned Enterprises sector: There are around 40 SOEs in Montenegro with fixed assets estimated at 70-100% of GDP³⁶. Many exhibit low productivity

²⁸ IMF, 2019 Country Report

²⁹ BMI, 2024. Kosovo & Montenegro Country Risk Report

³⁰ European Commission, 2024. 2023 Enlargement Report

³¹ Standards & Poor's, 2024. Montenegro Country/ Territory Report

³² Transparency International, 2023. Corruption Perception Index. Available at: <https://www.transparency.org/en/cpi/2023>

³³ World Bank Index covers six areas: customs, infrastructure, international shipments, logistics competence, tracking & tracing, and timeliness

³⁴ EBRD, 2018. 2017 Transition Report

³⁵ EIU, 2024. Montenegro Country Profile

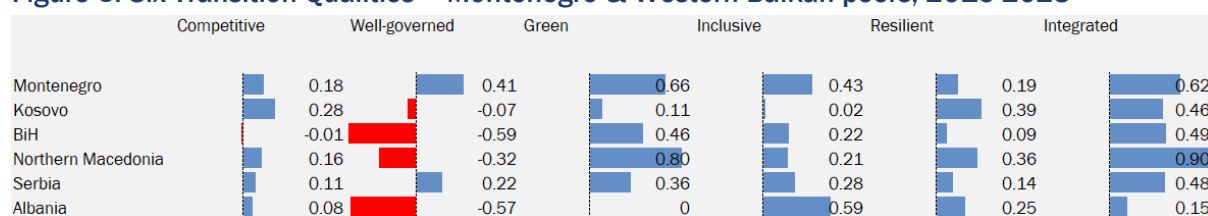
³⁶ IMF, 2022 Country Report

and some have been a drag on public finances. Reform and privatisation processes have been slow³⁷;

- **Large current account deficit:** Montenegro exports relatively few goods and hosts a limited number of higher added-value companies while trading across borders remain expensive. It has consistently run a large trade deficit (-19% of GDP in 2023) and double-digit current account deficit (e.g. -11% of GDP in 2023)³⁸.

EBRD's annual Assessment of Transition Qualities shows Montenegro did well in terms of the progress across the six Transition Qualities, when compared with its Western Balkans peers (Figure 5). Leaving aside Transition Quality Resilient where it improved its score by 0.19 over the period 2016-23, and less than Kosovo, Northern Macedonia and Albania, for all the remaining five Transition Qualities it reported either second highest or highest progress. Green and Integrated Transition Qualities saw the most significant improvement, by 0.66 and 0.62 respectively.

Figure 5: Six Transition Qualities – Montenegro & Western Balkan peers, 2016-2023



Source: EBRD Transition Reports 2016-2023 and IEvD calculations

2.2. The EBRD in Montenegro

2.2.1. Relative size of EBRD investments and areas of policy dialogue focus

Cumulatively, ABI over the period 2017-23 reached €385 mln. In absolute terms, this is the smallest volume of investment across all other Western Balkans peers, and more broadly, only seven countries across all 38 EBRD's Countries of Operations (CoOs) received smaller EBRD investments³⁹.

However, in relative rather than absolute terms, the Bank investments over the same period amounted to a meaningful size. Firstly, in per capita terms and aggregated over 2017-23 period, total Bank's ABI translated into €608 per capita, the highest figure across all 38 CoOs (for more details, see Annex 2). Secondly, and both in terms of the share of ABI in Montenegro's GDP and its total investment, these were also material. Especially in 2020 when EBRD's COVID-19 related support elevated the share of annual ABI to 4.1% and 13.1% of GDP and total investment respectively (Figure 6: EBRD ABI as share of countries' GDP and total investment, 2017-2023).

³⁷ For instance, none of the 2022 privatisation target has been met. Available at: <https://www.gov.me/en/article/privatisation-and-capital-projects-council-holds-its-third-session>.

³⁸ World Bank data

³⁹ Tajikistan (€358 mln), Czech Republic (€343 mln), Kyrgyz Republic (€312 mln), Cyprus (€309 mln), Lithuania (€150 mln), Turkmenistan (€81 mln), Russian Federation (€1 mln).

Figure 6: EBRD ABI as share of countries' GDP and total investment, 2017-2023

	ABI as % of GDP							ABI as % of total investment						
	2017	2018	2019	2020	2021	2022	2023	2017	2018	2019	2020	2021	2022	2023
Greece	0.37%	0.45%	0.31%	0.52%	0.44%	0.33%	0.23%	3.07%	3.46%	2.48%	3.44%	2.43%	1.55%	1.12%
Hungary	0.10%	0.09%	0.04%	0.07%	0.04%	0.13%	0.04%	0.43%	0.33%	0.15%	0.24%	0.13%	0.37%	0.16%
Czech Republic	0.00%	0.00%	0.00%	0.00%	0.00%	0.04%	0.07%	0.00%	0.00%	0.00%	0.00%	0.01%	0.13%	0.25%
Montenegro	0.82%	0.62%	0.76%	4.09%	0.42%	0.40%	1.24%	2.70%	1.95%	2.38%	13.10%	1.59%	1.36%	4.39%
Estonia	0.01%	0.20%	0.13%	0.49%	0.17%	0.21%	0.10%	0.05%	0.72%	0.48%	1.65%	0.55%	0.67%	0.35%
Latvia	0.01%	0.14%	0.27%	0.07%	0.32%	0.20%	0.32%	0.04%	0.50%	1.03%	0.25%	1.03%	0.64%	1.12%
Lithuania	0.21%	0.30%	0.13%	0.25%	0.21%	0.31%	0.21%	1.11%	1.47%	0.73%	1.77%	1.08%	1.17%	0.84%
Georgia	2.00%	1.73%	1.88%	4.76%	1.79%	0.94%	0.73%	7.34%	6.15%	7.43%	19.94%	9.43%	4.54%	3.44%

Source: EBRD DW_Banking_Operational, IMF WEO October 2023 and IEvD calculations

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 countries considered for this country-level evaluation with subsequent decision to select Montenegro.

Besides investment projects, the EBRD pursued also policy dialogue in Montenegro. Policy dialogue was carried out across the areas of transport infrastructure, renewable energy, SMEs competitiveness, and others. A comprehensive list of all relevant policy dialogue workstreams undertaken in the country between 2017-23 and shared by the local team in Podgorica is presented in Annex 4.

Apart from the EBRD, several other international financial institutions (IFIs) and bilateral financial institutions have been active in Montenegro. For instance, over the period 2017-23, European Investment Bank reported the highest investment volume among MDBs – €617 mln in total⁴⁰. World Bank and KfW⁴¹, although at smaller scale, also provided a meaningful investment. The EU support, mainly via the Instrument for Pre-Accession (IPA) program and Western Balkans Investment Framework (WBIF), was also substantial oscillating around €80 mln - €100 mln annually, mostly grants.

2.2.2. EBRD Country Strategies for Montenegro 2017-20 & 2021-26

The EBRD maintained three key strategic priorities in Montenegro over the evaluation period – **Private sector competitiveness, Regional integration, and Green transition**. IEvD's initial screening of the previous 2017-20 and the current 2021-26 Country Strategy suggests a **high degree of continuity**. Concretely, **three Priorities** under previous and current Strategy have remained broadly the same and can be reconciled as follows: (1) Enhancing/ strengthening of private sector competitiveness, (2) Improving connectivity and regional integration, and (3) Deepening/ fostering Montenegro's green economy transition (Figure 7).

Where some differences lie are:

- Priority 1 (P1) under both, the previous and current Strategy, centres on private sector competitiveness. The main difference is the current Strategy's emphasis on diversifying away from tourism (P1/O1), whereas the old Strategy linked tourism explicitly with agribusiness (P1/O2);
- Greater focus on State-Owned Enterprises under current Strategy (P1/O2);
- Greater focus on skills under current Strategy (P1/O3);
- Greater emphasis on the financing of the development of renewables' capacity, particularly wind and solar (P2/O1) to balance country's overreliance on hydro, and also delineating climate resilience/ adaptation aspect under current Strategy (P2/O2);

⁴⁰ The figure includes concessional funding from the WBIF combined with EIB own resources (both as per signings). Available at: EIB, 2024. Finance Projects. Available at: <https://www.eib.org/en/projects/loans/index.htm>

⁴¹ Kreditanstalt für Wiederaufbau

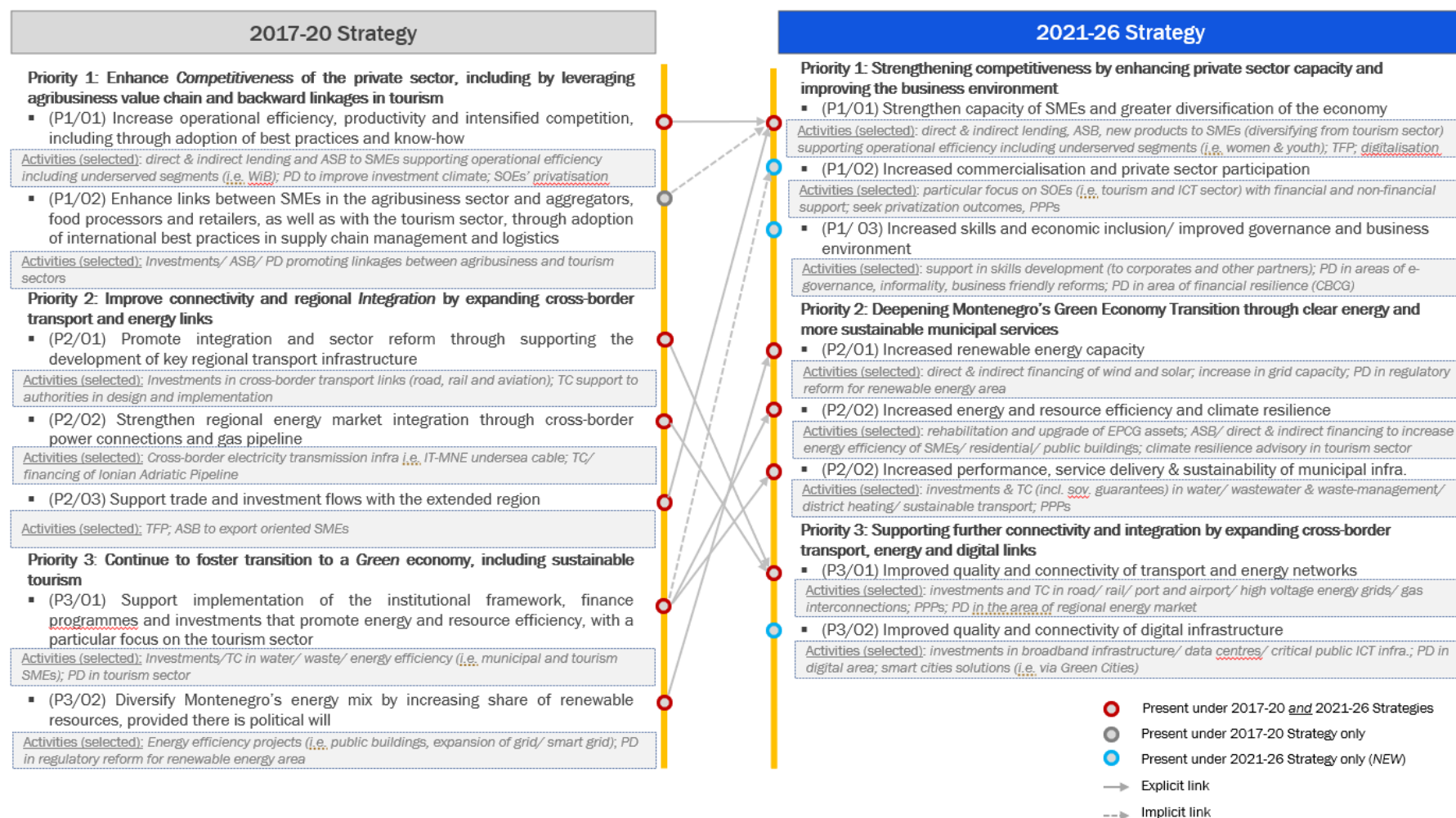
- While both Strategies put emphasis on improved cross-border connectivity in transport and energy links i.e. P2 under previous Strategy and P3 under current Strategy, the current Strategy has a new element of digitalization added, including support of the broadband, data centres and critical public ICT infrastructure investments (P3/O2).

