

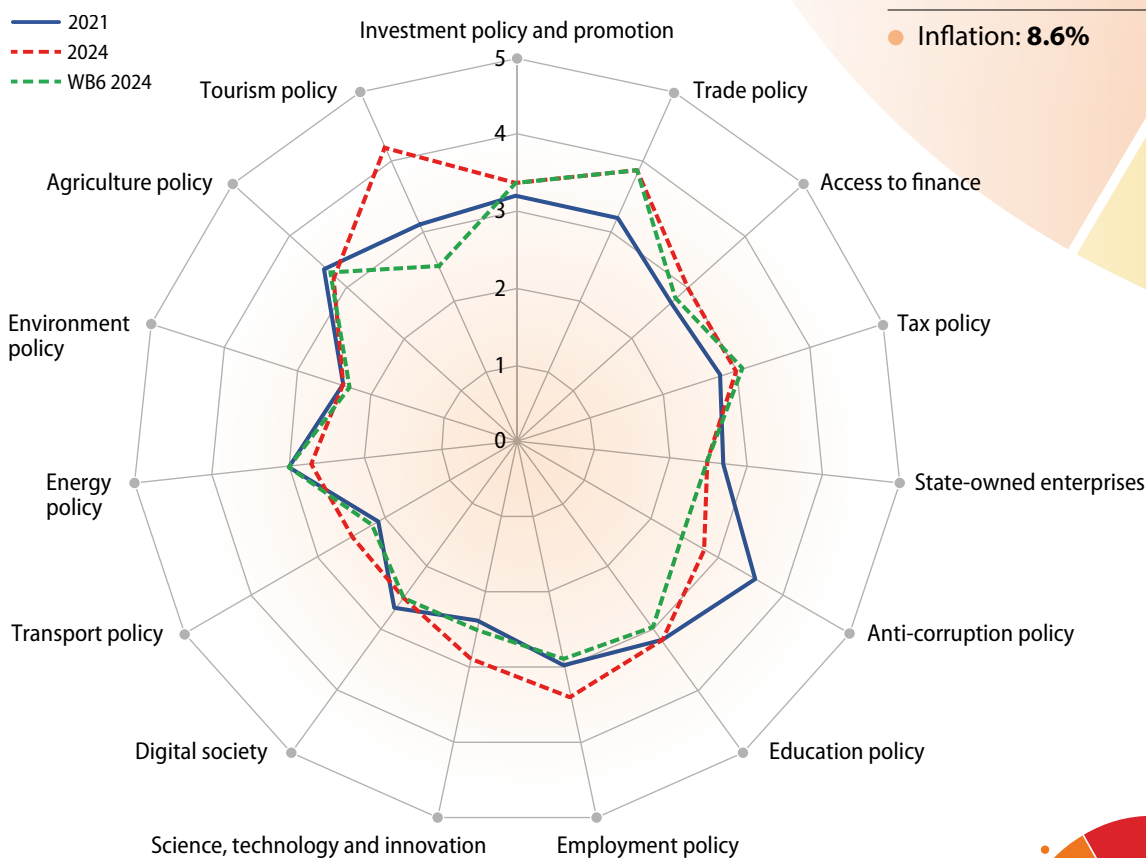
Western Balkans Competitiveness Outlook 2024

OECD SOUTH EAST EUROPE REGIONAL PROGRAMME

Montenegro

Since the *Competitiveness Outlook (CO) 2021*, Montenegro has advanced in 8 of the 15 policy dimensions, notably in tourism, trade, and science, technology, and innovation policies. Outperforming the average of the six Western Balkan (WB6) economies in 8 dimensions, Montenegro positions itself as a regional leader in tourism policy but lags behind in state-owned enterprises (SOE) and tax and energy policies. For additional insights into Montenegro's performance across various dimensions, trends over time or comparisons with other economies, please refer to the Western Balkans Competitiveness Data Hub at: westernbalkans-competitiveness.oecd.org.

Montenegro's Competitiveness Outlook performance¹ (2021 and 2024)



Note: Dimensions are scored on a scale of 0 to 5. See the reader's guide and the Data Hub at westernbalkans-competitiveness.oecd.org for information on the assessment methodology and the individual score assigned to indicators.

