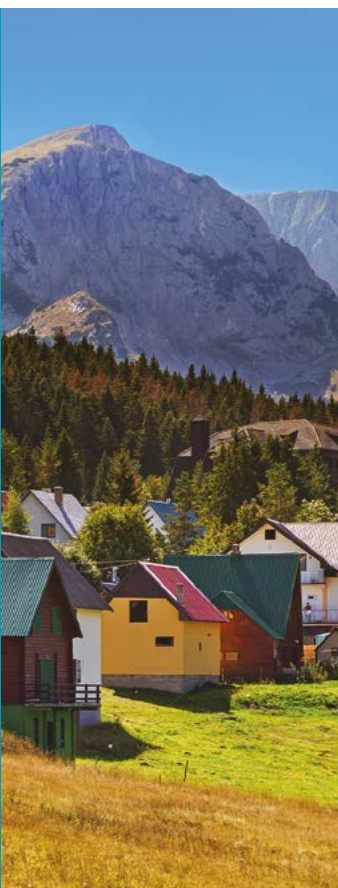


UNECE

**Country Profiles on Urban Development,
Housing and Land Management**

MONTENEGRO



UNITED NATIONS

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PREFACE

The “Country Profiles on Urban Development, Housing and Land Management” are designed to assist governments improve the performance of their housing, urban development and land management sectors, as well as advocate for sustainable development. The Country Profiles analyze trends and policy developments, legislation and practice, offering a holistic assessment of their political, economic and social framework. The Profiles have been developed by the United Nations Economic Commission for Europe (UNECE) Committee on Housing and Land Management since the early 1990s, in response to requests from UNECE member States.

Country Profiles are demand-driven and conducted with the support of international teams of experts, in collaboration with the government agencies of the beneficiary country, relevant international organizations, non-governmental organizations (NGOs), local authorities and the private sector. Through a consultative process, experts conduct a comprehensive review of housing, urban development and land management sectors, giving recommendations to assist policymakers in devising strategies and programmes.

The Country Profile on Urban Development, Housing and Land Management of Montenegro was developed in response to a request from the Government of Montenegro through the Ministry of Spatial Planning, Urbanism and State Property. The profile’s development was spearheaded by the UNECE Cities Unit, in close collaboration with stakeholders, including experts from national and local governments. In May 2025, the review process included a fact-finding field mission and stakeholder consultation workshop, led by the UNECE secretariat and an international team of experts.

The development of the Country Profile was funded by the Council of Europe Development Bank. The Government of Montenegro contributed by making national experts available for the study. These contributions ensured the project’s successful completion.

The previous Country Profiles published as United Nations publications include those on: Bulgaria (ECE/HBP/101, 1996), Poland (ECE/HBP/107, 1998), Slovakia (ECE/HBP/111, 1999), Lithuania (ECE/HBP/117, 2000), Romania (ECE/HBP/124, 2001), Republic of Moldova (ECE/HBP/125, 2002), Albania (ECE/HBP/130, 2002), Armenia (ECE/HBP/132, 2004), Russian Federation (ECE/HBP/131, 2004), Serbia and Montenegro (ECE/HBP/139, 2006), Georgia (ECE/HBP/143, 2007), Belarus (ECE/HBP/150, 2008), Kyrgyzstan (ECE/HBP/157, 2010), Azerbaijan (ECE/HBP/156, 2010), Tajikistan (ECE/HBP/163, 2011), Ukraine (ECE/HBP/176, 2013), Republic of Moldova (ECE/HBP/181, 2015), Uzbekistan (ECE/HBP/185, 2015), Armenia (ECE/HBP/186, 2017), Kazakhstan (ECE/HBP/191, 2018), Belarus (ECE/HBP/195, 2019) Republic of San Marino (ECE/HBP/221, 2023) and Albania (ECE/HBP/226, 2024).

Other UNECE housing-related publications that could be beneficial to Montenegro and other transitioning countries include: (a) #Housing2030: Effective Policies for affordable housing in the UNECE region (ECE/HBP/204, 2021); (b) Ecosystems and security for future land administration arrangements (ECE/HBP/227, 2025); (c) Challenges and priorities for improving housing affordability in the UNECE region (ECE/HBP/225, 2025); (d) Smart Sustainable Cities Profile: Podgorica, Montenegro (ECE/HBP/222, 2024); (e) Sharing Economy and its Effects on Housing Markets (ECE/HBP/216, 2022); (f) Social Housing in the UNECE region: Models, trends, and challenges (ECE/HBP/182, 2015); (g) Good practices for Energy-Efficient Housing in the UNECE Region (ECE/HBP/175, 2013); (h) Climate Neutral Cities: How to make cities less energy and carbon intensive and more resilient to climatic challenges (ECE/HBP/168, 2011); (i) Green Homes: Towards energy-efficient housing in the United Nations Economic Commission for Europe region (ECE/HBP/159, 2009); (j) Self-Made Cities: In search of sustainable solutions for informal settlements in the United Nations Economic Commission for Europe region (ECE/HBP/155, 2009); (k) Guidelines on social housing: principles and examples (ECE/HBP/137, 2006); (l) Housing finance systems for countries in transition: principles and examples (ECE/HBP/138, 2005); and (m) Guidelines on condominium ownership of housing for countries in transition (ECE/HBP/123, 2003).

In addition, the fundamental documents approved by UNECE member States, such as the 2015 Geneva UN Charter on Sustainable Housing and Place and Life in the ECE – A Regional Action Plan 2030, and the Ministerial Commitments on Housing Affordability and Sustainability (ECE/HBP/2025/2, annex I) could serve as a framework for developing sustainable policies in housing, urban development, and land administration and management.

This Country Profile and other related publications are available on the UNECE website (<https://unece.org/housing>).



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CONTENTS

	Preface	i
	Acknowledgements	iii
	List of figures	x
	List of tables	xi
	List of boxes	xii
	List of pictures	xiii
	Acronyms and abbreviations	xiv
	Executive summary	xvi
Chapter I.	General overview	1
1.1	Location	1
1.2	Government	3
1.3	EU Accession	5
1.4	Key government bodies for urban development, housing, and land management	6
1.5	Administrative territorial structure	9
1.6	Population and demography	11
1.7	Economic development	22
1.8	Environmental risks and climate change	26
Chapter II.	Urban and regional development and planning	29
2.1	Introduction	29
2.2	The urban and settlement system	30
2.3	Regional and inter-municipal disparities	32
2.4	Territorial development policies	41
2.5	Integrated local regeneration	54
2.6	The system of spatial planning and building control	59
2.7	Informal settlements and legalization	67
2.8	Sustainable and resilient urban development	73
2.9	Recommendations in the field of urban and regional development and planning	80

Chapter III. Housing policy.....	89
3.1 Introduction.....	89
3.2 Legislative framework for housing policy.....	90
3.3 Institutional responsibilities.....	93
3.4 Housing stock and housing construction.....	95
3.5 Housing and living conditions.....	103
3.6 Management, maintenance and repairs of multi-apartment buildings.....	109
3.7 Energy efficiency in housing.....	112
3.8 Challenges of housing affordability.....	114
3.9 Affordable housing programmes and initiatives.....	121
3.10 Recommendations for housing policy.....	132
Chapter IV. Land administration.....	147
4.1 Introduction.....	147
4.2 Regulatory framework.....	148
4.3 Key land management processes.....	151
4.4 Property registration.....	155
4.5 Land and geospatial information and data.....	157
4.6 Transfer of property rights.....	160
4.7 Real estate valuation and taxation.....	163
4.8 Access to construction and agricultural land.....	167
4.9 Land use policies in sensitive and disaster-prone areas.....	169
4.10 Environmental issues, climate and mining regulations.....	171
4.11 Recommendations for land administration.....	175
Chapter V. Financial framework for urban development, housing and land management.....	181
5.1 Introduction.....	181
5.2 National finance.....	182
5.3 Municipal finance.....	184
5.4 Real estate market.....	190
5.5 Mortgage market and alternative finance.....	196
5.6 The role of international donors.....	199
5.7 Financing sustainable urban and regional development.....	202
5.8 Financial inclusion and literacy.....	209
5.9 Recommendations for finance.....	209
Sources.....	216

List of figures

Figure 1.1	Map of Montenegro.....	1
Figure 1.2	Birth and death rate for the 2011–2024 period	12
Figure 1.3	Personal remittances, received in Montenegro (in current Million US\$).....	15
Figure 1.4	Population of Montenegro by municipality, 2023	16
Figure 1.5	Urban population of Montenegro, by year (1960–2023)	18
Figure 1.6	Average age of population, by municipality, 2023	20
Figure 1.7	Age group by municipality, 2023, in per cent	21
Figure 1.8	GDP per capita in PPP in selected post-socialist countries, EU and the World in 2024 (constant 2021 international USD).....	22
Figure 1.9	GDP growth (annual per cent).....	23
Figure 1.10	Observed Annual Average Mean Surface Air Temperature of Montenegro (in °C, 1950–2023)	27
Figure 1.11	Seismic hazard map.....	28
Figure 2.1	Revenues of local government units in 2024 (million €)	38
Figure 2.2	Revenues of local governments re-calculated in per capita in 2024 (€)	39
Figure 2.3	Network of planned motorways and expressways in Montenegro	48
Figure 2.4	Categories of policies tackling rural depopulation	57
Figure 3.1	Homeownership rate in Europe, per cent.....	96
Figure 3.2	Percentage of housing stock increase between two Censuses (2011 and 2023).....	98
Figure 3.3	Number of completed dwellings each year (for 2023 there are no data for the number of completed dwellings in the households' sector).....	99
Figure 3.4	Number of building permits issued.....	99
Figure 3.5	Structure of dwellings in Montenegro, by the way of use and occupancy	100
Figure 3.6	Percentage of dwellings not used for permanent habitation	101
Figure 3.7	Number of dwellings for permanent housing by period of construction in 2023.....	107
Figure 3.8	Average prices per square meter of dwellings in new residential buildings by region, in EUR/m ² (excluding prices of cooperative housing).....	115
Figure 3.9	Percentage of households living as tenants by municipalities and total for Montenegro	116
Figure 3.10	Households by tenure status in Montenegro	117
Figure 3.11	Comparing Average Mortgage Rates for Montenegro and Slovenia (2020–2025)	118
Figure 3.12	House price-to-income ratio in some of the countries in South Europe	120
Figure 3.13	Relative size of the social rental housing stock	122
Figure 5.1	Average annual price of new residential buildings in Montenegro (€ per square metre).....	191
Figure 5.2	Structure of total FDI inflow (2019)	195
Figure 5.3	Structure of total FDI inflow (2024)	195

List of tables

Table 1.1	Average and absolute temperatures (2023, in °C)	2
Table 1.2	Monthly precipitation (2023, in L/m ²)	3
Table 1.3	Population, by sex and year, according to censuses	11
Table 1.4	Immigrants: year of arrival in Montenegro, and country of origin	13
Table 1.5	Population (persons) and ethnic affiliations (per cent), by municipality	17
Table 1.6	Unemployment, by region, by sex (in per cent)	25
Table 1.7	Population at risk of poverty rate (in per cent)	25
Table 2.1	The largest towns of Montenegro in 2023, people	32
Table 2.2	Population of the country's municipalities according to Censuses 1948-2023 (persons) and population change (per cent)	35
Table 2.3	Selected indicators for 25 municipalities	36
Table 2.4	Clustering of municipalities by new construction and vacancy patterns	37
Table 3.1	Housing stock in Montenegro between 1971 and 2023	102
Table 3.2	Average Monthly Rents by Region and Apartment Type (€/month) in 2023	117
Table 3.3	Number of social houses in 24 municipalities	121
Table 3.5	Average price of new apartments in the three Regions and Podgorica between 2017 and 2024	125
Table 4.1	Administrative and Cadastral Municipalities – Real Estate and Land Cadastre	156
Table 4.2	Key Geoportals in Montenegro	158
Table 4.3	Key land registers in Montenegro	159
Table 4.4	Real Estate Transfer Tax Rates in Montenegro (Progressive Scale)	162
Table 4.5	Tax rates	164
Table 4.6	Tax reliefs	164
Table 4.7	Comprehensive Framework for Real Estate Market Valuation	165
Table 5.1	Breakdown by expenditure category of the national budget of 2024	183
Table 5.2	Equalization fund and other State transfers (€)	185
Table 5.3	Revenues of municipalities by source (per cent)	186
Table 5.4	Expenditure of municipalities (per cent)	188
Table 5.5	Outstanding municipal debt (€)	189
Table 5.6	Outstanding municipal debt as percentage of total revenues	189
Table 5.7	Average market price per m ² in new buildings (EUR) from 2019 to 2024	192
Table 5.8	Regional disparities in average market prices	193
Table 5.9	Trend of market and solidarity housing prices, € per m ²	194
Table 5.10	Housing loans (2015-2023)	197
Table 5.11	Active businesses by region	203
Table 5.12	Employment data across the country	203
Table 5.13	Workforce by gender	204

List of boxes

Box 2.1	The grouping of municipalities into statistical regions	31
Box 2.2	Nikšić, the second-largest city of Montenegro	40
Box 2.3	Subventions and community infrastructural development in Armenia	56
Box 2.4	Porto Montenegro (Tivat)	58
Box 2.5	The coverage of local spatial and urban plans as of 2025.....	63
Box 2.6	The Eco-Fund	79
Box 3.1	How EUROSTAT defines overcrowding.....	104
Box 3.2	Evidence from Tirana	110
Box 3.3	Programme on Energy Efficiency of the Residential Buildings	113
Box 3.4	Examples of Housing Cooperatives in Montenegro	124
Box 3.5	Examples on housing for employees	126
Box 3.6	Houses for displaced Roma persons from Kosovo in Camp Konik, Podgorica.....	128
Box 3.7	Houses for displaced persons in Nikšić.....	129
Box 3.8	Co-housing as a housing typology and way of living.....	131
Box 3.9	Determining the term “slum” in the Albanian legislation.....	134
Box 3.10	Cost-based rental Social Housing in Austria.....	135
Box 3.11	Belgium’s Social Rental Agencies (AIS) – A Model for Mobilizing Private Rentals	140
Box 3.12	Reform of the legal framework “On the management of Residential Buildings” of the Republic of Armenia.....	143
Box 4.1	Legal Framework on Environmental Protection, Climate, and Natural Resources.....	171
Box 4.2	Digitalization of Cadastral Plans in North Macedonia.....	176
Box 4.3	Real Estate Price Register and Mass Valuation in Serbia.....	178
Box 5.1	Equalization fund	186
Box 5.2	Regional Housing Programme.....	200
Box 5.3	The Development Bank of Montenegro	207
Box 5.4	Examples of financial literacy strategies.....	215

List of pictures

Picture 2.1	An entrance to the steel plant in Nikšić	41
Picture 2.2	The Bar-Boljare Highway	47
Picture 2.3	Rural tourism development near Kolašin	50
Picture 2.4	Solar PV projects in Bijelo Polje	51
Picture 2.5	The Ministry of Culture and Media in Cetinje	53
Picture 2.6	New housing development in Podgorica	55
Picture 2.7	Porto Montenegro	58
Picture 2.8	A sprawling network of informal settlements near Podgorica	68
Picture 2.9	The waterfront of Budva	74
Picture 2.10	Central areas of Podgorica	76
Picture 2.11	Tivat is a popular tourist destination	78
Picture 2.12	Ageing railway infrastructure	87
Picture 3.1	An apartment building in Nikšić	103
Picture 3.2	Socialist-era multiapartment buildings in Podgorica	112
Picture 5.1	A bakery in Cetinje	206

ACRONYMS AND ABBREVIATIONS

“1000+ Project”	.....	a public-private initiative offering subsidized loans for homeownership
BIM	.....	Building Information Modelling
‘Budvanization’	.....	excessive, uncontrolled construction favouring short-term gains
CBCG	.....	Central Bank of Montenegro
CCA	.....	The Chief City Architect
CHDP	.....	Central Housing Data Platform
CEB	.....	Council of Europe Development Bank
CESCR	.....	Committee on Economic, Social and Cultural Rights
COVID-19	.....	Coronavirus disease
CSA	.....	Chief State Architects
DBM	.....	Development Bank of Montenegro
EBRD	.....	European Bank for Reconstruction and Development
EF	.....	Equalization Fund
EIA	.....	Environmental Impact Assessment
EIB	.....	European Investment Bank
EIF	.....	European Investment Fund
EPA	.....	Environment Protection Agency
EU	.....	European Union
EUR	.....	Euro
EU NUTS	.....	Nomenclature des Unités territoriales statistiques / Nomenclature of Territorial Units for Statistics
FDI	.....	Foreign Direct Investment
GCIS	.....	Geodetic-Cadastral Information System
GDP	.....	Gross Domestic Product
HIA	.....	Heritage Impact Assessment
HOA	.....	Housing Owners Association
ICOMOS	.....	International Council on Monuments and Sites
IPD	.....	Internally displaced person
IPA	.....	EU pre-accession assistance
ISKRA	.....	National programme to raise digital literacy throughout Montenegro

IDF	Investment and Development Fund, reformed into the DMB
INSPIRE	Geoportal of Montenegro
IPARD	Rural development programmes under the Instrument for Pre-Accession
IVSC	International Valuation Standards Council
LPHA	Limited Profit Housing Associations
MAB	Multi-Apartment Building
MICE	Meetings, Incentives, Conferences, and Exhibitions tourism
MONSTAT	Montenegrin Institute of Statistics
NSDI	National Spatial Data Infrastructure
OSCE	International body on security, human rights, and cooperation
OUV	Outstanding Universal Value
PPCG	Spatial Plan of Montenegro until 2040
PUP	The Spatial-Urban Plan of a Local Government
R&E	Roma and Egyptian
RAH	Right to Adequate Housing
RHP	Regional Housing Programme
SDG	Sustainable Development Goals
SEA	Strategic Environmental Assessment
SIZEP	Land Parcel Identification System
SME	Small and Medium Enterprises
SUMP	Sustainable urban mobility plans
UNCHS	United Nations Centre for Human Settlements
UNDP	United Nations Development Programme
UNDRO	United Nations Organization for Disaster Relief
UNECE	United Nations Economic Commission for Europe
UNESCO	United Nations Educational, Scientific and Cultural Organization
USD	United States dollars
TEN-T	Trans-European Transport Network
UNHCR	United Nations Refugee Agency
VLR	Voluntary local review
WBIF	West Balkans Investment Framework

Data cut-off date: September 2025

EXECUTIVE SUMMARY

The UNECE Country Profile on Urban Development, Housing and Land Management of Montenegro was prepared at the request of the Government of Montenegro to provide an independent assessment of the country's progress, challenges, and opportunities in these vital sectors and offer the Government strategic recommendations. The aim is to promote sustainable development by strengthening national policy frameworks and aligning them with international standards.

General Overview

Montenegro has seen rapid economic development since gaining independence in 2006. It has embarked on a process of EU accession, with a comprehensive reform agenda to align with EU laws and standards. Urban development, housing, land administration, and municipal finance



are all central to the country's objectives of creating a more inclusive and sustainable society. At the same time, Montenegro faces enduring structural challenges such as pronounced regional disparities, the prevalence of informal settlements and illegal buildings, capacity problems in public administration, and lack of housing affordability.

The preparation of this Country Profile coincided with intensive legislative changes in the reviewed policy fields. Key new laws and strategies were adopted in 2025, including the Law on Spatial Planning, the Law on Construction, the Law on the Legalization of Illegal Buildings, the Spatial Plan of Montenegro until 2040, and the Housing Policy Strategy of Montenegro until 2034. Further important laws were at the final stage of development, including the Law on Housing Support and the revised Law on Regional Development.

The introduction of these new instruments signifies the Government's concerted effort for 'institutional consolidation' in urban development, housing, and land management. It also highlights the importance of this Country Profile, which provides timely recommendations to support further progress in these policy areas.



Urban and Regional Development and Planning

Montenegro has rapidly transformed in settlement and territorial structures, driven by economic restructuring, demographic shifts, and widespread informal construction. Although the total population has been roughly the same since the 1990s, Montenegro is one of the most rapidly urbanizing countries in Europe, driven by population shift from rural locations to urban centres, particularly in the southern parts of the country. Whilst the coastal region and Podgorica have become hubs of rapid growth and real estate investment, the northern region and rural localities face depopulation and weak economic performance.

Settlement patterns of Montenegro remain highly dispersed, with only a few towns exceeding 20,000 residents. Podgorica has over a quarter of the national population but does not reach the scale of major agglomerations found elsewhere in the UNECE region. This shows how important it is for Montenegro to develop as a “networked agglomeration” through polycentric development, better connectivity, and a more diversified economy which would be less dependent on tourism and real estate.

The Spatial Plan of Montenegro until 2040 (adopted in 2025) sets out a vision for a polycentric model of development, transport corridors, and housing policy goals. Complementary strategies reinforce these goals by tackling regional development, transport, agriculture, tourism, and housing.

The Government has also implemented initiatives to boost regional development and overcome regional disparities, including fiscal support to municipalities (via the Equalization Fund) and sectoral programmes targeted at increasing business competitiveness, investment improvement, entrepreneurship, agriculture, and tourism. Major investments have been made in the development of national and regional road infrastructure, vital to improving internal connectivity.

These initiatives have had their impacts, but key issues that they aimed to resolve persist, including spatial disparities. To achieve the balanced geographic development of the Spatial Plan of Montenegro and other strategies, a more integrated place-based and plan-led local regeneration should be devised for municipalities and settlements. This would combine investments in social and physical infrastructure, as well as social, fiscal and sectoral programmes. Municipal capacities are currently limited, with most local budgets below €1,000 per capita annually, restricting investment in local infrastructure and services.

The planning system in Montenegro underwent major reorganizations in 2008, 2017, and 2025, varying between centralization and decentralization. The 2025 reform has restored local government responsibility for spatial plans and reinstated the building permit system. The new Law on Spatial Planning also states that responsibility for public planning documents falls exclusively under the jurisdiction of the State or local self-government. This requires the reinstatement of competent public planning agencies at the national and local levels, although relevant skills are in deficit.

Persistent challenges include widespread informal construction and the prevalence of illegally-built structures, estimated to affect up to a third of housing stock. The term “Budvanization” is used to describe uncontrolled construction in desirable areas, such as the coastal town of Budva, and symbolizes the risks of speculative real estate-led development and weak enforcement of building controls. The Government attempted several waves of legalization, but without stricter mechanisms of control they led to new unauthorized developments. Furthermore, the approval rate for legalization applications has been low: from the start of the 2017 legalization process to the end of 2024, a total of 3,397 illegal buildings had been legalized out of 62,000 submitted applications. The new Law on the Legalization of Illegal Buildings (adopted in 2025) aims to reduce legal barriers for legalization while setting a clear framework for regularization and improving enforcement and accountability. New authorities are being formed to manage legalization at national and local levels.

A further challenge is to systematically embed sustainability and liveability in urban design and the built environment. Reinstalling the institution of chief state and city architects partly addresses it, but actionable secondary legislation is needed. Good efforts have been made to introduce energy efficiency retrofits in housing, for example through the Eco-Fund, but these are limited and need to be upscaled. While private car use has expanded rapidly and road infrastructure has seen major upgrades and expansions, investment in public transport and sustainable urban mobility has not kept pace, including at the urban scale. Concerns have also been raised about mounting pressures on Kotor and other protected heritage and ecological sites, where the integrity of cultural and natural assets is threatened by tourism development, large-scale construction and insufficient management frameworks.

Recommendation highlights for urban and regional development and planning:

- Update and elevate the status of the National Strategy for Sustainable Development, embedding it legally across government.
- Make affordable housing a tool of local and regional regeneration, particularly in the north.
- Create a Territorial Development Fund for an integrated regeneration programme, making places liveable and national development more polycentric.
- Accelerate the legalization reform and upgrade informal settlements.
- Develop secondary legislation and technical standards to enforce urban sustainability in planning, urban design and building activities.
- Prioritize railway modernization, public transport and green mobility as central to transport investments.
- Develop innovative mechanisms for public participation and co-production in planning.
- Expand municipal-level data collection, of, for example, GDP, incomes and housing markets, to better monitor territorial disparities and inform policies.

Housing Policy

The housing sector of Montenegro has been transformed, notably with rapid public housing privatization in the 1990s, leading to a predominance of homeownership, limited public rental housing, and increasing affordability challenges, especially for low-income and middle-income households. The construction sector remains active but rising costs and a lack of skilled labour pose growing constraints, with average construction costs in Podgorica reaching €800/m², excluding land and utilities.

Housing affordability is increasingly a concern. The rapid expansion of tourism and demand from foreign buyers have driven up housing prices, especially along the coast. The house price-to-income ratio is estimated at 1:8.6 - more than double the affordability benchmark set by UN-Habitat. The average monthly net salary makes market-rate housing unaffordable without significant subsidies, especially in Podgorica and coastal areas, where housing demand is driven up by tourism and investment.

Social and affordable rental housing remains extremely limited, comprising only 0.6 per cent of housing stock: 2,331 units across 24 municipalities. Most publicly-supported housing programmes prioritize ownership, including those implemented through housing cooperatives, the Fund for Solidarity Housing Development, and employer-supported housing schemes. These programmes often rely on public subsidies, such as free land and exemption from utility fees, but the long-term public benefit is undermined by privatization of units upon allocation.

Housing cooperatives in Montenegro primarily serve specific professional groups, unlike the inclusive, income-targeted cooperative models seen in Western Europe. The “1000+ Project,” a public-private initiative offering subsidized loans for homeownership, has successfully housed 1,552 families since 2010, yet it also reinforces ownership rather than rental solutions. The Regional Housing Programme, implemented with international support, has produced 646 housing units for displaced and socially vulnerable populations. A new Law on Housing Support is in preparation, alongside the newly adopted Housing Strategy 2025–2034, which sets strategic goals to improve regulatory framework, housing quality, affordability, and rental policy.

Multi-apartment buildings dominate in urban areas, but condominium associations are often inactive or poorly-managed, leading to under-maintenance and safety risks. Renovation rates are low, and incentives for energy-efficiency retrofits are insufficient. Improving the energy performance of multi-apartment buildings would bring environmental, social, and economic gains, but requires both financial support and organizational reform in building management.

Montenegro needs to adopt a more diversified housing policy mix, strengthen the rental sector, improve affordability standards, and build institutional capacity at both national and local levels.

Recommendation highlights for housing policy:

- Ensure effective implementation of the new Housing Strategy, with measurable targets, data systems, and integrated budgeting.
- Revise or adopt a new law for social and affordable housing, introducing definitions and eligibility criteria and differentiating support across different social needs.
- Expand the rental housing sector, including social and affordable rental options, through regulatory reform and incentives.
- Establish a National Housing Development Fund to support affordable housing investment.
- Strengthen municipal capacity and mandates for local housing plans.
- Strengthen the legal framework for housing management and maintenance, and modernize management practices.
- Enhance gender equality and gender considerations in housing policy.
- Improve data collection for evidence-based policy affecting social and affordable housing.



Land Administration

The land administration system of Montenegro remains structurally fragmented and institutionally underdeveloped, despite formal alignment with European legislative standards. The legacy of socialist land tenure, compounded by incomplete restitution, inconsistent legalization, and limited cadastral coverage, continues to undermine legal certainty, investment readiness, and spatial governance.

The absence of a dedicated law to transform usage rights into ownership has resulted in ad hoc practices and prolonged disputes, particularly in urban areas where development pressures are high. Restitution processes remain slow and underfunded, with over €240 million in unresolved claims, and limited institutional capacity to transparently administer compensation.

The real estate cadastre remains incomplete in 93 cadastral municipalities, and no cadastre exists for utility infrastructure, which impedes planning, valuation and asset management. Data fragmentation across multiple geoportals and registers further reduces transparency and interoperability, while the National Spatial Data Infrastructure (NSDI) is still inactive. Incomplete or outdated records reduce legal certainty and limit the effectiveness of property transactions.

Property valuation and taxation are hindered by the absence of a transaction price register, inconsistent valuation methodologies and limited municipal capacity, resulting in fiscal inefficiencies and inequitable tax burdens. Property taxation is therefore limited in scope and fairness, reducing a vital source of municipal revenue. Transparent and standardized valuation methods are needed both for taxation and for real estate market transactions.

Access to construction and agricultural land is often constrained by non-transparent procedures. Environmental governance is weakened by the lack of integrated spatial planning and enforcement in protected and disaster-prone areas, while climate and mining frameworks suffer from implementation gaps and limited cross-sectoral accountability.

Recommendation highlights for land administration:

- Enact a dedicated law on the transformation of usage rights into ownership.
- Resolve outstanding restitution cases through clear procedures and compensation mechanisms.
- Develop a unified legal framework covering both land and building legalization.
- Accelerate the completion of the Real Estate Cadastre.
- Adopt a Law on Valuation, create a national transaction price register and develop a system of regular mass appraisals.
- Establish a fully functional and harmonized Spatial Data Infrastructure.
- Integrate land administration reforms with informal settlement regularization to ensure coherence with spatial planning.

Financial Framework

Nationally, housing expenditure remains limited. However, institutional reforms are in progress with the establishment of a National Housing Agency and Housing Fund, which should lay the groundwork for sustainable long-term affordability policies.

Fiscal reforms under Europe Now 2.0 have successfully reduced the labour tax wedge to one of the lowest rates in Europe. This enhances competitiveness, albeit with a heightened reliance on VAT and excise taxes.

Municipalities rely heavily on central government funds. This limits fiscal autonomy and makes local government vulnerable to cyclical fluctuations. It also reduces the capacity to plan and implement long-term infrastructure investments. Municipal finances continue to reflect regional disparities, with northern municipalities depending much more on central funds while coastal municipalities face higher debt levels. Nevertheless, there are signs of improvement: the Equalization Fund has increased, and higher donations and transfers from central government since 2023 have stabilized local budgets, so overall municipal debt has been decreasing since 2022. Coastal municipalities retain a stronger investment capacity, while the northern region is benefiting from new redistributive rules and targeted programmes.

There are affordability pressures in the housing market, yet the banking sector remains stable, and mortgage lending is on the rise, bolstered by increasing wages and favourable credit conditions. However, to date, only a small percentage of real estate transactions are financed through mortgages. Rental prices have followed the upward trend of property market prices, influenced by the prevalence of short-term tourist rentals. Additionally, the widespread informality of lease contracts remains a significant issue. Innovative initiatives such as the “1000+” programme and Energy Efficient Home schemes, despite their limited scope, showcase how public-private partnerships can enhance access to housing and energy-efficient renovations.

International partners continue to play a crucial role in financing housing and infrastructure projects. EU funds, as well as initiatives from the EBRD and the World Bank, have yielded tangible results, ranging from the construction of thousands of new homes to strategic investments in SMEs, energy transition and regional infrastructure development. However, despite the ongoing support from these external finances which facilitate reforms and modernization efforts, there is still a pressing need for more resilient domestic funding mechanisms. Furthermore, absorption capacity is low, especially at municipal level where technical expertise is scarce. Project preparation facilities and technical assistance are needed to ensure effective use of available funds.

Lastly, the level of financial literacy in Montenegro remains relatively low, which affects residents’ ability to effectively engage with financial products, such as mortgages, savings, and investments.

Recommendation highlights for Financial Framework:

- Reform the Equalization Fund and further strengthen local government fiscal and administrative capacities for project development.
- Extend financial incentives for sustainable, affordable housing options through the National Housing Fund, green mortgages, and other measures.
- Improve housing market function through better monitoring, additional taxation of vacant housing stock, and anti-speculation measures for property markets.
- Strengthen financial mechanisms for the development of regional infrastructure.
- Develop green finance taxonomy and support green investment.
- Promote a municipal certification system for business-friendly environments.
- Promote financial literacy and responsible investment.



Chapter I. GENERAL OVERVIEW

1.1 Location

Figure 1.1 Map of Montenegro



Map No. 4274 UNITED NATIONS
July 2006 (Colour)

Department of Peacekeeping Operations
Cartographic Section

Source: United Nations; see <https://www.un.org/geospatial/content/montenegro>.

Montenegro is a mountainous country in the Balkans, with a coastline along the Adriatic Sea. It borders Albania, Bosnia and Herzegovina, Croatia, Kosovo,¹ and Serbia. It has a varied topography, with the highest elevations, over 2,000 m, found at the southern end of the Dinaric

¹ All references to Kosovo should be understood to be in the context of United Nations Security Council resolution 1244 (1999).

Alps in the country's northwest. On the Western side is the 293.5 km long Adriatic coastline. Between the coastal region and the mountainous area stretches the Central Montenegrin depression, with elevations ranging from 40 to 500 m above sea level.

The total land area is 13,812 km², 61.5 per cent of which is forested. There are five national parks, accounting for around 8 per cent of the national territory. Besides the Adriatic Sea coastline, there are a range of water resources. The largest lake, Skadar Lake (*Skadarsko jezero*), lies on the southern border with Albania, with a surface area which varies seasonally, between approximately 370 km² to 530 km².²

Montenegro has a Mediterranean climate with warm summers and temperate, humid winters. From 1911 to 2020, the annual average mean surface temperature in the country was slightly under 10°C.³ The municipalities located in the central and the coastal areas have higher average temperatures than those in the north. Table 1.1 demonstrates the difference between Kolašin in the north, Podgorica in the centre and Bar in the south. The latter two have a typical Mediterranean climate with mild winters and warm summers. The municipality of Kolašin is in the mountainous region in the north, with higher temperature variation during the year. Overall, the highest recorded temperature was 44.8°C, in August 2007, at the Podgorica weather station. The same temperature was later recorded in Danilovgrad in August 2012.

Table 1.1 Average and absolute temperatures (2023, in °C)

	Average annual	Monthly average for the coldest month (February)	Monthly average for the hottest month (July)	Lowest temperature absolute (in February)	Highest temperature absolute (in July)
Kolašin	+9.4	-0.3	+19.6	-14.0	+33.6
Podgorica	+17.6	+7.8	+29.6	-2.2	+40.9
Bar	+17.9	+9.2	+27.2	+0.1	+37.9

Source: Institute of Hydrometeorology and Seismology of Montenegro; see: Statistical Office of Montenegro (2024): Statistical Yearbook 2024, available from <https://www.monstat.org/uploads/files/publikacije/godisnjak2024/GODISNJAK%202024%2026.12..pdf>.

² Pešić Vladimir, Glöer Peter (2013). A new freshwater snail genus (Hydrobiidae, Gastropoda) from Montenegro, with a discussion on gastropod diversity and endemism in Skadar Lake. *ZooKeys* 281, pp 69-90. Available at: <https://doi.org/10.3897/zookeys.281.4409>.

³ World Bank Group (2021). Climate Change Knowledge Portal – Montenegro. Available at: <https://climateknowledgeportal.worldbank.org/country/montenegro/climate-data-historical>.

The average level of annual precipitation in Montenegro is 110mm:⁴ the highest levels are in winter and the lowest in summer. November has the highest precipitation level with 158mm, while the lowest is August, with 62mm. Overall, the northern mountainous region has more precipitation than the central and southern areas (see Table 1.2). Kolašin is the region with the most snowfall, with an annual maximum January depth of 47cm and, in 2023, a total of six months with snowfall from November to April.

Table 1.2 Monthly precipitation (2023, in L/m²)

	Annual	January	July	November	December
Kolašin	2,500	511	41	641	222
Podgorica	1,938	348	34	490	100
Bar	1,300	234	40	245	98

Source: Institute of Hydrometeorology and Seismology of Montenegro; see: Statistical Office of Montenegro (2024): Statistical Yearbook 2024, available from <https://www.monstat.org/uploads/files/publikacije/godisnjak2024/GODISNJAK%202024%2026.12..pdf>.

Montenegro has experienced a gradual rise in average temperatures since the 1930s, particularly in recent decades. Precipitation trends are more variable, but there are signs of seasonal shifts, with some periods showing declines, especially in summer.⁵

1.2 Government

Following the Second World War, Montenegro became a republic within the Socialist Federal Republic of Yugoslavia and remained so until the Federation's dissolution in 1992. Montenegro then remained part of a smaller Federal Republic of Yugoslavia. In 2003, the country entered a new federated union with Serbia, before ultimately gaining its independence in 2006.

The Constitution of independent Montenegro was adopted in 2007, amended in 2013 and affirms its sovereign, civil, democratic, and ecological essence. It recognizes Podgorica as the capital city and Cetinje as the historic royal capital. Montenegro is a parliamentary democracy, with powers divided among the executive, legislative, and judiciary branches.