COVID-19 pandemic could not have been foreseen and captured in the formulation of the priorities and objectives under 2017-20 Strategy. Unavoidably though, it affected the EBRD activities (both investments and policy dialogue workstreams) beyond what the previous Strategy conceived, especially in 2020 (see Annex 2).

Context of the EU approximation, constrained fiscal headroom of the government limiting scale of public investments and the importance of cooperation with IFIs and bilateral donors, including tapping onto Western Balkans Investment Framework (WBIF), all have remained relevant under both Strategies.

Lastly, to get an initial sense of **distribution of operations across both Strategies and their priorities**, as part of the initial scoping work, IEvD mapped projects onto the priorities and objectives of both Strategies (Figure 8). Following the kick-off of the evaluation, this will be validated (and if necessary corrected), based on the feedback from the RO team.

Figure 7: Montenegro 2017-20 and 2021-26 EBRD Country Strategies – comparison & continuity check



Source: reproduced by IEvD

Figure 8: Montenegro 2017-20 & 2021-26 Strategies – operations mapping, amount in € mln as per Fac approvals, 2017-2023

Strategy 2017-2020			
Priority 1: Enhance <i>Competitiveness</i> of the private sector, including by leveraging agribusiness value chains and backward linkages in tourism.			
#	Name	Objective	Value [€ mln]
1	Regional TFP: NLB Banka a.d. Podgorica	1	49160
2	Innovation Nest Fund II	1	50014
3	Invera Private Equity Fund	1	50071
4	FIF – Project Rose	1	50893
5	Hilton Podgorica II	1	52260
6	FIF - WB WiB Phase II - Alter Modus	1	51240
7	Alter Modus – MSE and WiB line	1	51241
8	FIF - WB WiB Phase II - NLB Podgorica	1	51231
9	RF - Alter Modus Senior Debt	1	52250
10	Hystead Montenegro	1	59624
11	FIF - Alter Modus	1	49210
12	RF - Hipotekarna Banka	1	52214
13	DFF: Voli Store Expansion Loan	1	51264
14	Regional/Erste Inclusive Tourism Credit Facility	2	51613
15	CTGC (Port of Bar) Privatisation Project	2	49335
Subtotal			63.9
Priority 2: Improve connectivity and regional <i>Integration</i> by expanding cross-border transport and energy links.			
16	Main Roads Reconstruction Project	1	49075
17	Local Roads Reconstruction Loan Increase	1	51798
18	Project Autumn	2	51531
Subtotal			71.0
Priority 3: Continue to foster transition to a <i>Green</i> economy, including sustainable tourism.			
19	Regional Water Supply System Expansion	1	50612
20	CEDIS smart metering completion project	1	48402
Subtotal			42.5
Total			177.4

Strategy 2021-2026			
Priority 1: Strengthening <i>Competitiveness</i> by enhancing private sector capacity and improving the business environment			
#	Name	Objective	Value [€ mln]
1	Regional TFP: Lovcen Banka	1	53038
2	DFF - United Group Equity Investment	1	50565
3	WB SME Platform SCV Technology Fund III	1	51958
4	WB SME Platform: ENEF II WB	1	52255
5	FIF - WB WiB Phase II - NLBP II	1	53713
6	FIF - WBWiB Phase II - CKB	1	53922
7	FIF - Lovcen banka - SME line	1	52597
8	FIF - WB Youth in Business - Alter Modus	1	53969
9	Schwarz Sustainable Regional Retail Exp WB	1	52597
10	FIF - Regional SME CSP - CKB	1	51586
Subtotal			221
Priority 2: Deepening Montenegro's <i>Green</i> Economy Transition through cleaner energy and more sustainable municipal services			
10	Gvozd Windfarm	1	50427
11	DFF - Voli Solar Panels	1	53690
12	GEFF - Western Balkans - CKB	2	50969
13	Western Balkans GEFF II - NLBP	2	53712
14	Montenegro: Lastva - Pljevlja Transmission Line	3	42768
Subtotal			74
Priority 3: Supporting further connectivity and <i>Integration</i> by expanding cross-border transport, energy and digital links			
15	Railways Maintenance Equipment Renewal	1	51806
1	Project Luna	2	54827
Subtotal			16.4
Total			111.4

Source: reproduced by IEvD

Note 1: Two operations: (1) RF - VISP - EPCG Solidarity loan (52037); €50 mln [*Cancelled] and (2) Deposit Protection Fund Montenegro - Senior Line II; €50 mln signed in 2020 under 2017-20 Strategy is not included

2.2.3. EBRD portfolio analysis

offers some selected headline figures from the portfolio analysis. Fully-fledged portfolio analysis is presented in Annex 2.

Box 3: Portfolio analysis - selected headline figures

- **Overall ABI volumes:** The total ABI in Montenegro over the period 2017-2023 was €385 mln across 49 projects. 2020 with a spike in number of projects and volume (€160 mln) due to COVID-19 was an outlier. Otherwise, the ABI oscillated typically around €20-30 mln annually;
- **ABI per capita:** In absolute terms, ABI volumes in Montenegro were fairly small, the lowest among all other countries in Western Balkans region, and among the lowest across all EBRD CoOs. Yet, on per capita basis, it stood at €608 over the period 2017-23 topping the list of all EBRD CoOs;
- **Sector Banking Group distribution:** The Sustainable Infrastructure Group (SIG) sector accounted for the largest contribution to ABI in Montenegro over 2017-2023 (€244 mln or 63% of the total reported ABI) followed by Financial Institutions (FI) group sector (€98 mln or 25% of the total reported ABI) and Industry, Commerce and Agribusiness (ICA) group sector with €44 mln (or 11% of ABI);
- **Private vs Public:** 71% of the total ABI was concentrated in fewer but larger projects in public sector while the remaining 29% was in the private portfolio class;
- **Primary Transition Quality:** Green was the most represented primary Transition Quality in ABI terms, €98 mln, or 25% of the total ABI in Montenegro, followed by Resilient (€76 mln, or 20%);
- **GET:** The overall GET ratio was 34%, albeit varied markedly from year to year without any clear trend over the recent years;
- **Disbursement:** Cumulative Bank disbursements was fairly low - €149 mln vs € 315 mln NCBI, with a few sectors exhibiting high undrawn commitment ratios, albeit at times explained by projects' rationale or very recent signing.

Source: IEvD analysis based on DW_Banking_Operational

2.3. Past evaluation work

To date, there has been very limited IEvD work focused on Montenegro and **evaluative evidence is therefore limited**. Over the evaluation period 2017-23, there were two OPA Validations focused on the project implemented in Montenegro i.e. *Main Roads Reconstruction Project*; OpId: 49075 and *Hilton Podgorica II*; OpId: 52260.

Where relevant, the team will also access and review some existing external evaluations⁴².

3. Evaluation methodology

IEvD's methodological approach to Country-level Evaluationss has been outlined in the internal guidance note to Country-level Evaluationss. 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.

⁴² For Instance, available Group of States against Corruption (GRECO) and International Labour Organisation (ILO) evaluation reports on Montenegro and relevant World Bank and European Investment Bank evaluative evidence.

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 4). Here, IEvD will examine 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 4: What is systemic change?

Systemic change refers to fundamental changes to structures, behaviours, or relationships by market participants. 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. There can be a substantial time lag between project delivery and *systemic changes*, which creates challenges both with respect for monitoring and evaluating whether interventions have contributed towards *systemic changes*.

Systemic changes are difficult to measure and attribute, given the complexity of market systems, the wide range of actors, the context-specific factors, and the long timeframes that can be needed for them to materialise. As a result, monitoring frameworks frequently do not collect data on how projects have contributed towards *systemic change*.

Impact can be broadly understood along two dimensions – a project's impact (or project outcomes) and *systemic change* (or market outcomes). For the former, this may involve: (i) stakeholder effects (i.e. net incremental benefits from EBRD intervention to customers, suppliers, employees and/or local communities; (ii) economy wide effects (i.e. indirect and induced economic outcomes in the form of value added and job creation) and (iii) environmental and social sustainability outcomes (i.e. reduction in greenhouse gas pollution, improved water efficiency. For the latter, this may often involve multiple coordinated interventions that involve upstream activities and market enabling work at the sector level⁴³.

Development organisations focus on *systemic change* for two principal reasons: scale and sustainability. Through catalysing systemic change, development finance institutions (DFIs) can effectively leverage and scale up the impact from their own financing. *Systemic change* can also improve the sustainability of results by changing norms, behaviours, and relationships to embed results rather than relying upon temporary development or concessional financing.

Source: IEvD

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 to include 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

⁴³ EBRD's interventions may rely on at least four channels through which sector-wide or systemic market changes flow: (1) Market Enabling: Create the frameworks within which markets can function, including policy, regulation, platforms, financial, and other interventions; (2) Demonstration and Replication: Provide demonstration effects, encouraging replication and more generally the spillover of ideas; (3) Innovation and Competition: Promote competition through innovation, improved management, cost reductions, and efficiency that encourage other market players to continue improving their products and services; (4) Capacity Building: Building capacity and skills and create standards that open new market opportunities and support market development.

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.

