

THE EBRD IN

Montenegro

Results snapshot

2016-2021



European Bank
for Reconstruction and Development

Overview

The EBRD is one of the largest investors in Montenegro with investments of €700 million in 76 projects. Since the Bank first started investing in the country, it has mostly supported clients in the energy, infrastructure, financial and corporate sectors. Between 2017 and 2021, EBRD investments amounted to over €210 million amid growing opportunities to intensify the EBRD's engagement in the country.

The Bank's strategic focus in Montenegro is on:

- ▶ Strengthening competitiveness of the private sector
- ▶ Green economy transition
- ▶ Improving connectivity and regional integration

In response to the Covid-19 crisis, the Bank also provides funding to support corporate and financial-sector resilience, sustain trade, and maintain infrastructure and energy services.

Highlights of our results¹

SME growth

66 per cent of SMEs advised by the EBRD hired more people, creating 768 new jobs. 67 per cent of them increased turnover and 51 per cent became more productive. In total, EBRD advisory contributed to €116 million of additional turnover and €10 million of additional exports.²

Energy saved

Distribution losses were reduced by 13.5% through EBRD-financed smart meters. Annual electricity consumption per customer decreased from 7655kWh to 7032kWh.

Improved regional integration

The EBRD financed sustainable infrastructure for improved transport and electricity connectivity, including upgrades to 52 km of local roads.

EBRD in Montenegro

Total	2016-2021
€700 million	€220 million
Net cumulative investment (Stock of all EBRD commitments less their sale or cancellations)	
76	29
Number of projects	
33%	
Private-sector percentage of cumulative investments	
€222 million	€48 million
Green economy financing commitments	

Our policy engagement

- ▶ Digitalisation of business and government services
- ▶ Energy efficiency regulatory support
- ▶ Better business environment
- ▶ Regulatory framework for PPPs
- ▶ Gender-inclusive Competitiveness Council and investment climate
- ▶ Credit guarantee scheme to support SMEs cope with Covid-19 impacts

¹ Data relate to EBRD activities in Montenegro between 2016-2021.

² Within a year of the EBRD advisory project ending.

Montenegro in context

With a population of 600,000, Montenegro is not only the smallest country in the Western Balkans (WB) but also the smallest country in which the EBRD invests. The country has the highest income per capita among its Western Balkans neighbours and has advanced the farthest in its EU accession plans. However, Montenegro's journey towards a sustainable market economy is still far from complete. While the country outperforms other WB countries in six 'transition' qualities, it lags behind the OECD comparators, especially in the areas of green, competitiveness and integration.

As a result of the Covid-19 pandemic, the economy experienced a major recession. In Montenegro, travel and tourism sectors that account for one-third of GDP (and one-half of exports) suffered from the strict border restrictions imposed during the pandemic. This led to a sharp contraction of GDP by 15.2 per cent in 2020. The pandemic has shown that Montenegro needs to reduce its dependence on the tourism sector and continue to diversify the economy in high-potential sectors such as renewable energy, IT and agribusiness.

The EBRD's diagnostics reveal Montenegro's key weaknesses include the rule of law, a complex business environment, an excessive informal economy and a relatively low capacity of public administration. While Montenegro's energy and carbon intensity are below the average in EBRD countries of operations, Montenegro is still more energy and carbon intensive than an average EU country, and ranks lower on transport infrastructure and cross-border integration.

Key economic indicators

	Montenegro (2016)	Montenegro (2021*)	OECD comparators (2021*)
GDP per capita, PPP (constant 2017 international \$)	18,199	20,542	50,413
Labour force participation rate, female (% of female population ages 15-64) (modelled ILO estimate)	53.3	53.3	73.2
Renewable share (including hydro) in final energy consumption	43.9	40.6	11.1
International tourism, receipts (% of total exports)	54.8	52.6	6.0

Our approach and operational delivery

The EBRD supports private-sector development through a combination of investment, policy dialogue and technical assistance. We offer a range of financial instruments, both directly and through partner financial institutions, and provide advisory services and technical assistance to help improve client capacity. In Montenegro, we engage in policy dialogue with a range of stakeholders (including the Secretariat to the Competitiveness Council) to create favourable conditions for sustainable economic growth.