⁴ World Bank Group (2021). Climate Change Knowledge Portal – Montenegro. Available at: <https://climateknowledgeportal.worldbank.org/country/montenegro/climate-data-historical>.

⁵ High-Level Political Forum on Sustainable Development (2022). Voluntary National Review 2022. Available at: <https://hlpf.un.org/countries/montenegro/voluntary-national-review-2022>.

The President of Montenegro is Head of State, elected by direct universal suffrage for a maximum of two five-year terms. The duties of the President are to represent the country internationally through diplomatic engagements, to promulgate laws by ordinance, and to call parliamentary elections. The President also appoints the Prime Minister, based on Parliamentary elections.

The Prime Minister, as Head of Government, is the country's main executive authority. The Prime Minister manages the Ministers, directs the work of Government and is responsible for implementing laws and managing state administration. The Government is accountable to Parliament, as the latter can pass a vote of no confidence with a simple majority. The unicameral Parliament holds the legislative power of Montenegro. It has 81 Members, elected every four years through a closed-list proportional representation system. The country functions as a single electoral district, with one Member of Parliament elected for every six thousand registered voters.

The country's judiciary operates independently and is composed of several levels of courts, each with specific responsibilities. Minor offences are dealt by Misdemeanor Courts, and appeals against their decisions are lodged to the High Misdemeanor Court. Everyday civil and criminal matters are dealt by the Basic Courts, whose decisions can be appealed to the Higher Courts. Higher Courts are also in charge of deciding the more serious criminal cases within their jurisdiction and territory. First instance decisions from Higher Courts are dealt by the Appellate Court. At the top of the judiciary is the Supreme Court, located in Podgorica, which ensures laws are applied consistently across the country.

The judiciary system also includes specialized institutions: the Administrative Court, addressing disputes involving public administration, and the Commercial Court, focussing on economic and business-related cases. The Constitutional Court plays a vital role in upholding the Constitution by reviewing legislation and official actions to ensure they align with constitutional principles.

Montenegro has taken steps to implement the 2030 Agenda for Sustainable Development through its National Strategy for Sustainable Development until 2030 (NSSD), adopted in 2016.⁶ This strategic umbrella document was broadly consulted with public institutions, civil society, and experts, and aligns closely with the country's EU accession goals. It promotes sustainability as a cross-cutting priority in areas such as education, environmental protection, and social inclusion. It employs six instruments: the Ecological Footprint, the Human Development Index, the Gender Inequality Index, Domestic Material Consumption, Resource Productivity, and Land Consumption. These instruments monitor key sectors for the Strategy's implementation, such as economic development, ecological progress and resource management.

6 Government of Montenegro (2022). National Strategy for Sustainable Development until 2030. Available at: <https://www.gov.me/dokumenta/67dc487e-097d-41d2-8fd5-7827a19a1f5a>.

Montenegro presented Voluntary National Reviews (VNRs) in 2016⁷ and 2022,⁸ highlighting national progress as well as ongoing efforts to strengthen institutions and improve Sustainable Development Goals (SDGs) data collection. In recent years, the country has expanded its SDG monitoring capacity from tracking just over half of the global SDG indicators in 2018 to 63 per cent in 2024, supported by the launch of a national SDG data platform (<https://www.sdgmontenegro.me/>). The platform is based on the Open UN SDG platform. The section “Reporting Status” (Status izvještavanja) gives an overview of each SDG and its reporting status in percentages.

1.3 EU Accession

The country’s recent development has been driven by its ambition to join the EU. This objective necessitates alignment with EU legislation and standards, and drives reforms across all sectors. Montenegro was granted official EU candidate status in 2010, and accession negotiations were formally opened in 2012.

The accession process is based on the Stabilization and Association Process, the EU’s framework for countries in the Western Balkans. Montenegro signed a Stabilization and Association Agreement with the EU in 2007, which entered into force in 2010. This agreement serves as a legal and political foundation for closer cooperation and alignment with EU standards. Central to the accession process is the requirement for the candidate country to align its national legislation with the EU *Acquis Communautaire*, the full body of EU legislation, regulations, and standards. As of December 2024, Montenegro had provisionally completed six of the 33 chapters of the Acquis. The country’s authorities have consistently affirmed their political commitment to the European integration process as a top strategic priority.

The *Instrument for Pre-Accession Assistance III (IPA III)*, is the EU’s financial and technical support programme for countries aspiring to become EU members, covering 2021–2027.⁹ The general objective of IPA III is to support accession countries adopt and implement political, institutional, legal, administrative, social and economic reforms to comply with EU values, and progressively align to EU rules, standards, policies and practices. Thematic priorities for assistance under IPA III include actions in business and economic development, public governance, education, promoting smart and sustainable transport, and energy security and diversification.

7 High-Level Political Forum on Sustainable Development (2026). Voluntary National Review 2016. Available at: <https://hlpf.un.org/countries/montenegro/voluntary-national-review-2016>.

8 High-Level Political Forum on Sustainable Development (2022). Voluntary National Review 2022. Available at: <https://hlpf.un.org/countries/montenegro/voluntary-national-review-2022>.

9 EUR-Lex (2021). Regulation (EU) 2021/1529. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32021R1529>.

In line with these efforts, the *Reform Agenda of Montenegro 2024–2027* serves as a key strategic document to accelerate the country's economic convergence with the EU average, and advance reforms essential to the EU integration process. It focuses on four priority areas: business environment and private sector development, digital and green/energy transition, human capital development, and rule of law and fundamental rights.

In 2023, the European Commission adopted *the Growth Plan for the Western Balkans*¹⁰ to further boost economic convergence between the Western Balkans and the EU. To support this, a €6 billion financial instrument, *the Reform and Growth Facility for the Western Balkans*, was adopted for 2024–2027.

*The Green Agenda for the Western Balkans*¹¹ is a regional framework, aligned with the European Green Deal, guiding the Western Balkan countries towards climate neutrality by 2050. It decouples economic growth from resource use and ensures inclusive progress. The agenda focuses on five key pillars: transitioning to clean energy sources and climate protection, a circular economy, depolluting air, water, and soil, developing sustainable agriculture and food systems, and safeguarding biodiversity and ecosystems. The EU supports its implementation through IPA III and the Economic and Investment Plan (EIP), with €9 billion in grants and €20 billion in guarantees.¹² The implementation mechanism for this is the Green Agenda for the Western Balkans Action Plan 2021–2030, to which Montenegro is also a party.¹³

1.4 Key government bodies for urban development, housing, and land management

As of 2025, the following Ministries and other government agencies played important roles in the fields of urban development, housing, and land management:

- *Ministry of Spatial Planning, Urbanism and State Property* carries out tasks related to preparation and monitoring of regulations for spatial planning and urbanism, construction, legalization and inspection supervision, property legal relations, state property, real estate surveys, and cadastre. Under the Law on Spatial Planning, the preparation of spatial planning documents is carried out exclusively by the state or local self-government. A National Spatial Planning Agency has been established, and local self-governments are required to set up planning agencies to develop local plans.

¹⁰ European Commission (2025). Growth Plan for the Western Balkans. Available at: https://enlargement.ec.europa.eu/enlargement-policy/growth-plan-western-balkans_en.

¹¹ European Commission (2020). Guidelines for the Implementation of the Green Agenda for the Western Balkans. Available at: https://enlargement.ec.europa.eu/system/files/2020-10/green_agenda_for_the_western_balkans_en.pdf.

¹² European Commission (2024). Green transition in the Western Balkans requires stronger focus on sustainable innovation. Available at: https://joint-research-centre.ec.europa.eu/jrc-news-and-updates/green-transition-western-balkans-requires-stronger-focus-sustainable-innovation-2024-12-19_en.

¹³ Regional Cooperation Council (2025). 2023 Report on Implementation of the Green Agenda for the Balkans Action Plan (GARI). Available at: <https://www.rcc.int/pubs/202/2023-report-on-the-implementation-of-the-green-agenda-for-the-western-balkans-action-plan-gari>.

- *Real Estate Administration* is responsible for tasks related to property rights and legal relations on real estate, creation of the real estate cadastre and administrative procedures, as well as application and performance of legal and property rights within Montenegro.
- *State Property Administration* performs administrative tasks related to maintaining a register of state property and manages its use, including property acquired by law, as well as any confiscated proceeds.
- *Ministry of Regional Investment Development and Cooperation with NGO* prepares and monitors regional development regulations, cooperates with local self-government and other regional development policy holders, and prepares regulations relating to the establishment and operation of non-governmental organizations and political parties.
- *Ministry of Economic Development* performs activities directed at enhancing competitiveness, investment environment and cooperation with the business community.
- *Ministry of Labour, Employment and Social Dialogue* administrates regulations in the field of labour relations, occupational health and safety, labour market and employment, wages, and other remuneration from work. It also keeps the register of relevant agreements and organizations and issues work permits to employment agencies.
- *Ministry of Ecology, Sustainable Development and Development of the North* prepares and monitors regulations and strategic planning of systems in environment, ecology and climate change, as well as northern development. This latter includes promoting balanced socio-economic growth, reducing regional disparities, improving infrastructure and supporting sustainable resource use. It also implements strategic development programmes aimed at fostering environmental protection, economic resilience, and community well-being.
- *Environmental Protection Agency* performs professional and related administrative tasks in environmental protection, such as environmental monitoring, production of analysis and reports on the state of the environment. It issues permits for import, transit and export as well as the collection and trade of specific environment-related bodies, and performs other tasks determined by the Law on Environment and special regulations.
- *Ministry of Agriculture, Forestry and Water Management* makes normative models and defines support models to encourage the development of agricultural production. It also develops and implements forest management practices to ensure the sustainable use and conservation of forest resources.
- *Ministry of Finance* oversees fiscal policy, monitors its implementation, prepares plans and drafts, and administrates the country's budget.
- *Ministry of Public Administration* creates public policies that improve the system of public administration and implements digital transformation to provide new and better quality digital services.

- *Ministry of Tourism* prepares and monitors regulations and strategic planning in tourism generally, business conditions in tourism, and connecting coastal and continental tourism.
- *Ministry of Transport* manages state roads, the railway sector, the air transport sector, road transport and the sector for capital projects and international cooperation. It has exclusive responsibility for drafting of transport laws, defining transport policy, implementation of project activities, and preparation and evaluation of development investment projects.
- *Ministry of Public Works* administrates investment regulation and research, collaborating to create policies, and researching and managing public work-related projects.
- *Statistical Office of Montenegro (MONSTAT)* oversees conducting and publishing statistical research at a national level.

Other relevant government bodies and association (as of 2025) also included:

- Administration for Protection of Cultural Property
- Centre for Vocational Education
- Directorate for Payment (in charge of IPARD programme implementation, to be changed to the Payment Agency)
- Ministry of Culture and Media
- Ministry of Education, Science and Innovation
- Ministry of Energy and Mining
- Ministry of Health
- Ministry of Human and Minority Rights
- Ministry of the Interior
- Ministry of Welfare, Family Care and Demography
- Railway Authority
- Transport Directorate
- Tax Administration
- Union of Municipalities

1.5 Administrative territorial structure

Article 113 of the Constitution of Montenegro states that the basic unit of local self-government is the municipality (*opštine*), although it allows other structures to be created. In 2003, Montenegro adopted the Law on Local Self-Government, which regulates the organization, function and responsibilities of local self-government in Montenegro, defining the powers of municipalities and their role in providing public services and ensuring citizen participation.

As of 2025, Montenegro counted 25 municipalities, including the Capital City of Podgorica and the Historical Capital of Cetinje. Many of the municipalities had been created over the previous decade with a view to improve local administration and efficiency, encourage development of less developed areas and respond to ethnic minority requests for independent municipalities. Examples include the municipality of Petnjica, split from the municipality of Berane in 2013; Gusinje, which was under the municipality of Plav until 2014; Tuzi, created in 2018; and Zeta, created in 2022, both previously part of the municipality of Podgorica.

The Capital City is the only “urban municipality”. This is a special form of local self-government, according to the Local Self-Government Law.

Within municipalities, there are territorial subunits called “local communities” (*mjesne zajednice*) that have no regulatory power. Each municipality has its own local communities, according to size and needs. According to the Law on Self-Government, local communities are a formal subdivision within a municipality, intended to provide the most direct, democratic, and effective platform for addressing neighbourhood or village issues.

Local governments consist of a municipal assembly and a head of the executive branch - titled mayor in the case of Podgorica and Cetinje, and otherwise titled president of the municipality. Municipal assemblies are elected through closed-list proportional representation and include at least 30 members. The mayor is elected by the assembly for four years; deputy mayors are appointed by the mayor with the approval of the assembly.

Montenegro uses gender quotas to encourage equal political participation. Electoral lists must include at least 40 percent of candidates from the underrepresented gender, with placement rules to ensure fair distribution.¹⁴

Article 116 of the Constitution affirms that municipalities have their own budget and financial resources. The municipal budget is adopted by the municipal assembly. The municipality’s own resources are defined by law and include local taxes, fees and fines.

¹⁴ UN Women (2023). Local government country profile | Montenegro. Available at: <https://localgov.unwomen.org/country/MNE>.

Municipal competencies, as described in the Law on Local Self-Government,¹⁵ include the following:

- Local development planning
- Urban and spatial planning at local and regional level
- Permitting construction
- Construction land development and management
- Performance and development of communal affairs, maintenance of communal buildings and communal order
- Environmental protection
- Water resources management
- Agricultural land use and management
- Local social welfare services
- Local transportation and traffic regulation
- Promotion and development of tourism
- Support and organization of cultural and sports activities
- Implementation of investment policy at a local level
- Protection and rescue of the local population
- Consumer protection at the local level

All local government units in Montenegro cooperate through the *Union of Municipalities of Montenegro*, a recognized national association of local authorities. The Union represents and advocates for the interests of municipalities, strengthens local government and provides mutual support among its members. The Union is headed by a Secretary General and its operating bodies include the Assembly of the Union, representing the interests of citizens, a Board of Directors, managing the Union's work and representing it externally, and a Supervisory Board. In addition, the association has permanent working committees responsible for specific areas of local governance. These committees focus on spatial planning, local self-government financing, social activities, communal activities and the environment, European integration and international cooperation. The Union plays an active role in policy-making and drafting regulations related to local self-government. It provides advisory and educational support to municipalities and fosters inter-municipal cooperation. In line with both national and international development policies, the Union represents the interests of less developed municipalities.

¹⁵ European Committee of the Regions (n.d.). Montenegro. Available at: <https://portal.cor.europa.eu/divisionpowers/Pages/Montenegro.aspx>.

1.6 Population and demography

The 2023 census recorded 623,633 people living in Montenegro. Unlike many other Eastern and South-Eastern European countries which experienced shrinkage, the population has remained notably stable since the end of the socialist system (see Table 1.3).

Table 1.3 Population, by sex and year, according to censuses

	1991	2003	2011	2023
Men	305,931	305,225	306,236	306,807
Women	309,104	314,920	313,793	316,826
Total	615,035	620,145	620,029	623,633

Source: Statistical Office – MONSTAT; see <https://monstat.org/uploads/files/publikacije/godisnjak2024/4.pdf>¹⁶

According to Census 2023, the most populated municipality was Podgorica, with 179,505 inhabitants, accounting for 28.78 per cent of the country's total population. It is followed by Nikšić and Bar. Together, these three municipalities comprise 47 per cent of the country's population. The least populated municipality was Šavnik, with only 1,569 inhabitants, representing 0.25 per cent of the total population.

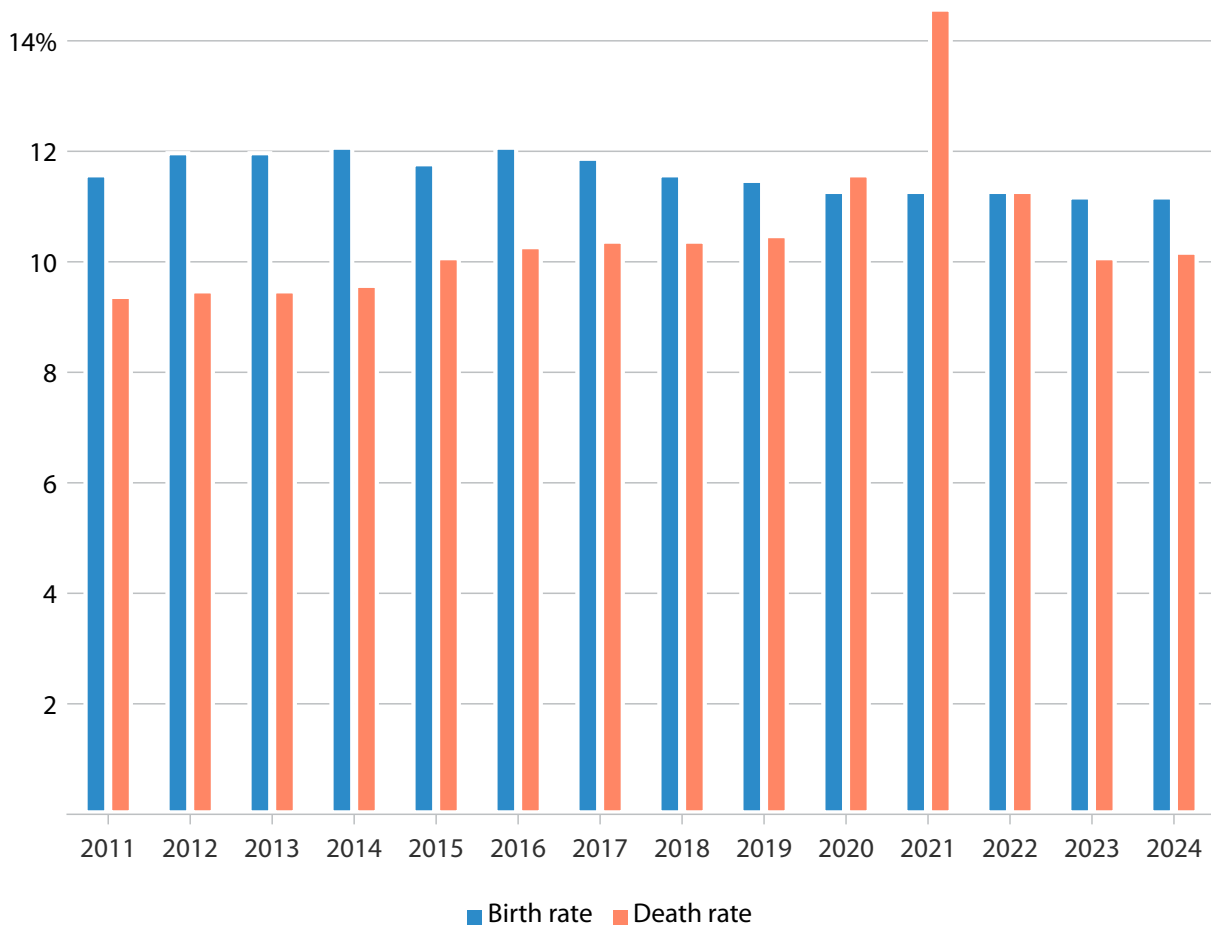
The country's urban population is in constant expansion. Nowadays, more than 400,000 people – over two thirds of the total population - live in urban areas.¹⁷

Due to COVID19- related deaths, the country's population faced negative natural growth rates in 2020, 2021 and 2022. In 2023 and 2024, the country returned to its pre-pandemic annual natural increase, with at least 600 people in net positive natural increase (see Figure 1.2). For 2024, the rate of natural increase is estimated to be one person per 1,000 inhabitants.¹⁸

¹⁶ Statistical Office – MONSTAT (2024). Statistical Yearbook | Chapter 4.
Available at: <https://monstat.org/uploads/files/publikacije/godisnjak2024/4.pdf>.

¹⁷ World Bank Group (2025). Urban population – Montenegro.
Available at: <https://data.worldbank.org/indicator/SP.URB.TOTL?locations=ME>.

¹⁸ Statistical Office – MONSTAT (2024). Population estimates and main demographic indicators.
Available at: https://monstat.org/uploads/files/demografija/osnovni%20demografski%20pokazatelji/2024/Population%20estimates%20and%20main%20demographic%20indicators_2024.pdf.

Figure 1.2 Birth and death rate for the 2011-2024 period

Source: Statistical Office – MONSTAT; see: https://monstat.org/uploads/files/demografija/osnovni%20demografski%20pokazatelji/2024/Population%20estimates%20and%20main%20demographic%20indicators_2024.pdf

According to Census 2023, there were 122,744 immigrants living in Montenegro, defined as “people who once lived or stayed abroad for at least one year” (see Table 1.4.). Of this number, 52 per cent are women. The largest group of immigrants come from Serbia (44,303), followed by Bosnia and Herzegovina (16,082) and the Russian Federation (14,853). The 2023 census recorded 26,739 people who arrived in Montenegro between 1990 and 1999 and were still living in the country. This included 7,368 persons from Bosnia and Herzegovina, 2,900 from Croatia, 2,583 from Kosovo, and 9,569 from Serbia.¹⁹ The significant number of arrivals from other Balkan countries during the 1990s is particularly attributed to the armed conflicts that followed the dissolution of Yugoslavia.

¹⁹ Statistical Office – MONSTAT (2025). The 2023 Census of Population, Households and Dwellings – Population migration. Available at: https://www.monstat.org/uploads/files/popis%202021/saopstenja/SAOPSTENJE_Popis%20stanovnistva%20%20migration%20ENG.pdf.

Table 1.4 Immigrants: year of arrival in Montenegro, and country of origin

	Unknown	Before 1985	1985-1999	1990-1994	1995-1999	2000-2004	2005-2009	2010-2014	2015-2019	2020	2021	2022	2023	Total
Albania	171	z	z	612	134	120	172	197	201	32	39	34	26	1777
Bosnia and Herzegovina	550	3439	965	5708	1660	714	872	770	832	138	125	147	162	16082
Croatia	164	1852	383	2043	857	95	82	78	135	47	35	85	108	5964
Germany	123	912	242	317	487	701	503	443	1607	257	290	446	679	7007
Italy	25	50	16	64	155	160	244	298	310	80	50	51	126	1629
Kosovo	664	1114	242	281	2302	342	306	218	279	77	62	66	71	6024
North Macedonia	68	503	128	140	60	91	158	157	129	26	23	27	40	1550
Russian Federation	516	44	51	133	375	224	728	955	1513	451	781	5911	3171	14853
Serbia	1770	9703	2314	2817	6752	4539	4853	4346	3757	849	758	792	1,053	44303
Slovenia	25	461	138	247	50	52	52	75	126	40	34	55	73	1428
Switzerland	11	96	41	116	109	151	112	128	200	59	44	72	143	1282
Türkiye	185	15	z	z	45	56	51	64	349	131	202	361	982	2457
Ukraine	103	z	z	21	26	27	50	250	416	100	168	1407	415	2986
United States	109	96	47	52	100	176	372	373	675	229	224	306	523	3282
France	39	235	60	44	32	63	108	122	264	45	60	63	119	1254

Source: Data adapted from Statistical Office – MONSTAT; see: https://www.monstat.org/uploads/files/popis%202021/saopstenja/SAOPSTENJE_Popis%20stanovnistva%20%20migration%20ENG.pdf

Note: "z" denotes protected (small) numbers²⁰

Montenegro has experienced a sharp increase in refugee arrivals since 2022, primarily from Ukraine. With the first arrival of these refugees, the Ministry of Internal Affairs made a proposal to the Government of Montenegro, which was passed as the *Decision on the approval of temporary protection for persons from Ukraine* in March 2022. Following this, a coordinating body was established to supervise the implementation of the Decision concerning temporary protection for persons from Ukraine. This has developed a reception response plan, which includes potential scenarios and standard operating procedures concerning the rights of foreigners under temporary protection in accordance with the Law on International and Temporary Protection of Foreigners. The coordinating body informs the Government at least trimonthly on the rights of persons under Temporary Protection (TP) of Ukraine, through work reports.

²⁰ Protected data - In accordance with the Law on Official Statistics and the System of Official Statistics, Article 54-61 ("Official Gazette of Montenegro", No. 018/12 of 30.03.2012, 047/19 of 12.08.2019.) and the internal rule of the Statistical Office, data that have a frequency of occurrence less than 10 are protected (primary protection) and are marked with the symbol "z". In addition, other data are also marked with the same symbol and protected in order to prevent indirect recognition of census units (secondary protection).

For example, from January 1st to September 3rd of 2025, persons from Ukraine submitted 1,511 requests for approval of temporary protection and received the status of foreigner under temporary protection in Montenegro. In the same period, 5,381 persons from Ukraine extended the temporary protection they already had. In contrast, from 2014 to 2021, only six Ukrainian people were granted refugee status in the Western Balkans.²¹

Approximately 85 per cent of Ukrainians with temporary protection live in coastal municipalities. For example, on 30 June 2025, their numbers were 1,890 in Bar, 1,664 in Budva 729 in Podgorica and 653 in Tivat. Those without temporary protection have short-term visas of up to 90 days, or long-term residence permits which may be temporary or permanent.

Temporary protection allows access to healthcare and education, and, coordinated with UNHCR and partners, ensures legal aid, information services, and community support. For people without private accommodation, the Government initially provided free housing at Hotel Sato in Sutomore, but this arrangement was suspended in 2025. UNHCR has been assisting the authorities by supporting the temporary protection system through capacity-building, data collection, and referrals to alternative shelter solutions for vulnerable refugees.²²

In terms of internal migration, trends show that residents of the northern region are more likely to relocate than those from the central and coastal areas of the country. In 2024, a total of 3,258 individuals moved within Montenegro; mostly from the north to the coast and centre.²³ Young people are also inclined to seek opportunities abroad. The primary factors motivating the country's population to emigrate include the pursuit of employment prospects, improved living conditions and the presence of an established diaspora community.²⁴

According to the 2023 Census, more than 44,000 Montenegrin citizens were working, studying or staying abroad, 58 per cent of whom were male. More than a quarter of Montenegrin citizens residing outside the country live in Germany; other preferred destinations include Serbia, the United States of America, Bosnia and Herzegovina, and upper-income European countries.

21 UNHCR (2021): Western Balkans – Refugees, asylum-seekers and other mixed movements. Available at: [UNHCR_RBE_DIMA_WB_Asymlum_and_Demographic%20Mixed%20Mvt_31_12_2021_External.pdf](https://www.unhcr.org/refugees-and-returnees/2021/12/2021-external.pdf).

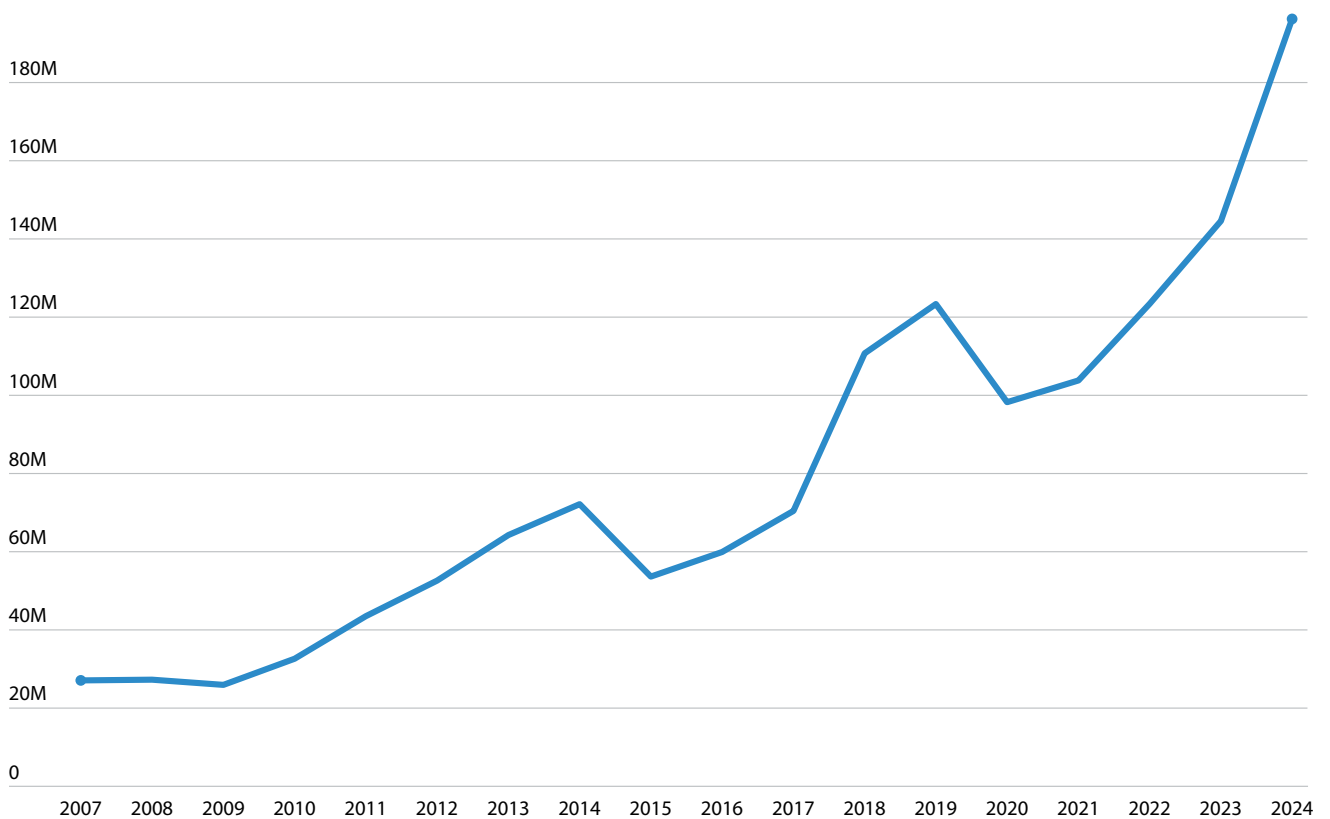
22 Written communication with the representative of UNHCR, Montenegro.

23 Statistical Office – MONSTAT (2025). Internal migration in Montenegro. Available at: <https://www.monstat.org/uploads/files/demografija/migracije/2024/Internal%20migration%20in%20Montenegro%20in%202024.pdf>.

24 European Training Foundation (2021). How migration, human capital and the labour market interact in Montenegro. Available at: https://www.etf.europa.eu/sites/default/files/2021-07/migration_montenegro_0.pdf.

Non-residents contribute to the GDP of the country by sending personal remittances to residents. Since 2010, personal remittances have been accounted for at least 10 per cent of the country's GDP, according to World Bank estimates. The first peak was observed in 2012, when remittances reached 12.4 per cent of GDP, followed by a gradual decline until 2019, when they returned to 10 per cent of GDP. A second peak of remittances was recorded in 2021: 13.5 per cent of the GDP, the highest level since 2006. This increase coincides with the economic slowdown during the COVID-19 pandemic, suggesting that remittances had a crucial role in compensating for the impact of reduced economic activity (see Figure 1.3).²⁵

Figure 1.3 Personal remittances, received in Montenegro (in current Million US\$)

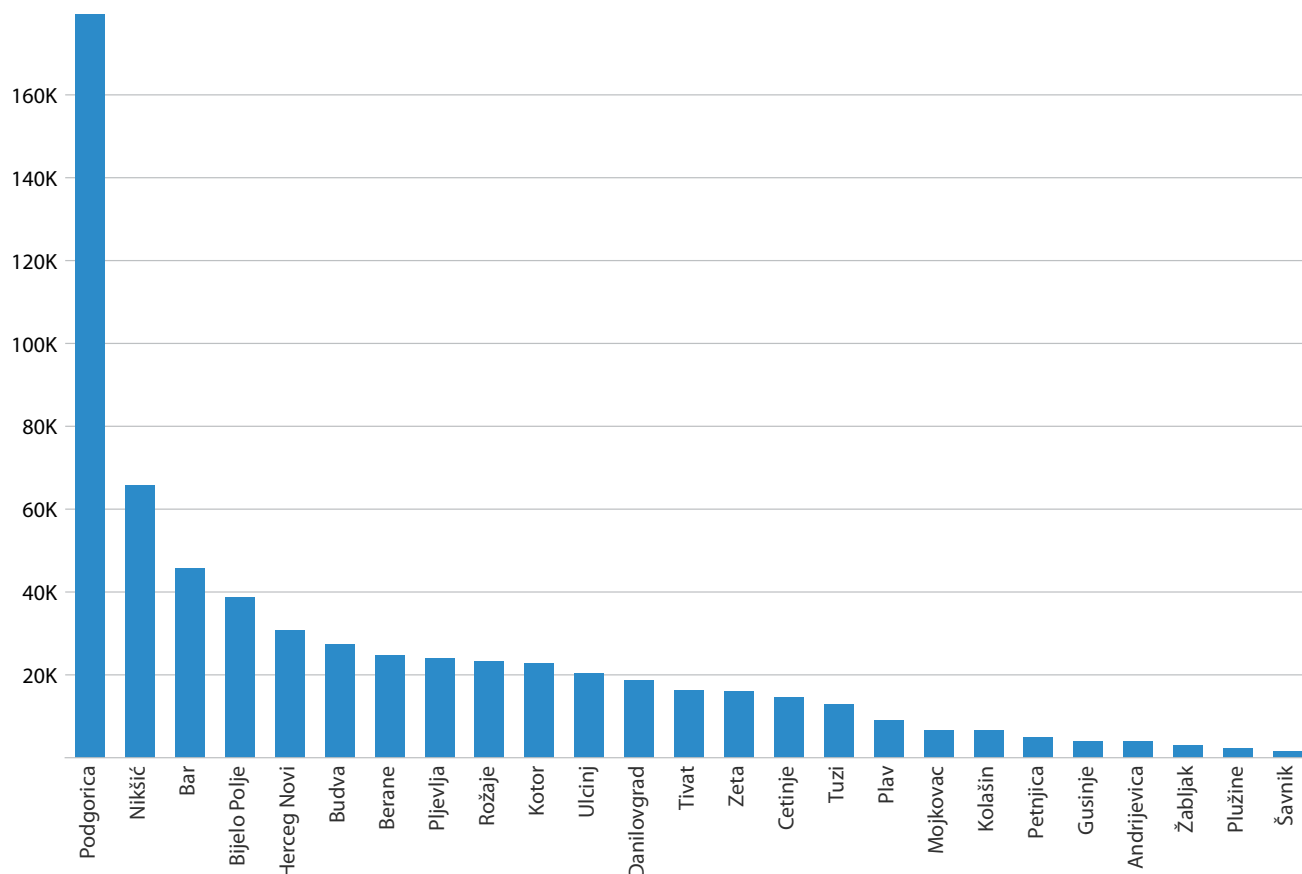


Source: World Bank Group (2025); see: <https://data.worldbank.org/indicator/BM.TRF.PWKR.CD.DT?locations=ME>.

²⁵ World Bank Group (2025). Personal remittances, received (per cent of GDP) – Montenegro. Available at: <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?end=2024&locations=P&start=2024&view=bar&year=2024>.

The largest municipality in Montenegro is the capital city, Podgorica, with 179,505 people. Following Podgorica are Nikšić with 65,705 inhabitants, and Bar with 45,812. At the lower end, the municipalities with the smallest populations are Šavnik (1,569), Plužine (2,177), and Žabljak (2,941) (see Figure 1.4).²⁶

Figure 1.4 Population of Montenegro by municipality, 2023



Source: Statistical Office – MONSTAT; see: https://www.monstat.org/uploads/files/popis%202021/saopstenja/SAOPSTENJE_Popis%20stanovnistva%202023%20I_ENG.pdf.

The country's municipalities reflect a rich mix of ethnic communities (Table 1.5). In many areas, Montenegrins make up the largest share of the population, while in others, especially in the north and centre, Serbs are more numerous. Bosniaks and Albanians are especially present in places such as Rožaje, Plav, Ulcinj, and Tuzi, influenced by long-standing settlement patterns and migration. Coastal towns such as Budva, Herceg Novi, and Tivat have a noticeable presence of Russian and Croatian nationals, likely influenced by both historical ties and more recent migration trends.

²⁶ Statistical Office – MONSTAT (2024). Population of Montenegro by Sex and Age. Available at: https://www.monstat.org/uploads/files/popis%202021/saopstenja/SAOPSTENJE_Popis%20stanovnistva%202023%20I_ENG.pdf.