3.1. 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.

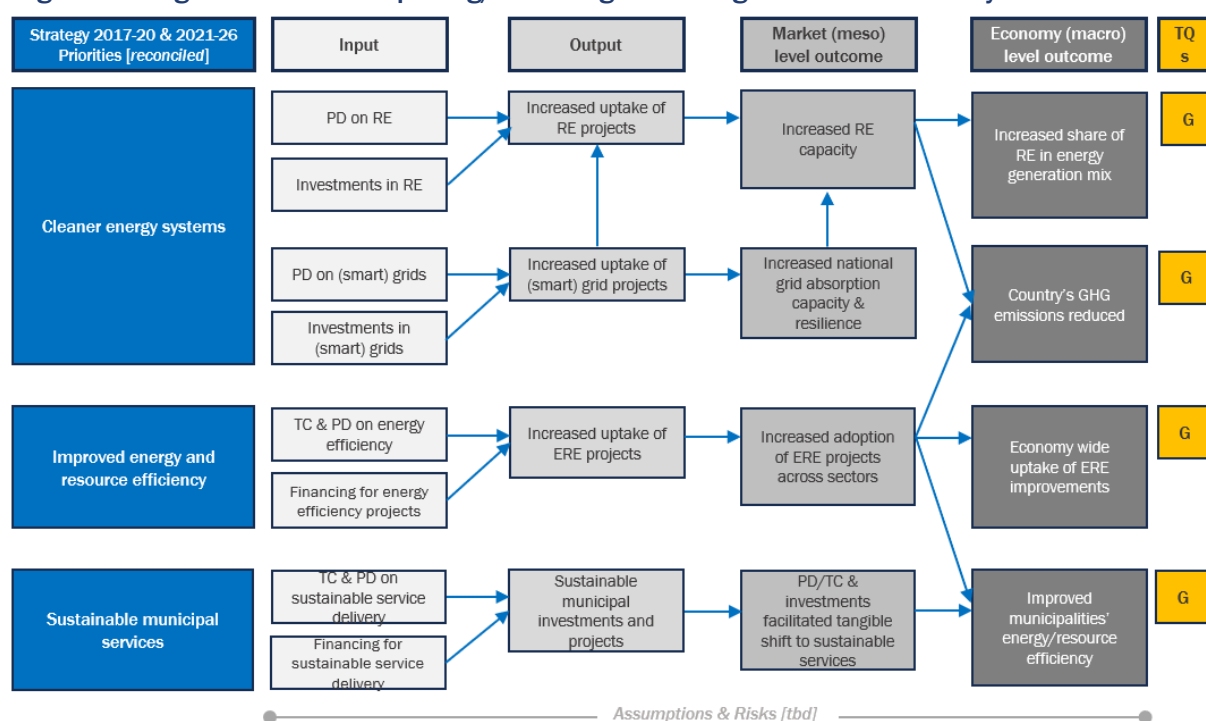
ToC suits Country-Level Evaluations as it allows to develop system perspective rather intervention perspective. Systemic changes at sector or country level, with plethora of factors at play and agents involved, are extremely unlikely to be the result of a monocausal relationship. For instance, while 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 be therefore 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 will design three ex-post ToC, one for each reconciled priority⁴⁴ across both Country Strategies, based on document review and interviews with key staff in RO Podgorica. Figure 9 presents a draft example developed for deepening/ fostering Montenegro's Green economy transition priority. These will be then used as frameworks to map and collate the data that IEvD will be gathering, providing a structure 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 priorities⁴⁵:* A tabular approach will map areas of potential change at the sectoral level versus each of the Bank's strategic priority areas, of which an early draft is presented in Table 1, will be used. The aim will be then to assess whether, and if so, to what degree the Bank has contributed to systemic change for each of the strategic priorities.

⁴⁴ (1) Enhancing/ strengthening of private sector competitiveness, (2) Improving connectivity and regional integration, and (3) Deepening/ fostering Montenegro's green economy transition

⁴⁵ As per past (2017-2020) and current (2021-2026) Montenegro Country Strategy

Figure 9: 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 1: Stage 3 - Tabular approach adapted to Country-level Evaluation of Montenegro

		EBRD Strategic priorities in Montenegro		
		Enhancing/strengthening private sector <i>Competitiveness</i>	Improving connectivity and regional <i>Integration</i>	Deepening/ fostering Montenegro's <i>Green</i> 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 will be caveated with several considerations. First, in using a 'reconstructed' ToC, IEvD will stay aware that the EBRD is 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 is intended to be a 'live' document and will be updated as IEvD progresses in grasping how causal mechanisms in Montenegro worked. Third, IEvD avoids 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 will be integrated across all evaluation questions. Both Country Strategies identified explicitly Women in Business program as 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 will use 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 will be used to build a narrative. Moving to market-wide outcomes and economy-wide outcomes may entail more reliance on qualitative data collected via interviews and secondary data sources. This process will help IEvD determine how plausible the narrative is for the EBRD's contribution to systemic outcomes. The purpose is 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 assessment of Montenegro Country Strategies. Although, the latter provide a useful starting point as they present a framework for understanding the Bank's intent in the country.

Section 3.2 presents evaluation questions and examples of key inquiry lines. Section 3.3 outlines data collection methodologies and research tools. In addition, potential limitations and challenges to the evaluation are discussed briefly in Section 3.4.

3.2. 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 workstreams⁴⁶. 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 offer⁴⁷), 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?*

⁴⁶ 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.

⁴⁷ Including sweet-spots/ potential for further tailoring, gaps and duplications

Both Country Strategies offer a high-level description of systemic changes the Bank expects to influence. The three reconstructed ToCs across the three (reconciled) Pillars⁴⁸ 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 institutions⁴⁹, difference between *de jure* and *de facto*⁵⁰, and pre-requisite 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.

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 CoOs' portfolios⁵¹, 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 analysis⁵² 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)?*

⁴⁸ Reconciled Pillar 1: Enhancing/ strengthening of private sector competitiveness; Reconciled Pillar 2: Improving connectivity and regional integration; Reconciled Pillar 3: Deepening/ fostering Montenegro's green economy transition

⁴⁹ 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?

⁵⁰ Particularly relevant for policy dialogue workstreams focusing on regulatory reforms where such difference may reveal implementation deficit (and hence lower/ no systemic impact)

⁵¹ For instance, against Western Balkans peers

⁵² 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.

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).

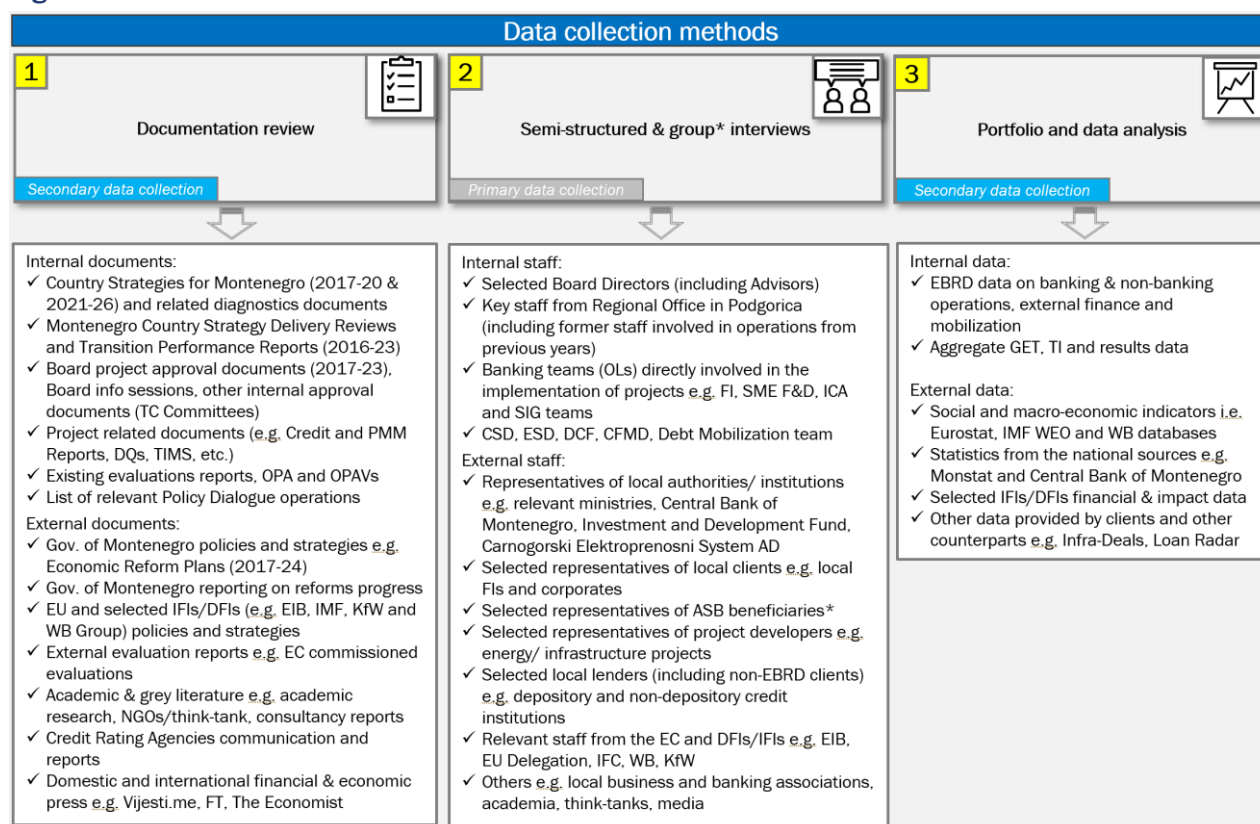
EQ5 (sustainability): *To what extent do the net benefits of the intervention persist or are likely to persist?*

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 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.

3.3. Data collection methods

The collection and analysis of data will be guided by the **Evaluation Matrix** presented in Annex 1. The evaluation will make use of both primary and secondary data. Documentation review, portfolio and data analysis, and key stakeholders' interviews⁵³ will be the main methods of evidence gathering (Figure 10) that will provide the basis for triangulation.

⁵³ Overall, the evaluation team expects to undertake 60-70 semi-structured interviews, including a handful of group interviews with ASB beneficiaries, of which some will be undertaken in person as part of two field visits coordinated closely with the RO in Podgorica

Figure 10: Data collection methods

Source: IEvD

3.4. Challenges and limitations

Assessing contributions towards systemic change is challenging, with multiple actors, complex processes, and critical context-specific factors. This challenge is exacerbated at times by the limited data available from EBRD's internal monitoring on systemic changes. Whilst triangulation of project data, interviews, and secondary data sources can provide the foundation for robust findings, findings are more tentative in some areas given the quality of data available.