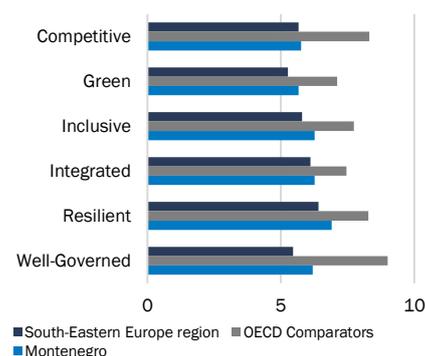
From 2016 to 2021, the Bank invested €222 million, over one-half of which supported the enhanced competitiveness of the private sector including a more sustainable tourism sector and the growth of small- and medium-sized enterprises. Important areas of EBRD support are developing sustainable infrastructure for improved hard and soft connectivity and increased renewable energy capacity. In addition, the Bank catalyses high levels of donor finance, a total of €6 million of technical cooperation and co-investment funds.

The EBRD significantly stepped up its support to help Montenegro weather the COVID-19 crisis, providing emergency liquidity and developing targeted investments responding to specific challenges in sectors such as MSMEs, agribusiness and renewable energy. Together these measures provide critical short-term financial support, aiding the economic recovery while also advancing the longer-term challenges and areas that are the EBRD's strategic priorities in Montenegro.

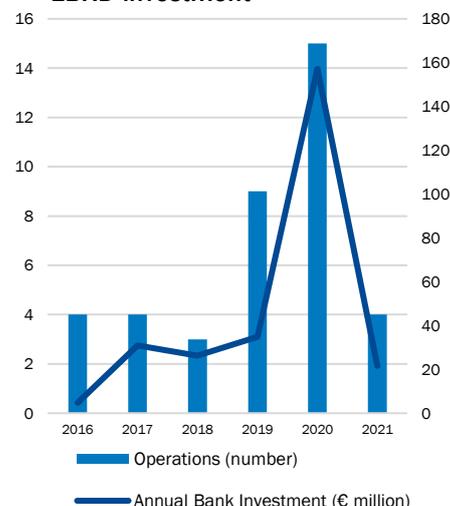
We seek to help countries "transition" towards democratic and sustainable market economies. We finance projects that strengthen the private sector in economies undergoing transition to a well-functioning market system. Our investment decisions are guided by six 'transition qualities', which focus on making economies competitive, well-governed, green, inclusive, resilient and integrated.

For more detail on our transition qualities visit: www.ebrd.com/qualities

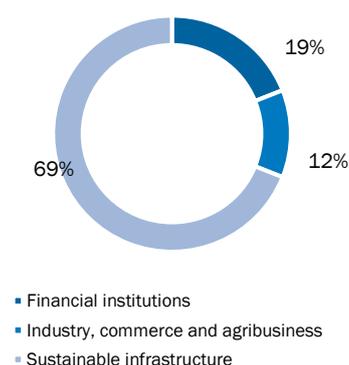
EBRD score, 2021
(1-worst, 10-best)



EBRD investment



Portfolio by sector



*or latest available

The EBRD in Montenegro

Strengthening competitiveness of the private sector

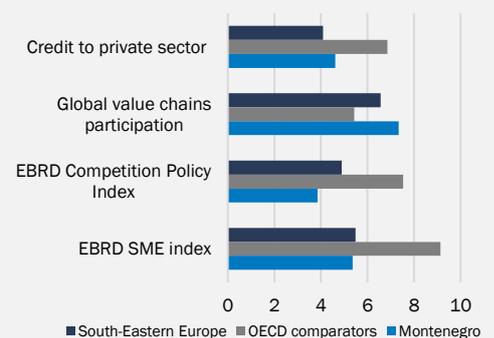
2016-2021

SDG alignment



In recent years, Montenegro has made good progress in improving its business environment. However, challenges remain, such as the large informal economy, which accounts for around 30 per cent of GDP. This constrains private sector development as about one third of firms identify practices of competitors in the informal sector as their biggest obstacle to doing business. Small- and medium-sized enterprises (SMEs) also face major constraints in accessing finance due to high interest rates, complex application procedures and insufficient collateral. Moreover, gender gaps persist in entrepreneurship and on average, women in Montenegro are less active in the labour market. Finally, there is still a need for a better regulatory framework that would be conducive to greater competition and allow the country to capitalise on opportunities in the ICT sector.