Table 1.5 Population (persons) and ethnic affiliations (per cent), by municipality

	Total, persons = 100 per cent	Montenegrins	Serbs	Bosniaks	Albanians	Russians	Croats	Other ethnicities and undeclared
Podgorica	179,505	54.5	30.8	2.6	1.0	1.5	0.4	9.2
Nikšić	65,705	59.5	33.9	0.2	0.1	0.1	0.2	6.1
Bar	45,812	42.3	26.1	8.5	4.2	6.0	0.6	12.4
Bijelo Polje	38,662	14.9	43.1	31.9	0.1	0.1	0.1	9.8
Herceg Novi	30,824	29.8	48.3	0.3	0.2	6.3	1.7	14.5
Budva	27,445	35.6	35.8	0.5	0.4	13.6	0.5	13.6
Berane	24,645	26.6	59.8	4.5	0.1	z	0.1	8.8
Pljevlja	24,134	18.1	66.4	7.3	z	z	0.1	8.0
Rozaje	23,184	3.7	2.6	84.7	5.1	z	z	3.8
Kotor	22,746	46.4	35.1	0.3	0.3	2.1	5.7	11.0
Ulcinj	20,507	11.9	5.0	3.9	73.5	0.3	0.2	5.0
Danilovgrad	18,617	57.3	35.4	0.1	0.3	0.5	0.2	6.1
Tivat	16,338	32.8	34.5	1.2	1.0	5.4	12.0	13.7
Zeta	16,071	49.8	43.2	0.1	0.5	0.2		5.9
Cetinje	14,494	91.1	4.8	z	0.2	0.8	0.3	2.5
Tuzi	12,979	15.1	2.0	13.7	62.6	-	z	6.4
Plav	9,050	4.1	17.1	65.6	9.4	-	z	3.3
Mojkovac	6,728	54.0	41.7	0.2	z	z	z	3.6
Kolašin	6,700	52.1	42.1	-	z	0.4	z	4.7
Petnjica	4,957	4.7	1.0	84.0	z	z	-	9.6
Gusinje	3,933	1.6	2.8	57.1	34.4	-	-	4.0
Andrijevica	3,910	28.6	67.5	z	z	z	z	3.0
Žabljak	2,941	42.4	52.6	-	-	z	z	3.3
Plužine	2,177	22.1	74.5	z	z	z	-	2.3
Šavnik	1,569	50.5	46.9	-	z	z	-	1.1
Montenegro total	623,633	41.1	32.9	9.5	5.0	2.1	0.8	8.7

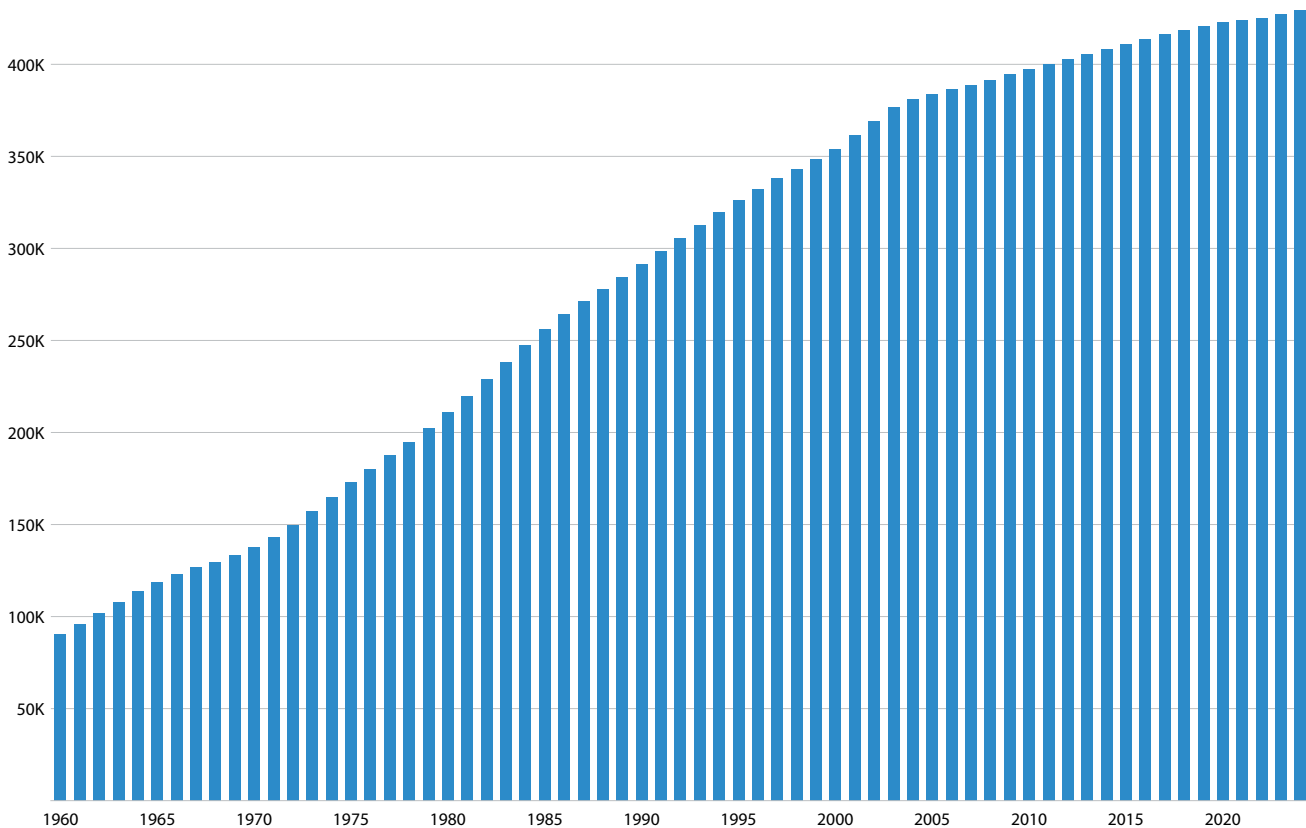
Source: Compiled basing on Census 2023; see: https://www.monstat.org/uploads/files/popis%202021/saopstenja/SAOPSTENJE_Popis%20stanovnistva%202023%20I_ENG.pdf.

Notes: (a) ethnic groups with larger than 10 per cent in any particular municipality are named; (b) "z" denotes protected (small) numbers;²⁷ (c) municipalities are sorted according to their total population.

²⁷ Protected data - In accordance with the Law on Official Statistics and the System of Official Statistics, Article 54-61 ("Official Gazette of Montenegro", No. 018/12 of 30.03.2012, 047/19 of 12.08.2019.) and the internal rule of the Statistical Office, data that have a frequency of occurrence less than 10 are protected (primary protection) and are marked with the symbol "z". In addition, other data are also marked with the same symbol and protected in order to prevent indirect recognition of census units (secondary protection).

As of 2024, the country's urban population is estimated at around 429,000 people, representing roughly 69 per cent of the total population. This marks a steady increase compared to previous decades, highlighting the country's gradual but consistent trend toward urbanization (see Figure 1.5).²⁸

Figure 1.5 Urban population of Montenegro, by year (1960-2024)



Source: World Bank Group; see: <https://data.worldbank.org/indicator/SP.URB.TOTL?locations=ME>

In 2023, the life expectancy at birth was 78 years on average;²⁹ 80 for women³⁰ and 75 for men.³¹ The average age was 39.7 years (Figure 1.6). All municipalities in the country are above the threshold of demographic old age, meaning that a significant proportion of the population is

²⁸ World Bank Group (2025). Urban population – Montenegro. Available at: <https://data.worldbank.org/indicator/SP.URB.TOTL?locations=ME>.

²⁹ World Bank Group (2025). Life expectancy at birth, total (years) - Montenegro. Available at: <https://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=ME>.

³⁰ World Bank Group (2025). Life expectancy at birth, female (years) - Montenegro. Available at: <https://data.worldbank.org/indicator/SP.DYN.LE00.FE.IN?end=2023&locations=ME&start=1960&view=chart>.

³¹ World Bank Group (2025). Life expectancy at birth, female (years) - Montenegro. Available at: <https://data.worldbank.org/indicator/SP.DYN.LE00.MA.IN?end=2023&locations=ME&start=1960&view=chart>.

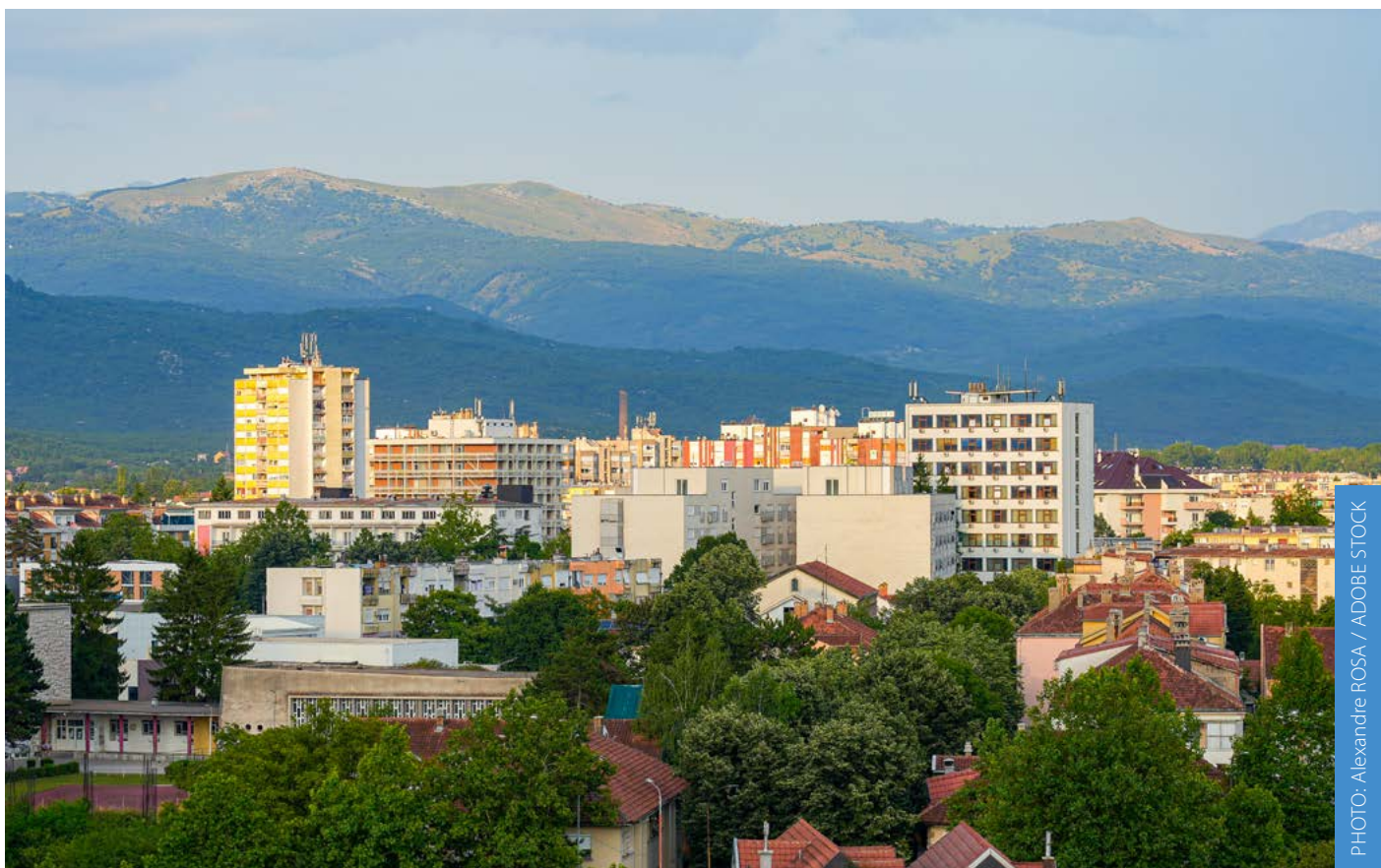


PHOTO: Alexandre ROSA / ADOBE STOCK

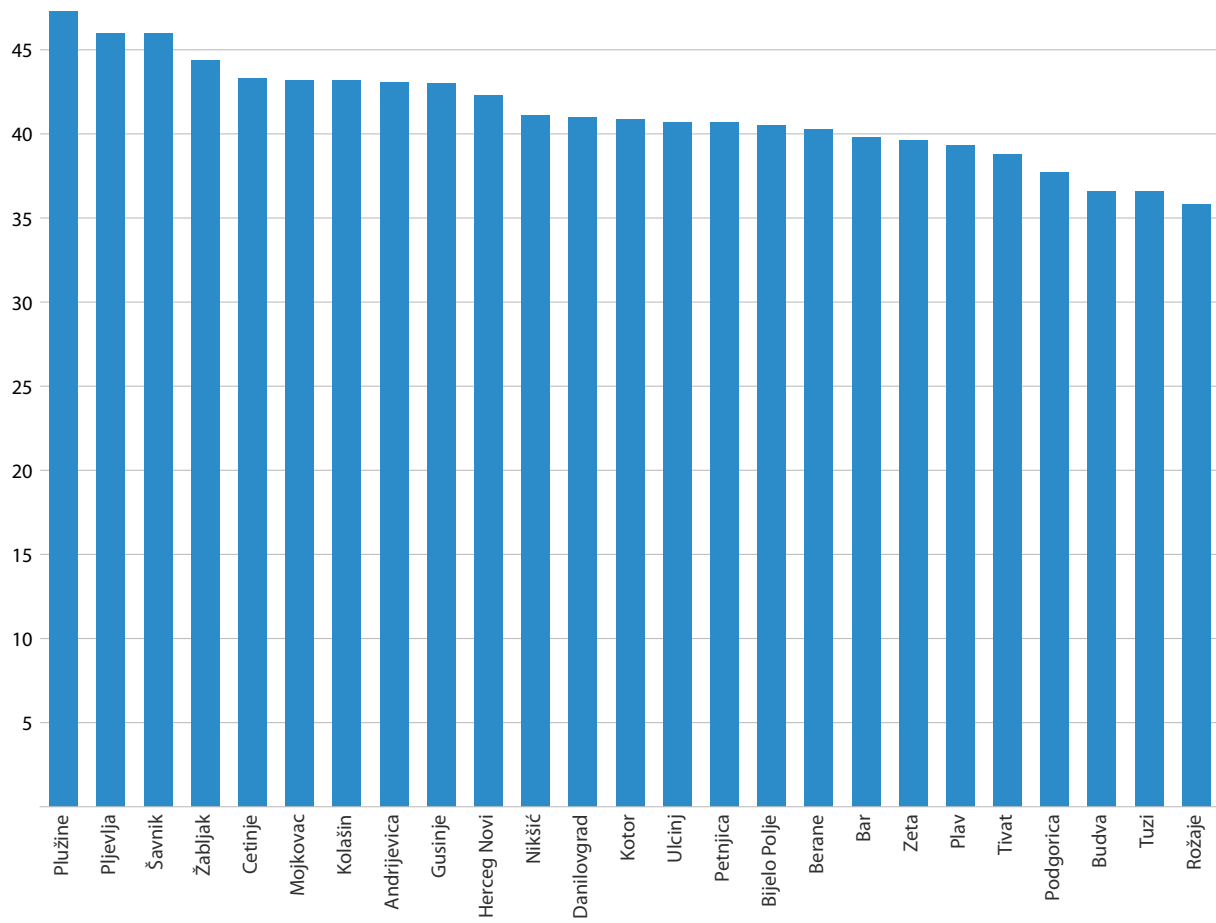
over 65 years old. Andrijevica, Cetinje, Gusinje, Kolašin, Mojkovac, Pljevlja, Pluszine, Šavnik and Žabljak are the nine municipalities in the most advanced stage of demographic ageing. Most of these municipalities are in the northern region, except Cetinje, which is in the central area.

In all municipalities, the average age of women is higher than that of men. At the national level, the average age is 38.52 years for men and 40.90 years for women. For both women and men, the highest average ages are recorded in the municipality of Plužine (47.18 and 47.48 years) and the lowest in Rožaje (35.19 and 36.49 years). There are four municipalities where the age gap between women and men is under 6 months: Gusinje (0.37 year) Plužine (0.3 year), Tuzi (0.26 year) and Žabljak (0.27 year). The municipality with biggest gap between men and women is Cetinje, with a 3.38-year gap on average; it is also over three years in the municipalities of Herceg Novi and Kotor (see Figure 1.7).

In addition to the worldwide gender age gap, in the case of Montenegro internal migration patterns show that women in the age groups 20 to 44, 55 to 59, and 65 and over, move more than men in these age groups.³² This pattern of female-dominated migration among working-age adults has been observed for several years.

³² Statistical Office – MONSTAT (2025). Internal migration in Montenegro. Available at: <https://monstat.org/uploads/files/demografija/migracije/2024/Internal%20migration%20in%20Montenegro%20in%202024.pdf>.

Figure 1.6 Average age of population, by municipality, 2023

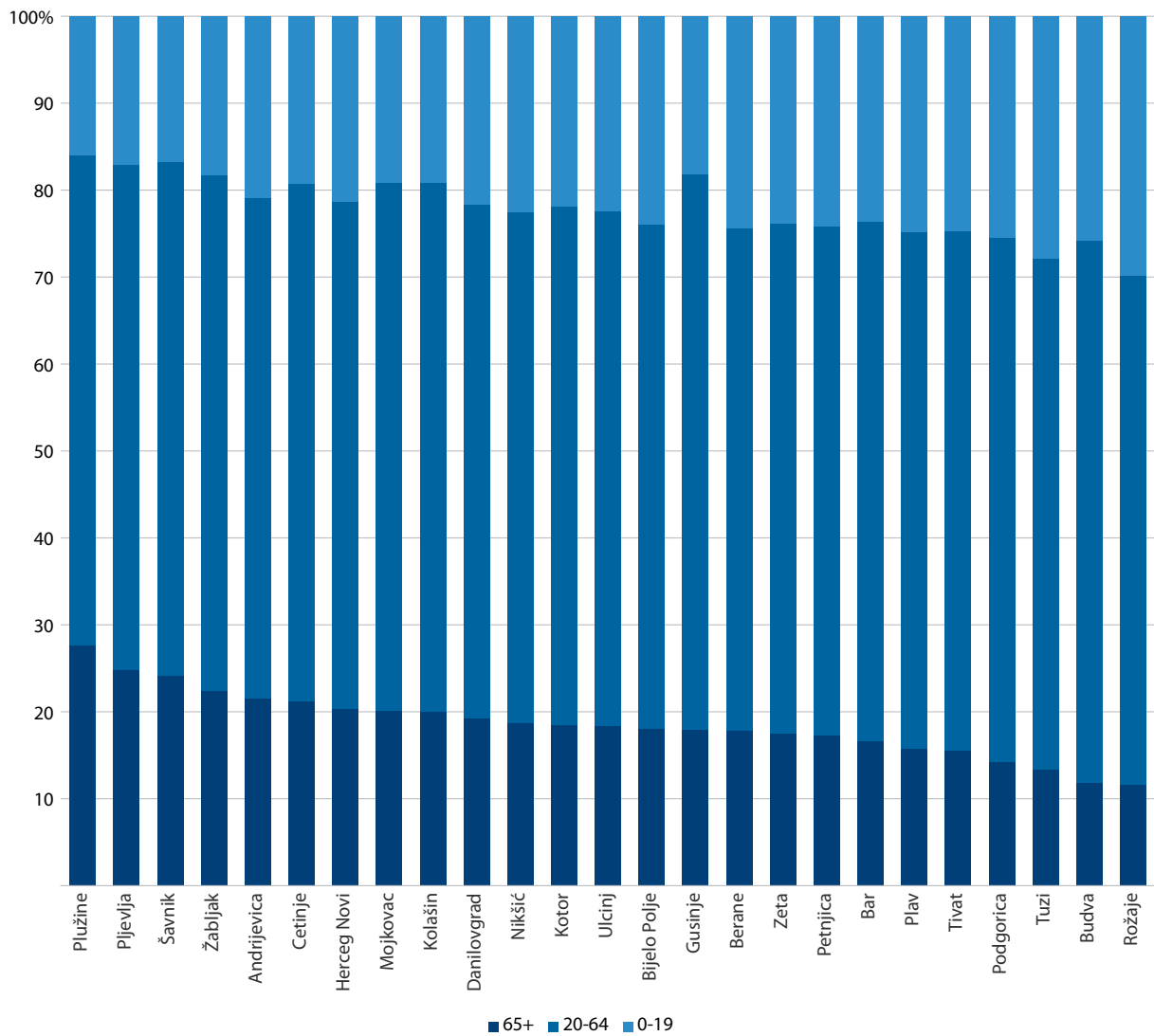


Source: Statistical Office - MONSTAT; https://www.monstat.org/uploads/files/popis_2021/saopstenja/SAOPSTENJE_Popis_stanovnistva_2023_I_ENG.pdf.



PHOTO: GISTEL / ADOBE STOCK

Figure 1.7 Age group by municipality, 2023, in per cent

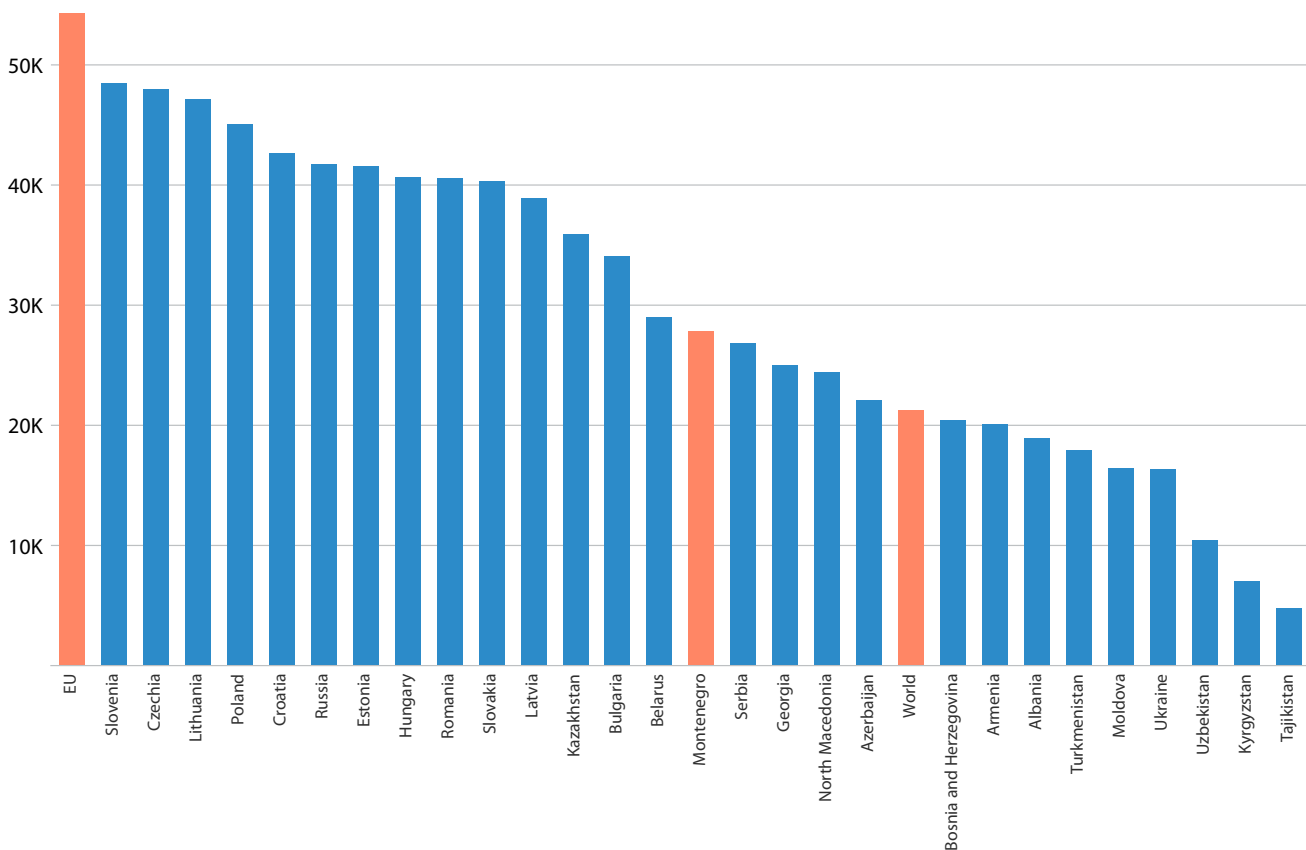


Source: Data from Statistical Office - MONSTAT; https://www.monstat.org/uploads/files/popis_2021/saopstenja/SAOPSTENJE_Popis_stanovnistva_2023_I_ENG.pdf.

1.7 Economic development

According to the World Bank, in a global context, Montenegro is ranked in the upper-middle income group, with a Human Development Index value of 0.862 in 2025.³³ Compared to its neighbours, Montenegro had a higher GDP per capita in Purchasing Power Parity (PPP) than Albania, Bosnia and Herzegovina, and Serbia in 2024; Slovenia and Croatia, however, had a higher GDP per capita in PPP. When compared to UNECE member States in Eastern and South-Eastern Europe, the Caucasus and Central Asia, Montenegro has a medium GDP per capita rate (see Figure 1.8).

Figure 1.8 GDP per capita in PPP in selected post-socialist countries, EU and the World in 2024 (constant 2021 international USD)

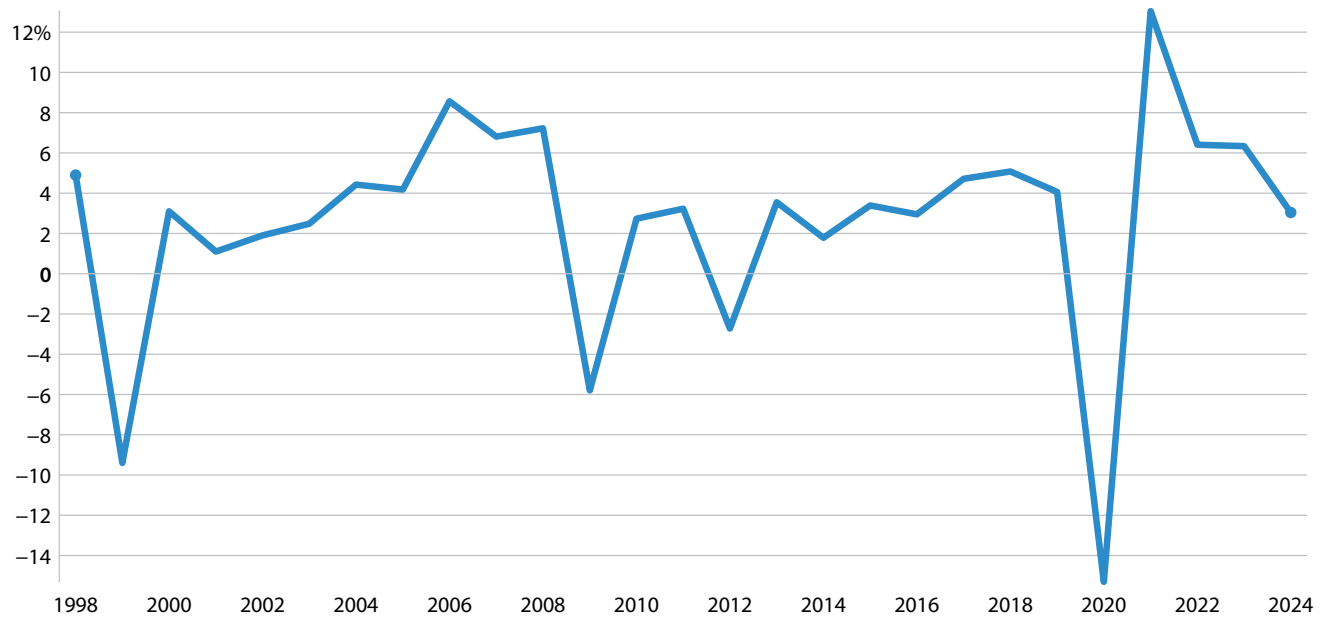


Source: Based on data by the World Bank Group see: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD>

³³ UNDP (2025). Sustained Progress: Montenegro among countries with very high development. Available at: <https://www.undp.org/montenegro/press-releases/sustained-progress-montenegro-among-countries-very-high-development>.

Following an economic contraction of over 15 per cent in 2020 due to the COVID-19 pandemic and the collapse of tourism as a result of global travel restrictions, Montenegro experienced a strong recovery in 2021 when GDP growth reached 13 per cent (Figure 1.9), the highest among Western Balkan countries.³⁴ This rebound was primarily fuelled by the revival of tourism, increased domestic consumption and fiscal support. This growth persisted in 2022 and 2023, with annual GDP growth rates of 6.4 per cent and 6.3 per cent.³⁵ These gains were supported by rising wages, an influx of migrants, and inflation-control measures.

Figure 1.9 GDP growth (annual per cent)



Source: based on data by World Bank Group; see: <https://data.worldbank.org/indicator/NY.GDPMKTP.KD.ZG?end=2023&locations=ME&start=1998&view=chart>.

In 2023, the country's GDP reached €6.96 billion, up from €5.92 billion in 2022. This reflects a real growth rate of 6.3 per cent and a nominal growth rate of 17.5 per cent. Montenegro has a service-based economy; in 2024, the service sector accounted for 62.1 per cent³⁶ of value added to the country's GDP. Industry, including the construction sector, contributed 11.6 per cent;³⁷ and agriculture, forestry and fishing accounted for 5.2 per cent.³⁸ The southern and

³⁴ https://monstat.org/uploads/files/BDP/2021/Godisnji%20BDP%202021_crn.pdf.

³⁵ https://monstat.org/uploads/files/BDP/BDP%202023/Godisnji%20BDP%202023_crn.pdf.

³⁶ World Bank Group (2025). Services, value added (per cent of GDP) – Montenegro. Available at: <https://data.worldbank.org/indicator/NV.SRV.TOTL.ZS?locations=ME>.

³⁷ World Bank Group (2025). Industry (including construction), value added (per cent of GDP) – Montenegro. Available at: <https://data.worldbank.org/indicator/NV.IND.TOTL.ZS?locations=ME>.

³⁸ World Bank Group (2025). Agriculture, forestry and fishing, value added (per cent of GDP) – Montenegro. Available at: <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=ME>.

coastal areas of the country are primarily service-oriented while agricultural employment is more concentrated in the northern region of the country. Although most of the country's economy is in the private sector, several strategic sectors - including energy, transport, public broadcasting, and healthcare - remain under significant state or public control.³⁹

GDP per capita rose to €10,998 in 2023, up from €9,598 in 2022, reflecting the dual impacts of economic expansion and population increase from 617,200 to 633,200. This marks a continuation of the steady upward trend in GDP per capita since 2006, which has particularly accelerated since 2021.

Tourism in Montenegro has steadily grown in recent years. In 2024, approximately 96.1 per cent of overnight stays were foreign tourists, mostly from neighbouring countries, notably Bosnia and Herzegovina, and Serbia, as well as from the Russian Federation and other European countries. The most visited areas include the coastal municipalities of Bar, Budva, Herceg Novi, Kotor, Tivat and Ulcinj, along with the capital, Podgorica. The inland municipalities of Kolašin and Žabljak are also attractive destinations with their national parks and their ski resorts.

According to the Ministry of Agriculture of Montenegro, agriculture is “characterized by [its] small scale, [its] often fragmented production and is typically located in mountain areas with difficult market access and weak infrastructure”.⁴⁰ Employment in agriculture has declined from 8 per cent in 2018 to 6 per cent in 2023.⁴¹ In 2023, the sector employed 2,275 people, 33.8 per cent of whom were women (768 individuals).⁴²

Women represent 45.1 per cent of the total labour force and 44.7 per cent of the employed population. In 2021, the gender pay gap was 21.6 per cent, according to the International Labor Organization (ILO).⁴³ Unemployment in Montenegro also shows strong regional and gender disparities, with the northern region recording the highest rates: 36.1 per cent for women and 29.0 per cent for men. The coastal region has the lowest rates: 2.7 per cent for women and 3.3 per cent for men. Overall, the national unemployment rate stands at 13.1 per cent, with women facing higher unemployment than men across all regions. The data also reveals a clear regional divide, highlighting particularly high unemployment in the north compared to much lower levels in the coastal region (see Table 1.6).

39 Montenegro Business (2023). Montenegro has now more than 50 strategically important state-owned companies. Available at: <https://montenegrobusiness.eu/montenegro-now-has-more-than-50-strategically-important-state-owned-companies/>.

40 Case Study presented at the Round Table SDG 12: Towards a circular economy: innovation for a circular value chain. Montenegro of the UNECE Regional Forum on Sustainable Development (2018). Available at: https://unece.org/DAM/RCM/Website/Case_Study_SDG12_2_Montenegro.pdf.

41 World Bank Group (2025). Employment in agriculture (per cent of total employment) (modeled ILO estimate). Available at: <https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=ME>.

42 Statistical Office - MONSTAT (2024). Statistical Yearbook 2024 – Employment and earnings. Available at: <https://monstat.org/uploads/files/publikacije/godisnjak2024/5.pdf>.

43 International Labour Organization (2023). The Gender Pay Gap in Montenegro. Available at: https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@europe/@ro-geneva/@sro-budapest/documents/publication/wcms_908958.pdf.

Table 1.6 Unemployment, by region, by sex (in per cent)

	Montenegro	Coastal region	Central region	Northern region
Total	13.1	3.1	10.1	31.9
Women	14.0	2.7	12.5	36.1
Men	12.2	3.3	8.3	29.0

Source: based on data by Statistical Office – MONSTAT; see: <https://monstat.org/uploads/files/publikacije/godisnjak2024/5.pdf>; https://monstat.org/uploads/files/publikacije/MONSTAT_ENG_2024.pdf

The overall population at risk of poverty has remained broadly stable at around 20 per cent. Indicators of income inequality improved between 2020 and 2023, as both the Gini coefficient and the S80/S20 ratio declined, but in 2024 they rebounded to 31.6 and 5.8 respectively, pointing to a partial reversal of these gains. These trends suggest that structural improvements in income distribution remain fragile, and disparities persist.⁴⁴

Sharp territorial disparities also remain. In 2023, the poverty risk in the northern Region remained critically high at 34.2 per cent, compared to only 11.6 per cent in the southern Region, which reported the lowest poverty rate. A similar pattern emerges across settlement types, with rural areas exhibiting a significantly higher poverty risk (27.5 per cent) compared to urban areas (15.9 per cent), underscoring the need for targeted regional and rural development strategies (Table 1.7).⁴⁵ In addition, access to adequate and affordable housing is increasingly difficult due to a mismatch between household incomes and housing prices.

Table 1.7 Population at risk of poverty rate (in per cent)

	2018	2019	2020	2021	2022
By Type of Settlement					
Urban	17.3	17.9	16.9	16.6	16.4
Rural	35.6	36.3	32.9	29.6	27.3
By Region					
Center	14.4	16.6	14.8	14.7	14.8
South	23.2	19.9	11.6	10.5	9.8
North	40.0	41.2	44.5	40.8	37.6

Source: Statistical Office – MONSTAT; see: https://monstat.org/uploads/files/publikacije/godisnjak2024/GODISNJAK%202024_30.12..pdf

⁴⁴ Statistical Office – MONSTAT (2024). Survey on Income and Living Conditions (EU-SILC). Available at: <https://monstat.org/cg/page.php?id=1727&pageid=1673>.

⁴⁵ Statistical Office – MONSTAT (2024). Survey on Income and Living Conditions (EU-SILC). Available at: https://monstat.org/uploads/files/SILC/2023/RELEASE_Survey_on_Income_and_Living_Conditions_EU-SILC_2023.pdf.

1.8 Environmental risks and climate change

The Notre Dame Global Adaptation Initiative (ND-GAIN) ranks Montenegro 57th out of 185 globally for its vulnerability to climate change and its readiness to improve resilience. However, in the same study, the country ranks 84th when it comes to the vulnerability of its housing infrastructures to climate-related issues.⁴⁶

Diverse topography makes Montenegro susceptible to a range of environmental risks. A 2024 World Bank report warned that climate-related disasters could lead to economic losses equivalent to 7.9 per cent of the country's GDP by 2050.⁴⁷ There are several climate change related risks, that could affect Montenegro, depending on the region (Raičević, 2022):⁴⁸

- Droughts are forecast for all regions
- Storms and floods are expected to affect mostly the southern, central and coastal regions
- Cold wave and snowfall are forecast to impact the northern mountainous region
- Forest fires are likely to impact parts of the northern mountainous region

The projected rise in temperature is forecast to intensify extreme heatwaves, increase the threat of wildfires in forest areas, as well as the risks of drought across the country. Intense droughts pose risks to water availability and may severely affect the agriculture-dependent sector of the economy.