Successful evaluation hinges largely on the IEvD's unfettered and swift access to information. The evaluation team will rely on close cooperation with the Management, in particular the RO team in Podgorica. This will also consist of the support of the IEvD in the swift implementation of its interview program, including consultations with the EBRD's clients and co-financiers.

Country-level Evaluations may be sensitive at times and can lead to misunderstandings of evaluation findings. IEvD will make sure not to give the impression that evaluation findings reflect an assessment of a country's internal policy, progress, or government capacity. It will continue to reiterate that this is not an evaluation of country performance, nor an evaluation of progress made towards transition. But rather, an evaluation of the Bank's operations in a select country.

4. Administrative arrangements

4.1. IEvD team, consultants and peer-review

The evaluation will be led by Oskar Andruszkiewicz, Senior evaluator at IEvD. The team will also include Bilgehan Kalayar, Principal evaluator, Martin Schunk and Sofia Keenan, Analysts from IEvD. Samer Hachem, Director of Sector, Country and Project division will provide overall guidance on the evaluation, in close coordination with the Chief Evaluator, Véronique Salze-Lozac'h.

In addition, the evaluation team will also draw on expertise of two external consultants. Belén Barbeito, evaluation specialist (former Senior Evaluator at World Bank Group) and Nina Vujanovic, local independent economist.

Internal peer reviewers include Regina Husakova, Senior evaluator and Alper Dincer, Principal evaluator. An independent external peer reviewer will be identified at a later stage.

IEvD will follow established protocols for key communication with focal points on the Management side in Impact and Portfolio Management. For working day to day relationship, IEvD will request Management to nominate counterpart based in the RO in Podgorica.

4.2. Indicative timetable

To maximise the **utility of the evaluation**, including lessons that could inform the work on the next Montenegro Country Strategy (2027-2031), IEvD intends to share the draft evaluation report with the Management in time for the beginning of its diagnostic work. Currently envisaged to commence in August/ September 2025 (Table 2).

Table 2: Indicative timetable of the Montenegro Country-level Evaluation

Milestone	Delivery
Approach Paper finalised	November 2024
Study starts	November 2024
Desk review and data analysis start	November 2024
First field work in Montenegro	December 2024
Second field work in Montenegro	March/ April 2025
Primary and secondary data collection and analysis completed	May 2025
Draft report for internal comments and peer review	June/ July 2025
Draft distribution to the Management	August 2025
Final report distributed to the Board	September/ October 2025
External publication of the report	October 2025
Dissemination event(s)	October 2025 onwards

ANNEXES

Annex 1. 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	<ul style="list-style-type: none"> Degree of alignment of EBRD investments, ASB services and policy dialogue workstreams with gaps identified in <i>ex-ante</i> 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 	<p>Document review</p> <ul style="list-style-type: none"> 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; <i>ex-ante</i> 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 <p>Key informant interviews</p> <ul style="list-style-type: none"> 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 <p>Portfolio, market and socio-economic data analysis</p>
	Relative significance of EBRD activities in Montenegro's context	<ul style="list-style-type: none"> Size of EBRD investment portfolio relative to: (i) Montenegro's GDP and public & private investment flows; (ii) other IFIs flows; (iii) 	<p>Document review</p> <ul style="list-style-type: none"> List of policy dialogue workstreams considered & initiated by EBRD between 2017-23

		<p>total investment in renewable/ transport infrastructure CAPEX projects; (iv) overall SMEs lending</p> <ul style="list-style-type: none"> • Selection rationale for considered & pursued/ completed policy dialogue workstreams 	<ul style="list-style-type: none"> – Relevant external documentation e.g. EU Progress Reports 2017-23 <p>Key informant interviews</p> <ul style="list-style-type: none"> – 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 <p>Portfolio, market and socio-economic data analysis</p> <ul style="list-style-type: none"> – 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-scraping to compile the comprehensive list of renewable/ transport infrastructure projects in the country (2017-23) and scale of the EBRD involvement
	Additionality – financial	<ul style="list-style-type: none"> • Interest rate/ tenor/ repayment structure/ concessional element(s)/ other, beyond what market could have offered 	<p>Document review</p> <ul style="list-style-type: none"> – Project level documentation – List of policy dialogue workstreams initiated by EBRD between 2017-23 – Relevant external documentation e.g. sector focused reports <p>Key informant interviews</p> <ul style="list-style-type: none"> – 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 <p>Portfolio and market data analysis</p> <ul style="list-style-type: none"> – CBM, IDF and Monstat data on prevailing financing conditions and constraints
	Additionality – non-financial	<ul style="list-style-type: none"> • Measures mitigating non-financial risks 	<p>Document review</p> <ul style="list-style-type: none"> – Project level documentation

		<ul style="list-style-type: none"> Measures leading to higher standards achieved by clients including environment and social standards Measures related to policy, sector, institutional or regulatory change 	<ul style="list-style-type: none"> List of policy dialogue workstreams initiated by EBRD between 2017-23 Relevant external documentation <p>Key informant interviews</p> <ul style="list-style-type: none"> EBRD local RO & HQ staff (e.g. OLs and non-banking teams) EBRD local clients <p>Portfolio and market data analysis</p>
	Mobilisation	<ul style="list-style-type: none"> Evidence of direct and indirect mobilisation that can be attributed to the EBRD investments with reasonable certainty 	<p>Document review</p> <ul style="list-style-type: none"> Project level documentation EBRD reporting on mobilisation Relevant external documentation <p>Key informant interviews</p> <ul style="list-style-type: none"> Project level documentation EBRD staff e.g. local RO staff and OIs EBRD local clients <p>Portfolio and wider EBRD data analysis</p>
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	<ul style="list-style-type: none"> Bank rate of return across key sectors, including comparison with selected CoOs Repayment delays, NPL ratio and default rates, including comparison with selected CoOs 	<p>Document review</p> <ul style="list-style-type: none"> Project level documentation Relevant external documentation e.g. financial reporting of other IFIs/ DFIs <p>Key informant interviews</p> <ul style="list-style-type: none"> EBRD local RO & HQ staff (e.g. OLs and non-banking teams) Selected IFIs/ DFIs e.g. EIB, WB, IFC, KfW <p>Portfolio analysis</p>
	Implementation efficiency of Bank's operations	<ul style="list-style-type: none"> 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 	<p>Document review</p> <ul style="list-style-type: none"> 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 <p>Key informant interviews</p> <ul style="list-style-type: none"> EBRD local RO & HQ staff (e.g. OLs and non-banking teams)

		<ul style="list-style-type: none"> • Visibility of EBRD activities in Montenegro, and efficiency of core communication activities 	<ul style="list-style-type: none"> – 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 <p>Portfolio analysis and wider EBRD financial reporting</p>
EQ3 (effectiveness): <i>The extent to which Bank has contributed towards achieving, or expected to achieve, its strategic priorities?</i>	Emerging evidence on Bank's achieving (or expecting to achieve) its strategic priorities	<ul style="list-style-type: none"> • Changes in Montenegro's transition gaps over 2017-23 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 	<p>Document review</p> <ul style="list-style-type: none"> – 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 <p>Key informant interviews</p> <ul style="list-style-type: none"> – 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 <p>Portfolio and wider market/ country level data analysis</p>
	Emerging evidence on systemic impacts resulting from the Bank's activities outside of the scope of the ToCs	<ul style="list-style-type: none"> • Progress in Montenegro's economic development and areas of structural reforms over 2017-23 interval • Examples of EBRD investments and policy dialogue workstreams generating wider (unintended) market/ country level outcomes 	<p><i>Ditto</i></p>
EQ4 (coherence): <i>To what extent the Bank's strategies and activities have</i>	Internal coherence	<ul style="list-style-type: none"> • Coherence across instruments, sectors and industry groups and cross-cutting themes 	<p>Document review</p> <ul style="list-style-type: none"> – Project level documentation – List of policy dialogue workstreams initiated by EBRD between 2017-23

been consistent with other actors' strategies and activities in the same context (external coherence), as well as with its own strategies and activities (internal coherence)?			<ul style="list-style-type: none"> Other relevant EBRD documentation e.g. Transition Qualities' assessment for Montenegro; <i>ex-ante</i> diagnostics, 2017-20 and 2021-26 CSs; CSDRs <p>Key informant interviews</p> <ul style="list-style-type: none"> EBRD local RO & HQ staff (e.g. OLs and non-banking teams) EBRD local clients <p>Portfolio and wider market data analysis</p>
	External coherence	<ul style="list-style-type: none"> EBRD investments and policy dialogue workstreams do not duplicate/ overlap with initiatives of other IFIs/ DFIs/ EU efforts 	<p>Document review</p> <ul style="list-style-type: none"> 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 <p>Key informant interviews</p> <ul style="list-style-type: none"> 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 <p>Portfolio and wider market data analysis</p>
EQ5: The extent to which the net benefits of the intervention continue or are likely to continue?	Institutional and market sustainability	<ul style="list-style-type: none"> 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 	<p>Document review</p> <ul style="list-style-type: none"> Project level documentation Relevant external documentation <p>Key informant interviews</p> <ul style="list-style-type: none"> 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 <p>Portfolio and wider market data analysis</p>

Source: IEvD

Annex 2. Portfolio analysis

Between January 2017 and December 2023, the Bank approved and signed a total of 39 unique individual operations in Montenegro for the amount of €389 mln⁵⁴. Of those 17 were stand-alone operations and 22 sub-operations under frameworks. As of December 2023, of these 39 operations, 31 were still active, while 7 were completed and 1 cancelled.

Table 3: Number of unique operations signed, in € mln, 2017-2023

Product	2017	2018	2019	2020	2021	2022	2023	Total
# of unique Ops signed	3	3	8	11	2	7	5	39
Total amount [in € mln]	63	32	49	144	4	26	69	389

Source: EBRD DW_Banking_Operational

Based on initial IEvD mapping exercise, out of 39 unique operations, 25 were signed under 2017-20 Strategy and 14 under 2021-26 Strategy (Table 3). For 2017-20 Strategy, and in € volume terms, these were fairly evenly distributed across its three priorities. For the current 2021-26 Strategy, so far Priority 2: Deepening Montenegro's Green Economy Transition through cleaner energy and more sustainable municipal services, has seen the largest concentration of projects.

Annual business volume⁵⁵

The total Annual Bank Investment (ABI) in Montenegro over the period 2017-2023 was €385 mln across 49 projects. Typically, and excluding some odd years, the ABI oscillated around €20-30 mln annually (Figure 11). Two notable exceptions over the recent years have been 2020 – with unprecedented surge in business triggered by Covid-19, and 2023 – with signing of one exceptionally large project. More generally, a small universe of bankable projects coupled with highly liquid banking sector and abundant IFI financing⁵⁶ have limited somewhat EBRD's commercial opportunities in the country⁵⁷. 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 year⁵⁸.