EBRD score, 2021
(1-worst, 10-best)



How we work

The EBRD supports SMEs through direct and intermediated financing as well as through the Advice for Small Businesses (ASB) programme, which focuses on improving corporate governance, sustainability standards and operating practices. The Bank launched the Blue Ribbon and Star Venture programmes, which aim to support high growth SMEs. The EBRD also engages closely with authorities through the Investment Climate and Governance Initiative to encourage policy reforms that promote an inclusive and competitive business environment for sustainable growth.

EBRD in Montenegro

Total	2016-2021
€100 million	€20 million
Net cumulative investment in SMEs	

Quick links

- ▶ [Advisory for Small Business](#)
- ▶ [Blue Ribbon Programme](#)
- ▶ [Women in Business](#)

Through the Small Business Initiative, we provide finance and business advice to help SMEs grow, succeed, then grow again, becoming genuine catalysts for their local economies and region.



Achievements and results: Strengthening competitiveness of the private sector

EBRD supports SME growth by:

- ▶ Helping small firms improve their operational effectiveness and resource efficiency through dedicated credit lines with a total value of €17m.
- ▶ Improving business practices and standards and promoting digitalisation through advisory (211 SMEs supported).
- ▶ Promoting innovation via incentive grants that encourage investments in green and innovative technologies (e.g. SME competitiveness product and Western Balkan Enterprise Development and Innovation Facility).

The Bank promotes an inclusive business environment by:

- ▶ Supporting gender equality of opportunities through work with the Government to include a gender lens in its Regulatory Impact Assessment.
- ▶ Helping women entrepreneurship through the EBRD Women in Business Programme, which provides SME loans and advice to women-led businesses, and training partner banks on gender awareness in their lending.
- ▶ Promoting a gender-responsive investment and business environment together with the Secretariat to the Competitiveness Council.

The Bank helps to enhance the business environment by:

- ▶ Improving economic governance through coordinating business reforms (e.g. business registration or a digital Register of Levies).
- ▶ Increasing the government's capacity to develop sustainable PPP projects (through assistance to the Ministry of Finance) and to combat informality through business inspections (with risk-based control and digitalisation).
- ▶ Promoting digital transformation, through a Digital Maturity Assessment of Montenegro for full digitisation of relevant public services.

SME growth

67 per cent of SMEs advised by the EBRD increased turnover and 51 per cent became more productive. In total, EBRD business advice contributed to €116 million of additional turnover and €10 million of additional exports.*

Job creation

66 per cent of SMEs advised by the EBRD hired more people, creating 768 new jobs*.

Greater innovation

A firm (Voli) that EBRD supported with advice launched the country's first online supermarket platform that offers over 5,000 products.

Covid-19 support

The EBRD supported the creation of the Covid-19 SME credit guarantee Fund to support small businesses through the pandemic.

Access to finance for women

Since its launch in 2014 in the Western Balkans, the EBRD Women in Business programme has reached over 5,000 women entrepreneurs with financing and advisory services.

Improved gender awareness

With the EBRD's support, the Competitiveness Council introduced an ISO standard on the definition of women entrepreneurship, allowing for the Council's collection of gender disaggregated data on businesses.

Ease of doing business

The EBRD's support in coordinating business registration reform helped to decrease the number of procedures from 25 to 15.

Digitalised services

The EBRD's digital maturity assessment has helped guide the country's new Strategy for Digital Transformation.

Growing local business

Read how Amplitudo, one of EBRD's successful ASB clients, grew to become one of the biggest IT companies in the country and became a registered consultant for the ASB programme.