Insufficient rainfall in winter could exacerbate water scarcity, posing a significant threat to the agricultural sector, especially in the northern region. However, despite growing concerns about increasing annual average mean surface air temperature (Figure 1.10), drought and water scarcity, flooding remains the most significant water-related hazard in Montenegro, particularly in areas near rivers. Floods are by far the country's most destructive environmental hazard, affecting approximately 10,000 people annually. Between 2010 and 2020, 2,600 people were internally displaced because of floods, according to data from the Internal Displacement Monitoring Centre (IDMC).⁴⁹ Sea level rise is also an emerging concern that could potentially severely impact tourism-related economy and infrastructures.

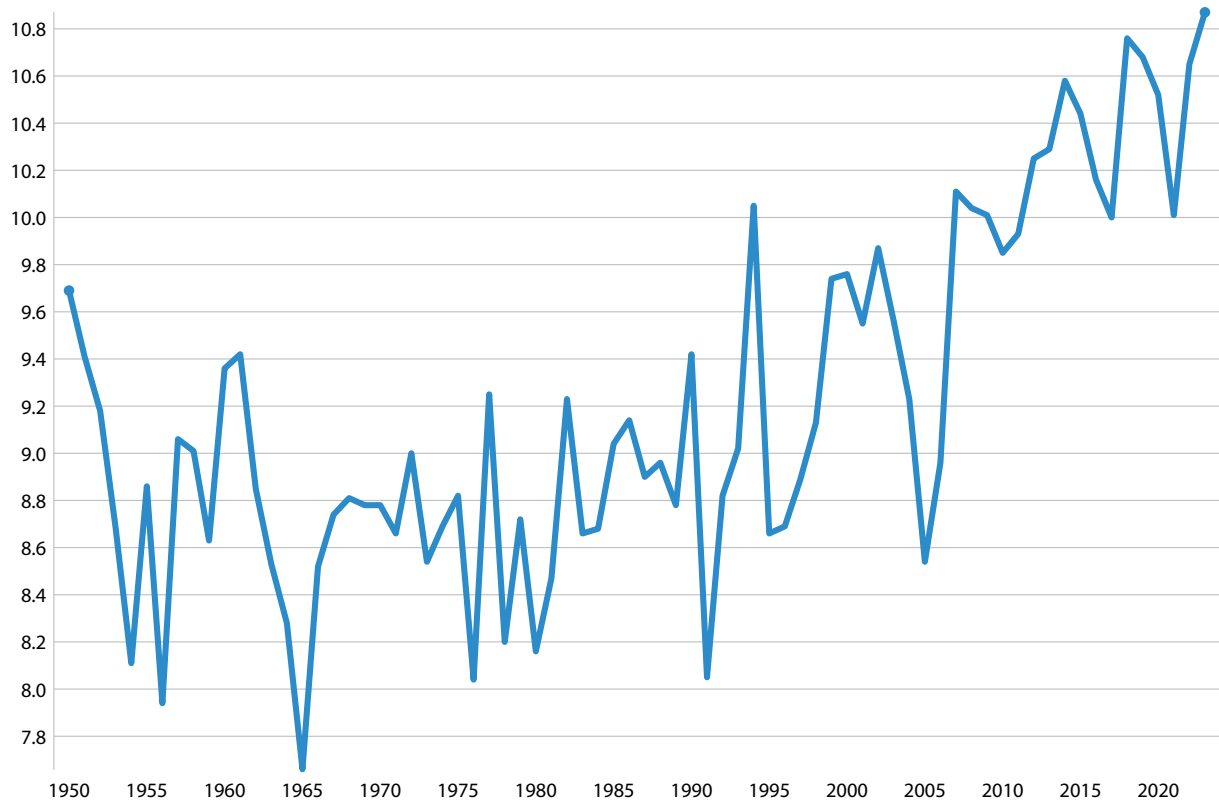
⁴⁶ Notre Dame Global Adaptation Initiative (2025). Country Index | Rankings. Available at: <https://gain.nd.edu/our-work/country-index/rankings/>.

⁴⁷ World Bank Group (2024). Montenegro – Country Climate and Development Report. Available at: <https://www.worldbank.org/en/country/montenegro/publication/montenegro-country-climate-and-development-report>.

⁴⁸ Raičević P., Djurović H., Mirjana Ivanov M., Biljana Gligorić B. (2022). Gender-sensitive Climate Risk Assessment of Kotor Bay, Montenegro. Available at: https://planbleu.org/wp-content/uploads/2023/02/MedP-SCCF-Kotor-Bay-Climate-Risk-Assessment_Plan-Bleu_FINAL.pdf.

⁴⁹ Internal Displacement Monitoring Center (2025). Country profile – Montenegro. Available at: <https://www.internal-displacement.org/countries/montenegro/>.

Figure 1.10 Observed Annual Average Mean Surface Air Temperature of Montenegro (in °C, 1950-2023)⁵⁰



Source: Climate Change Knowledge Portal; see: Climate Change Knowledge Portal (2023). Montenegro.

In addition, Montenegro is prone to seismic activity, especially in the southern regions and along the coastline, as indicated in the seismic hazard map (Figure 1.11). Annually, 9,000 people in Montenegro are affected by earthquakes.⁵¹

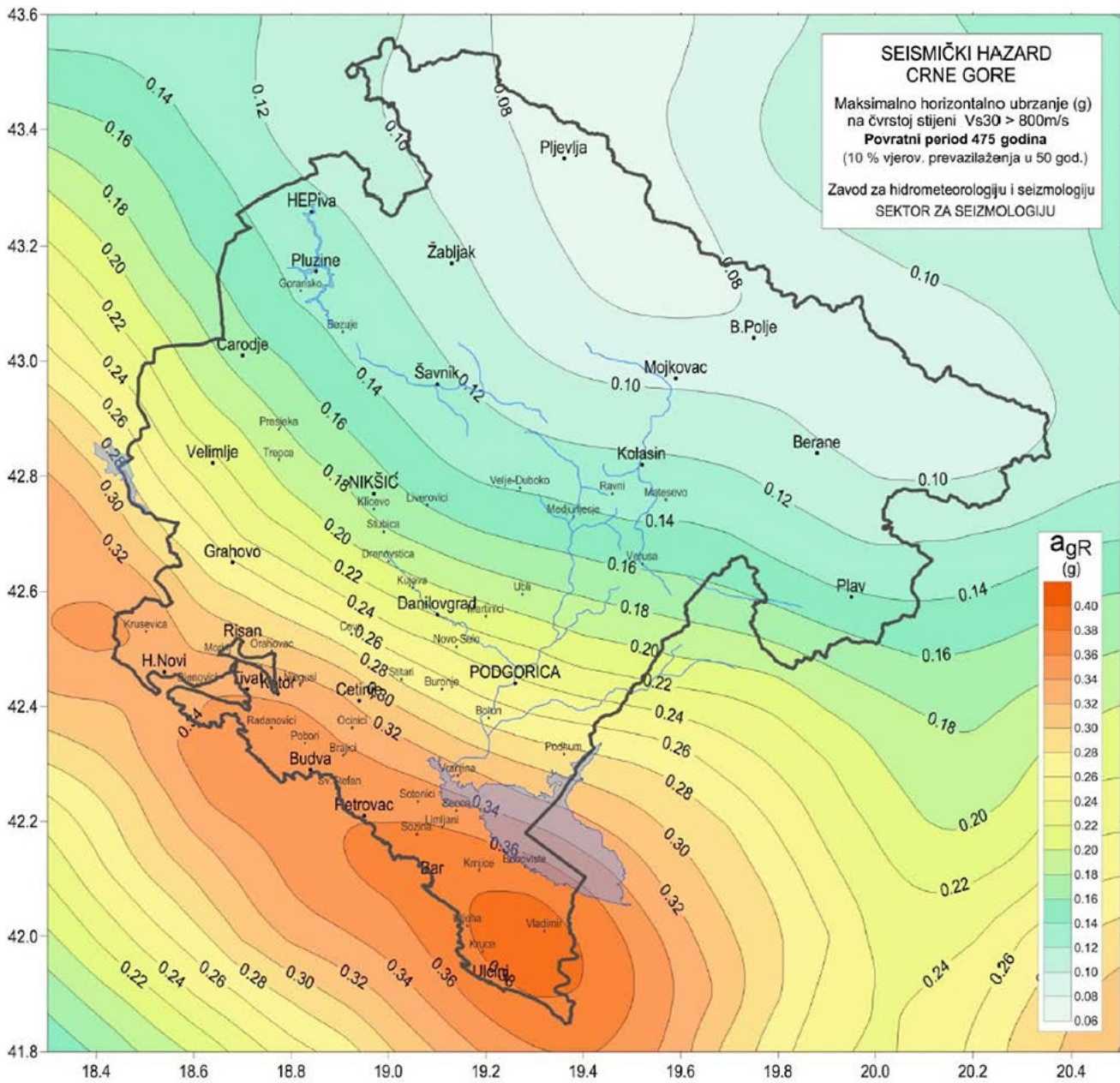
The most destructive and deadly earthquake recorded in the country occurred in April 1979. The earthquake had a magnitude of 6.9 and its epicentre was located 15 km off the coast, in the Adriatic Sea. It resulted in more than 100 fatalities in Montenegro and many other southern cities, and some settlements were destroyed.⁵²

⁵⁰ Climate Change Knowledge Portal (2023). Montenegro. Available at: https://climateknowledgeportal.worldbank.org/country/montenegro/era5-historical?_cf_chl.tk=HHC5rmrhCI8s_LKMwdQIV6r9G_ryXtbDnhhi958GYoc-1750749799-1.0.1.1-lh_UrfmdXdeZWgVmBPmUGXEnFAZInprnnEHfmi5ijU.

⁵¹ World Bank Group (2024). Montenegro – Country Climate and Development Report, Available at: <https://www.worldbank.org/en/country/montenegro/publication/montenegro-country-climate-and-development-report>.

⁵² Institute of Hydrometeorology and Seismology (2020). Seismicity of Montenegro – Strong Earthquakes in MNE. Available at: <https://www.meteo.co.me/page.php?id=174>.

Figure 1.11 Seismic hazard map



Source: Institute of Hydrometeorology and Seismology; see: <https://www.meteo.co.me/page.php?id=174>

Chapter II. URBAN AND REGIONAL DEVELOPMENT AND PLANNING

2.1 Introduction

Montenegro has seen a rapid transformation of its settlement and territorial structures, driven by several interconnected processes. Firstly, economic restructuring, characterized by privatization and disruption of socialist-era production and supply chains, has led to deindustrialization and reintegration into international markets, primarily as a tourism-oriented economy. Secondly, demographic shifts, notably the depopulation of rural hinterlands, have changed settlement hierarchies. Thirdly, rapid real estate construction, including informal construction, has reshaped the country's urban landscape. Fourthly, the restructuring of transport infrastructure, marked by road upgrades and rapid automobilization, alongside an ageing railway infrastructure and underinvested public transport, has changed mobility patterns and flows of goods and people.

Montenegro has strategies and policies for urban or regional development and planning aimed at sustainable and inclusive local and regional development, but challenges persist. Unauthorized construction is still widespread and new laws to address through legalization had not been initiated when this Country Profile was being prepared. Northern areas continue depopulating and losing jobs, while coastal areas and Podgorica are experiencing significant growth pressures. There is a strong nexus of local development, tourism and real estate investment in Montenegro, but much of this is in coastal areas, and much real estate is built informally, so there is clearly potential for using these resources in more productive and balanced national development.

The key to ensure a balanced spatial economy is planned territorial development, leading to environmentally sound and efficient resource use and socially just outcomes that combine long-term economic, environmental, and community needs. Liveable, comfortable and sustainable dwellings should be at the heart of this, but the Montenegrin planning system has been in flux for a long time, with at least three significant reforms since independence in 2008, 2017 and 2025. The post-2008 reforms centralized all planning functions at national level, while largely outsourcing plan-making to private consultancies. It also moved from a building permit-based to a notification-based system for construction. The 2025 reform largely returned this to the pre-2008 status, dividing the preparation of spatial plans between local and national level, reestablishing a hierarchy of public planning authorities in charge of plan-making, and reintroducing a more 'traditional' building permit system. Further significant reforms are being introduced for social housing, regional/territorial development and legalization of informal settlements and structures. In parallel with these regulatory changes, government organization has been frequently reshuffled, affecting ministerial leadership, structures and responsibilities.

Montenegro appears to still be in search of its 'optimal' institutional configuration. Most other post-socialist countries, including neighbouring countries in the Balkans, have already completed this cycle of 'institutional consolidation', as shown by their strong stance against unauthorized building activities and emphasis on planned urban development.

Despite these challenges, progress has been made across some relevant areas. The adoption of a new Spatial Plan of Montenegro in 2025 will be an institutional stabilizer, and many new important institutions are being restored after their marginalization in the 1990s. These include the system of chief architects reintroduced in 2017 after being dismantled in the earlier post-socialist era, and a new system of public planning bodies reintroduced in 2025 to draft and coordinate spatial plans. In 2025, the Government also introduced a new law to regularize past and future unauthorized construction. The EU accession process has also been an important institutional impetus, particularly in strengthening respect for human rights, developing green and energy efficiency standards, and recognizing social and spatial cohesion in local and regional development.

2.2 The urban and settlement system

World Bank data suggests that the Montenegrin urban population was 69 per cent of the 2023 total, compared to 49 per cent in 1991.⁵³ Therefore, urbanization in Montenegro is lower than the EU average (76 per cent in 2023), but higher than other Western Balkan and former Yugoslavia countries. In the past thirty years, Montenegro has been one of the most rapidly urbanizing countries in Europe. Given that the population of Montenegro has been relatively stable, this increasing urbanization rate is largely due to net migration from rural to urban areas.

A traditional feature of the settlement system of Montenegro is spatial dispersion, with few, relatively small, urban centres. This is partly because of the country's small population, and partly because the complex physical landscape limits habitable land. According to the 2023 census, Podgorica, the largest city, is home to 173,024 people,⁵⁴ or 28 per cent of the national population. The next largest city, Nikšić, has a population of 32,846 within its administrative area. However, many urban areas, including Nikšić, are administratively split into "settlements", meaning the statistics underreport the true size of urban areas. The degree of urbanization methodology was under development by MONSTAT at the time of the preparation of this Country Profile.⁵⁵

⁵³ At the time of the preparation of this Country Profile, it was expected that Census 2023 data would be published by urban/rural areas, according to the national methodology as well as the international Degurba classification; however, the figures were not yet available.

⁵⁴ <https://monstat.org/eng/page.php?id=1915&pageid=1758>.

⁵⁵ <https://ec.europa.eu/eurostat/web/degree-of-urbanisation/methodology>.

For statistical purposes, the territory of Montenegro, in addition to municipalities, is divided into three regions, each comprised of several municipalities, although these regions do not have administrative representation and are used purely for territorial analysis and decision-making (Box 2.1). Table 2.1 estimates the largest city populations, based on combined settlements. Even by this measure, most towns in Montenegro have under 10,000 people. This pattern makes the pull of Podgorica even more significant, although the appeal of the coastal areas partly counterbalances it.

Despite the sizeable demographic weight of Podgorica, it is not a particularly large city internationally; in fact, Montenegro is one of the few countries not to have cities larger than 200,000 people. The absence of a large agglomerative economic centre represents a challenge for the national economy, given that such centres are hubs of innovation, consumer demand and domestic markets. Therefore, Montenegro needs to build an effective multi-vector strategy to increase its national competitiveness. This can be achieved by developing internal integration to benefit from its compact geography so that the entire national territory functions as a 'networked agglomeration'. In addition, international markets could be accessed through higher value-added products and services; tourism already does this, but capacity for exports of products and services could also be developed. Finally, Montenegro must diversify its economy to reduce dependence on tourism, making the economy more resilient.

The municipalities are the principal territorial division of Montenegro. Their sizes reflect the settlement pattern of small and multiple settlements; the larger municipalities tend to contain the largest towns (see Figure 1.4 in Chapter I). As 14 of 25 of the country's municipalities have fewer than 20,000 inhabitants, managing planning and development initiatives at local level can be challenging.

Box 2.1 **The grouping of municipalities into statistical regions**

- Coastal (Southern) Region: Bar, Budva, Herceg Novi, Kotor, Tivat and Ulcinj
- Central Region: Podgorica, Cetinje, Danilovgrad, Nikšić, Tuzi and Zeta.
- Northern Region: Andrijevica, Berane, Bijelo Polje, Gusinje, Kolašin, Mojkovac, Petnjica, Plav, Pljevlja, Plužine, Rožaje, Šavnik and Žabljak.

Table 2.1 The largest towns of Montenegro in 2023, people

Podgorica	173,024
Nikšić	54,394
Budva	20,168
Pljevlja	16,419
Bar	15,868
Cetinje	12,460
Bijelo Polje	11,635
Ulcinj	11,488
Tivat	10,894
Rožaje	10,581
Herceg Novi	10,259
Berane	9,923
Dobrota	7,345
Igalo	5,897
Tuzi	5,735
Danilovgrad	5,162

Source: <https://www.citypopulation.de/en/montenegro/cities/>.

Notes: Nikšić, Budva, Bijelo Polje, Rožaje, Herceg Novi, Tuzi and Danilovgrad are composed of several settlements in 2023 boundaries.

2.3 Regional and inter-municipal disparities

The transition to a market-based economy from the early 1990s has led to divergent trajectories between its regions. As one of the republics of the former Socialist Federal Republic of Yugoslavia, Montenegro industrialized via a planned economy, in line with communist principles of development based on accelerated industrialization, comprehensive national economic planning, and integrated, polycentric and distributed spatial development.⁵⁶

Industrialization dictated concentration of population in urban areas and stimulated internal migration, often drawing populations from rural, mountainous areas towards newly developing industrial centres. This expansion was largely planned, with essential housing and amenities prioritized for the rapidly expanding workforce. This featured multi-apartment housing projects, shaping the urban fabric to support a centralized economic model.

⁵⁶ <https://www.taylorfrancis.com/chapters/edit/10.4324/9781003367246-3/soviet-sputnik-towns-past-sustainable-urban-future-remaking-periphery-distributing-centrality-oleg-golubchikov-irina-ilina>.

This period also saw growing regional specialization. The central and northern regions were earmarked for heavy industry, mining – coal in Pljevlja, bauxite in Nikšić – and hydroelectric energy production. The coastal region saw investments in ports and tourism infrastructure – although that was carefully planned and far from the more recent scale of mass coastal development. Ski resorts were also built in the northern region in the 1980s, including in Kolašin and Žabljak as well as the Savin Kuk ski resort in Durmitor National Park. The construction of the Belgrade–Bar railway, the backbone of the country’s railway system, was started in the 1950s and the full line has operated since 1976. Generally, while economic development was territorially polycentric, urban areas were generally favoured.

The post-socialist era, shaped by neoliberal ideology, has produced significant fragmentation and regional inequalities across Eastern Europe.⁵⁷ In Montenegro, Podgorica and its surrounding central plain have become the primary economic and administrative hub, attracting internal migrants seeking employment and education opportunities. The Adriatic coast, with its natural beauty, also attracted investment, including foreign funds, for rapid development of hotels, resorts, and extensive tourist infrastructure. This has led to illegal development and placed immense pressure on infrastructure in coastal areas and Podgorica. Conversely, the northern region has faced economic decline. Its industrial base, central during the socialist era, eroded in the transition period (see Box 2.2 on Nikšić).

These spatial disparities are reflected in demographic changes: most northern municipalities experienced shrinkage, while most coastal municipalities have growing populations (Table 2.2). Ulcinj in the south and Rožaje in the north are exceptions, showing trends opposite to their regions. The central region is divided between expanding Podgorica and Danilovgrad, and shrinking Cetinje and Nikšić.

Unlike in many other post-socialist countries, the local demographic trends in Montenegro have continued long-term. In the socialist era, the coastal municipalities and Podgorica experienced faster population growth, whereas the northern municipalities of Kolašin, Žabljak, Andrijevića, Šavnik, and Plužine had been losing population since at least 1953, despite overall national population growth (Table 2.2). The reasons are remoteness of settlements, lack of accessibility, and their rural character: which led people to move to better-serviced and more populated areas. Only Danilovgrad reversed this trend, while Ulcinj, Nikšić, Rožaje, Berane, Bijelo Polje and Mojkovac either experienced population decline or remain stable.

People in northern and non-urban locations are significantly more at risk of poverty, while in the south this has decreased between 2018 and 2020 (see Table 1.7 in Chapter I). Women in more remote areas encounter compounded barriers, with heightened disadvantages in accessing infrastructure, essential services, and opportunities to participate in local planning processes. Table 2.3 provides a range of economic indicators available for municipalities.

57 <https://journals.sagepub.com/doi/full/10.1177/00420980251322410>.



PHOTO: sinandogan / ADOBE STOCK

It is no surprise that many of the most rapidly shrinking municipalities also have significant proportionate levels of vacant or abandoned housing, including Šavnik, Plužine, Andrijevića, Ulcinj, Žabljak and Plav. However, there are also expanding municipalities with high levels of housing vacancies, notably the coastal municipalities of Budva, Tivat, Bar, Herceg Novi and Kotor. This is in addition to their large housing stock designated for seasonal use and so not counted as permanent housing (Figure 3.6).

This trend implies much speculative growth, especially where many dwellings have been built in the past two decades. A further analysis of the matrix of vacancies versus new-built dwellings (Table 2.4) demonstrates a group of municipalities with potentially overheated housing markets (Budva, Tuzi, Gusinje, Tivat, Bar, Petnjica) and a group with low levels of new construction despite lower than national levels of vacancies (Zeta, Nikšić, Danilovgrad, Cetinje, Mojkovac).

The varying levels of development across municipalities are reflected in local budget revenues (Figure 2.1). Podgorica recorded the highest share, with 21.7 per cent of total local government revenues in 2024, followed by Bar, Budva, Nikšić, Kotor, Pljevlja, Tivat, Herceg Novi and Bijelo Polje. This is partly explained by population size, but also by municipal income-generation capacity. The graph also shows a considerable share of transfers from the national budget, including from the equalization fund and conditional grants.

When re-calculated on per capita basis, however, the distribution of local government revenue demonstrates that a few municipalities heavily reliant on transfers and grants actually outperform the larger municipalities (Figure 2.2). Municipalities that *underperformed* on both accounts are Danilovgrad, Zeta, Tuzi, Plav, Petnjica and Gusinje.

Table 2.2 Population of the country's municipalities according to Censuses 1948-2023 (persons) and population change (per cent)

	1948	1953	1961	1971	1981	1991	2003	2011	2023	1953 to 1991, per cent	1991 to 2023, per cent
Montenegro	377189	419873	471894	529604	584310	615035	620145	620029	623633	146	101
Coastal Region											
Budva	3822	4364	4834	6106	8632	11717	15909	19218	27445	268	234
Tivat	5030	5432	5974	6925	9315	11429	13630	14031	16338	210	143
Bar	21487	23007	24587	27580	32535	37321	40037	42048	45812	162	123
Herceg Novi	12482	13759	15157	18368	23258	27593	33034	30864	30824	201	112
Kotor	14124	15436	16642	18917	20455	22410	22947	22601	22746	145	101
Ulcinj	12861	14080	16213	18955	21576	24217	20290	19921	20507	172	85
Central Region											
*Podgorica (incl. Zeta, Tuzi)	48417	55539	72219	98796	132290	152025	169132	185937	208555	274	137
Danilovgrad	16800	17394	17378	15073	14769	14718	16523	18472	18617	85	126
Nikšić	38359	46589	57399	66815	72299	74706	75282	72443	65705	160	88
Cetinje	25183	25604	23503	22024	20213	20307	18482	16657	14494	79	71
Northern Region											
Rožaje	11047	12668	14700	16018	20227	22976	22693	22964	23184	181	101
*Berane (incl. Petnjica)	27655	30376	34280	40085	42285	38953	35068	33970	29602	128	76
Bijelo Polje	36795	41432	46651	52598	55634	55268	50284	46051	38662	133	70
*Plav (incl. Gusinje)	15764	17330	18913	19542	19560	19305	13805	13108	12983	111	67
Mojkovac	5856	7252	8832	9833	10753	10830	10066	8622	6728	149	62
Pljevlja	35926	40876	46677	46843	43316	39593	39806	30786	24134	97	61
Kolašin	14074	14896	14882	13799	12656	11120	9949	8380	6700	75	60
Žabljak	5907	6773	6564	6141	5227	4914	4204	3569	2941	73	60
Andrijevica	10058	10267	9792	9266	7487	6696	5785	5071	3910	65	58
Šavnik	7512	7847	7533	6842	5569	3690	2947	2070	1569	47	43
Plužine	8030	8952	9164	9078	6254	5247	4272	3246	2177	59	41

Source: Statistical Yearbook 2024, MONSTAT.⁵⁸

Notes: (a) *municipalities formed after 2011 are combined with regard to 2023 data; (b) within regions, municipalities are sorted according to population change 2023 to 1991

Table 2.3 Selected indicators for 25 municipalities

	Population 2023	Population 2023 as per cent of national	Active businesses 2024, as per cent of national	Activity rate, per cent, 2023	Unempl. per cent, 2023	per cent of new dwellings in total permanent housing, 2023	per cent vacant/abandoned dwellings in total permanent housing, 2023	salary I-XI 2024, as per cent of national average
Montenegro	623633	100.0	100.0	56.0	13.3	33	25	100
Coastal Region								
Bar	45812	7.3	9.8	55.3	11.9	35	37	95
Herceg Novi	30824	4.9	7.4	55.8	7.9	29	30	92
Budva	27445	4.4	19.9	65.1	6.8	58	27	97
Kotor	22746	3.6	3.3	56.5	7.2	30	27	101
Ulcinj	20507	3.3	2.7	50.2	16.5	32	38	88
Tivat	16338	2.6	4.8	60.5	6.4	36	32	122
Central Region								
Podgorica	179505	28.8	35.5	64.0	9.3	42	19	104
Nikšić	65705	10.5	4.2	54.0	16.5	22	17	97
Danilovgrad	18617	3.0	1.4	53.2	10.0	30	20	87
Zeta	16071	2.6	0.3	56.8	10.8	28	13	113
Cetinje	14494	2.3	1.8	53.6	12.5	15	23	102
Tuzi	12979	2.1	0.5	48.9	18.0	44	26	81
Northern Region								
Bijelo Polje	38662	6.2	2.8	51.6	17.6	21	25	87
Berane	24645	4.0	1.3	50.1	25.8	22	26	94
Pljevlja	24134	3.9	1.1	50.5	16.8	13	27	103
Rožaje	23184	3.7	1.4	42.2	36.9	34	18	88
Plav	9050	1.5	0.3	39.7	42.1	30	34	92
Mojkovac	6728	1.1	0.3	49.4	17.8	15	24	88
Kolašin	6700	1.1	0.5	52.0	11.7	21	26	91
Petnjica	4957	0.8	0.1	34.0	47.5	33	28	84
Gusinje	3933	0.6	0.1	35.6	43.0	40	32	88
Andrijevica	3910	0.6	0.2	44.8	26.9	19	39	85
Žabljak	2941	0.5	0.3	53.1	12.0	26	37	98
Plužine	2177	0.3	0.1	46.9	17.6	12	43	95
Šavnik	1569	0.3	0.1	53.3	7.9	12	58	90

Source: derived or calculated from MONSTAT datasets and Census data.

Notes: municipalities are sorted according to their population; new dwellings denote dwellings built in 2001-2023.

Table 2.4 Clustering of municipalities by new construction and vacancy patterns

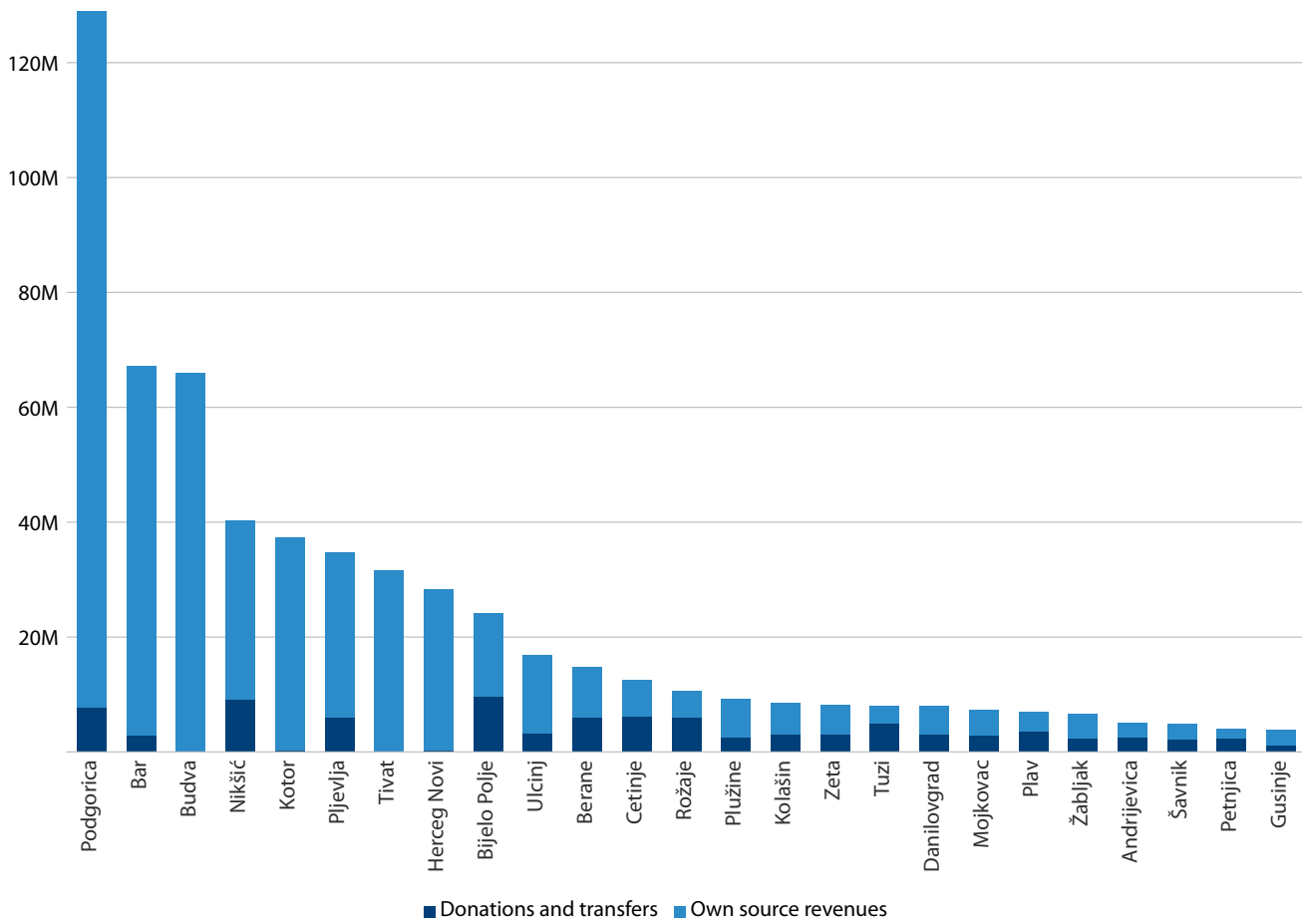
	The share of vacant dwellings above national average		The share of vacant dwellings below national average
The share of newly-built dwellings above national average	Budva Tuzi Gusinje	Tivat Bar Petnjica*	Podgorica Rozaje*
The share of newly-built dwellings below national average	Bijelo Polje* Berane* Kolašin* Pljevlja* Kotor Herceg Novi	Plav* Žabljak* Ulcinj Andrijevica* Plužine* Šavnik*	Zeta Nikšić Danilovgrad Cetinje Mojkovac*

Source: calculated based on MONSTAT data.⁵⁹

Notes: *denotes northern municipalities. Clustering is based on the following data: the share of temporary vacant and abandoned dwellings to the total number of dwellings for permanent housing in 2023 and the share of dwellings built 2001-2023 compared to the total number of dwellings for permanent housing in 2023.



59 See https://www.monstat.org/uploads/files/popis%202021/saopstenja/TABLE_Dwellings%202023%20I.xlsx; https://www.monstat.org/uploads/files/popis%202021/saopstenja/TABLE_Dwellings%202023%20IV.xlsx.

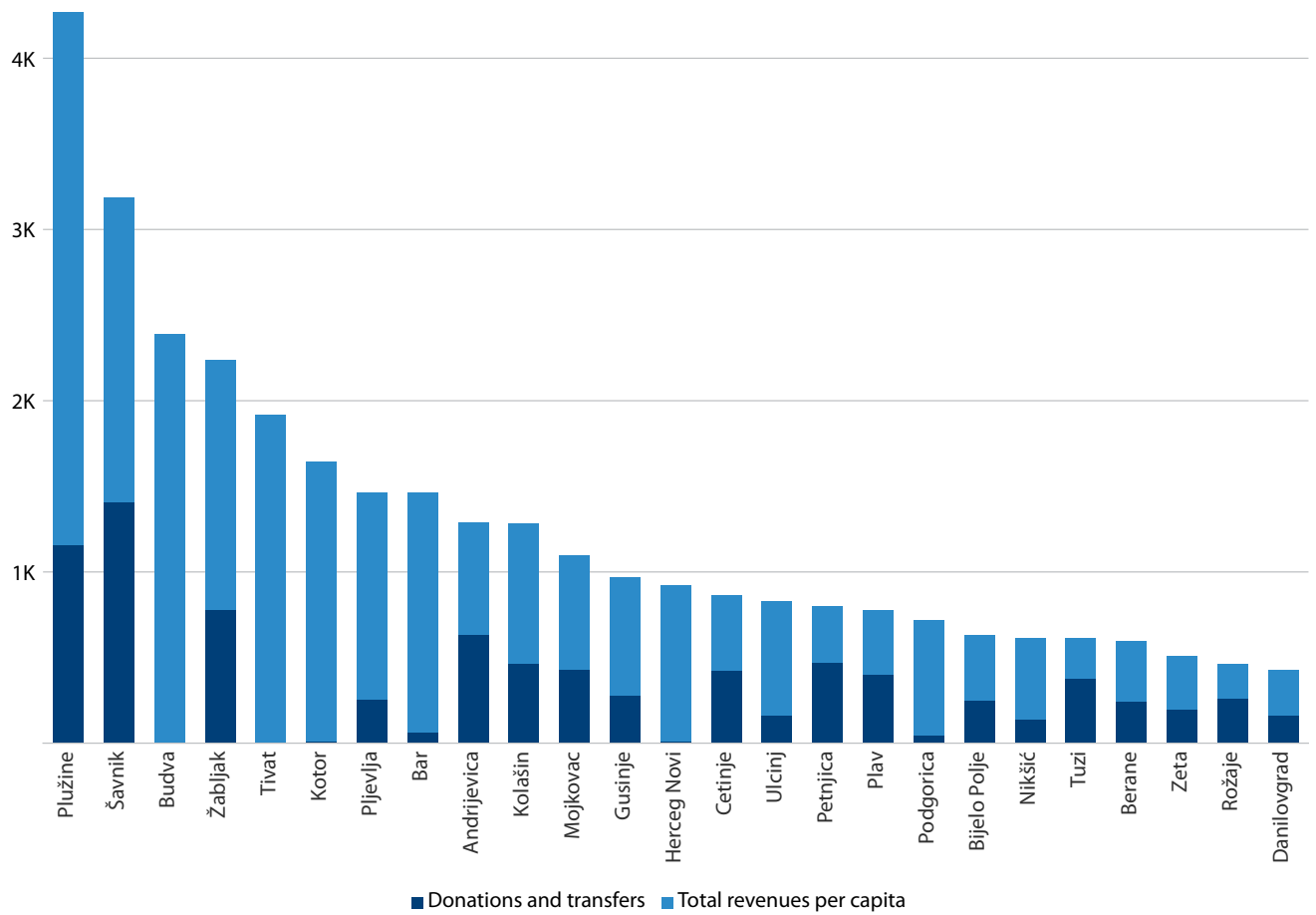
Figure 2.1 Revenues of local government units in 2024 (million €)

Source: Ministry of Finance.⁶⁰

Note: revenues include receipts from repayment of loans and funds transferred from the previous year.

60 See <https://www.gov.me/clanak/prihodi-rashodi-i-neizmirene-obaveze-lokalnih-samouprava-na-31122024-godine>.

Figure 2.2 Revenues of local governments re-calculated in per capita in 2024 (€)



Source: Based on Ministry of Finance,⁶¹ calculated based mid-year population estimates for 2024 of MONSTAT.