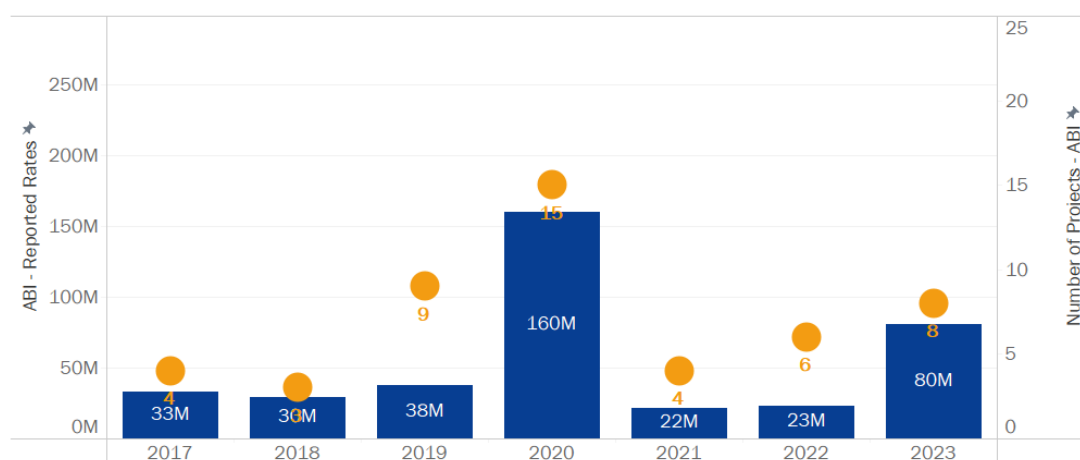
⁵⁴ The evaluation will include sub-operations approved under Regional Frameworks if the former envisaged specific investments in Montenegro e.g. WB GEFF II.

⁵⁵ 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.

⁵⁶ Channelled also through the local development bank IDF

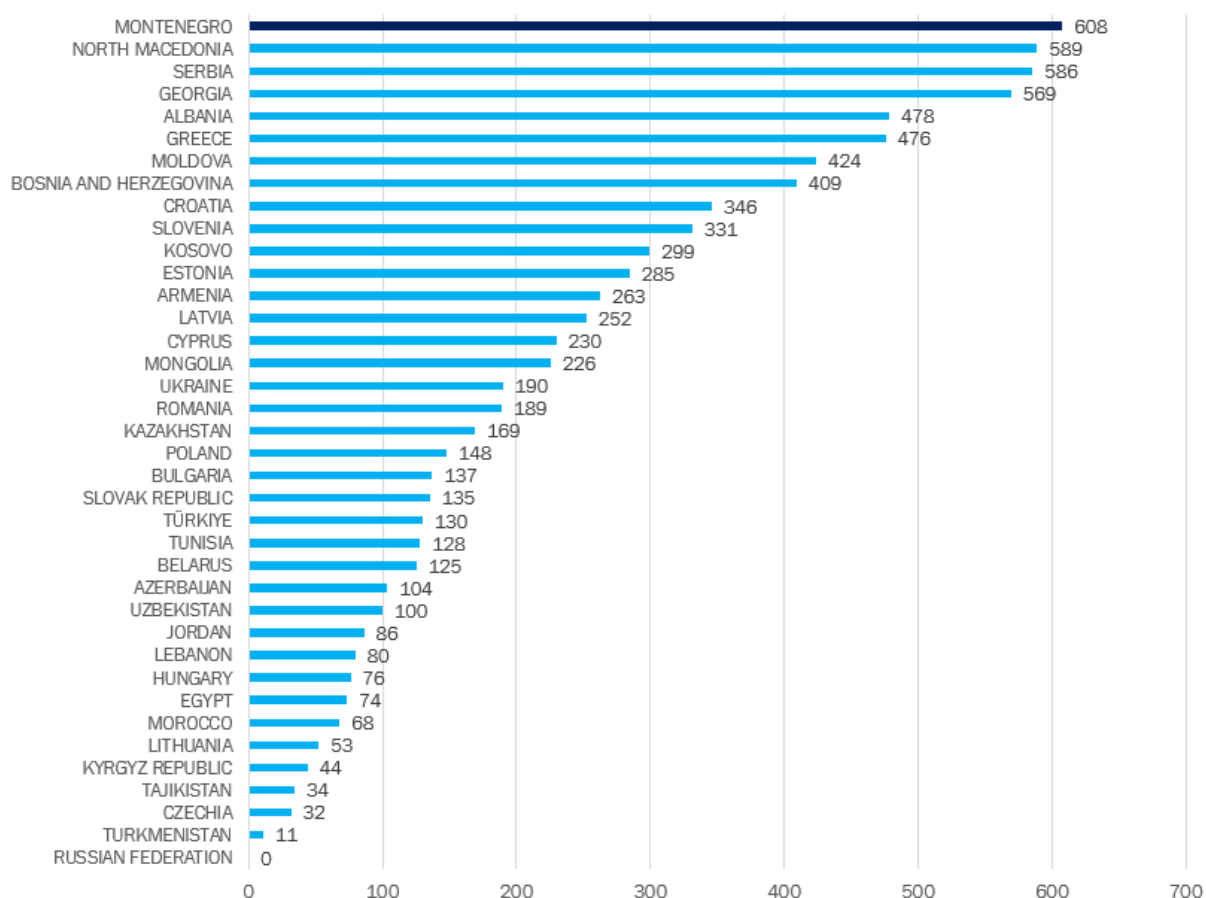
⁵⁷ CSDR for 2023

⁵⁸ For instance, signing of the €57 mln loan with the national power utility (EPCG) for the construction of 55 MW wind power plant in Gvozđ (OpID: 50427) lifted ABI for 2023 to a second highest on record from what would be otherwise a fairly quiet year (business-wise).

Figure 11: ABI in Montenegro and number of operations, 2017-2023

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 2017-23 period Montenegro attracted cumulatively €385 mln ABI, the lowest volume out of all countries in the Western Balkans region, and 31st 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 2017-23, Montenegro ABI was €608 — the highest among all EBRD CoOs (Figure 12).

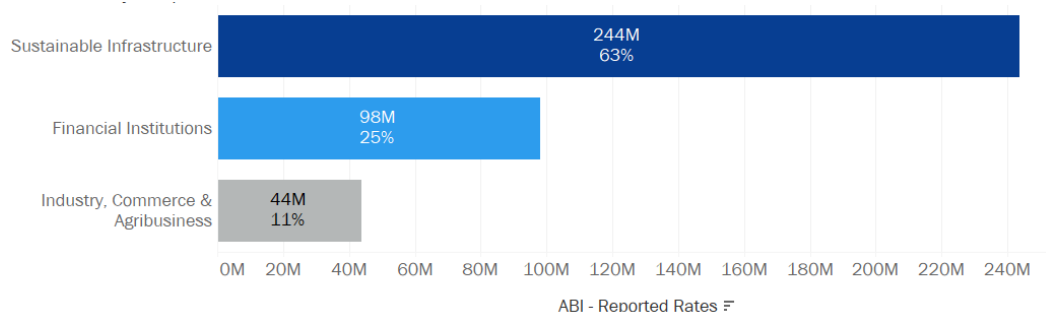
Figure 12: ABI per capita for all EBRD CoOs

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

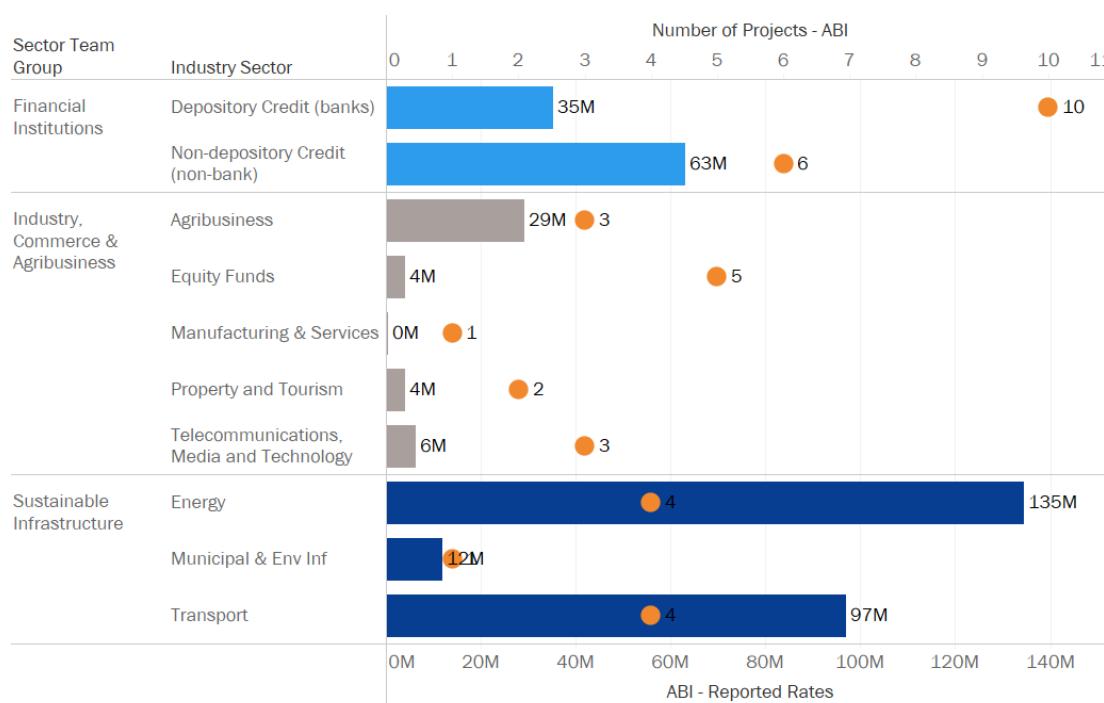
Two thirds of the ABI in Montenegro over the period 2017-2023 was delivered by Sustainable Infrastructure sector. Cumulatively, ABI in Sustainable Infrastructure reached €244 mln, accounting for 63% of the total ABI, and circa 2.5 x and 6 x more compared to Financial Institutions (FIs) and Industry, Commerce and Agribusiness (ICA) sectors respectively (Figure 13)

Figure 13: ABI in Montenegro and sector distribution, 2017-2023

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 14). These three accounted for €135 mln, €97 mln and €63 mln, or 35%, 25% and 16% of the total ABI over 2017-2023 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 mln Stand-by Credit Line to Deposit Protection Fund of Montenegro following the outbreak of COVID-19 pandemic⁵⁹, 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.