1. Source: OECD (2024), *Western Balkans Competitiveness Outlook 2024: Montenegro*, Competitiveness and Private Sector Development, OECD Publishing, Paris, <https://doi.org/10.1787/ead1588e-en>.



Key facts¹

(2023 estimate)

- GDP growth: **6.0%**
- Unemployment rate: **11.8%**
- Exports of goods and services: **51.5% of GDP**
- Net FDI: **6.3% of GDP**
- Inflation: **8.6%**



Western Balkans
Competitiveness
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Main achievements

- Montenegro stands as a leader in **tourism** development in the Western Balkans, with tourism contributing 24.5% to its GDP and employing around 22% of the workforce as of 2022. Through initiatives like the National Council for Tourism, Montenegro actively involves local communities, driving sustainable tourism growth and innovation in the region.
- Montenegro has bolstered its institutional framework for **science, technology, and innovation** (STI) through initiatives such as the Innovation Fund, driving innovation activities and startup ventures. Despite delays in its flagship science and technology park (STP), Montenegro is expanding other pillars of its STP, inaugurating a centre of excellence, and securing the establishment of a regional centre for cybersecurity capacity building, supported by a substantial increase in government funding for STI.
- Montenegro has seen significant improvements in internal and regional connectivity within the **transport** sector, recording the highest road infrastructure density in the region. Recent governmental initiatives include the approval of a new national program for rail system rehabilitation and maintenance, alongside efforts to deploy intelligent transport systems in road transport. Additionally, Montenegro has strengthened regional connectivity through bilateral cooperation with neighbouring economies like Albania, Bosnia and Herzegovina, and Serbia, resulting in the establishment and modernisation of key rail and road border crossing points.
- New **employment** policies in Montenegro have enhanced labour market inclusivity, with efforts focused on narrowing the gender gap. Progress is evident through initiatives such as the National Strategy for Gender Equality 2021-25 and a pilot program to increase women's activity rates, alongside ongoing alignment with EU directives to strengthen workers' rights.

Main priorities

- To improve the governance of Montenegro's **state-owned Enterprises** (SOEs), reforms are crucial to address decentralised operations and the absence of clear ownership policies. Weaknesses, including inadequate board independence and direct state senior appointments, undermine decision-making autonomy and contribute to inefficiencies. Furthermore, structural issues within many SOEs hinder effective resource allocation and distort competition.
- To enhance diversification of the **energy** supply, Montenegro must ramp up its decarbonisation efforts. Currently lacking a comprehensive policy framework and adequate infrastructure for renewable energy, the economy has yet to demonstrate the credibility of its commitments regarding fossil fuel phaseouts.
- Challenges like limited digitisation capacities and low **digital** awareness are slowing down Montenegro's digital transformation. Despite having a well-defined legal framework, its digital government services trail behind those of its Western Balkan counterparts, with underdeveloped infrastructure vulnerable to cyberattacks. Enhancing government service digitisation and prioritising cybersecurity will be crucial.
- Montenegro should consider further reforming **tax policies** for increased revenue to support the economy's competitiveness by broadening and diversifying its tax base and prioritising implementation of the relevant guidelines on digital taxation.

Western Balkans Competitiveness Outlook 2024

Inclusive and sustainable economic growth in the six Western Balkan (WB6) economies requires enhanced economic competitiveness. Although the gap is closing gradually, the standards of living in WB6 are well below those of the OECD and EU. Accelerating the rate of socio-economic convergence will require a holistic, growth-oriented approach to policy making.

This report is the fourth study of the region, and it comprehensively assesses policy reforms in the WB6 economies across 15 policy areas key to strengthening their competitiveness. It enables WB6 economies to compare performance against regional peers, as well as EU-OECD good practices and standards, and to design future-

oriented policies based on rich evidence and actionable policy recommendations.

Economy-specific profiles offer each WB6 economy an in-depth analysis of their policies supporting competitiveness. In addition to tracking the implementation of the previous 2021 study's recommendations, these profiles provide additional recommendations tailored to the economies' evolving challenges. These recommendations aim to inform structural economic reforms and facilitate the region's socio-economic convergence towards the standards of the EU and OECD.