During the Covid-19 pandemic, an innovative EBRD client Voli, helped ensure Montenegrins could still access groceries. Read more [here](#)



The EBRD is supporting the institutional capacity of Montenegrin courts through guidance on online mediations, in order to reduce the overload in courts, especially caused by Covid-19 disruptions. [Read more](#)



*within a year of the EBRD project ending

The EBRD in Montenegro

EBRD promotes renewable energy in Montenegro

Green economy transition

2016-2021

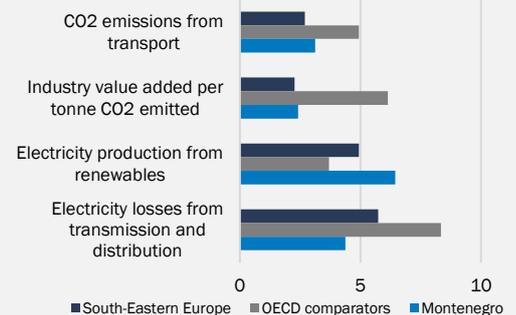
SDG alignment



Although the energy intensity of Montenegro's economy improved by 25 per cent over a decade (2010-2019), it still remains 23 per cent above the EU average. This is mainly due to Montenegro's high energy intensive coal and aluminium industries. The residential and transport sectors account for the largest share of final energy consumption in the country. Electric power transmission and distribution losses also remain relatively high, more than double the EU-11 average.

Montenegro is also vulnerable to climate change impacts, especially floods, landslide and wildfire hazards, as studies indicate that Balkan countries are particularly sensitive to precipitation change. Montenegro's green economy transition needs to be focused on investing in sustainable energy and waste management infrastructure, as well as in aligning its environmental standards with the EU.

EBRD score, 2021 (1-worst, 10-best)



How we work

The EBRD supports a just green economy transition that seeks to ensure that benefits are shared widely, while also supporting those who stand to lose economically. We invest in renewable energy and energy efficiency while engaging with the government and the private sector to help Montenegro fulfil its Paris Agreement commitments and Nationally Determined Contributions.

Through the EBRD Green Economy Financing Facility (GEFF), for example, we provide combined technical knowledge and finance to help clients invest in high-performing technologies.

EBRD in Montenegro

Total	2016-2021
€222 million	€48 million
Green economy financing commitments	
€150 million	€19 million
Net cumulative investment in the energy sector	

Quick links

- ▶ [Green Economy Transition](#)
- ▶ [Green Economy Financing Facility \(GEFF\)](#)

The EBRD's Just Transition initiative aims to ensure the benefits of a green economy transition are shared, while protecting vulnerable countries, regions and people from falling behind.



Achievements and results: Green economy transition

EBRD supports increased energy efficiency by:

- ▶ Saving energy through financing better electricity metering and distribution networks including the installation of over 320,000 smart meters connected to a windpower grid (e.g. CEDIS).
- ▶ Helping to reduce the high energy use of residential buildings, through the first green energy financing facility (GEFF) for residential energy efficiency projects.
- ▶ Supporting government energy efficiency strategic planning, by contributing to the development of the Fourth National Energy Efficiency Action Plan.

The EBRD promotes resilient renewable energy by:

- ▶ Attracting interest from new investors into the nascent Montenegrin renewable energy sector through our investment in the country's first ever wind farm, Krnovo (in partnership with donors).
- ▶ Helping to stabilise energy provision during the Covid-19 pandemic through financing to the national power utility.

The EBRD helps to improve resource management by:

- ▶ Making the local water supply system more reliable and climate-resilient, e.g. through our work with the Regional Water Supply Company.
- ▶ Promoting higher environmental standards by supporting implementation of environmental and social action plans, alongside finance for sustainable infrastructure (e.g. for tourism).
- ▶ Supporting the Montenegro Energy Regulator in adopting a Performance Based Incentive regulation for electricity network companies.

Energy saved

Distribution losses were reduced by 13.5% across the country through EBRD-financed smart meters. Annual electricity consumption per customer decreased from 7655kWh to 7032kWh.

Reduced emissions

Over 86,000 tonnes of CO₂ emissions saved per year from smart meters – equivalent to 18,000 cars taken off the road.

Greener energy mix

It is estimated that over 180,000 tonnes of CO₂ emissions are avoided every year, thanks to the EBRD-financed Krnovo wind farm. This is equivalent to the yearly energy used by 21,600 homes.

Increased water capacity

The EBRD-supported water pipeline is estimated to double water supply capacity, reaching 70,000 people in three municipalities.