Figure 14: ABI in Montenegro and sector & industry distribution, 2017-2023



Source: EBRD DW_Banking_Operational and IEvD analysis

Cumulative investment, disbursements and cancellations

Net Cumulative Bank Investments (NCBI)⁶⁰ over the period 2017-23 reflected *broadly* the ABI sectoral split and stood at €315 mln. Cumulative Bank disbursements was fairly low (€149 mln) with few sectors exhibiting high undrawn commitment ratios, albeit at times explained by projects' rationale or very recent signing (Figure 15). Discrepancy between NCBI and disbursement figures was mainly driven by projects in SI sector notably, cancellation of the €50 mln loan to EPCG⁶¹ approved in midst of COVID-19 and still no disbursements made as part of large and recently signed €57 mln loan for the construction of Gvozd Windfarm⁶². Low cumulative disbursement in non-depository credit industry was somewhat expected – an up to €50 mln Stand-by Credit Line in favour of Deposit Protection Fund of Montenegro (DPFM)⁶³ signed in July

⁵⁹ 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.

⁶⁰ The value of all commitments made by the Bank since inception less the sale of commitments or any other cancelled commitments

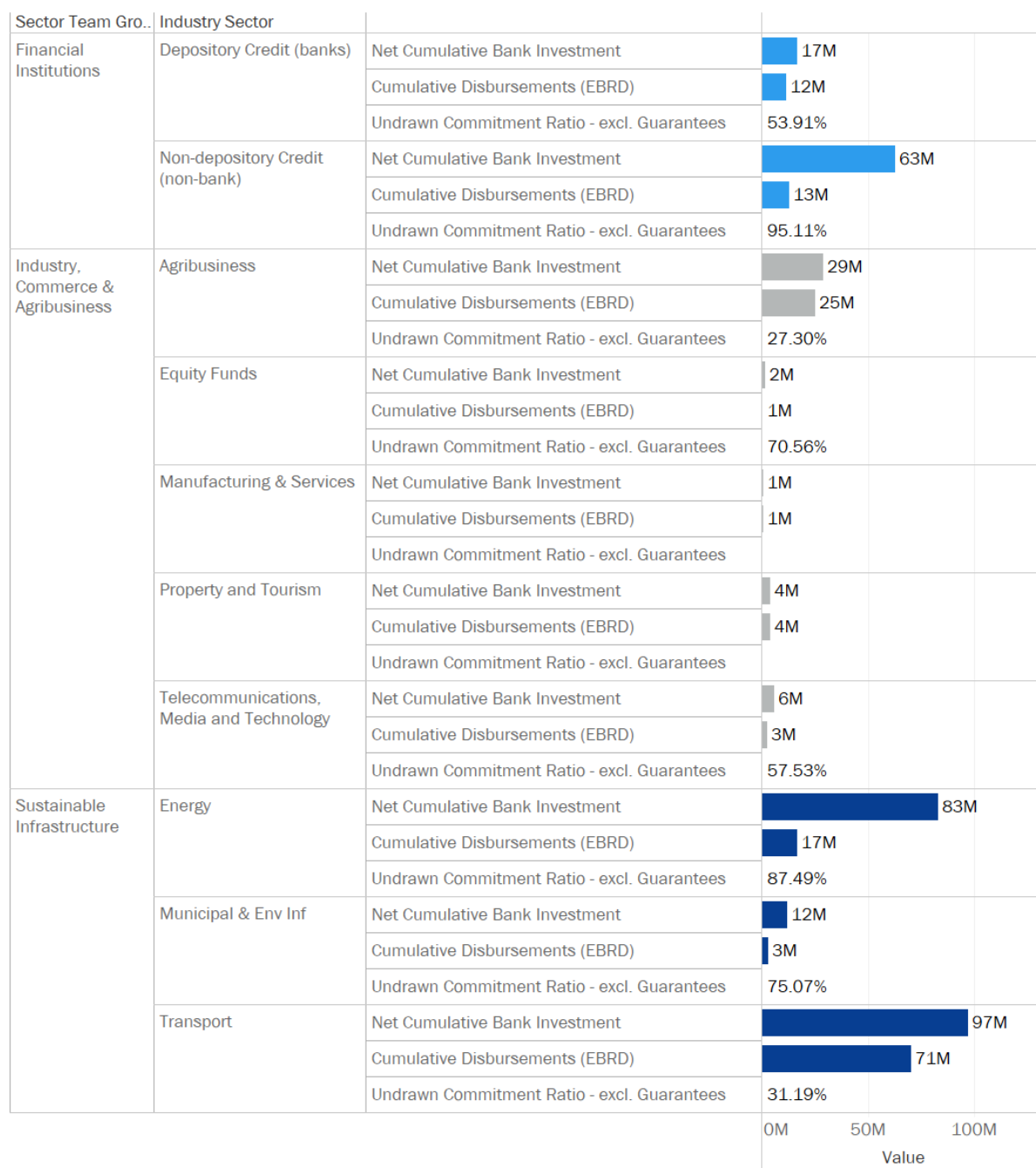
⁶¹ Op ID 52037

⁶² Op ID 50427

⁶³ Op ID 51810

2020 meant to be utilised only in case of bankruptcy or resolution of a bank member – an event that never occurred.

Figure 15: NCBI, cumulative disbursements and undrawn commitment ratio, 2017-2023



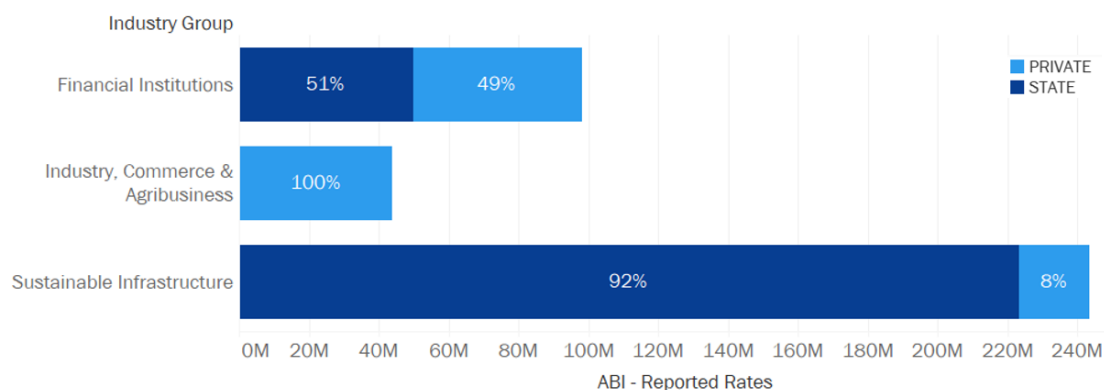
Source: EBRD DW_Banking_Operational and IEvD analysis

Portfolio class

Only minority (29 per cent) of the ABI in Montenegro was in the private portfolio class, albeit the composition varied across sectors. While for ICA sector the entire ABI was in private sector class, almost the opposite was the case for SI with 92% of the entire ABI channelled into state-own

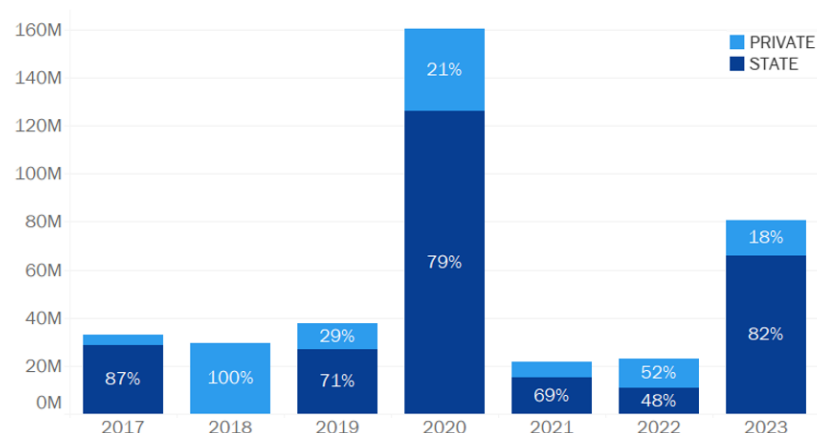
projects (Figure 16). Noteworthy, the share of private sector over the period 2017-23 does not reveal any particular trend (Figure 17).

Figure 16: Portfolio class of operations by sector, 2017-2023



Source: EBRD DW_Banking_Operational and IEvD analysis

Figure 17: Portfolio class of operations by sector and year, 2017-2023



Source: EBRD DW_Banking_Operational and IEvD analysis

Transition Qualities

Green was the most represented primary Transition Quality in ABI terms (€98 mln, or 25%) followed by **Resilient** (€76 mln, 20%). Projects with primary Green Transition Quality originated mostly from SIG sector. Further, in ABI terms, about three fourth of projects with Resilient as primary Transition Quality came from FI sector (Table 4:).

Table 4: Primary Transition Quality by sector, in # and € mln ABI terms

	Competitive	Green	Inclusive	Integrated	Null Value	Resilient	Well-Governed
Fls	5	2	6	2	:	3	:
ICA	4	1	4	:	1	2	:
SIG	1	3	:	2	:	1	2
Total	10	6	10	4	1	6	2
Fls	15,020,000	4,000,000	11,000,000	-		57,000,000	
ICA	26,430,000	4,000,000	13,920,000		1,000,000	900,000	
SIG	20,000,000	90,000,000		66,000,000		18,500,000	61,000,000
Total	61,450,000	98,000,000	24,920,000	66,000,000	1,000,000	76,400,000	61,000,000

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 2017-2023, debt accounted for 93% (€359 mln out of €385 mln) of the total ABI in the country (Table 5).