Note: Revenues include receipts from repayment of loans and funds transferred from the previous year.

61 See <https://www.gov.me/clanak/prihodi-rashodi-i-neizmirene-obaveze-lokalnih-samouprava-na-31122024-godine>.

Box 2.2 Nikšić, the second-largest city of Montenegro

Nikšić developed as an industrial hub during the socialist era. It grew from less than 10,000 to almost 60,000 inhabitants as rural migrants moved to fill jobs in the steelworks, bauxite mines, machine industry and food-processing plants. This modernized the city but created dependence on a narrow industrial base. The 1990s brought severe disruption: military conflicts and economic collapse devastated industry. The steel plant's workforce fell from 9,000 to 500, whilst most factories closed. Only the brewery and a few small firms survived, leaving lasting unemployment and social pressures. The collapse of major industries during the transition period also resulted in the loss of the entire local supply chain, including SMEs and individual businesses previously linked to large enterprises.

Today, the municipality is working to restore economic vitality. The steel plant remains state-owned and seeks a strategic partner. Small and medium-sized enterprises, self-employment incentives, and new business zones on recultivated land contribute only modestly to economic development. Strategic priorities include renewable energy, rural tourism, and green investments, but infrastructure remains one of the key barriers to economic development.

Urban development has progressed more strongly, however. Despite centralization reforms limiting municipal planning powers, the city preserved its local planning agency. This allowed work on spatial plans, and coordination with national ministries on key facilities like kindergartens and hospitals. Over the past decade, Nikšić has delivered many important projects: water treatment facilities, a road bypass, reconstruction of the central square, and renovation of housing blocks through co-funded energy-efficiency schemes. It has also overseen construction of new social housing units with the support of the Regional Housing Programme (see Chapter III and Box 3.8). New facilities also include a multifunctional business and sports centre, a kindergarten, cultural and sports venues, and restored heritage buildings such as King Nikola's palace.

The city has more units than households, but many homes are vacant or speculative investments, while demand for affordable housing persists. Socio-economic pressures are reinforced by rural depopulation in the wider municipality continues, and land fragmentation, weak agricultural use, and high unemployment. The municipality's fiscal resources are limited, relying on the national equalization fund.

Source: Interview with local government.

Picture 2.1 An entrance to the steel plant in Nikšić



PHOTO: OLEG GOLUBCHIKOV

2.4 Territorial development policies

Key policymaking bodies

Territorial development is inherently cross-sectoral, involving multiple ministries at the national level, as outlined in Chapter I. In particular, the following ministries have been directly involved with spatial planning and regional development: the Ministry of Spatial Planning, Urbanism and State Property, the Ministry of Regional-Investment Development and Cooperation with Non-Governmental Organizations, and the Ministry of Ecology, Sustainable Development and Development of the North.

Overall, the structure of Government ministries and agencies in Montenegro is fragmented, with unclear boundaries between their respective fields of competence. Although EU candidate status (acquired in 2010) has been an institutional stabilizer, frequent government changes and repeated restructuring have undermined both “institutional memory” and implementation of key policies.

The key ministry responsible for housing and spatial planning has been restructured several times since 2020. In 2020, the Ministry of Sustainable Development and Tourism was superseded by the Ministry of Ecology, Spatial Planning and Urbanism, which, in turn, was replaced by the Ministry of Spatial Planning, Urbanism and State Property in 2023. The Ministry of Regional-Investment Development and Cooperation with Non-Governmental Organizations was formed in 2024 to absorb regional development functions from the Ministry of Economic Development.

The functions, compositions and leadership of ministries have also undergone frequent changes, each change requiring a transition period. This, combined with legislative changes and generally understaffed ministerial departments, has negatively affected adoption or implementation of key decisions. For example, the Spatial Plan of Montenegro was in draft form for several years, and recently had to be revised to align with new legislation adopted in 2025.

One of the key solutions in the new spatial planning policy outlined in the new Law on Spatial Planning, is that preparation of planning documents should fall exclusively under the jurisdiction of the State or local self-government, rather than outsourced to third parties. A National Spatial Planning Agency has been therefore established, and all local self-governments must set up agencies to develop local plans.

Spatial Plan of Montenegro until 2040

Adopted in 2025, the Spatial Plan of Montenegro until 2040 or PPCG⁶² is the country’s most significant spatial planning document. Its adoption followed the passing of the new Law on Spatial Planning (see section on planning in this chapter). PPCG determines the basis for spatial organization, including goals for spatial, economic, social, environmental, infrastructural and cultural-historical development.

One of its main goals is mitigation of regional inequalities: it aims for balanced regional development and encourages development of all local communities. A related goal ensures quality of life in all parts of Montenegro through development of economic and social activities and infrastructure, especially in areas where this has been inferior. A key dimension of this has been the identification of broader zones of economic specialization - development zones - to activate the potential in all regions and municipalities.

62 See <https://www.gov.me/clanak/prostorni-plan-crne-gore>.

The plan advocates a *polycentric settlement system* to promote rational expansion and harmonious development across regions, aiming to decentralize activities and relieve pressure on the capital, and coastal areas. The concept of *a network of settlements*, urban and rural, is seen as vital, with improvement of transport connectivity providing the basic conditions for a polycentric system.

The plan envisages development of transport corridors to enable greater spatial integration and economic development. It proposes the construction of 270 km of highways, 353 km of express roads and nine airports, as well as the expansion of the railway network with lines to Pljevlja, Berane, and the border with Kosovo. The plan includes seven main transport corridors, such as the Bar–Boljaře highway (A1) and the Adriatic–Ionian highway (A2), which will connect key points within the country and neighbouring states.

In addition, PPCG acknowledges the necessity of providing all settlements with service functions and activities in accordance with their rank and demographic profile, using targeted activities across the settlement hierarchy. According to their place in this hierarchy, different centres will have different functions, but generally places higher in the hierarchy serve as connecting hubs for lower ones.

PPCG sees the following hierarchy of settlements:

- The centre of state importance – Podgorica
- The state centre of special importance – Cetinje
- Centres of regional importance - Bar, Ulcinj, Bijelo Polje, Berane, Herceg Novi, Kotor, Tivat, Nikšič, Pljevlja and Budva
- Centres of municipal importance, significant local centres
- Local centres

PPCG also outlines the importance of housing policy in addressing all population needs by developing the rental and affordable housing sector, increasing public housing stock, improving management and maintenance systems, and implementing the legalization process for illegal buildings.

Whilst PPCG has been welcomed as an up-to-date, comprehensive, plan-led system, its finalization has raised criticism for the lack of nature protection, consideration of natural resources, and heritage protection. For example, certain issues of interest were not communicated to UNESCO, despite requirements in the Operational Guidelines of the World Heritage Convention.

Regional Development Strategies

The *Regional Development Strategy of Montenegro for 2023-2027 (SRR)*⁶³ is the main document translating national priorities into regional development. Among its key objectives are:

- reducing poverty and internal migration through more accessible services and infrastructure
- improving the quality of life through better housing conditions and strengthening competitiveness and increasing the functionality of the housing market
- social inclusion and reducing regional disparities in living standards
- strengthening the capacity of local governments in implementing public policies
- improving the legislative and planning framework for sustainable spatial development
- supporting the green transition and decarbonization through efficient use of resources
- mitigating regional differences
- preventing migration
- improving institutional and legislative capacities at the local level.

Infrastructure development is highlighted as one of the major achievements of regional development efforts in recent years.

In recognition of the regional development policy's importance, the *Ministry of Regional Investment Development and Cooperation with Non-Governmental Organizations* was established in 2024 to enhance territorial cohesion and address regional disparities. The Ministry's objectives align with the *Regional Development Strategy 2023–2027*, and include strengthening regional competitiveness and developing priority sectors with growth potential such as sustainable tourism, the processing industry, and organic agriculture. It also aims to improve transport infrastructure and advance climate resilience and environmental protection. It will do this by consolidating and co-ordinating actions previously spread across different bodies, including the Ministry of Economic Development, Montenegrin Investment Agency, and the previous Investment and Development Fund (currently the Development Bank of Montenegro).

A revision of the *Regional Development Strategy* was underway in 2025. To support this process, a new draft of the *Law on Regional Development* is also being prepared to replace the previous law adopted in 2011. This law addresses the issue of regional development problems, and divides the country into three regions for statistical purposes, coastal, central and northern, although these do not have legislative or implementative power.

⁶³ See <https://www.gov.me/dokumenta/4b0f63fd-e49d-4f0c-9f09-99426dc8d51b>.

The draft Law introduces several welcome innovations. The municipalities' operational capacity will be strengthened through the *Programme for Encouraging the Development of Underdeveloped Local Self-Governments*, which is projected to receive a dedicated budget allocation of at least 2 per cent of the national budget from 2026 onwards. In parallel, the establishment of a new *Partnership Council for Regional Development* will enable strategic coordination among ministries for regional development.

Montenegro was the first non-EU state to adopt the *Smart Specialization Strategy (S3)*, in 2019: a requirement for access to some EU funding instruments. The first Montenegrin cycle of S3 covered 2019-2024, and identified four priority areas: knowledge and innovation-based agriculture, energy and sustainable environment, sustainable health tourism, and information and communication technologies (Digital Montenegro). S3s are conceived as place-based, innovation-led transformation agendas for sustainability, but this one has been quite broad and explorative; it will be important to develop it further in combination with urban and regional development goals. This is an ongoing process led by the Ministry of Education, Science and Innovation.

The Equalization Fund

The *Law on Financing Local Self-Government* regulates sources of funds, method of financial equalization, and local government financing. Under this law, the municipality is financed by its own revenues, revenues assigned by law, the Equalization Fund and the state budget. The law defines the distribution of proportion of revenues from different taxes between the state and local budgets. For example, northern region municipalities and the municipalities of Zeta and Tuzi, the most recently formed new municipalities, receive higher shares of certain taxes than those located in the coastal and central regions.

The Equalization Fund (EF), administered by the country's Ministry of Finance, is a fiscal mechanism designed to support less-developed municipalities by redistributing revenue based on disparities in local fiscal capacity and expenditure needs. It is financed through specific levies on personal income tax, real estate transfer tax, motor vehicle and aircraft-use fees, and concession fees from gambling. Municipalities whose level of development is below 100 per cent of the average value of the development index are eligible. The calculation of the index is described in *the Regulation on the Method of Calculating the Local Self-Government Unit Development Index* (see Box 5.1).

Over €50.6 million was allocated from the EF to 18 municipalities in 2024. Transfer from the EF amounted to over the fifth of budget revenue in 11 of them. UNDP is currently supporting the Ministry of Finance to review and improve the existing model.

National Housing Strategy of Montenegro

The National Housing Strategy of Montenegro from 2010 to 2020 and its successor *Housing Policy Strategy of Montenegro until 2034* (adopted in 2025),⁶⁴ are reviewed in Chapter III. It is important to note here that the new strategy until 2034 is integrated with the objectives of the other strategies outlined in this section and incorporates territorial dimensions by focusing on nationwide need for affordable and sustainable housing. It also builds on best practices from the EU and UN, particularly integrating UNECE guidelines on housing.

Transport Development Strategy

The Transport Development Strategy – Montenegro for 2019-2035 defines infrastructural, organizational and operational targets to develop the transport system. It concerns state roads such as motorways, expressways, main and regional roads (Figure 2.3). There is no national strategy for local road development, as this is the responsibility of local self-government, and each municipality separately plans and implements related projects.

The central element in developing transport connectivity has been the construction of the primary road network: highways and expressways. The Bar-Boljare Highway is part of the international European corridor Western Balkans-Eastern Mediterranean, aiming to improve internal and regional transport connectivity. The completed section links Podgorica with Matešev, near Kolašin. This section, 42 km long, was funded by a loan from the Export-Import Bank of China and built by the China Road and Bridge Corporation (CRBC) for €850 million. Plans for the second phase, extending the highway from Matešev to Andrevica, are currently underway. A loan agreement was signed with the EBRD for €200 million and the EC provided a €150 million grant. This road will contribute to better and faster connectivity of the northern region with the central and southern regions, improve traffic safety and efficiency, and open up development opportunities through better utilization of natural and economic potential.

One of the effects of the completed highway section has been accelerated development of tourist services and real estate in Kolašin, a skiing resort created in the Yugoslavian era. The new highway boosted efforts to develop Kolašin, that were already underway through the Montenegro Programme of Economic Citizenship. This was designed to attract foreign investment, with a significant portion specifically targeting development of hotels and ski resorts.⁶⁵ Kolašin has transformed, but with positives and negatives. Although economically successful, its growth has been speculative and shared some of the previous problems experienced in coastal areas such as Budva, Kotor or Tivat.⁶⁶

64 See <https://wapi.gov.me/download/8fa23bc2-b72d-4325-9395-09ca132f5d28?version=1.0>.

65 See <https://mia.gov.me/en/invest-in-mne/economic-citizenship/>.

66 See https://koakonearhitekt.com/wp-content/uploads/2025/02/2023-CIN-KANA-Public-policies-and-private-interests_How-Kolasin-Turned-into-a-Construction-Site-for-the-Privileged.pdf.

Picture 2.2 The Bar-Boljare Highway



PHOTO: OLEG GOLUBCHIKOV

Another mega-project is the Montenegrin coast expressway. The preparation of technical documentation for the entire route is underway, with a planned launch for construction of the Budva bypass by the end of 2025, with a completion date of 2029.

There are national priorities and strategic investments to enhance train speeds, reliability, and cargo capacities. EBRD is currently funding a €330 million reconstruction of the Podgorica-Bar railway, including via grants.

Annual projects are undertaken to reconstruct intercity and regional roads, recognized as vital for agriculture and overall regional development. These are funded from the state capital budget as well as by loans from EBRD and EIB.

Figure 2.3 Network of planned motorways and expressways in Montenegro



Source: internal materials of the Ministry of Transport

Agriculture and rural development

*The Strategy for Agriculture and Rural Development for 2023–2028*⁶⁷ determines the direction of agricultural and rural development, including improving the living standards of rural populations, overall rural development, and strengthening food production competitiveness. The Strategy defines five strategic objectives:

- Increasing the resilience and competitiveness of production and processing of safe food
- Ensuring efficient management of the country's natural resources and achieving the goals of the Green Agenda
- Raising the quality of life and the volume of economic activities in rural areas
- Building a knowledge transfer network and application of new technologies to increase food safety, increase competitiveness and protect the environment
- Efficient and transparent management of agricultural and rural development policies

67 See <https://www.gov.me/dokumenta/1e9c16c3-8814-49ab-ba89-de4f60f796af>.

Montenegro benefits from *the Rural development programmes under the Instrument for Pre-Accession (IPARD)*. Sustainable agriculture and food production are the centrepiece of IPARD. IPARD includes programmes within a menu of 11 measures, selected for implementation by the partners. Under each of the measures, beneficiaries may prioritize and select sectors, which should receive assistance. IPARD III currently covers the period 2021–2027.

In 2024, according to a MONSTAT internal communication, Montenegro imported considerable quantities of agricultural products, for example meat and meat products (€184 million), fruit and vegetables (€119million), cereals and cereal products (€101million), as well as eggs and milk products (€93 million). Some of these products could be produced domestically. It is important for Montenegro to develop high added value production chains, for example, the Government has identified health products as a possibility.

The Strategy for the Development of Tourism

In 2024, Montenegro welcomed 2.6 million tourist arrivals and recorded 15.6 million overnight stays, reflecting a modest decline from 2023 yet showing growth in overnight stays compared to 2019. The tourism sector is predominantly comprised of foreign visitors (96 per cent), with the majority coming from Serbia, the Russian Federation, Bosnia and Herzegovina, Türkiye, and Germany. However, significant challenges persist, largely attributed to high levels of informality within the tourism sector. Unregistered accommodation providers, unreported seasonal workers and undeclared services are depriving the state and local governments of considerable tax revenues. The shadow economy in tourism is fuelled by limited inspection capabilities, a growing cash economy for rental properties, and inadequate enforcement.

The regional disparity of tourism is one of the problems recognized by *the Strategy for the Development of Tourism of Montenegro 2022-2025*, as 95 per cent of tourist turnover is in the coastal region and 40 per cent of accommodation capacity is in the municipality of Budva alone. This significant reliance on coastal tourism undermines long-term sustainability and fails to capitalize on the untapped potential of northern regions. The regional development aspects of the Strategy include specification of different ‘tourist regions’. In the northern region this includes the areas of Durmitor and Sinjajevina with the Tara and Piva rivers, as well as Bjelasica, Komovi and Prokletije. The main tourism products for these areas are linked with protected areas, such as national and nature parks, as well as: winter tourism; nature-based tourism; Meetings, Incentives, Conferences and Exhibitions tourism (MICE); rural; gastronomic; cultural; and family tourism. The goal for northern tourism development is to increase hotel capacity by at least 15 per cent.

Over 350 rural households are currently involved in tourism, supported by targeted programmes and action plans (2023–2025). Key related initiatives include infrastructure enhancements such as upgrades to roads and utilities, as well as implementation of artificial snow systems in ski resorts, such as Savin Kuk and Kolašin, to encourage year-round tourism. In 2024, activities were launched to introduce the first artificial snow systems at state-owned ski resorts in Montenegro. Funds have been provided for basic infrastructure construction and procurement of the first snowmaking guns at Savin Kuk, while in Kolašin this will be completed in 2026, intended to develop year-round skiing.

However, some of these measures involve complex trade-offs with environmental and heritage protection goals. For example, snow guns are prohibited in Durmitor National Park as stated in the UNESCO 2019 Mission Report and confirmed by the Decision of the World Heritage Committee. Similarly, the existing ski lift can only be renovated, not enlarged, and no new infrastructure - not even new electricity facilities – may be constructed. Meanwhile, the Ministry of Tourism is actively promoting the gastronomic and cultural heritage of the north, collaborating with the National Tourism Organization to enhance air connectivity and engage with international tour operators.

Picture 2.3 Rural tourism development near Kolašin



Business competitiveness and investment improvement

Many other governmental bodies have strategies and funds which influence local and regional economic development. For example, in 2024, the Investment and Development Fund (IDF) was reformed into the *Development Bank of Montenegro (DBM)* (Box 5.3). Its mission is to create new value through strategic investments aligned with national priorities and national economic development: for example, agriculture and food production, industry, tourism and hospitality. Unlike traditional banks, it can work with riskier investments and act as a stabilizer during crises. However, DBM operates on a model of financial self-sustainability and does not have a specific portfolio targeting public infrastructural projects of the type needed for local settlement regeneration.

Other programmes important in the field of territorial development are reviewed in Section 7 of Chapter V, including:

- *The Programme for Improving the Competitiveness of the Economy* coordinated by the Ministry of Economic Development
- *The Investment Support Programme for 2025* coordinated by Ministry of Regional- Investment Development and Cooperation with Non-Governmental Organizations
- *The Innovation Fund of Montenegro*

These programmes have additional support for businesses registered and operating in less developed municipalities; indeed, the northern and central regions make most of the applications to them.

There are also several *business zones* developed by municipalities. For example, Bijelo Polje has established six business zones with privileges such as land fee exemptions, though they currently host only domestic companies.

Picture 2.4 Solar PV projects in Bijelo Polje



Skills development programmes

Retraining and advanced training programmes in Montenegro are primarily aimed at long-term unemployed people registered with the Employment Service, helping them acquire new qualifications to find a job. In addition, adult education includes additional training, professional development of employees, and support for the most vulnerable groups to integrate into the labour market. Programmes are tailored to market needs, including the most sought-after areas such as crafts and the IT sector (especially programming), and machine operation. One notable recent initiative is ISKRA, a national programme aimed at raising the level of digital literacy throughout Montenegro.⁶⁸ The Ministry of Social Welfare, Family Care and Demography supervises government programmes in this area, but the most recent strategies are outdated: for example the Adult Education Strategy of Montenegro 2015-2025, the Lifelong Entrepreneurship Learning Strategy 2015-2019 and the National Employment and Human Resources Development Strategy 2016-2020).

The location of national government bodies in Cetinje

The *Law on the Royal Capital* (Official Gazette of Montenegro, No. 51/17) states that the Royal Capital is the residence of the President, as well as the seat of the Constitutional Court, the Ministry responsible for foreign affairs and the Ministry responsible for cultural affairs. It also states that the Government of Montenegro may determine that the seat of certain state administration bodies and public institutions it creates can be in the Royal Capital. The seats of the faculties of the University of Montenegro in the field of arts (the Academy of Music, the Faculty of Fine Arts and the Faculty of Dramatic Arts), the Historical Institute of Montenegro and the Faculty of Montenegrin Language and Literature should also be in the Royal Capital. In addition, the first session of the regular sessions of Parliament is held in the Royal Capital.

Consequently, numerous state institutions from the field of culture are placed in Cetinje, for example the Ministry of Culture and Media, Administration for the Protection of Cultural Properties, National Museum of Montenegro, National Library Djurdje Crnojevic, State Archive, Centre for Conservation and Archeology, and the academies.

Although so far this has had limited effect on development in Montenegro, potentially the distribution of government functions in towns other than the capital could stimulate local demand.

⁶⁸ See <https://www.gov.me/clanak/spajic-najavio-drzavnu-akademiju-iskra-ponudicemo-gradanima-znanja-i-vjestine-za-21-vijek>.

Picture 2.5 The Ministry of Culture and Media in Cetinje

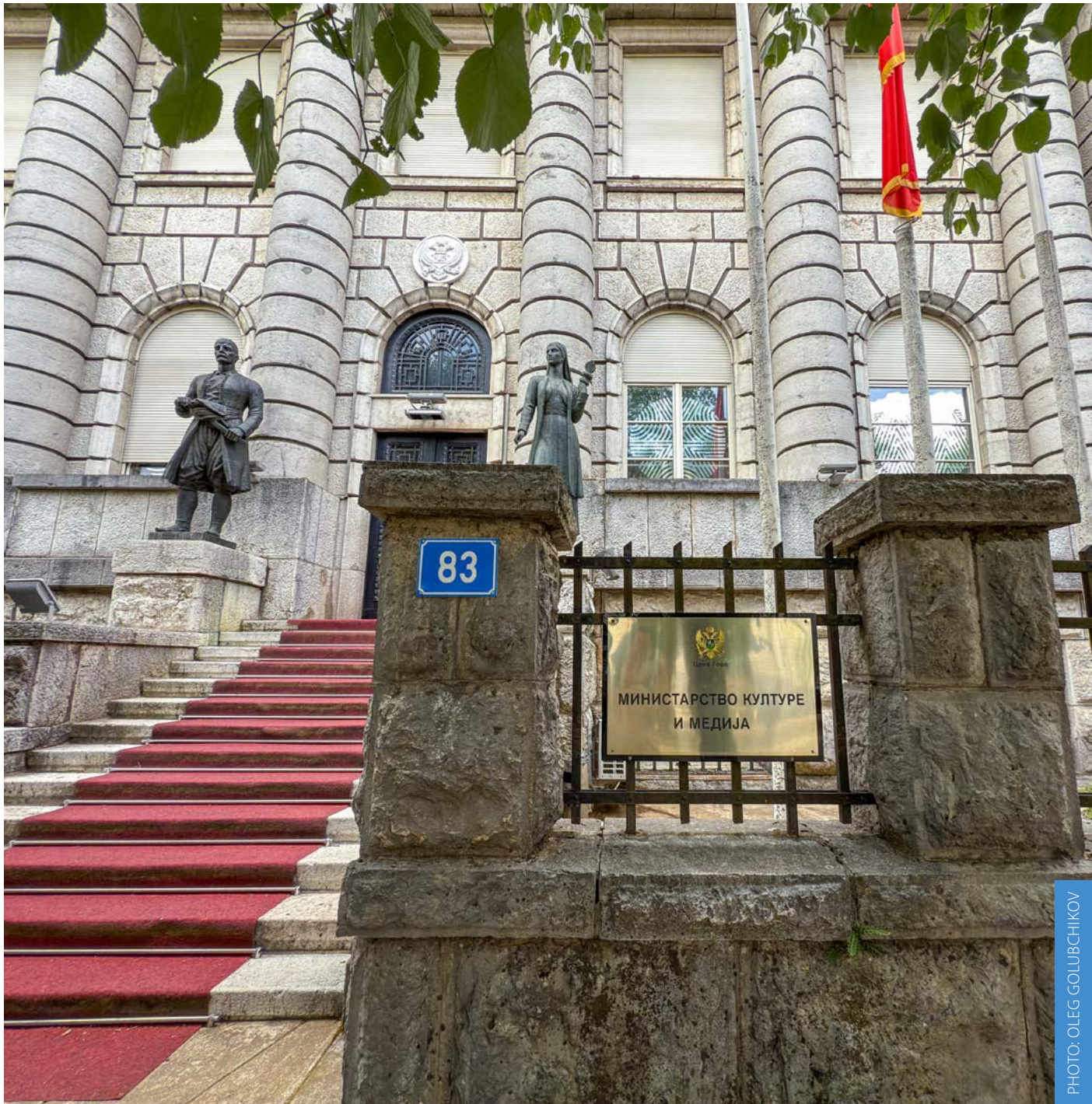


PHOTO: OLEG GOLUBCHIKOV

2.5 Integrated local regeneration

The programmes reviewed above, and others managed and sponsored by central government, mostly address sectoral policies. These include opportunities for regional development in tourism, transport infrastructure, energy, environmental protection, health, social, educational and sports infrastructure, housing, business development and skills.

In turn, municipalities are responsible for much local infrastructure such as local roads, waste, and water. This local physical infrastructure, combined with social infrastructure, defines liveability at the local level. Indeed, when queried about their key achievements, as well as challenges, local governments frequently cite infrastructure: sewage systems, water supply infrastructure, city roads, utility infrastructure, improving green areas, renovation of buildings, improving social and sports infrastructure and improving transport connections with neighbouring municipalities. Local roads, for example, provide a capillary system of connectivity which is essential for the hierarchical network of settlement model described by the Spatial Development Plan. However, many municipalities only have limited capacity in terms of fiscal or human resources. International experience demonstrates a particular role of national funding to finance local infrastructural development and upgrade, as, for example, provided by the subvention programme in Armenia (Box 2.3). To achieve balanced spatial economic development, integrated place-based offers, where different organizations work together to create a local resource, need to be devised for municipalities and settlements. These would comprehensively combine investments in social and physical infrastructure, as well as social, fiscal and sectoral programmes (Figure 2.4).

Local regeneration projects could provide the foundation for such place-based offers. Montenegro has interesting examples of regeneration initiatives, although so far, they have focused mainly on unique historical monuments such as the old towns of Kotor and Herceg Novi. Some private-led investment opportunities have focused on real estate hotspots, such as Porto Montenegro (see Box 2.4) and Lustica Bay in Tivat Municipality or Podgorica's City Kvart. Regeneration initiatives in 'problematic areas' have been more modest.

One of the most prominent, comprehensive, Government-guided local development initiatives, is *the Velje Brdo project*. This is a greenfield area on Podgorica's outskirts, planned to be developed into a new satellite town with over 10,000 homes, potentially housing over 40,000 people. The total value of the project is estimated at €3.5 billion,⁶⁹ or half of the 2023 GDP of Montenegro. The project is an innovative social-urban intervention, aimed at relieving Podgorica's housing deficit, offering affordable homeownership and social rental housing, and creating a sustainable and self-sustaining, well-connected new district. The full-scale development of this project is, however, likely to further encourage concentration of population and development opportunities in Podgorica, while potentially diminishing public support for less economically-advantaged municipalities. It is therefore important to strike the right balance between supporting upgrades and regeneration in less developed areas and addressing the development pressures in more economically advanced areas.

⁶⁹ See https://seenews.com/news/montenegrin-govt-prepares-launch-of-major-residential-project-1265660?utm_source=chatgpt.com.

Picture 2.6 New housing development in Podgorica



PHOTO: OLEG GOLUBCHIKOV

A decisive measure would be an integrated large-scale urban regeneration programme that addresses both economic and physical regeneration. Local and regional regeneration should simultaneously target multiple aspects of territorial capital. This would include large-scale physical renovation of the built environment, upgrade of physical and community infrastructure along with public spaces and services, as well as business support, skills training and attracting new economic activities. Such programmes also create positive ripples beyond their direct focus, or multiplier effects across the wider national economy.

A key approach for urban modernization could be the *New Urban Agenda*⁷⁰ vision for urban economies: “We commit ourselves to developing vibrant, sustainable and inclusive urban economies, building on endogenous potential, competitive advantages, cultural heritage and

70 See <https://habitat3.org/wp-content/uploads/NUA-English.pdf>.

local resources, as well as resource-efficient and resilient infrastructure, promoting sustainable and inclusive industrial development and sustainable consumption and production patterns and fostering an enabling environment for businesses and innovation, as well as livelihoods.”

Spatial planning is therefore essential for integrating sectoral policies by identifying and coordinating their spatial projections and impacts. Moreover, spatial planning should address multiple geographical scales by simultaneously covering large geographical areas and specific places, and exploring the relationship of each location with other locations and the entire region.

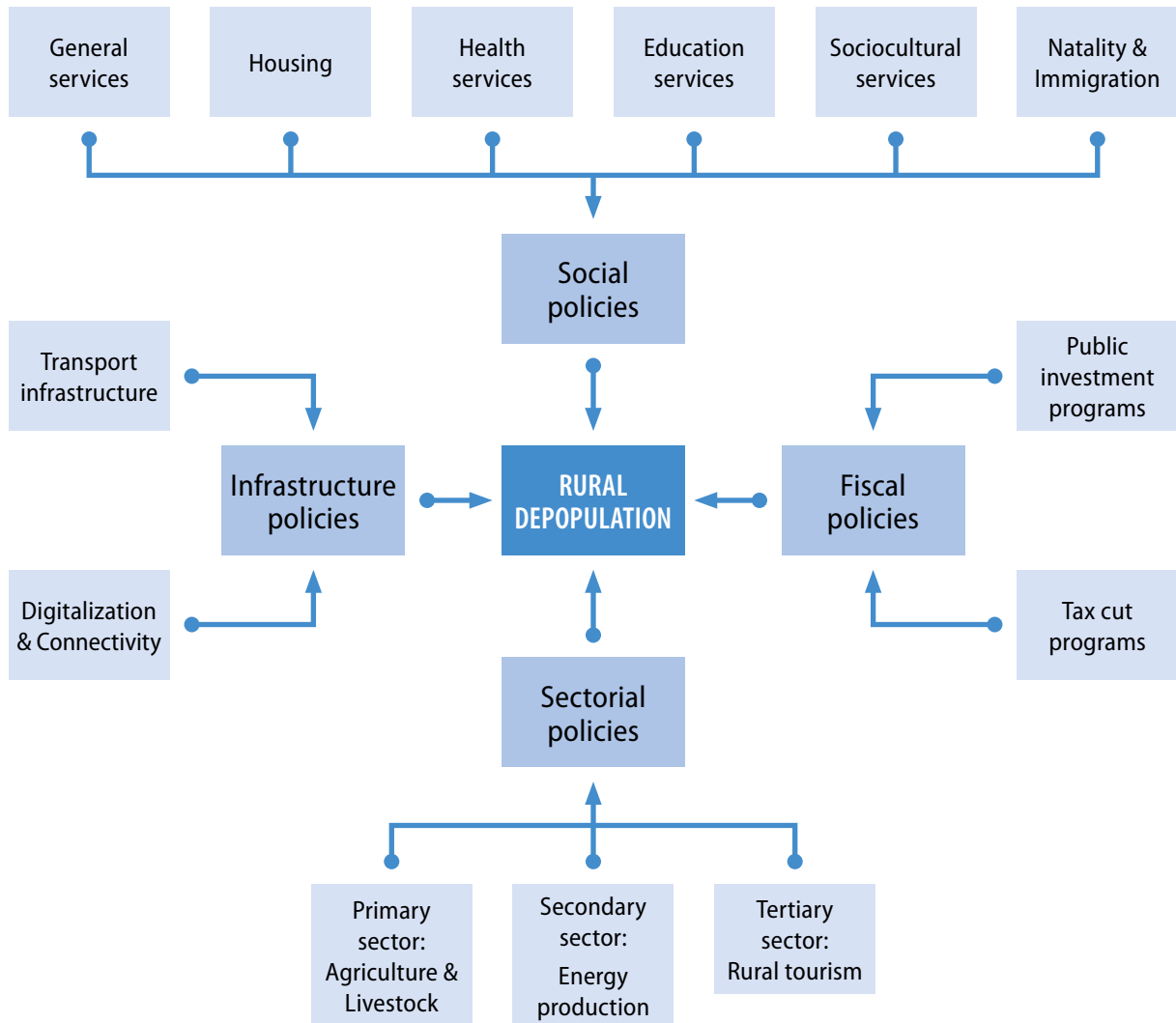
Box 2.3 Subventions and community infrastructural development in Armenia

Armenia suffers from large regional disparities, with many areas outside the capital city Yerevan experiencing rapid depopulation and dilapidating infrastructure. In 2018, the Government initiated targeted programmes for funding construction, reconstruction and repair of social and physical infrastructure in local communities, using the mechanism of subventions from State budgets. The subventions are provided on a co-financing basis with local government, which can bid for this funding with projects within a set of prescribed areas. The state budget subsidizes 30-70 per cent of the cost of the projects; the rate of subsidy depending on the type of the project, distance of the community from Yerevan, and whether it is a border or high-mountain area. The Government designates priority sectors each year. The programme covers the following areas:

- Drinking water supply or drainage system
- Irrigation system
- Residential streets with paving
- Street lighting system
- Renewable energy, including solar PV installation
- Gasification of settlements
- Kindergartens
- Acquisition of machinery, equipment and property
- Remediation or closure of landfills
- Development of community general plan
- Public buildings (e.g. culture, community centres)
- Residential streets with asphalt paving
- Parks, groves
- Common property in multi-apartment buildings, including energy-saving measures

Although these initiatives have been useful in improving the attractiveness and liveability of remote communities and developing their foundation for economic and social activity, actions are still dominated by a sectoral approach. A long-term, comprehensive, integrated and sustained urban regeneration or urban renewal is needed.

Figure 2.4 Categories of policies tackling rural depopulation



Source: <https://www.sciencedirect.com/science/article/pii/S175778022500006X>.

Box 2.4 Porto Montenegro (Tivat)

Porto Montenegro, a luxury marina and urban regeneration initiative in Tivat, transformed the former Admiral's Arsenal—a once-declining naval shipyard—into one of the Mediterranean's premier nautical destinations. Initiated in 2007 with international investment, the project catalyzed the country's tourism-led economic resurgence and local job creation. It has also attracted significant foreign capital, elevated property values, and strengthened Tivat's infrastructure, aligning with broader strategies to diversify growth through nautical tourism. Key amenities, including high-end berths, residential units, retail, cultural venues, and public spaces, have revitalized the waterfront, improving town aesthetics and enhancing community access. Environmental remediation, such as the clean-up of contaminated soil, further underscores the project's positive impact.

The project has also had some negative effects. The shift from industrial production to high-end tourism altered Tivat's identity, displacing skilled workers and altering the social fabric. Rising real estate prices have increased living costs, ranking Porto Montenegro among exclusive enclaves. This underscores the importance of balancing economic development and social equity, including the provision of affordable housing to key workers and vulnerable social groups.

Sources: <https://www.mdpi.com/2071-1050/13/15/8549>; <https://doiserbia.nb.rs/img/doi/0350-3593/2024/0350-35932402405M.pdf>; <https://doiserbia.nb.rs/img/doi/0350-3593/2024/0350-35932402405M.pdf>.

Picture 2.7 Porto Montenegro



2.6 The system of spatial planning and building control

The first Spatial Plan for the Socialist Republic of Montenegro, covering the entire country, was adopted in 1986. It was developed in the aftermath of the 1979 earthquake and drafted by the Republic Institute for Urbanism of Montenegro, the UN Centre for Human Settlements (UNCHS), and the UN Organization for Disaster Relief (UNDRO).⁷¹ The Plan was amended in 1991 and 1997 and remained foundational for subsequent national spatial plans. It was only replaced by the adoption of a new Spatial Plan for Montenegro in 2008, the first since the country declared independence in 2006, aimed to address the period until 2020.