Better water management

The Water Resources Development and Management Plan was finalised and adopted in 2021, including measures to prevent further depletion of the Bolje Sestre water source.

Sustainable electricity

The EBRD helped develop a sustainable electric tariff methodology with the energy regulator.



Montenegro is set to become a regional leader in smart meter deployment, which will reduce energy loss and CO₂ emissions. Read [more](#)



Together with Montenegro's main electricity provider, EPCG, the EBRD is supporting the stability of energy provision in response to the Covid-19 pandemic. Read [more](#)



Supporting Montenegro's ever-increasing demand for water supply, the EBRD is helping to expand and improve the water network, including to two residential areas that will have access for the first time. Read [more](#)



The EBRD in Montenegro

EBRD finances infrastructure projects in the country

Improving connectivity and regional integration

2016-2021

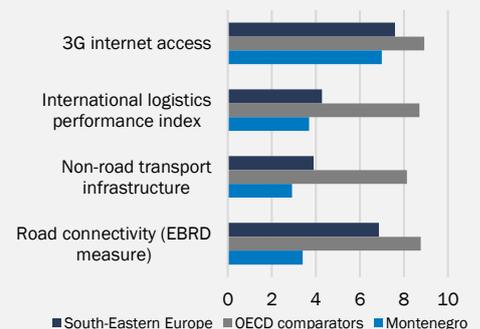
SDG alignment



Connectivity and regional integration are important pillars for the country's economic development, as they represent key enablers for cross-border trade and tourism circulation. Montenegro faces large infrastructure needs, especially in terms of roads and railways, which are further exacerbated by the mountainous topography of the region and met by very limited sovereign debt capacity and low administrative capacity. Montenegro ranks 75th out of 160 countries for the quality of trade and transport infrastructure in the World Bank's Logistics Performance Index and performs worse than both the Western Balkan region and EU countries in terms of cross-border integration.

In terms of trade openness and FDI, Montenegro has improved over the past five years but as a non-EU state, the country only has five regional trade agreements and has scope to improve its integration into global value chains.

EBRD score, 2021 (1-worst, 10-best)



How we work

The EBRD supports the development of key infrastructure and mobilises private capital for sustainable development of roads, airports and transport networks. We strategically invest in and provide technical assistance to develop integrated markets in the Western Balkans region for greater connectivity. Through the Trade Facilitation Programme (TFP), we support Montenegrin businesses by providing guarantees and trade-related cash advances. In response to the Covid-19 pandemic, the Bank stepped up its support to promote foreign trade.

EBRD in Montenegro

Total	2016-2021
€420 million	€110 million
Net cumulative investment in sustainable infrastructure	
€190 million	€90 million
Net cumulative EBRD investment in transportation infrastructure	

Quick links

- ▶ [Trade Facilitation Programme](#)
- ▶ [Infrastructure Project Preparation Facility \(IPPF\)](#)

The EBRD's Infrastructure Project Preparation Facility (IPPF) provides high-quality, client-oriented project preparation, policy support, and institutional strengthening providing sustainable and inclusive infrastructure solutions.

Achievements and results: Improving connectivity and regional integration

The Bank supports sustainable transport connectivity by:

- ▶ Helping to construct and upgrade road infrastructure, including the three main sections of the national road network.
- ▶ Improving road safety through financing the reconstruction of 50-60 sections of local roads and improving road safety standards.
- ▶ Promoting environmental, social, and governance (ESG) factors in road construction and management, e.g. integrating a Climate Change Adaptation Strategy into transport projects or improving their environmental health, safety, and social impacts.

The EBRD supports integrated energy and trade markets by:

- ▶ Promoting international energy connectivity through financing the development of a 400kV high voltage transmission line from Donja Lastva on the coast to Pljevlja in the north (this line connects with the underwater cable to Italy).
- ▶ Enhancing international trade through the provision of over €18m in trade financing via two partner banks.
- ▶ Supporting the Western Balkans common market through initiatives such as the regional business registry portal - BIFIDEX or the Western Balkans Six Chamber Investment Forum.

Better regional connectivity

The EBRD financed sustainable infrastructure for improved transport and electricity connectivity, including upgrades to 52 km of local roads.