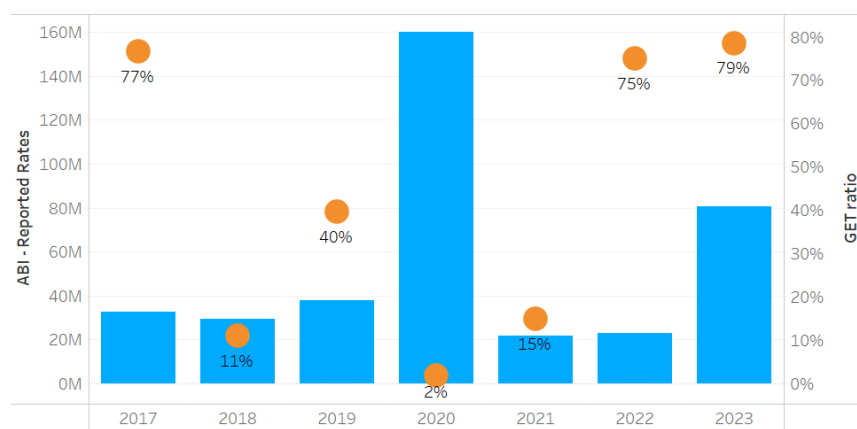
Table 5: ABI by product in € mln, 2017-2023

Product	2017	2018	2019	2020	2021	2022	2023	Total
Debt	31	26	34	155	18	20	75	359
Equity	:	:	1	2	0	1	4	8
Guarantees	2	3	3	3	3	2	2	18

Source: EBRD DW_Banking_Operational

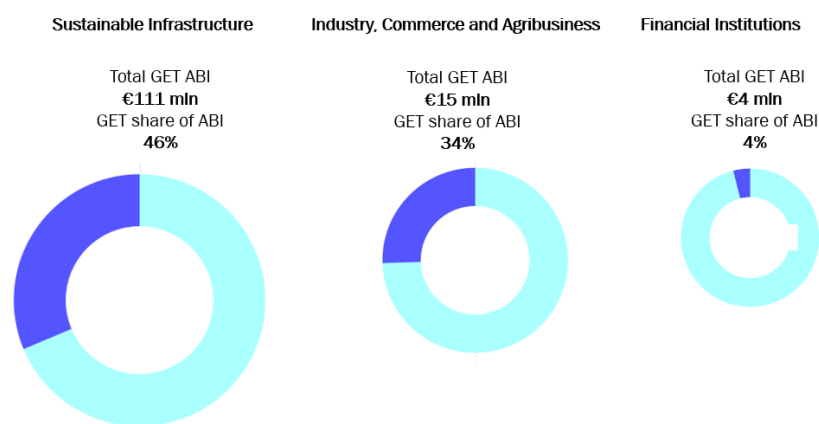
GET financing

GET financing, originating primarily from SI sector, added up to €130 mln over 2017-2023 period. The overall GET ratio was 34%, albeit varied markedly from year to year (Figure 18). Of €130 mln GET financing, 85% (or €111 mln) came from projects in SI sector followed by 12% in ICA (€15 mln) and 3% (€4 mln) in Fls (Figure 19). Taking broader perspective of Western Balkans, Montenegro's GET ratio was higher than for Albania and Serbia, though lagged behind the ones for Bosnia and Herzegovina, Northern Macedonia and Kosovo⁶⁴.

Figure 18: GET ratio, 2017-2023

⁶⁴ Albania (22%), Serbia (31%), BiH (37%), Northern Macedonia (42%) and Kosovo (52%).

Source: EBRD DW_Banking_Operational and IEvD analysis

Figure 19: GET ratio by sector, 2017-2023

Source: EBRD DW_Banking_Operational and IEvD analysis

ASB and MDA projects and activities

Over the period January 2017 – December 2023, the local team has started 253 projects with the total value of €3.6 mln and EBRD grant contribution of €2 mln. Majority of projects (78%) were in three areas: ICT (29%), marketing (27%) and quality management (22%), 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 39 Market Development Activities (MDA) involving hosts of projects related to trainings, workshops and communication focused activities i.e. conferences, seminars and other visibility activities.

Annex 3. List of projects

Op Id	Operation Name	Portfolio Class	Sector	NCBI	Day of Op Signing Date
48402	CEDIS smart metering completion project	STATE	SIG	16,984,433	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	8,000,000	17 December 2019
50071	Invera Private Equity Fund	PRIVATE	ICA	10,000,000	9 July 2019
50427	Gvozd Windfarm	STATE	SIG	57,000,000	19 June 2023
50565	DFF - United Group Equity Investment (f.Project Summer)	PRIVATE	ICA	20,000,000	28 June 2019
50612	Regional Water Supply System Expansion	STATE	SIG	12,000,000	26 December 2019
50893	FIF - Project Rose	PRIVATE	FI	21,000,000	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	50,000,000	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
51958	Western Balkans SME Platform SCV Technology Fund III	PRIVATE	ICA	10,000,000	17 December 2021
52037	RF - VISP - EPCG Solidarity loan	STATE	SIG	0	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	19,000,000	3 November 2022
52260	Hilton Podgorica II	PRIVATE	ICA	670,000	21 May 2020
52597	FIF - Lovcen banka - SME line	PRIVATE	FI	1,000,000	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 - NLBP	PRIVATE	FI	1,000,000	10 November 2023
53713	FIF - WB WiB Phase II - NLBP 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	75,000,000	16 September 2022
54827	Luna Towers (f. Project Luna)	PRIVATE	ICA	58,691,500	27 December 2023

Annex 4. List of policy dialogue workstreams

Title	Start date	Expected completion	Department	TCRS ID
TC Programme for Cybersecurity Resilience	4 September 2023	4 October 2026	Digital Hub	17908
Support for the Implementation of Renewable Energy Auctions in Montenegro	29 June 2022	31 December 2026	CSD	16189 / 115669
Technical cooperation and assistance in establishing Montenegro Credit Guarantee Fund (Phase 2)	4 October 2021	04 January 2023	FI	15721
COVID-19 Tourism Recovery Technical Assistance Package	25 May 2021	30 September 2022	PT	13452 / 03706
Montenegro: Establishment of a Single Access Point for SMEs	17 December 2020	30 June 2024	CGPA	14518
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	LTT	14487 / 97386, 97387, 97389
Capacity Building for the Deposit Protection Fund of Montenegro	1 September 2020	01 December 2022	FI	13435
Environmental, Health, Safety and Social Technical Assistance to Montenegro Transport Administration	25 May 2020	25 May 2021	ESD	13416
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	LTT	8292 / 91036
Capacity Enhancement and Enabling Framework Development for Public-Private Partnerships (PPP) and Concessions Projects in Montenegro	4 February 2019	04 October 2019	LTT	10991 / 66614
Enhancing Public-Private Dialogue in Montenegro: EBRD Support to the Competitiveness Council	3 September 2018	31 December 2025	CGPA	10148

Annex 5. Montenegro – EU accession

Box 5: 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 methodology⁶⁵ 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.

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 feasibility⁶⁶. As of August 2024, 12 years since negotiations began, Montenegro has provisionally closed only 3 out of 33 chapters⁶⁷.

1. Free Movement of Goods	2. Freedom of Movement For Workers	3. Right of Establishment & Freedom To Provide Services	4. Free Movement of Capital	5. Public Procurement	6. Company Law
7. Intellectual Property Law	8. Competition Policy	9. Financial Services	10. Information Society & Media	11. Agriculture & Rural Development	12. Food Safety, Veterinary & Phytosanitary Policy
13. Fisheries	14. Transport Policy	15. Energy	16. Taxation	17. Economic & Monetary Policy	18. Statistics
19. Social Policy & Employment	20. Enterprise & Industrial Policy	21. Trans-European Networks	22. Regional Policy & Coordination of Structural Instruments	23. Judiciary & Fundamental Rights	24. Justice, Freedom & Security
25. Science & Research	26. Education & Culture	27. Environment & Climate Change	28. Consumer & Health Protection	29. Customs Union	30. External Relations
31. Foreign, Security & Defence Policy	32. Financial Control	33. Financial & Budgetary Provisions			

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 (DPS). 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 the 2023 election success of the centrist Europe Now Movement (PES)⁶⁸. The new coalition government, led by Prime Minister Milojko Spajić successfully enacted some key judicial appointments and legislation.⁶⁹

⁶⁵ 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).

⁶⁶ Collective view expressed by the EIU editorial. See EIU, June 2024. Montenegro. Available at: <https://country.eiu.com/montenegro>

⁶⁷ Science and Research; Education and Culture; and External Relations

⁶⁸ Founded in 2022 by Milojko Spajić and Jakov Milatović, currently the Prime Minister and President of Montenegro, respectively.

⁶⁹ 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.

For the past 12 years, the country has been in the process of aligning its national legislation with EU standards. The 2023 EC Progress Report noted that Montenegro is fully aligned with the EU's foreign and security policy positions, and actively engages in regional cooperation. Good progress has been observed in areas of postal services, intellectual property law, banks and financial conglomerates, and key transport policy reforms. Some progress was made in enhancing country's ability to cope with competitive pressure and market forces within the EU and in several areas critical to Montenegro's integration with the EU's internal market (i.e., market surveillance, accreditation and standardisation, banking, consumer and health protection, and State aid transparency). Some progress has been further achieved concerning the statistical methodology, the strategic framework for financial control, and public procurement, as well as in several domains of competitiveness and inclusive growth (i.e., tobacco control, pensions, industrial policy, taxation, trade facilitation, and the operationalisation of the Innovation Fund). The country has also made strides in the green agenda, and the resources, agriculture, and cohesion areas, with some progress in the day-ahead energy market, port state control, agriculture and rural development, food and fisheries, and regional policy and structural instruments.⁷⁰

However, the same 2023 EC Progress Report highlighted that Montenegro achieved limited progress in the areas of judiciary and fundamental rights, the fight against corruption and organized crime, and freedom of expression. Reaching the interim benchmarks for rule of law chapters 23 (Judiciary and fundamental rights) and 24 (Justice, freedom, and security) in June 2024 marked a significant milestone, even if the 2024 EU common position on chapters 23 and 24 emphasized that substantial efforts are still needed in these areas. Furthermore, in 2023, the EC pointed out limited progress in public administration reform, the development of a functioning market economy, and in addressing environment and climate change.

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 EU accession enjoys a broad public support. According to opinion poll from May 2023, a record high of 79.3% respondents in Montenegro strongly or somewhat supported the country's accession to the EU. A 4.7 percentage points uptick compared to May 2022 results.⁷¹

Over the recent years, the EU has directed substantial funds to Montenegro to support its accession process, mainly through the Instrument for Pre-Accession Assistance (IPA), but also other instruments e.g., Western Balkans Investment Framework. The annual IPA II funds for Montenegro averaged EUR 41.9 million between 2017 and 2020.⁷² Instead of indicative financial allocations by countries, IPA III 2021-2027 distributes funds through five thematic windows aligned with EU thematic priorities and mirroring clusters of negotiation chapters. The total indicative budget for IPA III is EUR 14.2 bln (IPA II: EUR 12.8 bln), with allocations to beneficiary countries based on progress in implementing reforms. According to 2023 EC Progress Report, the country received EUR 36.7 mln under the 2022 annual action plan. This funding supports initiatives concerning the integrated border management, public administration reform, and further alignment with EU acquis.

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

⁷⁰ European Commission 2023 Montenegro Progress Report. Available at: https://neighbourhood-enlargement.ec.europa.eu/document/download/e09b27af-427a-440b-a47a-ed5254aec169_en?filename=SWD_2023_694%20Montenegro%20report.pdf.

⁷¹ Delegation of the European Union to Montenegro (2024). May 2023 Opinion Poll. [Montenegro - May 2023 Opinion Poll](#).

⁷² European Commission. Montenegro – financial assistance under IPA. [Montenegro IPA European Commission](#).

Annex 6. 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 average⁷³. 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 forward⁷⁴.