However, since the collapse of the socialist system, and with the country's exposure to neoliberal ideology, Montenegro has experienced an unstable system of spatial planning and land administration, exacerbated by a high prevalence of informal construction at odds with formal planning and building control. The Republic Institute for Urbanism was dismantled in the 1990s, with the loss of much public competency in planning and 'privatization' through the establishment of private architectural companies. The 2008 Law on Spatial Planning and Construction allowed commercial planning bureaus to take over the production of spatial plans from local planning institutes.⁷²

The country updated its planning legislation in 2025. Many see this legislative reform as returning the model for spatial planning and building control to the system that existed before 2008. In 2008, a unified law was introduced – the Law on Spatial Planning and Construction of Structures – which replaced separate laws in this area. The law underwent eight amendments before it was replaced in 2017 by a law which was, in turn, amended six times (No. 64/17, 44/18, 63/18, 82/20, 86/22 and 4/23).⁷³ Then, following the adoption of the 2008 law, a series of reforms and initiatives removed the powers of municipalities from planning and passed all jurisdiction for both national and local planning to the Ministry of Sustainable Development and Tourism. The centralization of planning was ultimately consolidated in the 2017 law.⁷⁴ This was done to address the capability deficit of many municipalities that had long struggled to prepare and implement their own planning instruments.

Apart from centralizing planning functions, these reforms also introduced changes to development control. Instead of the pre-construction permission system, the permission to build was acquired by notification of building work based on a conceptual design approved by the chief state architect or chief city architect. This led to easing the construction process, but combined with the failure of building inspection to identify and report informal development, contributed to enhancing the informal building activities.

71 See <https://www.arl-international.com/knowledge/country-profiles/montenegro/rev/4552>.

72 See <https://www.arl-international.com/knowledge/country-profiles/montenegro/rev/4552>.

73 See <https://ceelegalmatters.com/briefings/28670-montenegro-new-legal-framework-in-the-field-of-construction-and-spacial-planning>.

74 Dragović, S. (2021): The volatile policy framework of spatial planning in Montenegro: Will the centre hold? In Berisha, E. et al. (eds.): *Governing Territorial Development in the Western Balkans: Challenges and Prospects of Regional Cooperation*, 131-151.

Both of these reforms were essentially revoked with legislative changes in 2025 and the adoption of the Law on Spatial Planning and Law on Construction of Buildings. The responsibilities for local planning have been returned to local government level, whilst the building permit system was reintroduced. In addition, the issue of legalization of illegal construction is addressed through a separate Law on Legalization.

The Law on Spatial Planning and the planning system

The *Law on Spatial Planning*⁷⁵ adopted in 2025, restores local self-government authority in the field of spatial planning and development and divides planning responsibilities and levels between the state and local self-government.

The law emphasizes the importance of aligning spatial development with economic, environmental, and cultural priorities, while also complying with international obligations. Public participation is a legally protected right: citizens have the right to be informed, to submit initiatives and comments, and to participate in public hearings and consultations throughout the planning process. All planning activities, including communication among institutions, are expected to be conducted electronically, using systems such as the state spatial information system and the Geoportal.

Nationally, the Law envisages several state planning documents:

- *The Spatial Plan of Montenegro*, a 20-year strategic document defining national goals for spatial development, settlement networks, infrastructure, use of marine areas, climate change mitigation, environmental protection and disaster preparedness.
- *The Spatial Plan of a Special Purpose Area* applies to regions of particular national interest such as coastal zones, national parks, and historical areas. These plans impose specialized regimes for land use, protection, and development.
- *The State Detailed Regulation Plan* applies to areas of strategic or regional significance, such as zones for infrastructure, energy production, or large-scale investment projects. It translates broader policies into detailed planning parameters.

As discussed above, the Spatial Plan of Montenegro until 2040 was adopted in 2025, already modified to follow the new Law. There are also three Spatial Plans of a Special Purpose Area, which need to be adjusted in accordance with the new legislation, including: Special purpose Spatial Plan for the Coastal area;⁷⁶ Special Purpose Spatial Plan for Lovćen National Park,⁷⁷ and Special Purpose Spatial Plan for Durmitor National Park.⁷⁸ These should be shared with UNESCO as drafts, and in accordance with the World Heritage Convention and its Operational Guidelines.

⁷⁵ See <https://me.propisi.net/zakon-o-uredjenju-prostora/>.

⁷⁶ See <https://lamp.gov.me/PlanningDocument?m=BR>.

⁷⁷ See <https://lamp.gov.me/PlanningDocument?m=CT>.

⁷⁸ See [https://lamp.gov.me/PlanningDocument?m= per centC5 per centBDB](https://lamp.gov.me/PlanningDocument?m=per centC5 per centBDB).

In this new Law, the State Detailed Regulation Plan has effectively replaced the previous requirement to have a General Regulation Plan of Montenegro, which was meant to be a detailed planning document for the entire country, developed out of local planning documentation. It has never been fully achieved in practice and was abandoned around 2020.

Local planning documents include:

- *The Spatial-Urban Plan of a Local Government (PUP)*, which is mandatory for every municipality. It defines development goals, land use, infrastructure networks, zoning, and guidelines for other local documents.
- *The Local Detailed Regulation Plan*, which provides parcel-level guidance for construction, particularly in urban areas. It sets out construction and regulation lines, building types, density indices, infrastructure routes, and conditions for environmental protection.
- *The Urban Project* is for specific or complex areas, often within cultural-historical zones or when higher design standards are needed. It includes conceptual designs and detailed architectural solutions.

The preparation of any planning document involves consultation on drafts with different authorities, including those responsible for environmental protection, infrastructure, cultural heritage, and local development. A comprehensive public hearing should follow, lasting 30 days minimum. A report is then compiled and evaluated by an independent audit body, which issues a binding opinion.

One of the new mechanisms reintroduced by the 2025 Law is that actual preparation of the planning document should be carried out by specialized companies established either by the Government (for state plans) or local assemblies (for municipal plans). These are staffed by licensed planners and subject to professional oversight, and are responsible for drafting the plan, coordinating with institutions, and organizing public consultations. The Law also stipulates that a licensed planner must be educated as either a spatial planner or an architect, have at least five years of relevant experience, pass a professional exam, and be registered with the Chamber of Engineers. The Law makes it possible to establish a joint agency by several municipalities.

This is a significant step, which designates a separate institution that will develop associated competencies and can significantly improve the quality and impact of planning documents. However, recreating a public institution like this is a significant challenge, requiring comprehensive measures in strengthening educational and professional spheres.

All local planning documents are published on the state portal: <https://lamp.gov.me/>. The Spatial Plan of Montenegro is published on a separate portal: <https://www.gov.me/clanak/prostorni-plan-crne-gore>.

With the adoption of the *Spatial Plan of Montenegro until the year 2040* in 2025, local spatial plans need to be harmonized with national spatial plans, with sufficient resources and agency given to municipalities. The absence of a new Spatial Plan had long prevented the development and amendment of local-level urban and spatial plans. Consequently, not all areas of municipalities are covered by appropriate urban plans. As of 2025, only 7 out of the 25 municipalities had new or updated spatial and urban plans, with the majority having outdated plans (Box 2.5).

Following the passing of the new Law on Spatial Planning, the Government has been working on adopting a range of by-laws such as Decisions, Rulebooks, and Regulations, which will further specify the Law's requirements. These include a decision on the national planning agency, procedural aspects for adopting and keeping planning documents, regulations on the content and form of planning documents, regulations on professional qualifications, and licenses in the planning domain.

The new Law on Spatial Planning also introduces two types of fees related to construction: construction fee and city rent. The construction fee is paid for the communal equipment of construction land, such as access roads, lighting, water supply, and waste infrastructure up to the plot boundary. It is calculated per square metre of the building's net area and any associated open space, based on criteria such as land zoning, infrastructure levels, facility type, and the investor's role. Exemptions from this fee include facilities of general interest, five-star hotels (excluding condo hotels), accessibility structures for people with disabilities, and certain reconstructions, and facilities built by local authorities. In such cases, the municipality is not required to provide communal equipment, and development can be undertaken by the investor through contract. Local governments may also grant partial or full fee reductions for specific building types or payment methods, while buildings in maritime zones and national parks incur a 20 per cent surcharge.

Separately, city rent is charged to owners of undeveloped construction land designated for building use. It is determined annually, paid monthly, and calculated similarly to the construction fee. Local governments may allow reductions of up to 20 per cent, except for land owned by the state or municipalities, which is exempt. Both fees are regulated by local government assemblies with prior approval from the national government.

Box 2.5 The coverage of local spatial and urban plans as of 2025

Before 2025, when development of local planning documents was the responsibility of the national ministry, it adopted 7 spatial and urban plans for the territory of municipalities, of which 3 were amendments and supplements, and 4 were new spatial and urban plans. The respective municipalities and adoption documents are as follows:

- Kolašin: Decision on the adoption of Amendments and Supplements to the Spatial and Urban Plan of the Municipality of Kolašin ("Official Gazette of Montenegro" No. 22/25)
- Nikšić: Decision on the adoption of Amendments and Supplements to the Spatial and Urban Plan of the Municipality of Nikšić ("Official Gazette of Montenegro" No. 72/24)
- Bijelo Polje: Decision on the adoption of Amendments and Supplements to the Spatial and Urban Plan of the Municipality of Bijelo Polje (Official Gazette of Montenegro, No. 96/22)
- Andrijevica: Decision on the adoption of the Spatial and Urban Plan of the Municipality of Andrijevica (Official Gazette of Montenegro, No. 89/22)
- Gusinje: Decision on the adoption of the Spatial and Urban Plan of the Municipality of Gusinje (Official Gazette of Montenegro, No. 124/21)
- Plav: Decision on the adoption of the Spatial and Urban Plan of the Municipality of Plav (Official Gazette of Montenegro, No. 52/21)
- Kotor: Decision on the adoption of the Spatial and Urban Plan of the Municipality of Kotor (Official Gazette of Montenegro, No. 95/20)

For the following municipalities the ministry has initiated the development of spatial and urban plans: Podgorica, Herceg Novi, Tivat, Rožaje, Pljevlja, Bar, Budva, Ulcinj, Berane, Žabljak, Plužine, Danilovgrad and Šavnik. Of these, the Municipality of Budva was to have a new planning document, while the others represented amendments and supplements of previous plans.

The Law on Construction of Buildings and the building permit system

The 2025 *Law on Construction of Buildings*⁷⁹ is the principal law regulating building activity and development control. The law regulates:

- Types of technical documentation: conceptual design, main project, as-built project or maintenance project.
- Content of technical documentation: architecture, structural engineering, infrastructure, energy efficiency and environmental impact.
- Technical documentation review.
- Roles of chief state and municipal architects.
- Construction permits, supervision, use permits, licensing, and inspection measures.

One of the significant changes the Law introduces is the requirement to obtain a construction permit and the decentralization of responsibility for issuing construction permits between the Ministry and local self-government units.

According to the Law, local self-government authorities will issue construction permits for buildings, except in cases involving buildings of national importance, buildings with a gross construction area of 3,000 m² or more, and four- or five-star hotels and tourist resorts. Exemption from the obligation to obtain a construction permit will apply to temporary and auxiliary structures.

Building permits are obtained by preparation and approval of the main (design) project. The investor submits a request for urban and technical conditions, which are determined by the relevant authority – either a local government unit or the ministry – based on the relevant planning document. These conditions form the basis for the main project.

The permit is issued by the local government authority, except in the case of state facilities of general interest, buildings with a gross construction area of 3,000 m² or more, and four- or five-star hotels or tourist resorts, for which it is issued by the Ministry. The permit is granted through a formal decision, based on prescribed documentation: the main design project, a report on the positive revision of the main project, the consent of the state or city architect depending on the scope of the project, and proof of the investor's legal right to build on the land. Additional documents include evidence of determined and settled obligations related to construction and investment fees, opinions and consents prescribed by special regulations, and proof of liability insurance of the designer and auditor.

For single-family residential buildings, defined as structures with a net area up to 300 m² intended to house the investor and their immediate family, the documentation requirements are simplified. These include the main design, the conceptual design with the consent of the chief city architect, a statement by the designer confirming compliance with regulations

⁷⁹ See <https://me.propisi.net/zakon-o-izgradnji-objekata/>.

and professional rules, proof of ownership or the right to build, evidence of construction and investment fee obligations, and liability insurance documentation. Unlike other building types, technical inspection is not required for single-family homes.

The building permit is issued within 30 days from the date of application submission, or 60 days for a facility for which an environmental impact assessment study is required, or in an area under UNESCO protection. Once the permit is issued, the investor must report the start of construction to the relevant building inspector, and place a sign at the site. They must complete construction within five years of the permit issuance date; if not, they must pay an annual penalty until they obtain a use permit.

The Law also requires the technical inspection to issue a use (occupancy) permit for all buildings, except for single-family residential houses, and the investor must apply for this upon completion of works. For most buildings, this means submitting the final report of professional supervision, proof of fulfilled obligations, any as-built project documentation if modifications occurred, and a facility maintenance plan. For single-family homes, a contractor's statement confirming the construction complies with the permit and project design is submitted instead.

The relevant authority must appoint a licensed entity to carry out a technical inspection, except in the case of single-family homes, to be completed within 30 days for standard buildings or 90 for engineering structures. Following a positive report, the use permit is issued by decision within seven days. The facility cannot be used prior to this, except in cases of trial operation or equipment testing. Finally, the investor is obliged to submit a request for registration in the real estate cadastre within seven days of receiving the use permit.

The Law provides revised conditions for licensing companies preparing technical documentation, including design, review of technical documentation, professional supervision, technical inspections, and designer supervision, as well as other licenses related to activities prescribed by the Law.

Following the adoption of the Law, the Government is planning to adopt around 30 by-laws, regulating the content and methods of development and revision of technical documents, requirements for public competition for conceptual architectural design, conditions for access for people with reduced mobility, investor obligations and responsibilities, reporting obligations during construction works, technical inspection of facilities and supervision responsibilities, a central construction register and professional qualifications and licenses.

Chief Architects and Construction Inspectors

The 2025 Law of Planning establishes the Chamber of Architects and Planners of Montenegro, as well as inspection oversight through an urban planning inspector. This system of chief architects and building inspectors is, in theory, a powerful institution to ensure public interest in urban design and development. It was introduced in 2017, with the adoption of a new Law on Spatial Planning and Construction [of Structures]. As it required a few years to form the institution, it only became properly established around 2020.

The Ministry of Spatial Planning, Urbanism and State Property contains the Directorate of the Chief State Architect. The Directorate is responsible for a wide variety of activities broadly aimed at improving the quality of spatial and architectural design and creating a high-quality built environment. For example, it develops the State Guidelines for the Development of Architecture with the aim of preserving and achieving authenticity of space and recognizable identity of settlements, ensuring the quality of architectural solutions. The Chief State Architect also grants approval for urban design and conceptual design of buildings, public spaces and city parks, and develops guidelines for harmonizing the external appearance of illegal buildings. They also control the work of chief city architects, conduct public competitions for the construction of public facilities, proposes and submit initiatives for the protection of valuable architectural heritage, and prepares lawsuits and responses to lawsuits. In addition to the above, the Directorate also performs tasks related to proposing, drafting and monitoring implementation of regulations in the field of architecture, supervising the legality of the work of local self-government bodies and other entities, and coordinating and implementing projects financed by international funds in the field of urban planning and architecture.

Separation of responsibilities between Chief State Architects (CSA) and chief city architects is defined in the Law on Construction. CSA approves the conceptual design for buildings with a gross construction area of 3,000 m² or over, four- or five-star hotels and tourist resorts, public squares, promenades, city parks and buildings. It does this in compliance with urban and technical conditions, design and materials, and basic urban parameters such as construction index, occupancy index, number of floors or height of building, and relationship to the construction line. Other urban parameters include parking and storage of vehicles, degree of greenery, and purpose of building. CSA also approves architectural projects for temporary facilities of which the main design is being developed. The Chief City Architect (CCA) approves all other projects, including the conceptual design of architectural projects up to 3000m² of gross construction area, except for hotels or tourist settlements with four or five stars and tourist resorts.

The responsibilities of chief architects are widespread, but much power is vested in their decision. For example, decisions on the aesthetics of proposed buildings are taken by the chief architects and not collegiately by a commission or committee.

In parallel with the system of chief architects, there are also *construction inspectors* at the national and local level who oversee building projects. At the national level, the Ministry carries out inspection supervision over facilities for which it issues a building permit (Article 32 of the Law on Construction). These include:

- State facilities of general interest
- Buildings with a gross construction area of 3000 m² or over
- Hotels, that is to say, tourist settlements with four or five stars and tourist resorts

For all other facilities, inspection supervision is carried out by local self-government through a construction inspection in accordance with provisions of the new Law.

Environmental Impact Assessment

Montenegro is a Party to the UNECE Convention on Environmental Impact Assessment (EIA) in a Transboundary Context (Espoo Convention) and the Protocol on Strategic Environmental Assessment (SEA). The country's domestic legal framework aligns with the Espoo Convention, the Protocol on SEA, and relevant EU Directives through the *Law on Environmental Impact Assessment* (EIA) and the *Law on Strategic Environmental Assessment* (SEA). At the state level, the Environment Protection Agency (EPA) is the administrative authority responsible for EIA procedures. The role of the EPA includes determining whether a project requires an EIA, defining the scope of the assessment, evaluating the EIA study, and making the final decision on approval or rejection. This responsibility involves the supervision of significant national projects. For projects at the municipal level, local authorities are responsible for EIA procedures. The Environmental Protection Inspectorate is the main body for inspection supervision in accordance with environmental laws, including those arising from EIA studies. In accordance with EIA Law, a public book of all environmental impact assessment procedures is kept (Javna knjiga EIA). For projects at the state level, EPA keeps a public book, which is publicly available on the Agency's website (<https://epa.org.me/javna-knjiga-eia/>).

The planned hydroelectric power plant project on the Komarnica River is a good example of this process. This project, implemented by the state-owned Electric Power Company of Montenegro (EPCG), faced significant scrutiny due to the exceptional biodiversity and ecological value of the Komarnica Canyon. The SEA for the Detailed Spatial Plan for the Multipurpose Reservoir on the Komarnica River identified potential negative impacts of the project. Before granting approval, the project was returned for further development with specific requirements and a deadline for completion. Therefore, the EIA involves an assessment of potential impacts on the environment and human health.⁸⁰ Although the project is still planned to continue, obtaining permits for its implementation requires prior approval of EIA. Montenegro is also signatory to the World Heritage Convention (WHC) which states that EIA affecting natural World Heritage Sites such as the National Park Durmitor would involve consultation with relevant advisory bodies such as The International Union for Conservation of Nature (IUCN).

2.7 Informal settlements and legalization

The proportion of informal settlements and illegal construction remains high. Illegally-constructed buildings represent a broad spectrum from building annexes to existing buildings on private plots, to unauthorized buildings on public land. They vary from isolated small structures to multistorey buildings and to clusters of buildings in an informal settlement. They can be of poor quality, but typically are built to reasonably acceptable standards and can even include luxurious residential complexes.

⁸⁰ See <https://rm.coe.int/files-2022-4-montenegro-hydropower-plant-development-on-emerald-networ/1680b4b78e>.

Picture 2.8 A sprawling network of informal settlements near Podgorica



PHOTO: OLEG GOLUBCHIKOV

Residents of informal settlements often lack formal ownership or tenancy rights, making them vulnerable to eviction. They frequently lack access to centralized public infrastructure such as water supply, sanitation, electricity, and waste collection. Construction materials and building methods often fail to comply with safety standards, exposing residents to hazardous living conditions and increasing vulnerability to earthquakes and fires.

According to some sources, the number of informal buildings may be as high as 100,000,⁸¹ and this figure was also used by local experts during the Country Profile mission, representing 30 per cent of total housing stock. Even if the real figure is lower, this is a serious problem that must be addressed from different perspectives including urban planning, administrative procedures, law enforcement, property registration, land administration, and access to social and affordable housing.

While factors such as rapid urbanization and inadequate affordable housing contribute to the phenomenon, the most important underlying factor appears to be a system of incentives which in turn relate to cultural and institutional conditions. Informal building activity has been a socially acceptable practice and sanctions against individuals building illegally on public land have been almost non-existent. On the contrary, past governments have initiated legalization initiatives. However, as there was no clear time limit from which properties could be legalized, these procedures often encouraged further informal construction, offering lower-cost alternatives to formal building processes. With the adoption of the new legalization law in 2025, there is a strong intention to set a “date to draw a line” for informal construction, after which “repressive measures” can be more consistently applied.

A notable advantage is that informal buildings are registered in the cadastral system. Cadastral registration of informal structures has clear short-term benefits, including improved data availability, increased property taxation, and enhanced tenure security for residents. However, registration without a pathway to compliance with planning, safety, and environmental standards, combined with weak enforcement, increases risks. These include encouraging further informal construction and raising false expectations that registration is equivalent to full legalization.

Target 11.1 of the Sustainable Development Goals calls on countries to ensure access to adequate, safe, and affordable housing and basic services, and to upgrade slums and informal settlements by 2030. Similarly, the New Urban Agenda (2016) calls for inclusive urbanization, emphasizing the right to adequate housing and the upgrading of informal settlements through participatory and integrated approaches. Various legalization models exist globally, from upgrading first and legalizing afterward, to legalizing first and upgrading later. Each approach has its advantages, but evidence suggests that legalizing first tends to be more effective in achieving results, especially when accompanied by tenure security, infrastructure investment, and support programmes.

81 See <https://hatamatata.com/b/kak-legalizacija-samostroia-meniaet-rynok-nedvizivosti-cernogorij/>.

Legalization processes before 2025

A new Law on the Legalization of Illegal Buildings came into force in 2025. Prior to this, the process was regulated by the 2017 Law on Spatial Planning and Construction.

The legalization procedure is carried out by local government. The owner initiates, by submitting a request to the relevant authority. Required evidence includes a survey report of the existing structure, photographs of all facades, a report confirming the building's presence on the 2018 orthophoto map, proof of compliance with basic urban planning parameters, and evidence of the building's registration in the cadastre. Illegal buildings were eligible for legalization only if they appeared on an orthophoto image from 2018; with the adoption of the new law, the new image was taken in July 2025. If the building was visible on the image but was not recognized by the applicable planning documents, which is the case for most buildings, the legalization process was suspended until revision of the General Regulation Plan of Montenegro, which would include a detailed plan of the whole country compiled at national level. However, the development of the General Regulation Plan was discontinued around 2020, while the legal framework remained unchanged. This created a legal vacuum, preventing further progress on many applications. By December 2024, since the beginning of the implementation of the Law on Spatial Planning and Construction from 2017, 3,397 illegal buildings had been legalized out of approximately 62,000 submitted applications.

Owners of illegal buildings frequently abandoned the legalization process when they were required to pay urban rehabilitation fees. These are intended to compensate for the unauthorized use of urban space and infrastructure, but represent a significant financial burden for the applicant.

The law also required local authorities to compile a list of illegal buildings for which no legalization request had been submitted. In practice, only a small number of municipalities fulfilled this obligation. To stimulate legalization, local governments were also expected to apply an annual fee for the use of space by illegal buildings. This annual fee was designed to encourage owners to legalize their buildings by making it financially more advantageous to pay a one-time urban rehabilitation fee than to incur annual penalties. However, many local governments have shown reluctance to enforce this provision, limiting its intended deterrent effect.

Between 2020 and 2024, government bodies reportedly issued a total of 261 decisions on the demolition of illegally constructed buildings, only 22 of which were actually demolished.⁸² Demolition is fiercely opposed by local communities which makes it often impossible to implement.

82 <https://en.vijesti.me/news-b/society/755517/Montenegro-as-a-paradise-for-illegal-construction>.

The 2025 Law on the Legalization of Illegal Buildings

Due to the low success rate of the legalization process, but also to extend coverage to newly-built illegal constructions, the Government adopted a new Law on the Legalization of Illegal Buildings in 2025 ("Official Gazette of Montenegro", No. 091/25 of 06.08.2025). Article 3 of the Law recognizes legalization as an issue of public interest – this is important given its expected positive impacts on economic productivity, environmental sustainability and social inclusion. Article 2 of the new legalization law re-defines an illegal structure as "a building or part of a building that has been constructed, reconstructed, extended or upgraded without a building permit, or other document approving construction, or contrary to that document". As with the previous system, the illegal building should be visible on the orthophoto map. The Government procured a new satellite and aerial photogrammetric image in July 2025 to provide a new layout for legalization.

The new law establishes a dedicated national *Legalization Authority*, to deal with buildings over 500m² and those located in protected zones. Most illegal buildings smaller than 500m² are legalized by local government and no longer need to comply with planning documents to be legalized.

A key addition in the new law is that illegal buildings and facilities not registered in the real estate cadastre, or for which a legalization decision is not issued in accordance with this law, cannot change owners and no economic or other activity can be carried out from them. This creates a major incentive for legalization, although it has also provoked strong political resistance.

Legalization eligibility conditions include ensuring that ownership of the building and the land on which it stands is clear. Given that most illegal structures affect state land, under the new law the owner of an illegal building on such land needs to submit a request for its purchase, which is at the disposal of the local authority, who negotiate the price.

According to the new Law, the owner of an illegal building also remains obliged to pay *an urban rehabilitation fee*. Eighty per cent of this is allocated to the municipal budget and 20 per cent to the national budget - in case of the northern region, 100 per cent is allocated to the local budget. The fees collected for the local budget are determined locally and must be used for improving the areas where the legalization has occurred, according to the urban rehabilitation programme. The fee amount is based on the level of local development, the cost of implementing rehabilitation measures, and the type and intended use of the building. It is calculated per square metre of the net area of the illegal construction. The Law also provides exemptions from fee payment for facilities for education, science, health, sports, social protection, social housing, cultural heritage facilities and a range of other public infrastructural facilities.

Additionally, the Law reduces the urban rehabilitation fee for certain social categories. These include a 50 per cent or more reduction for primary housing facilities, and up to 90 per cent for single parents or guardians, persons with disabilities, young people formerly without parental care, families with children with developmental disabilities, and members of the Roma and Egyptian populations.⁸³

For primary housing, the fee can be paid in up to 360 monthly instalments. For other illegal facilities, payment can be made in under 120 monthly instalments. One-time fee payment receives a 20 per cent reduction. Hotels or four- or five-star tourist settlements or resorts must pay in a lump sum or in a maximum of 60 monthly instalments, amounting to 400 to 800 euros per square metre of built-up area.

The law states that the illegal building owner must pay an annual fee for the use of the land if a request for legalization has not been submitted, or a decision has been made to reject the request for legalization, or the procedure for registering the building in the real estate cadastre has not been initiated, or a decision has been made to remove the building. The fee should be paid for each square metre of used space and may reach 3 per cent of the average construction price per square metre of a newly-built residential building in Montenegro. The relevant local government body must maintain records of illegal structures whose owners are liable to pay the fee.

The owner of an illegal building whose building is not registered in the real estate cadastre must, within six months from the date of entry into force of this law, register the facility in the cadastral records, or the spatial protection inspector must issue a decision to remove it. Illegal buildings not recorded on the satellite and aerial photogrammetric image of July 2025 are prohibited from registration in the cadastre.

If an illegal primary residence is removed, local government unit must provide alternative accommodation for the owner and family. The law provides various levels of penal provision for owners and public employees for noncompliance and misdemeanour.

As the case with other legal provisions in Montenegro, implementation is the major challenge, and depends on continuing political will and administrative competency. If this law is properly implemented, rather than once again becoming a political football and undermined by cultural resistance, it will provide a historic shift in the state of informal settlements and collective awareness.

⁸³ According to 2023 Census data, there were 5,629 Roma and 1,655 Egyptians living in Montenegro. However, the real number of these groups may be significantly higher, as they may be registered as other ethnicities in the Census.

2.8 Sustainable and resilient urban development

The Spatial Plan of Montenegro until 2040 complies with the New Urban Agenda, SDGs and EU standards, and stresses an integrated approach to urban planning and development: “Rational planning of cities that will provide the basic needs of the population in terms of housing, transport, necessary communal and technical infrastructure, environmental protection, achieving success in the areas of employment, education, social and economic development”. The plan is aligned with sustainable urban development, and includes the following:

- Creation of liveable cities and their immediate surroundings, with recognizable urban patterns.
- Affirmation of green infrastructure as the starting point for green development, including open spaces, natural areas, preservation of park areas, squares and public spaces, provision of irrigation and drainage systems, preservation of watercourses in settlements, and formation of bicycle and pedestrian paths within the urban environment.
- Formation of quality public spaces.
- Improving the attractiveness of cities and other settlements by providing a high-quality and preserved living environment, taking into account cultural heritage.
- Supporting the development of clean and green cities and reducing their pollution.
- Ensuring urban zones are planned to minimize energy consumption.

Similar objectives were established by the previous national spatial plan, alongside other national and local strategies and policies. Nevertheless, the focus on real estate development and tourism as primary economic drivers has faced criticism. This narrow economic orientation has limited investment in diversified economic sectors, social infrastructure and public spaces, resulting in reduced green infrastructure and environmental degradation. This is epitomized by what has been termed the ‘Budvanization’ of Montenegro: excessive and uncontrolled construction, gentrification, and condo-tourism favouring short-term economic gains, unauthorized development, and disregard for established urban planning regulations. Budvanization compromises long-term sustainability by prioritizing speculative property markets over holistic urban development principles. Addressing this, experts have stressed the importance of restoring trust in planning institutions and processes.

Picture 2.9 The waterfront of Budva



PHOTO: OLEG GOLUBCHIKOV

The built environment

Montenegro aims to reduce its GHG emissions by 35 per cent by 2030 compared to 1990,⁸⁴ paying particular attention to the traditionally-neglected built environment. The country has been actively enhancing energy efficiency in its building and housing sector through varied initiatives and collaborations. A comprehensive legal framework on energy efficiency has been adopted since 2010, including the “Law on Energy Efficiency” (2010) and the “Law on Efficient Use of Energy” (2014), which were also amended later. One of the actions under the Green Agenda for the Western Balkans is full enforcement of the Energy Performance of Buildings

84 See https://www.rcc.int/download/docs/GARI%20Report%202023_final.pdf/2e2b8ff18516b0d582d2c5b84d21defe.pdf.

Directive. The National Energy and Climate Plan of Montenegro (NECP) is expected to be adopted in 2025 and will be the main document by which Montenegro aligns its policies with the EU Green Deal.

The Eco-Fund has been a crucial mechanism to support private and public building renovation schemes and secure appropriate financing (Box 2.7). In future, the Eco-Fund aims to strengthen the underpinning legal framework, potentially evolving into a larger state-owned fund to manage bigger environmental projects.

Montenegro has adopted Eurocodes for building standards,⁸⁵ but the sector faces many challenges. Montenegro is classified as having moderate to high seismic risk, making structural safety, retrofitting, and seismic resilience vital, particularly for housing built before 1990, which is 43 per cent of the total. Dwellings built before the 1990s and in particular until the 1960s, including rural housing, are generally classed as unreinforced masonry (URM):⁸⁶ buildings constructed of materials like brick, stone, or concrete blocks held together by mortar but lacking steel reinforcement. This makes them particularly vulnerable to damage, especially during earthquakes, as they are less flexible and prone to collapsing.

Furthermore, many buildings, including homes, are built outside the formal system: conformity with seismic resilience standards has postponed their legalization. Local experts have commented that despite building standards being adopted to Eurocodes, implementation lags behind, and so urgent legislative and institutional reforms are needed to improve the building permit process, and supervision of implementation.

Although building standards regulate many different technical parameters of buildings, Montenegro does not have codes for sustainable materials like wood. Generally, developing and implementing innovative construction technologies is not an area which has been actively explored.

Montenegro also faces challenges in building accessibility for disabled people, despite legal requirements and some progress in the area. The 2008 Law on Spatial Planning and Construction required all buildings built before 2008 to be accessible to disabled people, but implementation and enforcement vary, and older infrastructure often presents significant obstacles.⁸⁷ In 2025, the Ministry of Spatial Planning, Urbanism and State Property adopted the new *Rulebook on the Detailed Conditions and Manner of Adapting Buildings for Access and Movement of Persons with Reduced Mobility and Persons with Disabilities* (the "Official Gazette of Montenegro", No. 041/25 of April 28, 2025).

⁸⁵ Eurocodes are a set of ten European standards (EN 1990-EN 1999) that provide a common approach to the structural design of buildings and other civil engineering works. They cover various aspects like concrete, steel, composite, timber, and masonry structures, geotechnical design, earthquake resistance, and aluminium structures. Eurocodes ensure safety, serviceability, robustness, and durability of structures.

⁸⁶ See <https://link.springer.com/article/10.1007/s10518-025-02121-0>; accessed in May 2025.

⁸⁷ See <https://en.vijesti.me/news-b/society/728210/cin-cg-public-areas-and-facilities-in-podgorica-are-still-mostly-inaccessible-to-people-with-disabilities>.

Picture 2.10 Central areas of Podgorica

Sustainable urban mobility

Despite considerable investment in development of road infrastructure, the state of sustainable urban mobility is below the country's potential. Montenegro has not been particularly active in this area, although the work on the updated national Transport Development Strategy will bring it more in line with EU Sustainable and Smart Mobility Strategy.

Montenegro is a member of the Trans-European Transport Network (TEN-T), one of whose regulations concerns urban mobility. It requires all cities with over 100,000 inhabitants along

the TEN-T network to develop sustainable urban mobility plans (SUMP) to promote zero and low-emission mobility.⁸⁸ In 2024, a revised TEN-T Regulation strengthened the role of cities as vital enablers of sustainable, efficient and multimodal transport. One requirement is the introduction of national SUMP support programmes with the aim of supporting urban nodes to implement SUMPs.⁸⁹

Podgorica has previously adopted its SUMP for 2020-2025, developed in partnership with civil society and representing good practice.⁹⁰ It has since seen improvements in its public transportation system, including procurement of new Euro 6 buses which reduce air pollution. The capital has established a public urban passenger transport company, plus public awareness campaigns and the introduction of cycling lanes to promote sustainable mobility.

Protection of cultural heritage

The 2025 Law on Spatial Planning and the 2025 Law on Construction promote protection of cultural assets. The Law on Spatial Planning makes an urban planning project “mandatory for settlements, parts of settlements, as well as cultural and historical areas and entities registered in the register of cultural assets of Montenegro”.

This Register of Cultural Assets is supervised by *the Administration for Protection of Cultural Property* based in Cetinje, which protects and monitors cultural heritage and implements the Law on Protection of Cultural Property (adopted in 2010). Any alterations, restorations, or demolitions of immovable cultural assets require prior formal consent of the Administration or other relevant bodies. The legal system also outlines special procedures for building activities in cultural heritage areas.

Interviews with NGOs active in the field of heritage protection show that the register of cultural assets and list of protected buildings is not openly published, so it is hard to identify which buildings are protected. Furthermore, authorities are reluctant to recognize and protect symbols of modernist architecture built during the socialist era as cultural property.

The Law on the Protection of the Natural and Cultural-Historical Region of Kotor was adopted in 2013 and amended in 2018 and 2019, to safeguard that unique cultural and natural region. Through amendments to the Law, Montenegro has integrated international standards for the preparation of Heritage Impact Assessments (HIAs) into national legislation. This step was necessary as HIAs were requested in several World Heritage Decisions, but it was challenging to proceed with them because the mechanism was not recognized by administrative or legal systems. HIAs and EIAs (Environmental Impact Assessments) are crucial for evaluating the potential impact of development projects on cultural and natural heritage sites, particularly

88 See https://transport.ec.europa.eu/transport-themes/infrastructure-and-investment/trans-european-transport-network-ten-t_en.

89 See https://transport.ec.europa.eu/transport-themes/urban-transport/sustainable-urban-mobility-planning-and-monitoring_en.

90 See <https://www.mdpi.com/2071-1050/13/3/1037>.

within complex UNESCO World Heritage areas such as the Natural and Cultural-Historical Region of Kotor. HIAs are now legally-defined procedures for this site, but EIAs for Durmitor National Park are still not completely aligned with national standards as is now the case with HIAs. These assessments are mandatory for projects involving World Heritage properties and are used to ensure development activities do not negatively affect the Outstanding Universal Value (OUV) of these sites. The Administration for the Protection of Cultural Properties decides need for preparation of individual HIAs.

Despite previous efforts and advisory missions, the World Heritage Committee Decision of 2025 expresses serious concerns about increasing pressures on the Natural and Cultural-Historical Region of Kotor. These include accelerated urban development, inadequate legal and management frameworks, the impact of mass tourism, and major infrastructure projects such as the proposed Verige bridge. While welcoming the joint World Heritage Centre/ICOMOS advisory mission, the Committee highlights the urgent need to strengthen legislative and planning instruments at all governance levels. It calls on the State Party to suspend all new projects within the property and its buffer zone, until all relevant plans and policies are harmonized and the updated Management Plan is completed. This decision also emphasizes the introduction of cumulative impact assessments, revisions of municipal planning documents, a permanent halt to quarrying, and the development of a sustainable tourism strategy. Challenges to achieving this include a shortage of qualified staff, insufficient intersectoral coordination and weak oversight of conservation works, with a particular call for the urgent legal and physical protection of key structures such as the Jugooceanija building.