Safer roads

With help from the EBRD, the Ministry of Transport adopted the Road Safety Strategy and Action Plan, and the action plan for obtaining ISO 39001 certification.

Climate resilience

Through EBRD assistance, the Transport Administration prepared a Climate Resilience Strategy and incorporated the measures in road reconstruction projects.

New market mechanisms for sustainable energy

The EBRD helped set up a framework for electricity markets via the creation of a Coordination Auction Office, which provides a platform for electricity trading.

More trade finance

In 2020, Hipotekarna Bank AD Podgorica became the most active trade finance issuing bank in Montenegro, restoring regional trade during the Covid-19 pandemic.

Integrated regional markets

EBRD supported the launch of a business registry portal that is a joint platform of institutions in the Western Balkans region.



To promote climate resilience and safer road design, the EBRD created an e-training course for engineers. Read [more](#)



Read how the EBRD is supporting better connectivity in Montenegro's less developed northern regions.



Improving integration between the capital and a secondary city: The EBRD supports the upgrade of the 21km road between the capital city of Podgorica and the city of Danilovgrad, thus fostering local connectivity and increasing local opportunities. The upgrade includes measures to increase the resilience of the road network to extreme precipitation.

More sustainable infrastructure: The EBRD invested in the commercialisation of Tivat Airport, which serves one of the areas with highest levels of tourism, a sector which, together with the related services, accounts for about 20 per cent of the economy.

Improving regional connectivity between Montenegro and Serbia: The EBRD is investing in the rehabilitation of the 22km road between Rozaje (Montenegro) and Spiljane (Serbia), which is expected to boost regional integration and foster cross-border transportation links.

Easing transport for tourism: The EBRD finances the improvement of road infrastructure and services between the Tivat airport and the main tourist destinations near the city of Budva in the Adriatic, thus facilitating the flow of goods and domestic and international tourists and reducing transportation costs.

Partnerships

The EBRD supports the transition process by applying a holistic approach through the combination of investment, risk mitigation, capacity building and policy dialogue with local and central governments, regulators, financial institutions and representatives of civil society. Partnership with donors is critical in this process to address transition

challenges, affordability constraints, improve market outcomes in the presence of significant externalities, steer investments towards improved sustainability and transition impact across EBRD's regions. With a focus on sustainable and inclusive private sector development, donor funds also play a key role in building low carbon economies

and mitigating climate risks. The EBRD has worked with donors since its creation and currently manages relations with a broad and varied donor community of up to 50 different partners, primarily governments and multilateral organisations.

Our Partnerships in Action

- ▶ Together with our partners the EU, Austria and the Western Balkans Investment Framework, we have launched a new Green Economy Financing Facility (GEFF) in Montenegro, which will help to make households more energy efficient, reduce greenhouse gas emissions and improve living standards.
- ▶ Through the EU-funded Western Balkan Enterprise Development and Innovation Facility, the EBRD supported a local company to successfully launch Montenegro's first online grocery service.
- ▶ Together with Norway, the EBRD funded the construction of Montenegro's first wind farm.
- ▶ The "Supporting Entrepreneurship through Advisory Services and Information Services for SMEs" programme is co-funded by the EU and the Government of Montenegro through the Instrument for Pre-Accession Assistance (IPA), and implemented by the EBRD in partnership with Montenegro's Ministry of Economic Development.
- ▶ With the World Bank and the IMF, the EBRD helped coordinate a banking sector reform package including an EBRD stand-by credit line to the Deposit Protection Fund and a review of the Deposit Protection law.
- ▶ In joint partnership with the EU and Montenegro's Ministry of Economic Development, we are helping small- and medium-sized enterprises (SMEs) in Montenegro with their access to know-how, in order to develop their competitiveness.

Work with us

Financing
Loans
Equity
Guarantees (including to local banks for trade finance)

Advice
Expand
Improve processes and governance
Meet standards
Navigate regulatory environment
Train workers

Goods and services
Procurement
Careers

Participate
Have your say on EBRD policies and strategies

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Shareholding

2006
Montenegro joined the EBRD

€5.99m
Montenegro's EBRD capital subscription

Mr Aleksandar Damjanović
EBRD Governor for Montenegro

Remigi Winzap
EBRD Board Director for Montenegro

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