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 generation⁷⁵, transmission, distribution and supply.

Domestic electricity production in Montenegro in 2023 was 4.04 GWh, of which more than a third came from coal. Entire electricity produced from coal in the country comes from one single 225 MW Pljevlja coal-fired Thermal Power Plant unit⁷⁶. More broadly, coal, biofuels & waste and hydro accounted for 49.5%, 23.7% and 23.1% of the total domestic production in 2021 respectively. Wind and solar together, stood for the remaining and tiny share of 3.7%, according to IEA⁷⁷. (Figure 20).

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 35.5%, 31.3%, 16.8% and 12.3% respectively⁷⁸ (Figure 21).

Figure 20: Domestic electricity production, 2021

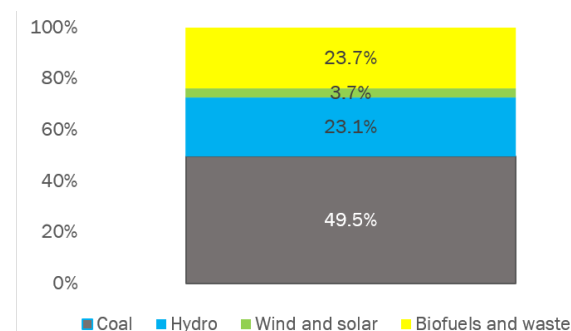
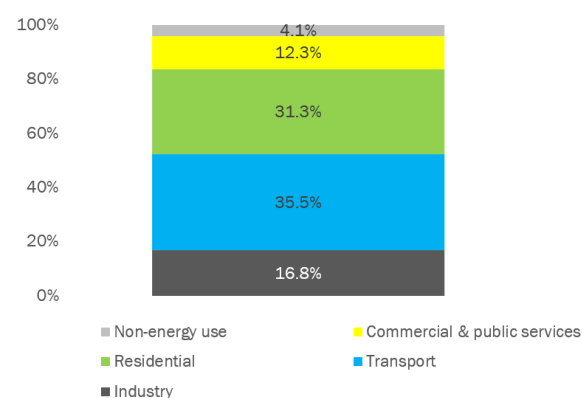


Figure 21: Domestic energy consumption, 2021



⁷³ 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

⁷⁴ 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

⁷⁵ It owns the largest coal-fired plant in the country and holds stakes in some renewables' projects.

⁷⁶ It is expected to operate till at least 2035. The plant will be soon renovated and upgraded, also to reduction GHG emission intensity. In its current form it is responsible for 70-80% of the total CO2 emission in Montenegro.

⁷⁷ IEA, 2024. Montenegro. Available at: <https://www.iea.org/countries/montenegro>

⁷⁸ IEA, 2024. Montenegro. Available at: <https://www.iea.org/countries/montenegro>

Source: IEA

Source: IEA

Over the last decade Montenegro was often a net energy importer, while in this decade it has been consistently a net energy exporter⁷⁹. Moreover, it may become a major export hub of green energy in 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 2021⁸⁰. In 2022 and 2023, however, it grew sharply to 24% and 31% respectively⁸¹, also thanks to falling demand from aluminium industry⁸², with BiH and Serbia being two top trading partners accounting for nearly half of all electricity export⁸³. With respect to share in total export (goods & services), it was estimated at 5.6% and 6% in 2022 and 2023 respectively⁸⁴.

In 2019, the €1.1 bln 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.⁸⁵

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 year⁸⁶. Though, explorations raised concerns about potential environmental impact and damage to the tourism industry, among others. They have been also questioned from purely commercial standpoint given fast decreasing comparative cost of solar and wind.

Currently, the Energy Development Strategy of Montenegro⁸⁷, 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 date⁸⁸. The Strategy has been subject of some major criticism⁸⁹. Although delayed already, once adopted, the National Energy and Climate Plan (NECP) 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.

⁷⁹ OEC, 2024. Electricity in Montenegro. Available at: <https://oec.world/en/profile/bilateral-product/electricity/reporter/mne?yearExportSelector=exportYear1>

⁸⁰ World Bank, 2023. Montenegro Country Economic Memorandum. Available at: https://documents1.worldbank.org/curated/en/099051523104018239/pdf/P1773730df9e270120b9590413ec7f8a6c5.pdf?_gcl_au=MTc3Njc4OTUONS4xNzI1Mjk1MjQ4

⁸¹ Monstat data

⁸² 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.

⁸³ OEC, 2024. Electricity in Montenegro. Available at: <https://oec.world/en/profile/bilateral-product/electricity/reporter/mne?yearExportSelector=exportYear1#market-growth>

⁸⁴ Evaluation team calculations using Central Bank and Monstat data

⁸⁵ 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 BiH 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.

⁸⁶ 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/>

⁸⁷ 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/>

⁸⁸ IEA, 2024. Montenegro. Available at: <https://www.iea.org/countries/montenegro>

⁸⁹ 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.

More recently (August, 2024), the Law on the Use of Energy from Renewable Sources,⁹⁰ 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 GHG 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.

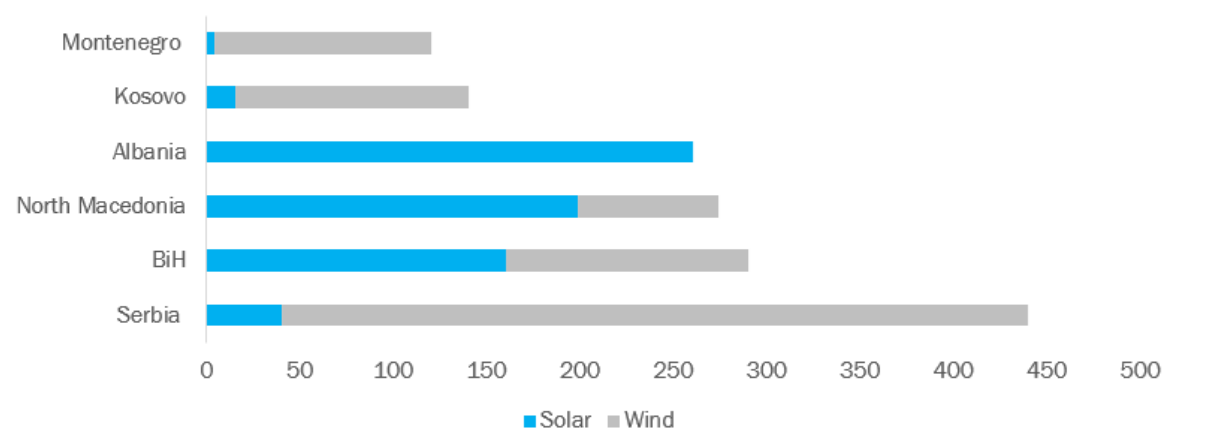
Renewables (hydro, wind and solar)

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 year⁹¹. 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 year⁹² 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 potential for at least 2.3 GW of offshore wind (mostly floating structures).

Yet, the country made limited use of its solar potential so far⁹³, also compared to its Western Balkans peers, with somewhat better headways in wind (Figure 22: Operating solar and wind power in the Western Balkans²²). 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 scale with the first wind farm in Krnovo constructed in 2017, has been still well below the potential too. Table 6: Wind and solar projects – completed/at advanced stage, as of end-2023 shows main Montenegrin wind and solar investments, either completed or at late stage of implementation, with end-2023 as cut-off date.

Figure 22: Operating solar and wind power in the Western Balkans



⁹⁰ 2024. Government of Montenegro. Available at: <https://www.gov.me/en/documents/a27cd863-07c1-454c-bb9a-38101b5982a4>

⁹¹ Bankwatch, 2023. The energy sector in Montenegro. Available at: <https://bankwatch.org/beyond-fossil-fuels/the-energy-sector-in-montenegro>

⁹² For coastal and central regions, this is at par with Southern Greece and Italy. For comparison, London has ca. 1,000 sunshine hours annually

⁹³ Bankwatch Network, 2023. The energy sector in Montenegro. Available at: <https://bankwatch.org/beyond-fossil-fuels/the-energy-sector-in-montenegro>

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 supportive legal framework for renewables fully compliant with the EU *acquis*⁹⁴. Limited administrative capacity of the national authorities also translated into sluggish 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 that, among others, have lacked absorption capacity⁹⁵. Table 6 outlines the list of wind and solar projects in Montenegro, being completed/ at advanced stage of development at the cut-off point of no later than end-2023. It will be further developed in course of the evaluation.

Table 6: Wind and solar projects – completed/at advanced stage, as of end-2023

Project Name	Type	Start/ Completion	Capacity in MW	Overview
Krnovo Wind Farm	Wind	2014/2017	74.1	<ul style="list-style-type: none"> Country first ever windfarm consisting of 26 turbines and developed by Masdar, UEA based renewable energy company. Total cost: €139 mln EBRD involvement: Yes
Mozura	Wind	2015/2019	46	<ul style="list-style-type: none"> Country second wind farm consisting of 23 turbines and developed by Maltese state-owned Enemalta. Total cost: €86 mln EBRD involvement: No
Brajici Wind Park	Wind	August 2020/2026	100	<ul style="list-style-type: none"> The project is owned and being developed by consortium of WPD AG (Germany) and Vjetroelektrana Budva Total cost: US\$107 mln EBRD involvement: No
Gvozd Wind Farm	Wind	June 2021/2026	56	<ul style="list-style-type: none"> Developed and owned by EPCG, the Montenegrin national power utility. Total cost: ca. US\$ 95 mln EBRD involvement: Yes
Cetinje	Solar	February 2023/tbc	506	<ul style="list-style-type: none"> 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: <i>tbc</i> EBRD involvement: No

⁹⁴ GEM & Bankwatch, 2024. A race to the top – Western Balkans. Available at: https://bankwatch.org/wp-content/uploads/2024/07/RTTWesternBalkans-2024_v7.pdf

⁹⁵ ITA, 2024. Montenegro Country Commercial Guide – Energy. Available at: <https://www.trade.gov/country-commercial-guides/montenegro-energy-0#:~:text=Montenegro%20D%20Energy&text=The%20energy%20sector%20of%20Montenegro.percent%20less%20than%20in%202021.>

Cevo Solar	Solar	2022/December 2023	4.4	<ul style="list-style-type: none"> – First ground-mounted plant built in Montenegro by Sun Horizon and Obovljvi consisting of over 8,000 panels and developed by Green Grow Energy (GGEN). – Total cost: US\$ <i>tbc</i> – EBRD involvement: No
Vucha 1, 2 and 3	Solar	2023/ <i>tbc</i>	123.6	<ul style="list-style-type: none"> – BSD Mont in cooperation with partners from Hungary to build three solar power plants in Vucha near Rozaje – Total costs: €200 mln – EBRD involvement: No
Total	7		910.1	
EBRD share	2		<i>tbc</i>	

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