Picture 2.11 Tivat is a popular tourist destination



Disaster risk reduction

In 2024, the Government of Montenegro adopted its new *Strategy for Disaster Risk Reduction (DRRS) for the period of 2025-2030*, which succeeded the 2018-2023 strategy. It aims to strengthen the resilience of cities and communities in responding to various types of natural and human-induced disasters, particularly by reducing disaster risk by creating 'soft infrastructure' such as training, public awareness, and procedures for risk management.

Box 2.6 The Eco-Fund

The Eco-Fund (Eko-Fund)⁹¹ is non-profit government institution which provides subsidies. Established in 2018 and operational since 2020, it is overseen by the Ministry of Ecology, Sustainable Development and Development of the North, in association with the Ministry of Energy and Mining, and primarily focuses on energy efficiency, renewable energy sources, environmental protection, and waste treatment. The Fund is financed by government revenues, collecting environmental pollution fees, eco-fees for air emissions and hazardous waste disposal, and charges on plastic carrier bags, as well as emission trading. It also benefits from a range of EU programmes.

The Eco-Fund implements various initiatives through public calls. Its largest programme offers financial aid for household energy efficiency, covering thermal insulation, window and door replacement, heating systems, and solar and photovoltaic measures. Subsidies range from 20 per cent to 70 per cent (up to €7,000) and prioritize less economically developed or more polluted municipalities. UNDP provides technical support by organizing site visits and inspections for energy efficiency programmes. Over 3,400 household applications have been approved up to June 2025, although the limited number of contractors able to do building retrofits nationwide, especially facade works, remains a challenge.

The Fund has also provided non-returnable financial aid for purchasing hybrid (€4,000) and electric vehicles (€7,500) for citizens, public sectors, and companies, alongside subsidies for installing public charging stations. Annually, the Eco-Fund has also allocated approximately €2 million to municipalities for waste management devices and green spaces.

91 See <https://www.eko-fond.co.me/>.

2.9 Recommendations in the field of urban and regional development and planning

1. Update the National Strategy for Sustainable Development and raise its status

The National Strategy for Sustainable Development (NSSD 2030) of Montenegro, adopted in 2016, was initially presented as an umbrella document for all government action, reflecting the country's commitment to sustainable development and SDGs (see Chapter I). However, the strategy has become largely declarative, as it has little direct power to oblige ministries and municipalities to act. The SDG-indicator platform remains underutilized, as no legislation compels MONSTAT or line ministries to provide data.

It is recommended that the Government:

- (a) Revise and update the NSSD 2030 to ensure alignment with EU regulations.
- (b) Establish a system for mandating annual reporting on SDGs, using a revived SDG indicator platform.
- (c) Consider further advancing the revised strategy through the adoption of a legal act that would place a legal duty on all state bodies and municipalities to apply the sustainable development principle in budgeting, procurement and planning. The *Well-being of Future Generations (Wales) Act 2015* in the United Kingdom may offer a useful template, as it places a legal duty on all public bodies to co-ordinate their action with the Act, with oversight from an independent commissioner.

2. Further consolidate institutional responsibilities for regional development in a single ministry

The preparation of this Country Profile has coincided with recent Government organizational reshuffles. The newly formed Ministry of Regional-Investment Development and Cooperation with Non-Governmental Organizations has absorbed key responsibilities for regional economic development and regional investment, including drafting and implementing regional development strategy and associated law. This is a welcome move which will increase the visibility of this policy area. However, the Ministry of Ecology, Sustainable Development and Development of the North similarly covers responsibilities for promoting balanced socio-economic growth of the northern region.

It is recommended that the Government:

- (a) Consolidate relevant functions in the Ministry of Regional-Investment Development and Cooperation with Non-Governmental Organizations or, alternatively, form a Ministry of Regional Development.
- (b) Complete the ongoing work on drafting and adopting the Law on Regional Development and revising the Regional Development Strategy, and ensure the establishment of coordinating mechanisms for regional development suggested by the Partnership Council for Regional Development.

3. Mandate and resource MONSTAT to collect and publish municipal-level data on GDP, incomes, and housing market indicators

The territory of Montenegro is not subdivided into regions and is treated as one single region for statistical purposes in accordance with the EU NUTS system classification, meaning that NUTS-1, NUTS-2, and NUTS-3 are all identical and cover the entire country. Consequently, there is no requirement to collect comprehensive statistical data such as GDP for subnational/municipal entities.⁹² Therefore, development indices are estimated using proxy indicators according to an internal methodology and are not officially published by MONSTAT. Equally, statistics about household incomes and housing prices are either aggregated by the three statistical regions (northern, coastal, central) or only published for the national level. The absence of such data makes analyzing territorial development and providing solutions to address territorial disparities less systematic and transparent.

It is recommended that the Government:

- (a) Review the state of local level statistics in terms of data already available.
- (b) Mandate and empower MONSTAT to collect data and publish municipal-level data, particularly on GDP (or GVA), incomes, and housing-price indices.
- (c) Create a comprehensive data platform and national and local observatories on housing markets (see Recommendation 8 in Chapters III and Recommendation 3 in Chapter V).

⁹² Taking into account that Montenegro represents one region at all 3 levels of the NUTS classification, in accordance with EU Regulation No. 2023/734, countries consisting of only one territorial unit at NUTS level 2 or 3, as defined in the nomenclature of territorial units for statistics in Regulation (EC) No.1059/2003, are not required to submit variables for the regional level at NUTS level 2 or 3, respectively.

4. Make affordable housing a key part of the Regional Development Strategy

The Government has adopted a new national Housing Strategy and is forming the National Housing Fund (NHF), a new national institution to build, maintain and lease dwellings at affordable prices (see Chapter III). It is important to ensure that the National Housing Fund also serves as an institution supporting regional and local development. New housing projects can attract younger people, families, and workers, helping to reverse the trend of depopulation and economic decline; particularly important in the northern region. Integrating NHF projects with agri-food clusters would create reinforcing regional-development effects. NHF can also pilot mixed-income models and modular timber construction, aligned with the country's forest resources, to reduce costs and carbon footprints.

It is recommended that the Government:

- (a) Require NHF to allocate a share of new housing investment to municipalities requiring development assistance according to the Regional Development Strategy and Spatial Development Plan.
- (b) Coordinate site selection for affordable housing with regional-development priorities.

5. Create a Territorial Development Fund to support the development of local infrastructure and place-based regeneration

A multi-vector programme is needed to address the problems of northern underdevelopment and depopulation and some central region municipalities, encouraging cross-working and integrating different sectoral policies. Larger-scale public and private resources should be leveraged to regenerate the country's settlements, making them more attractive. A bold approach is needed, with the idea of 'polycentricity' at its heart. This can start with large scale regeneration in key strategic places, then go down the urban hierarchy as implementation capacities and volumes of available funding increase. Programmes could begin with development of physical and social infrastructure, such as local roads, schools, wastewater treatment and water supply, physical upgrade and renovation of buildings.

As part of the new law on Regional Development, the Government plans to introduce a Programme for Encouraging the Development of Underdeveloped Local Self-Government. This could be a good opportunity to establish a dedicated fund for regional development.

It is recommended that the Government establish a *Territorial Development Fund* to finance local infrastructure and regeneration. This could be a standalone fund; alternatively, the Development Bank of Montenegro (DBM) could provide a platform if its mandate is clarified and extended to cover state and municipal bodies (also Recommendation 4 in Chapter V).

6. Promote horizontal inter-municipal cooperation for resource pooling

Most municipalities have fewer than 20,000 residents and limited fiscal capacity; less than €1,000 per capita annual revenue. Fragmentation leads to duplicated services, weak building inspections, and under-funded utilities, but the 2025 Spatial Planning Law allows municipalities to form joint planning agencies. Other European practice shows efficiencies when municipalities cooperate, which they are generally willing to do, especially when their cooperation is financially supported. Slovenia's "Joint Municipal Administration" model demonstrates that financial support for joint management bodies led to a rapid increase in the number of municipalities participating. Municipalities should be encouraged to form such associations for joint procurement of planning documents, chief architect services, waste-management concessions and other related services.

It is recommended that the Government establish a Cooperation Incentive Fund that provides matching grants and loan discounts for inter-municipal projects and mandates joint planning bodies in municipalities with fewer than 15,000 residents.

7. Accelerate legalization and upgrading of informal settlements and housing

The new Law on the Legalization of Illegal Buildings is a strong basis for concluding the mass-legalization process. Clear deadlines should be communicated, following which any illegal and informal constructions should face proper sanctions. It is essential to also consider the underlying systemic failures that enabled such development, including gaps in land policy, urban planning, building permitting, and the lack of social and affordable housing. Addressing informality requires not only legalization and upgrading, but also institutional and regulatory measures in land management, spatial planning, housing delivery, and corruption-prevention, along with capacity-building and promotion of transparent transactions.

It is recommended that the Government:

- (a) Keep legalization costs affordable for households and local government. Legalization should not be treated as a revenue-generating mechanism.
- (b) Ensure that the legalization process is simple, transparent, and inclusive, with special provisions for women, older persons, persons with disabilities, and other people in vulnerable situations. It is an opportunity to address gender inequalities affecting women heads of households, single women, Roma, and other ethnic minority women, who are disproportionately excluded from land ownership and housing systems. It is also important to address barriers to legal and financial literacy. Furthermore, it is vital to consider the compounded challenges faced by women in informal settlements, including limited access to water, sanitation and hygiene (WASH) and health services, heightened exposure to violence, and related risks.
- (c) Municipalities should update urban plans where informal settlements conflict with current urban plans, in order to reflect the existing physical layout and land-use patterns in informal areas.

- (d) Strengthen enforcement mechanisms to prevent new informal development. This includes increasing inspection capacity using real-time monitoring technologies, such as drones, and applying effective penalties, including the demolition of structures initiated after the legal deadline.
- (e) Commission a separate study to review factors leading to illegal constructions and informal settlements and to assess how effectively these factors are addressed by the current legislation and policy measures. This will inform a future review of the Law on the Legalization of Illegal Buildings and implement relevant measures in other policy areas.

8. Develop secondary legislation for defining the aspects of urban sustainability in planning, urban design and building activities

The new law on Spatial Planning creates favourable conditions for urban sustainability but lacks enforceable standards. It is important to adopt and revise secondary legislation, such as rulebooks, to strengthen sustainable urban development.

It is recommended that the Government enhance urban sustainability principles in spatial planning and urban design via its secondary legislation/rulebooks/technical standards, including the following measures:

- (a) Require that local plans establish areas and quotas for social housing in each location.
- (b) Mandate urban areas to adopt sustainable mobility plans—including bicycle and pedestrian lanes, pedestrianized zones, and clean public transport.
- (c) Promote nature-based solutions in urban development projects, emphasizing green infrastructure and creating “green lungs” within settlements. Technical standards should also require a share of unsealed surfaces on new-built plots, urban tree-canopy targets, and blue-green corridors connecting coastal wetlands to mountain catchments.
- (d) Develop technical standards for the use of sustainable and renewable materials, such as wood, and actively explore innovative construction technologies.
- (e) Accelerate energy efficiency regeneration in the built environment, aligned with relevant actions in the National Energy and Climate Plan.
- (f) Ensure that spatial planning considers the diverse needs of women and other overlooked groups, moving beyond a male-centric planning approach, and encourage active inclusion of women in spatial planning processes and urban governance.
- (g) Develop a more comprehensive approach to accessibility, addressing not only new construction but also the adaptation of existing infrastructure and public spaces.
- (h) Given that the lack of institutional memory significantly hinders the continuity of reforms, strengthen the archiving system, databases and inter-institutional coordination.

9. Digitalize the development control system

The Government has already initiated work on digitalization of building permits, which should be accelerated. The procedure for obtaining building permits must be digitized and standardized.

It is recommended that the Government:

- (a) Introduce an electronic system integrating all institutions responsible for providing opinions or approvals. All relevant organizational units should be integrated via a platform, covering the process from the moment of application through to construction.
- (b) Promote greater use of digitalization in the construction sector and energy efficiency, for example the application of Building Information Modelling (BIM) technology.
- (c) Strengthen the relevant capacities at local level, training municipality staff in the application of digital tools and monitoring the energy efficiency of buildings.

10. Digitize and publish the national Registry of Cultural Assets

Key planning institutions, including the Law on Spatial Planning and Spatial Plan of Montenegro, prioritize cultural and heritage protection. However, the authorities responsible for this area are understaffed and can only concentrate on high priority sites, letting some damage to heritage go unnoticed.

The Government is reminded to fulfil its legal obligation to protect cultural properties by digitizing the Registry of Cultural Assets, and integrating it with municipal planning portals. The Registry of Cultural Assets should be made available online to the general public, at least for immobile structures, to better safeguard cultural heritage and ensure its protection by civil society. Croatia's online "Registar Kulture" provides an example of a similar register's digitalization and public accessibility. Digitization costs are modest: scanning files, attaching GIS coordinates, and integrating with the Geoportal. Public access empowers NGOs to monitor compliance and supports heritage-led regeneration programmes that qualify for EU Creative Europe funding.

11. Establish a dedicated grant scheme for research in spatial planning, housing, and territorial development

Repeated reforms have left the country's planning system reliant on consultants and a diminishing group of senior experts carrying the institutional memory of the socialist era. There is a capacity deficit of experts, which stronger cooperation with academic and other research-oriented circles could fill. The Government should therefore launch a competitive grant programme targeted at universities, think-tanks, and NGOs working on spatial planning, housing, and regional development.

It is recommended that the Government manage a joint grant scheme between the Ministry of Science and the new planning agency, prioritizing topics such as regional development, public housing, legalization, sustainable cities, and economic scenarios for shrinking municipalities. The scheme would require cooperation with national and local governments and produce tangible policy insights or pilots. Comparable grant schemes have yielded strong dividends elsewhere: for example, Poland's National Centre for Research and Development funds urban-mobility pilots that feed directly into municipal plans. Co-funding from EU research schemes could further leverage additional resources. The grant programme could incorporate measures to ensure gender balance among grantees and actively encourage applications from women-led NGOs, research groups, and universities to strengthen gender-responsive approaches.

12. Develop innovative mechanisms for public participation and co-production in planning

Legal provisions for planning participation – such as 30-day public displays, written objections, public hearings – are typically poorly attended, especially for documents of a more general character. This fails to capture local knowledge and contributes to public cynicism.

The country's new planning agencies offer a clean slate to institutionalize co-production methods: charrettes, design sprints, and citizen juries can be codified in secondary legislation. Special outreach like Roma mediators and school workshops could give voice to groups otherwise absent from formal hearings. The new practices should ensure gender balance in participation and create specific mechanisms to amplify women's voices, recognizing their unique perspectives, roles and needs. Capacity-building for relevant public employees and modest innovation grants can seed practice-change nationwide.

It is recommended that the Government adopt guidelines that promote a co-production planning approach with early community engagement and consultation, where public participation should be extended from draft consultations to including local citizens as vital sources of evidence for drafting plans. This should include targeted outreach to vulnerable groups. Budgeting 1-2 per cent of plan costs for engagement typically yields greater savings through improved satisfaction, reduced redesigns and litigation.

13. Prioritize railway modernization, public transport and green urban mobility in transportation investment

Road expenditure has absorbed considerable funds since 2015, yet rail remains under-funded. The Podgorica–Bar line operates at under 60 km/h average speed and carries just 8 per cent of domestic freight, while EU climate targets call for shifting 30 per cent of road freight over 300 km to rail by 2030. The EBRD's €330 million allocation for rail upgrades shows donor interest. Reviving lines and integrating with the EU TEN-T Mediterranean Corridor would also diversify tourism flow, relieve coastal congestion and reduce emissions. Furthermore, a wider effort to improve public transport conditions and upscale green urban mobility is needed.

It is recommended that the Government:

- (a) Adopt a rail-modernization programme as the flagship addition to the Transport Development Strategy.
- (b) Accelerate support for national and local public transport systems and green urban mobility options.
- (c) Integrate a comprehensive gender analysis into transport policy development. Given that women, on average, rely more on public transport and walk more frequently, it is essential to ensure wide coverage and prioritize their safety.

Picture 2.12 Ageing railway infrastructure



PHOTO: OLEG GOLUBCHIKOV



14. Encourage municipalities to develop Voluntary Local Reviews for SDGs

None of the towns or municipalities of Montenegro have developed a voluntary local review (VLR). Global experience from cities and municipalities that have prepared VLRs^{93, 94} shows that these are important tools in evaluating the policies of towns, municipalities or regions against sustainable development criteria, identifying possible dilemmas and determining priority areas. VLRs also provide opportunities for local and regional governments to showcase leadership and signal their commitment to sustainable, more transparent practices and increased accountability. VLRs can serve as evidence when requesting funding and resources from international donors or the national government. Local and regional governments that prepare VLRs also build new international relationships and expand their networks, including through UN-led initiatives and platforms.

Limited statistical data availability should not discourage the development of VLRs as much evidence is already collected by local authorities and other stakeholders. Furthermore, a variety of qualitative data and proxy indicators could be used. For example, the 2024 UNECE Regional Guidelines for the Development of VLRs⁹⁵ specify that VLRs should be prepared even in the absence of comprehensive quantitative datasets, while the process of VLR development itself can encourage new mechanisms for relevant data collection.

It is recommended that the Government:

- (a) Promote and enable the development of VLRs by local governments.
- (b) Offer national funding support for municipalities that pioneer the preparation of VLRs.

⁹³ See <https://sdgs.un.org/topics/voluntary-local-reviews>.

⁹⁴ See <https://unhabitat.org/topics/voluntary-local-reviews>.

⁹⁵ United Nations Publication, ECE/HBP/224, available at: <https://unece.org/housing-and-land-management/publications/regional-guidelines-development-voluntary-local-reviews>.

Chapter III. HOUSING POLICY

3.1 Introduction

The housing sector of Montenegro is characterized by high levels of owner-occupancy, limited public rental housing, and increasing affordability challenges, especially for low- and middle-income households. The housing sector has transformed greatly since the 1990s: between 1990 and 1995, 95 per cent of the housing stock was privatized,⁹⁶ leading to a predominance of homeownership over other forms of tenure. Homeownership is further promoted by policies supporting access to subsidized housing loans. Trade Unions have also provided housing for ownership with considerable direct and indirect subsidies to reduce costs.

While this shift has made many people homeowners, it has also created vulnerabilities, especially for low-income households lacking the means to maintain properties. For many families, homeownership has become a poverty trap with deteriorating living conditions, due to cost of maintenance and repairs. One of the Government's key challenges is addressing the need for diversification of housing tenure and improving maintenance and renovations of the existing housing stock.

As a result of the above, many families have found a solution in the informal sector. There are approximately 100,000 houses lacking registration in the state cadastre, even though illegally built buildings can be registered and many are in the cadastre.⁹⁷ Informal sectors are common phenomena of developing and transitional countries with weak institutions and inadequate land management and administration. In Montenegro, another factor influencing informal sector development is that legalization cannot be done without prior land-use rights, which are often unavailable or time-consuming to obtain.

Access to adequate and affordable housing is increasingly difficult due to a mismatch between household incomes and housing prices. The house price-to-income ratio is estimated at 1:8.6, more than double the affordability benchmark set by UN-Habitat. The average monthly net salary in 2023 (€792) is insufficient to secure market-rate housing without significant subsidies, especially in Podgorica and coastal areas where housing demand is driven up by tourism and investment.

The construction sector remains active but rising costs and a lack of skilled labour pose growing constraints. Average construction costs in January 2025 in Podgorica reached €800/m², excluding land and utilities, compared to €400-700/m² in Tirana.

⁹⁶ Institute for Real Estate Construction and Housing Ltd. 2010; Montenegrin housing legislation gap assessment.

⁹⁷ See <https://nmbu.brage.unit.no/nmbu-xmlui/bitstream/handle/11250/188258/Lena%20Helleren.pdf?sequence=1&isAllowed=y>. (accessed on 14.07.2025).

Social and affordable rental housing is only 0.6 per cent of housing stock: 2,331 units across 24 municipalities. Most publicly-supported housing programmes prioritize ownership, even those implemented through housing cooperatives such as the Fund for Solidarity Housing Development and other employer-supported housing schemes. These assisted programmes usually rely on public subsidies, such as free land and exemption from utility fees, but any long-term public benefit is reduced by privatization of units upon allocation. Housing cooperatives in Montenegro primarily serve specific professional groups, unlike more inclusive, income-targeted cooperative models seen in Western Europe. Equally, the “1000+ Project,” a public-private initiative offering subsidized loans for homeownership, has successfully housed 1,552 families since 2010, but also reinforces ownership over rental solutions.

Many social categories suffer, including displaced and internally displaced persons, as well as Roma, Egyptians and other minorities. In 2013, Montenegro signed a Framework agreement on the Regional Housing Programme (RHP) with the Council of Europe Development Bank, providing permanent housing solutions for the most vulnerable displaced and internally displaced persons by constructing 646 dwellings.⁹⁸ A 2024 study⁹⁹ reveals that many Roma and Egyptian communities still live in inadequate housing with limited access to water, electricity and sanitation. Those living in informal settlements face additional challenges as legalization means complying with technical standards. The State also provided free accommodation to Ukrainian refugees holding Temporary Protection status in the hotel Sato, in coastal city of Sutomore. However, due to the lack of funds this arrangement was suspended in 2025.¹⁰⁰

Despite the above efforts, housing needs remain unmet, particularly for vulnerable and low-income groups. Regional disparities persist, with the northern region facing higher poverty and lower access to adequate housing. Informal housing, maintenance issues in older buildings, and the unregulated rental market further exacerbate housing insecurity. To meet future housing demand and ensure inclusive access, Montenegro must adopt a more diversified housing policy mix, strengthen the rental sector, improve affordability standards, and build national and local institutional capacity.

3.2 Legislative framework for housing policy

The Constitution of Montenegro does not recognize housing as a human right. Montenegro has ratified the European Social Charter (ESC), declaring itself legally bound to accept many of its provisions, but not Article 31 “The right to housing”. However, the EU integration process has implications for housing and inclusion measures for Roma and other minorities. It also requires reports on progress with housing Internally Displaced Persons (IDPs), rights of migrant workers

⁹⁸ Draft Housing Strategy of Montenegro till 2034, provided by the National Focal Point; <https://regionalhousingprogramme.org/montenegro/>.

⁹⁹ See <https://pip-eu.coe.int/de/web/roma-integration/-/advancing-roma-inclusion-feasibility-study-for-social-housing-in-montenegro>.

¹⁰⁰ Written communication with the representative of UNHCR, Montenegro.

including housing, child protection, rights of people with disability, and others. Moreover, the endorsement of all ESC articles is a gradual process, and Montenegro will have to accept Article 31 in future.

Nevertheless, housing access can be addressed even if it is not a constitutional right, as in Austria, Ireland and the UK. In these countries the right to housing is supported by laws, housing policies, and international obligations.

Main legal provisions on housing and housing-related issues in Montenegro include the following:

Law No. 35/2013 On Social Housing

This Law regulates the right to social housing and other issues relevant to it. Article 2 of the Law states, *“social housing represents housing of a specific standard, provided to individuals or households, which are not able to solve the problem of housing due to social, economic or other reasons”*. This contains two important indicators: housing standards and inability to afford housing in the market, but these are not extended further. For example, there are no provisions for measuring the ability to afford housing. Article 3 of the Law refers to “the right to social housing”, but the Law does not regulate the cases when this right is not exercised, nor allow potential beneficiaries to claim it in court.

It is also unclear if social housing is rental housing or includes ownership. Article 26 provides for public-private partnerships for social housing, but does not give details on implementation or leave provision to create by-laws to do so. Moreover, provisions for social housing rent (article 17), do not attract private sector interest to offer partnerships for social housing. The Law also does not mention homeless persons, either as a specific category or as a housing policy priority group, and so does not provide solutions to homelessness.¹⁰¹

The Law’s broad stipulations allow for flexibility, but its openness to misinterpretation indicates the need for a thorough revision. The government is working on a new Housing Support law to replace the current one, but it was not yet drafted at the time of this report. According to the Ministry of Spatial Planning, Urbanism and State Property, its main provisions will include broadening the categories of beneficiaries, establishing a National Housing Agency with regional branches, and banning the sale of public land. While these provisions are welcomed, it would be also be good practice to introduce new information technology, and references to economic, social, environmental and cultural sustainability.

101 See <https://ec.europa.eu/social/BlobServlet?docId=21644&langId=en>.

The Housing Strategy of Montenegro

A new Strategy for Housing Policy in Montenegro until 2034 was adopted in June 2025. It replaced the previous Strategy, which covered 2011-2020. The earlier Strategy defined three priority strategic objectives:

- Increasing housing availability
- Supporting the development of the public and private rental sectors
- Improving the housing stock management and maintenance systems

It was implemented through Action Plans 2011-2015 and 2015-2020. The strategic objectives were 74 per cent implemented, mostly on the first and third strategic objectives. The second objective was not achieved as the number of rental apartments did not increase.

The new Strategy until 2034, adopted in 2025, builds upon the previous one and refers to all international, regional and national documents directly or indirectly affecting housing. The main strategic goals are:

- Improving the housing regulatory framework
- Improving housing quality
- Increasing the availability of affordable housing
- Improving rental policy

The Strategy defines the main problem to be addressed as: *“the insufficient number of affordable apartments for all categories of persons whose housing issue has not been resolved”*. Affordable housing is defined as provided at a rent or at a selling price below market value and allocated by special conditions. However, while the Strategy identifies affordable housing, housing law should provide a standard definition of affordability. The Strategy also contains measures for providing affordable housing and improving housing stock.

However, the Strategy is descriptive, without concrete estimates of the housing affordability gap. It does not provide measures for identifying, collecting and analyzing data and indicators on the quantity and type of housing needed. Provisions for affordable housing refer to some existing programmes that are underway, such as the Eco-Fund energy efficiency programme and the adaptation of some units in Vrela Ribnička.

Among new projects, the Strategy refers to the Velje Brdo project in Podgorica which aims to provide some 20,000 dwellings to be sold at affordable prices. Between two recent Censuses (2011-2023) the housing stock of Podgorica increased by 22,000 dwellings. This figure suggests that Velje Brdo may create most of new developments over the next 10 years, whereas the development should be more evenly distributed across different parts of the city. It is also questionable whether such a large-scale project is warranted, given the need to allocate resources across the city and to other regions and municipalities requiring support for diverse housing programmes. A large-scale project such as this could face long-term risks, if not based and developed on scientific, demographic and needs-assessment analysis.

Operational strategic goal 3.2 states: “Development of alternative housing models for specific groups and individuals at risk of homelessness. These models may include the adaptation of housing units in existing buildings, as well as the construction of housing units for all specific groups of persons, including Roma and Egyptians as well as socially vulnerable families”. To make implementation possible, state-owned, including local government-owned, properties will need to be fully identified and registered, and a provision on cultural adequacy must be included when developing housing models.

3.3 Institutional responsibilities

Housing policy and implementation primarily falls under the Ministry of Spatial Planning, Urbanism and State Property. However, other ministries are involved through financing housing for their employees, such as the ministries responsible for public health, education, civil servants and police. Other ministries deal with displaced persons from Bosnia and Herzegovina and Croatia, as well as internally displaced persons (IDPs) from Kosovo. Housing policies are also indirectly affected by the ministries for labour, welfare, energy, environment, economic development and finance. Local governments are also involved, as housing is vital to their communities.

Ministry of Spatial Planning, Urbanism and State Property

This Ministry is the lead institution for housing policy, including planning, spatial development, and ensuring the availability of housing stock. *The Housing Directorate* in this ministry regulates and implements housing programmes, and is divided into four departments:

- Department for the improvement of housing policies, responsible for drafting development strategies, programmes and projects, particularly on management and maintenance of housing stock and monitoring implementation.
- Department for social housing, responsible for developing social housing strategies, programmes and projects, and monitoring their implementation.
- Department for housing inspection supervision, responsible for monitoring implementation of legal acts.
- Department for normative legal affairs, performing tasks related to drafting and proposing housing laws, by-laws and regulations, providing opinions on drafts and proposals of laws and other regulations prepared by other bodies, and monitoring legal regulations.

The Directorate’s structure will include 19 staff members and one Director General, but, in June 2025, only 9 staff were employed and 10 vacancies were to be filled. Changes in government are reflected in ministerial restructuring, and this Ministry, which formerly covered informal housing, no longer does so.

Ministry of Social Welfare, Family Care and Demography

The Ministry of Social Welfare, Family Care and Demography administrates social and child protection, family protection, pension and disability insurance, as well as veterans' and disability protection. It provides housing support to people at risk, including homeless people, pregnant women without family support, persons with disabilities and victims of domestic violence. It also cooperates with local governments and non-governmental organizations on the development of community-based services.

The Ministry has been the counterpart of the Regional Housing Programme (see below). Social housing facilities constructed or purchased from funds provided by the Government shall be transferred to the local self-government unit to lease in accordance with the provisions of this Law. Priority groups for social housing, as stipulated by the Law on Social Housing, are within the scope of this Ministry, but it should not undertake housing programmes as there is a dedicated ministry mandated for that which should receive the appropriate national housing resources. The Government of Montenegro should consider concentrating all resources at national level with the ministry that develops housing policies.

Local self-government (LSG)

The Constitution considers municipalities as the basic form of local self-government and specifies that municipalities have autonomy to perform their duties for the local population. Based on the Law on Local Self-government, municipalities should create the conditions for more direct and efficient performance and satisfaction of local needs. This is based on the principles of democracy, equity, decentralization, depoliticization, autonomy, legality, public participation and cooperation between all participants on state and other levels.¹⁰²

Article 27 of the country's Law on Local Self-Government (Law no. 2/2018, 34/2019 and 38/2020) provides housing as a local-self-government function performed in accordance with the law and other regulations. Paragraph 10 of the article states that local-self-government *"arranges relations in the area of housing and takes care of ensuring conditions for the maintenance of residential buildings"*. Moreover, the Law gives power to citizens *"to decide and take part in decision-making processes in order to address local needs and interests, [...] in the organization of settlements, housing, protection and improvement of environment, [...]"*.

The provisions of the Law on the housing role of LSG are in two clusters: first focused on social welfare, aiming to address the housing issues of vulnerable groups and second, focused on issues related to condominium maintenance.

¹⁰² See <https://www.fao.org/faolex/results/details/en/c/LEX-FAOC178907/>.

Article 6 of the Law on Social Housing (2013) stipulates that local authorities shall adopt annual local social housing programmes, paying particular attention to:

- People within the LSG territory whose social housing issue should be addressed as the law requires.
- The scope and conditions to allocate resources to business, companies, natural persons and housing communities, together with refunding methods.
- Detailed criteria to establish rent for use of housing, according to the law.

Since 2014, when the first local housing plans had to be adopted according to the Law on Social Housing, 21 municipalities developed at least one housing plan, while 4 have never developed one, including the newly established municipality of Zeta, as well as the Municipality of Podgorica. Adrijevića has adopted plans eight times between 2014 and 2025, and Nikšić has managed six times.

The municipalities' draft housing plans are sent to the Ministry to check compliance with legal requirements, but the Ministry does not monitor implementation. Weak implementation of the legal requirement for local housing plans is a sign of lack of interest from municipalities, but also suggests a lack of capacity and knowledge, as well as lack of financial resources to develop the plan and implement its measures.

The Government is planning to establish a National Housing Fund responsible for providing different categories of social and affordable housing. This will have regional branches to cover one big municipality as well as several smaller ones. In most EU countries, housing is a function of local-self-government, and national governments support with legislation and financing. However, in Montenegro, where municipalities have small populations and limited human capacity and resources, decentralization of housing functions may not be effective and regional branches of the Housing Fund may redistribute resources in a more balanced way. Nevertheless, the government should work in parallel to increase capacity at local level with a time-phased plan, starting with larger municipalities and those with a higher development index.

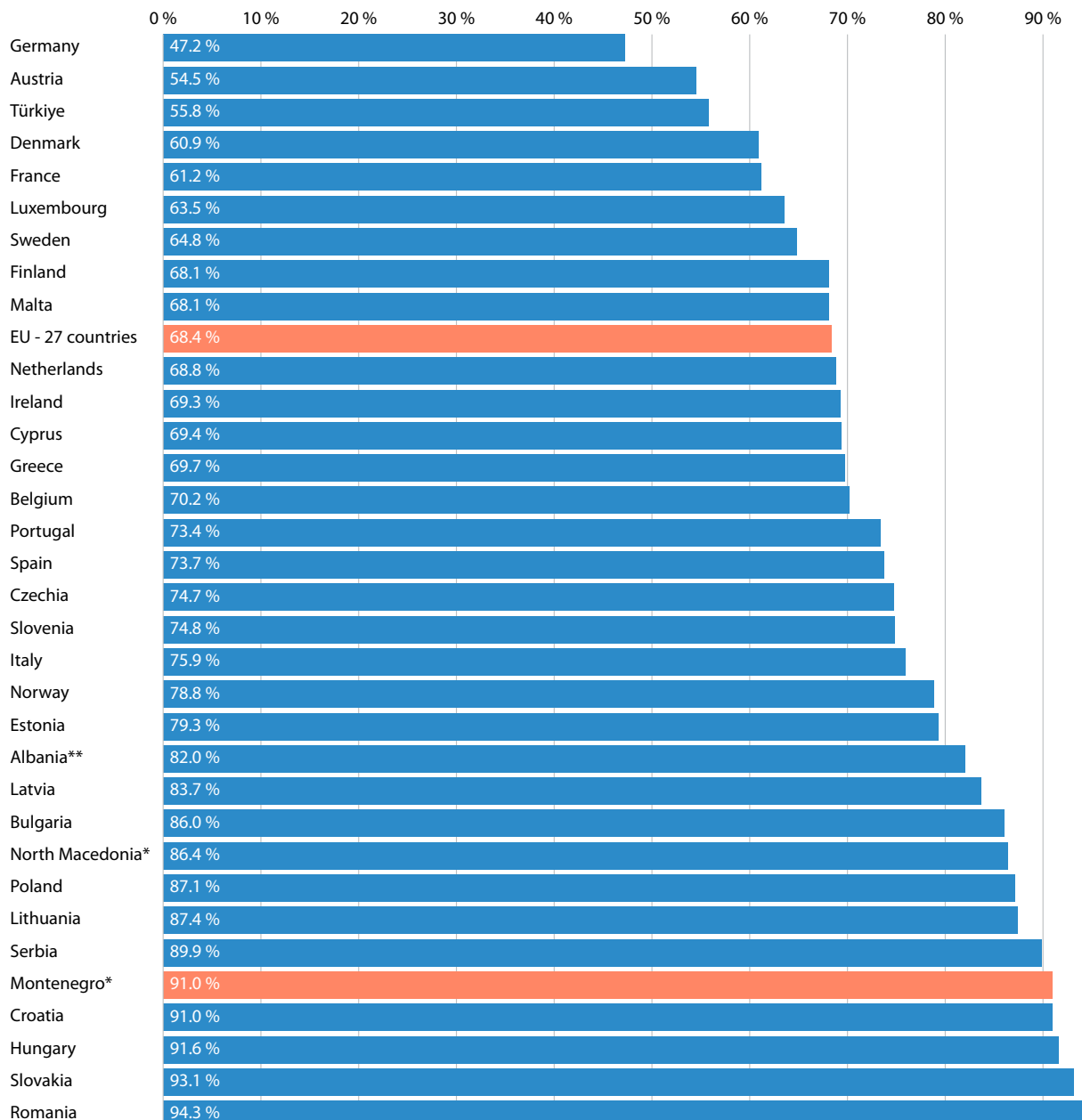
3.4 Housing stock and housing construction

Montenegro has passed similar reforms to other transitional countries, transferring privatized state-owned housing stock to sitting tenants. This has resulted in a high rate of homeownership, enhanced by policies that supported this form of tenure after the 1990s. In 2022, 91 per cent of Montenegrin households lived in private dwellings,¹⁰³ which is almost equal to Hungary (90.5 per cent), Croatia (91.2 per cent) and Serbia (91.6 per cent), but lower than Albania (95.9 per cent), Romania (95.6 per cent) and Slovakia (93.6 per cent) (Figure 3.1).

103 See <https://tradingeconomics.com/montenegro/home-ownership-rate>; accessed in May 2025.

While high homeownership indicates asset accumulation, it also suggests low availability of long-term rentals and limited tenure choice, especially for young households, and mobile workers. The informal rental sector is widespread, particularly in coastal municipalities and the capital, and significantly underreported in official statistics. This hinders the design of effective housing and tax policies.

Figure 3.1 Homeownership rate in Europe, per cent



Source: [https://ec.europa.eu/eurostat/cache/digpub/housing/bloc-1a.html#:~:text=In%20the%20EU%20in%202020,and%20Hungary%20\(both%2091%20%25\).](https://ec.europa.eu/eurostat/cache/digpub/housing/bloc-1a.html#:~:text=In%20the%20EU%20in%202020,and%20Hungary%20(both%2091%20%25).)

Note: Latest data from 2024; (*) For Montenegro and Northern Macedonia, data from 2022; (**) For Albania, data from Census 2023: <https://www.instat.gov.al/al/temat/censet/censet-e-popullsisë-dhe-banesave/#tab2>

The housing sector is a critical component of Montenegrin economy, reflecting the demand for residential spaces and the development of the construction industry. This sector has experienced a boom in residential construction, providing multi-apartment buildings, luxury villas, and tourist-oriented properties, mostly fuelled by the increase of tourism, but also by urbanization and foreign investments. Housing construction has been an important contributor to economic growth, with significant developments in major cities like Podgorica, Budva, and Kotor. In 2023, the share of the construction sector's gross value together with real estate activities was 8.8 per cent of GDP; the construction sector alone contributed 3.5 per cent.¹⁰⁴

The Census of Population and Housing 2023 of Montenegro reports 392,909 total dwellings, which is 78,205 more than the previous Census of 2011. However, only 72 per cent of the dwellings are for living in, the rest are for industry: for example tourism business and vacation dwellings.

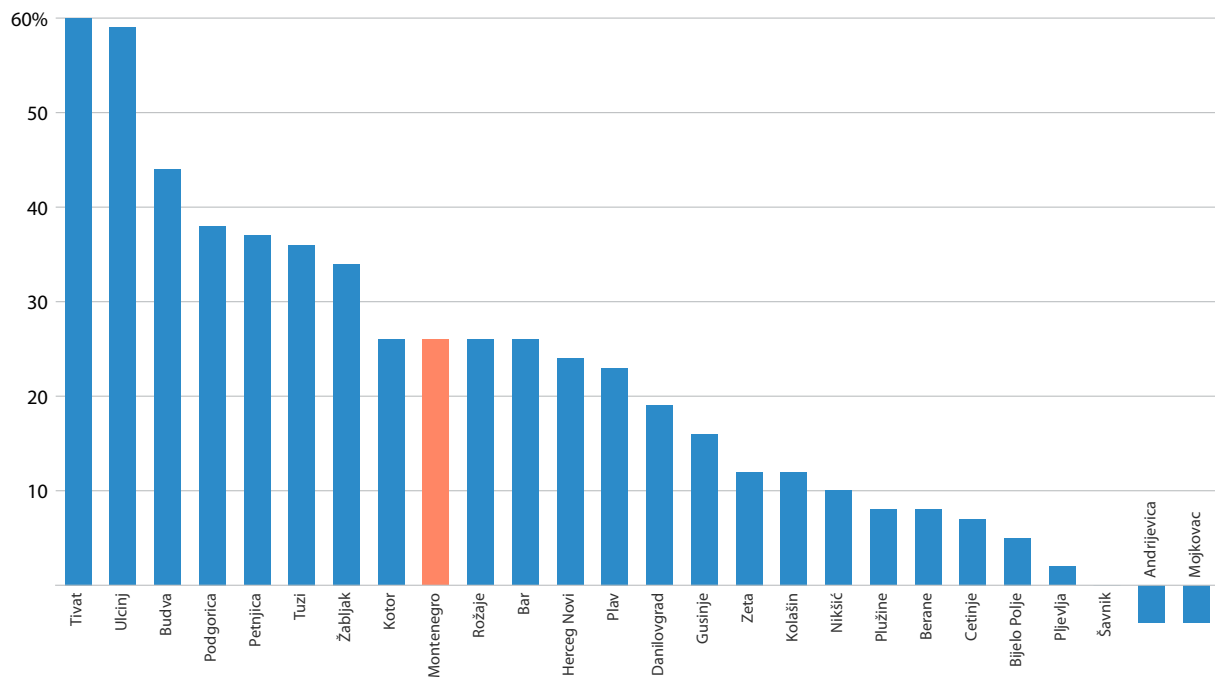
Between 1990 and 2023, an estimated 152,556 dwellings were added to the housing stock, making up 54 per cent of the total. On average, the intensity of new housing construction in Montenegro has been an annual 2 per cent increase of the total between the two latest Censuses. This figure is almost double the average for EU countries (0.9 per cent), and higher than the highest figures from 2022. These were Luxemburg with 1.8 per cent and Poland with 1.5 per cent while Latvia, Portugal, Spain, Hungary and Slovenia, recorded the lowest rate of construction with figures below 0.5 per cent.¹⁰⁵

While the housing stock increased by 26 per cent, between the two Censuses of 2023 and 2011, the population increased only by 2 per cent and households by 15 per cent. The housing stock has therefore increased much faster than the population, but distribution of investment has not been equal. The statistical data show that cities where construction has been thriving are in the coastal areas and Podgorica, while municipalities in the inner country have actually experienced a decrease in the number of dwellings (Andrijevica and Mojkovac) or insignificant increase (Šavnik and Pljevlja) (Figure 3.2).

104 See https://www.monstat.org/uploads/files/BDP/BDP%202023/Annual%20GDP%202023_eng.pdf.

105 See <https://www.oecd.org/content/dam/oecd/en/data/datasets/affordable-housing-database/hm1-1-housing-stock-and-construction.pdf>.

Figure 3.2 Percentage of housing stock increase between two Censuses (2011 and 2023)



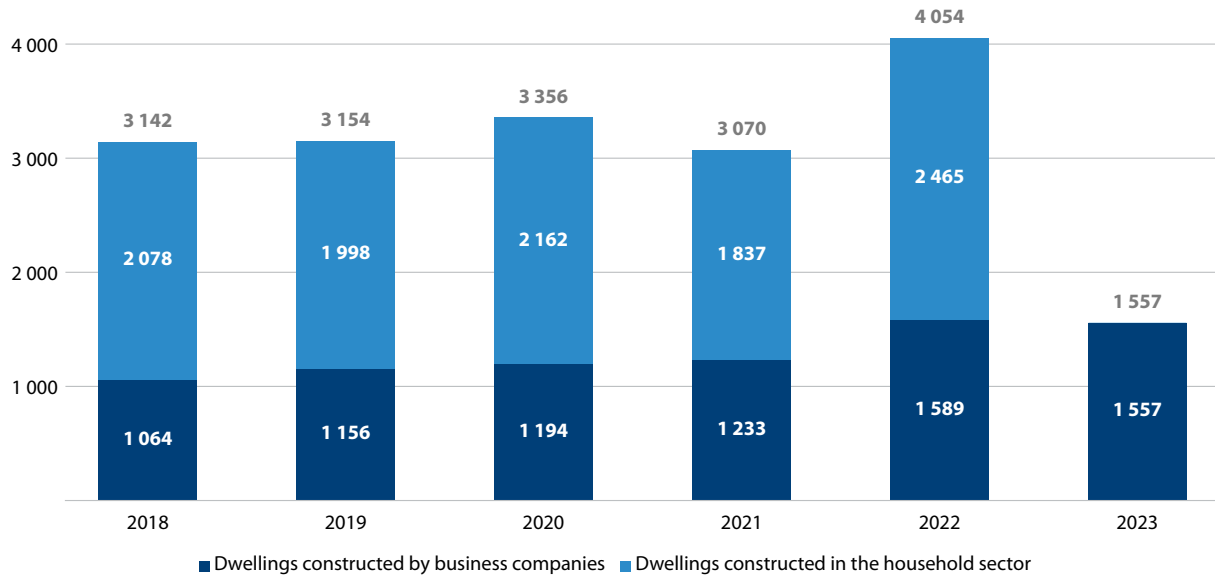
Source: MONSTAT, Census 2011 and Census 2023

In 2011, Montenegro had 508 dwellings per 1000 population, while in 2023 this figure was 23 per cent higher reaching 627 dwellings per 1000 inhabitants. This figure is 21 per cent above the EU average of 517 dwellings per 1000 inhabitants.¹⁰⁶ In 2022, Montenegro recorded a relatively high rate of new construction activity, where new dwellings completed represented 1.7 per cent of the total existing dwelling stock, which is almost the double the EU average for the same year.¹⁰⁷ In 2023, there was a slight drop in the number of finished dwellings by business companies (Figure 3.3). What is more notable is a drop in building permits and notification of building works from the peak in 2017 (Figure 3.4), which can be explained by the adoption of the new Law on Spatial Planning and the rush of developers to get building permits before the law came into force in 2018, to avoid delays or uncertainties.

¹⁰⁶ OECD (2024), OECD Affordable Housing Database - indicator HM1.1. Housing stock and construction, <https://oe.cd/ahd>; and <https://www.oecd.org/content/dam/oecd/en/data/datasets/affordable-housing-database/hm1-1-housing-stock-and-construction.pdf>.

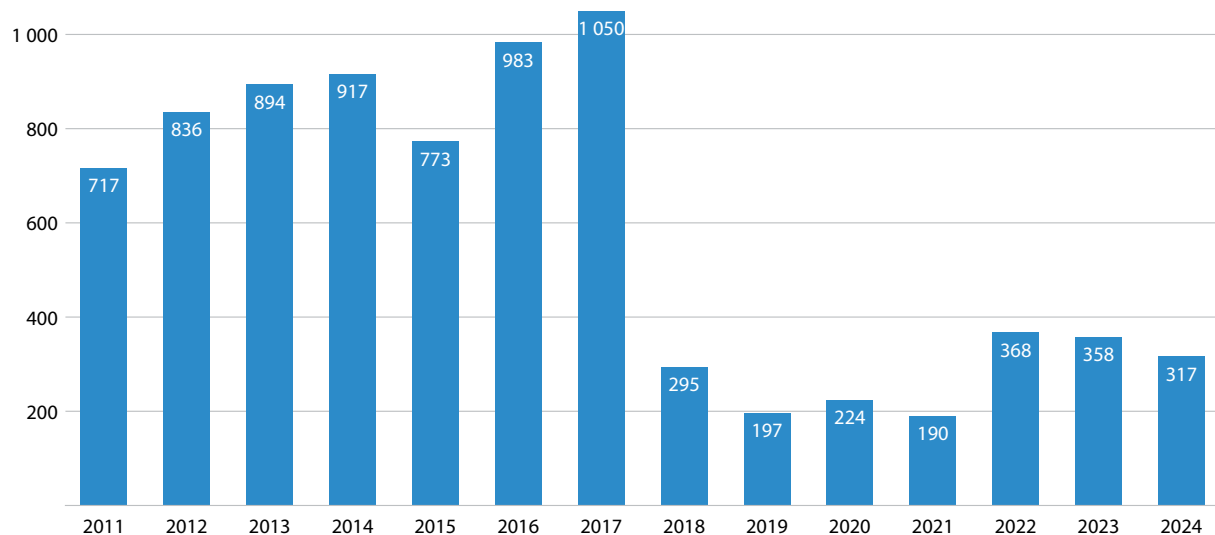
¹⁰⁷ Ibid.

Figure 3.3 Number of completed dwellings each year
(for 2023 there are no data for the number of completed dwellings in the households' sector)¹⁰⁸



Source: <https://monstat.org/uploads/files/publikacije/godisnjak2024/15.pdf>.

Figure 3.4 Number of building permits issued



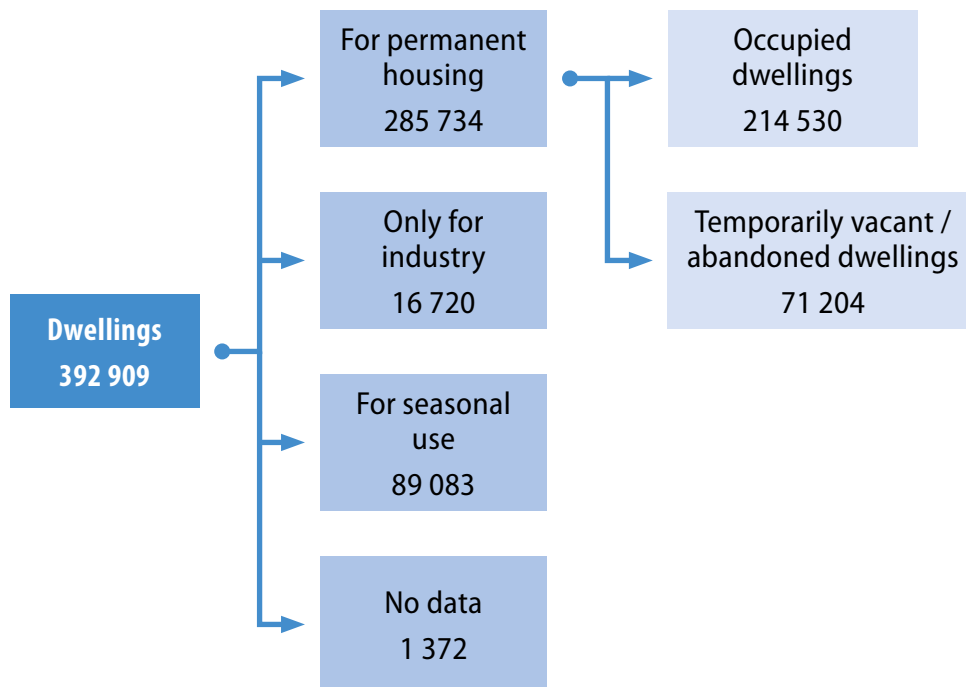
Source: MONSTAT¹⁰⁹

¹⁰⁸ For 2023 there are no data on the number of dwellings completed by the household's sector.

¹⁰⁹ See https://monstat.org/uploads/files/gradjevarstvo/Gra%C4%91evinske%20dozvole/2025/1/Dinami%C4%8Dka%20baza_Gra%C4%91evinske%20dozvole%20i%20prijave%20radova.xlsx.

These housing provision indicators need to be analyzed in correlation with other data such as vacant houses, secondary homes, dwellings used for tourism purposes like Airbnb, and abandoned housing. According to the 2023 Census, 72.72 per cent of housing stock is classified as permanent housing, compared to 64 per cent in 2011, showing a trend in the reduction of vacant and temporarily-vacant housing, though the figure still remains as high as 27 per cent. However, out of the dwellings for permanent housing, only 75 per cent are occupied dwellings, the rest being temporarily vacant or abandoned dwellings, which means that out of the total number of dwellings in Montenegro, only 54 per cent are occupied continuously for housing (see Figure 3.5).

Figure 3.5 Structure of dwellings in Montenegro, by the way of use and occupancy



Source: MONSTAT, Census 2023; Number of dwellings, and type of use by municipalities in Montenegro

The phenomenon of vacant housing is typical for the countries of Southern Europe, which, in general have high rates, including dwellings used for tourism and as secondary homes, ranging from 35 per cent in Greece,¹¹⁰ 33 per cent in Albania, 36,6 per cent in Northern Macedonia,¹¹¹

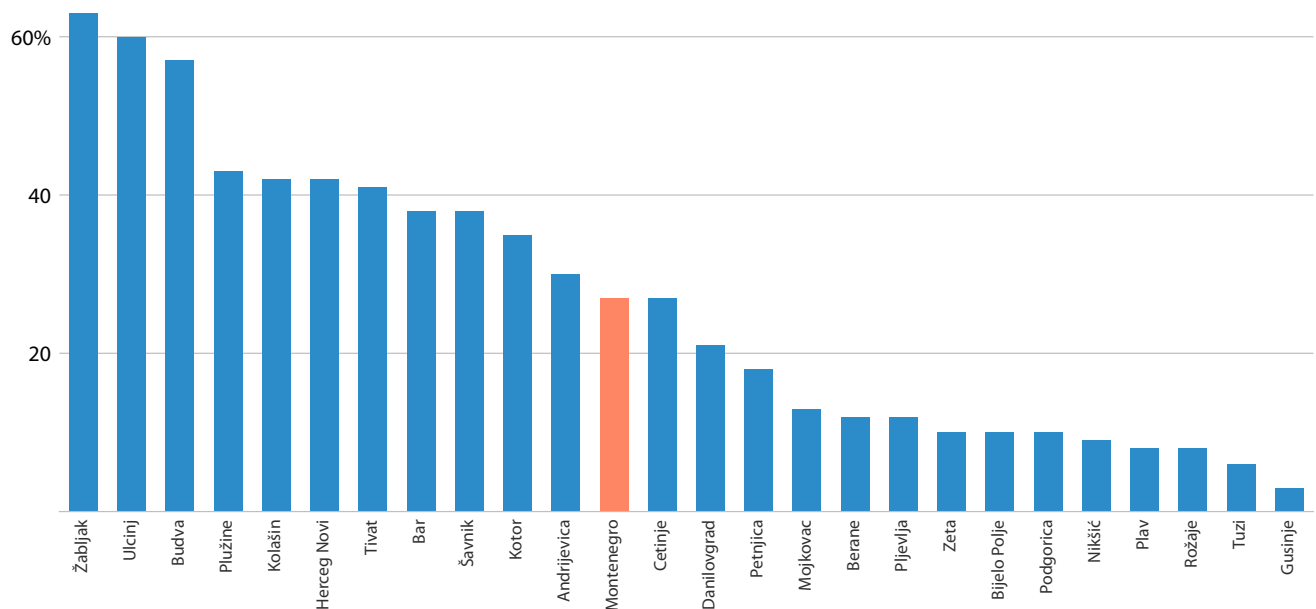
110 See <https://housing360.eteron.org/vacant-houses/#:~:text=According%20to%20data%20gathered%20by,1> (data from 2011 Census).

111 See <https://telegrafi.com/en/kriza-rrit-cmimet-e-banesave-ne-maqedoni-ne-disa-qytete-meter-katrori-arrin-ne-2500-euro/>.

31 per cent in Portugal and 28 per cent in Spain.¹¹² Yet, for Montenegro the ratio of 54 per cent of the number of occupied dwellings to total dwellings, and de-facto 46 per cent vacancy rate, represent an alarming housing market situation that needs to be addressed with evidence-based policies. These should aim at bringing dwellings back into permanent occupation as much as possible.

The distribution of permanent occupied housing between municipalities differs greatly (Figure 3.6). Municipalities with over 50 per cent of dwellings not used for permanent habitation are in the Coastal region, which is understandable because of “condo tourism”.¹¹³ In northern municipalities the principle cause is depopulation. Žabljak, for example, increased its dwellings by more than 30 per cent between 2011 and 2023 despite a population decrease of 18 per cent.

Figure 3.6 Percentage of dwellings not used for permanent habitation



Source: Calculated from MONSTAT Census 2023 data.¹¹⁴

Note: the statistical categories of dwelling use include: ‘for permanent housing’, ‘only for industry’, ‘for seasonal use’, and ‘no data’; the shares in the graph represent the number of dwellings other than ‘for permanent housing’ to the total number of dwellings.

Some municipalities in the central and northern regions report lower shares of uninhabited dwellings, despite population decline (also see Chapter II). This may be attributed to new

¹¹² Data sources for Portugal and Spain: <https://www.oecd.org/content/dam/oecd/en/data/datasets/affordable-housing-database/hm1-1-housing-stock-and-construction.pdf> (latest year 2022); for Albania: Census 2023.

¹¹³ Building planned and built as condominiums but used primarily for short term rental to tourists.

¹¹⁴ https://www.monstat.org/uploads/files/popis%202021/saopstenja/TABLE_Dwellings%202023%20I.xlsx.

household formation and limited new housing supply. However, other factors – such as migration patterns, inheritance practices, and construction costs – may also influence vacancy trends and should be further analyzed to fully understand local housing needs.

Out of the total number of dwellings in Montenegro, the largest amount is in Podgorica, 86,886, or 22.11 per cent, while the smallest is in Gusinje, 1,897, representing 0.48 per cent¹¹⁵ of the total. Most housing stock is in urban areas. Table 3.1 below presents the distribution of housing stock in total, and for urban areas, as reported by Censuses. Data on urban vs rural housing from the 2023 Census were not ready in time for this Country Profile. The share of dwellings in urban areas has been steadily increasing since 1981, reaching 63 per cent in 2011 and an estimated of 68.7 per cent in 2024,¹¹⁶ showing a relatively high rate of urbanization.

The increase of the average dwelling size between 1971 and 2023 has resulted in an increase of 3.5 times the dwelling area per person, reaching 35m² compared with 9.9m² in 1971. Number of persons per dwelling decreased from 4.6 to 2.2 during the same period. However, if we refer to the area of dwellings used for permanent housing, the area per person is 26.8m².

Comparing the floorspace per capita for different countries and regions may be misleading, due to different ways for defining floorspace; in some countries it is only the living area, in others the entire dwelling area. The floorspace area for Montenegro refers to the useful floor area of the dwelling,¹¹⁷ measured by the inner walls. It is much smaller than in other Southern European countries, but larger than in Central and Eastern European countries.

Table 3.1 Housing stock in Montenegro between 1971 and 2023

	1971	1981	1991	2003	2011	2023
Total dwellings for permanent housing	112 000	131 000	170 000	206 000	247 000	286 000
Urban areas	42 000	70 000	99 000	125 000	155 000	NA
Percent	38	53	58	61	63	NA
Average area/ person	9.9	14.4	17.9	21.9	28.5	35.0
Number of persons per dwelling	4.6	4.2	3.6	3	2.5	2.2

Source: MONSTAT, Yearbook 2023; https://monstat.org/uploads/files/publikacije/godisnjak_per_cent202023/15.pdf.

115 <https://monstat.org/eng/novosti.php?id=4115>.

116 [https://www.worldometers.info/world-population/montenegro-population/#:~:text=The%20population%20density%20in%20Montenegro,\(434%2C519%20people%20in%202025\)](https://www.worldometers.info/world-population/montenegro-population/#:~:text=The%20population%20density%20in%20Montenegro,(434%2C519%20people%20in%202025)).

117 <https://monstat.org/uploads/files/publikacije/godisnjak2024/15.pdf>.

Picture 3.1 An apartment building in Nikšić

PHOTO: OLEG GOLUBCHIKOV

3.5 Housing and living conditions

Housing conditions can be assessed based on indicators that measure the level of housing adequacy as explained by Committee on Economic, Social and Cultural Rights (CESCR) (Comments 4 and 7 of on the right to adequate housing), as well as indicators of Sustainable Development Goals (SDG). The right to adequate housing (RAH) is one of the preconditions for ensuring an adequate standard of living, therefore using these indicators combined with SDGs will help national and local administrations to assess quality of living and develop policies for improvement.

Adequate living

The increase of dwelling size suggests an improvement of living conditions, although how this increase is distributed in different social groups, regions, and settlements should be analyzed in more detail. MONSTAT and other national sources do not provide data about the overcrowding rate.¹¹⁸ However, data from Eurostat 2022 surveys suggests an alarming overcrowding rate of 63 per cent in Montenegro, the highest among EU and accession countries, and significantly above the EU average of 17.1 per cent. This is despite the very high levels of vacant, seasonally used and other non-occupied housing. This may suggest that households that actually need housing are 'squeezed' into what statistics refers to as 'occupied dwellings' - dwellings that people can actually use for living in places where people need them – which are only 54 per cent of the total number of dwellings. Under the conditions of social inequality, it is particularly low-income groups that are likely to be affected.

Box 3.1 How EUROSTAT defines overcrowding

The overcrowding rate is defined as the percentage of the population living in an overcrowded household. A person is considered as living in an overcrowded household if the household does not have at its disposal a minimum number of rooms equal to:

- one room for the household
- one room per couple in the household
- one room for each single person aged 18 or more
- one room per pair of single people of the same gender between 12 and 17 years of age
- one room for each single person between 12 and 17 years of age and not included in the previous category
- one room per pair of children under 12 years of age

Source: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Overcrowding_rate

Internally displaced families, for example those housed through the Regional Housing Project in Konik in Podgorica, tend to endure extreme overcrowding. This is because they include Roma and Egyptian communities with high numbers of family members, in standard apartments between 25 and 85 m². Consequently, these families, despite being housed, may be considered in housing need. UNHCR has actively worked to improve housing conditions for Roma and Egyptian families, advocating for standards that accommodate larger households and prevent further marginalization.¹¹⁹

¹¹⁸ According to Eurostat definition, a household is considered overcrowded if it does not have a minimum of one room for the household, one room per couple, one room for each single person aged 18 and over, one room per pair of single people aged 12-17 and/or one room per pair of children aged under 12.

¹¹⁹ Written communication by the representative of UNHCR.

The government has not yet adopted standards for adequate living, such as minimum area for different household sizes, overcrowding definition and other standards of accessibility for persons with disabilities.

Access to water and sanitation

Another important indicator for assessing adequacy of living conditions is access to an improved water source, which corresponds to indicators SDG 6.1.1 and that of RAH (*Availability of services, materials, facilities and infrastructure*). According to Census 2023, while 97 per cent of the population have access to a water supply, only 81.5 per cent are connected to public or municipal system, while 19.5 per cent of the population relies on individual sources, such as hydrophores or wells.

The SDG indicator 6.1.1 for Montenegro and 2023 Population Census does not show data separately for urban and rural areas. However, reports show large differences between rural and urban areas' access to clean water.¹²⁰ This reflects significant territorial inequalities in basic infrastructure provision, especially between coastal and northern regions. Thirty-two per cent of municipalities (n=8) have 99.9 per cent dwellings with water supply system connections (public and private) with Budva and Tivat having 100 per cent. The municipalities with the lowest number of dwellings connected to a water supply system are Pluzinje and Savik, 78 per cent and 73 per cent, both located in the Northern region.

While the rate of access to clean drinking water is high, only 57 per cent of the population have access to safely managed sanitation services.¹²¹ The SDG indicator 6.2.1 for Montenegro shows a large difference between urban and rural areas: in urban areas, 64 per cent of the population has access to improved sanitation, while in rural areas only 43 per cent. Only 52.9 per cent of rural households' sewage systems are connected to the public system.

Security of tenure

Security of tenure is a set of relationships about occupancy of housing and land, established through statutory or customary law or informal or hybrid arrangements, enabling people to live in their homes with security, peace and dignity.¹²² In Montenegro, particularly in tourist areas and the capital, people may risk tenure insecurity in informal settlements and the informal rental market. However, no data exists on forced evictions, nor any research or report from international organizations or the Ombudsperson. It is likely, however, that security of tenure is generally ensured mainly by contract in the private rental market, by verbal agreement in informal housing.

120 <https://pmc.ncbi.nlm.nih.gov/articles/PMC7213556/>.

121 <https://www.sdgmontenegro.me/en/6-2-1/>.

122 <https://unstats.un.org/sdgs/metadata/files/Metadata-11-01-01.pdf>.



PHOTO: GORANT / ADOBE STOCK

People living in slums and informal settlements

Informal housing in Montenegro is a mix of unauthorized constructions, including buildings that violate planning or construction regulations, and settlements established by Roma and Egyptian communities. Residents of these informal settlements often lack formal ownership or tenancy rights making them vulnerable to eviction. These areas typically lack access to basic infrastructure and services, such as water supply, sanitation, electricity, and waste collection. The construction materials and building methods used often do not comply with safety standards, exposing residents to hazardous living conditions and increasing vulnerability to earthquakes and fires.

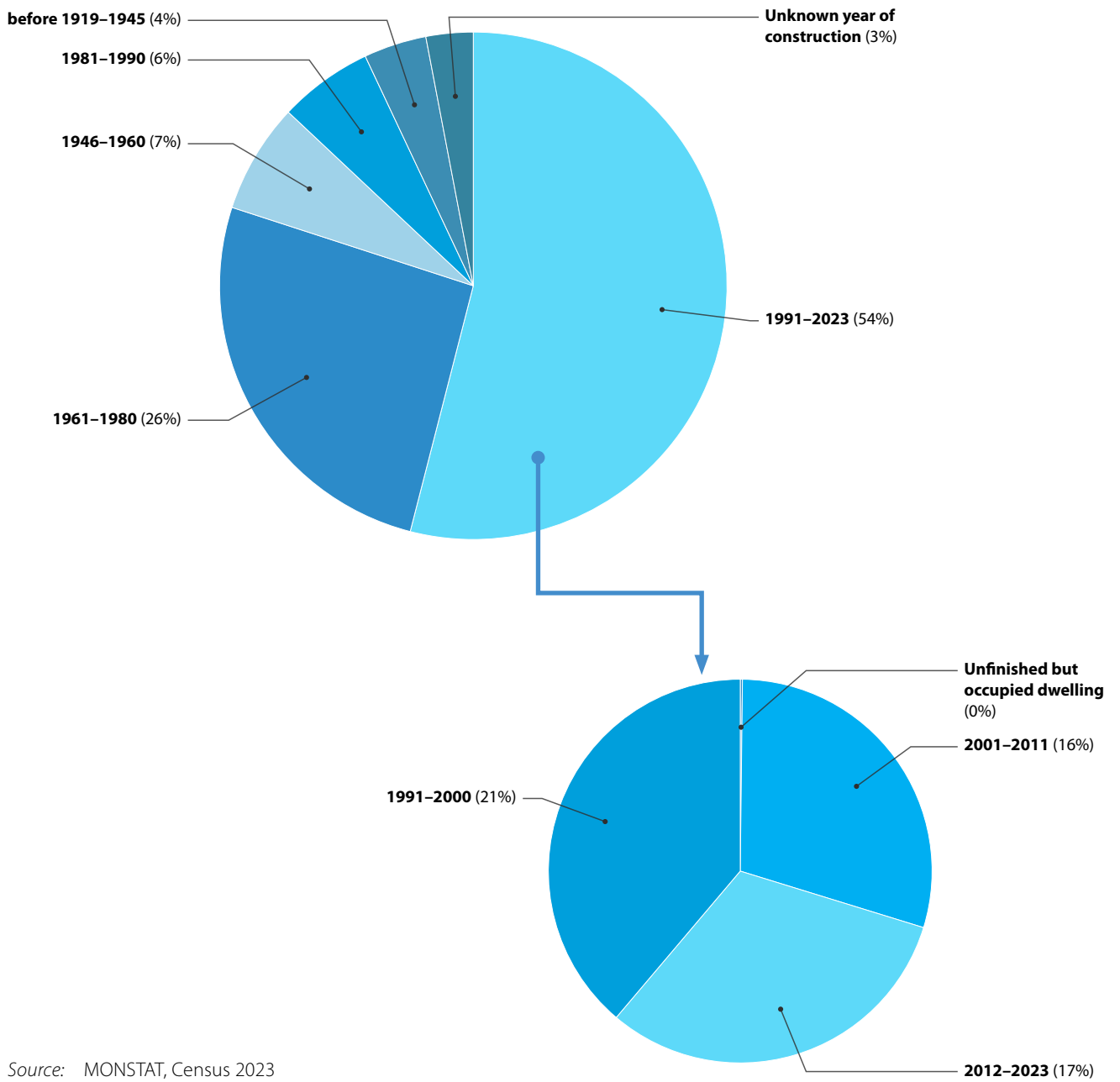
In 2020, some 8.8 per cent of the population were living in slums, informal settlements or inadequate housing.¹²³ In the legislation there is not a definition of “slum” or “inadequate housing”. Having definitions would enable identification and collection of data, construction of programmes and monitoring of implementation.

Quality of the housing stock

The quality of housing stock is strongly linked to its age, construction quality, and materials used. According to the 2011 Census, approximately 70 per cent of total housing stock was built before 1991, meaning most dwellings are over 40 years old. Between the 2011 and 2023 Censuses, the stock increased by 56,686 dwellings, reducing the share of dwellings built before 1990 to 46 per cent of the total (see Figure 3.7), compared to 70 per cent in 2011.

¹²³ <https://www.sdgmontenegro.me/en/11-1-1/>.

Figure 3.7 Number of dwellings for permanent housing by period of construction in 2023



Source: MONSTAT, Census 2023

Living conditions of Roma and Egyptians

According to 2023 Census data, there were 5,629 Roma (1.91 per cent of total population) and 1,655 Egyptians. Of this total, 54 per cent lived in Podgorica and the rest between Berane, Nikšić, Herceg Novi, Bar, Ulcinj and Bijelo Polje. However, the real number of these groups may be significantly higher, as they may be registered as other ethnicities in the Census. The Multiple Indicator Cluster Survey (MICS) 2018 indicated that these communities are most likely to be lacking adequate living conditions. Almost 90 per cent of Roma and Egyptians (R&E) are not able to afford three of nine basic living items including rent, mortgage, utility bills and warmth.¹²⁴ Some 11.5 per cent of R&E people do not live in proper housing, 11.7 per cent do not have access to sanitation facilities, and 18.1 per cent have no water source in the house. Some 40.3 per cent have only one room for sleeping, sharing it with an average of 3.3 persons.

Women and other vulnerable categories

Women in Montenegro, particularly in rural regions and in female-led households, face persistent disparities in housing ownership and access. A 2023 OSCE-commissioned study¹²⁵ based on national cadastre data revealed that women account for only 36 per cent of residential units. Moreover, only a quarter of properties are solely owned by women; and among individuals owning five or more properties only one in five is female. These figures show gender imbalance in access to housing, but also the potential risks arising from belonging to a certain gender, which may affect equal rights in housing policy and highlight the need for targeted policy interventions.

Programmes such as the Regional Housing Programme (RHP), have addressed housing vulnerabilities. While not explicitly gender-targeted, these efforts benefit women-headed households. Furthermore, an analysis of the results of the implementation of the 1000 plus Project revealed that 63 per cent of beneficiaries of subsidized housing loans were women¹²⁶ in the fourth phase of the project. This can largely be linked to the large percentage of women who were single parents or guardians of children, and so their housing was a priority.

The Law on Social Housing (2013) does not explicitly refer to “women” as a vulnerable group. A new Law on Housing Support to replace the 2013 Social Housing Law should mainstream gender-related vulnerabilities and equality in housing policy, ensuring implementation as well.

¹²⁴ See <https://montenegro.un.org/sites/default/files/2020-04/Montenegro%20-%20National%20and%20Roma%20Settlements%20-%202018%20MICS.pdf> (accessed in May, 2025).

¹²⁵ National Housing Strategy until 2034 for Montenegro. The draft document was provided by the Housing Department. Also cited at: <https://www.osce.org/mission-to-montenegro>, accessed on 9 August, 2025.

¹²⁶ National Housing Strategy until 2034, Montenegro. Draft, provided by the National Focal Point (later published at: <https://wapi.gov.me/download/8fa23bc2-b72d-4325-9395-09ca132f5d28?version=1.0>).

Homelessness

There is no official data on homelessness, but unofficial sources estimate between 36 (declared by social service centres) and 300.¹²⁷ Homelessness mainly affects the most vulnerable, such as victims of violence who tend to be disproportionately female, socially disadvantaged individuals, divorced women economically dependent on their partners and other vulnerable situations accompanied by financial insecurity, loss of home, and lack of accumulated income and savings. These categories need specific programmes that combine housing with social assistance, health services, vocational training to help them get jobs, and gradual housing improvement.

3.6 Management, maintenance and repairs of multi-apartment buildings

Approximately 46 per cent of housing stock was built during the socialist era and is now ageing. Coupled with a lack of regular maintenance and repairs in the post-socialist period, this creates a need for investment and urgent renovation, including structural repairs, insulation improvements, and energy efficiency upgrades. However, the lack of funding or incentives makes it difficult for homeowners to undertake improvements.¹²⁸

The maintenance of residential buildings in Montenegro is regulated by the Law on Property Relations (2009) and the Law on Maintenance of Residential Buildings (2016). *The Law on Property Relations* is a civil law, and in articles 131 to 152 it creates rights and duties for co-owners, defined as “undivided shares among two or more owners”. It also stipulates co-owners’ rights, governance structure and decision-making. Decisions about use, management, or disposal require consent of the owners of over half the value of the property, while the consent of all co-owners is needed to undertake activities exceeding the limits of regular management. If an agreement cannot be reached, the matter can be taken to court.

The Law on Maintenance of Residential Buildings also provides governance structure, decision-making procedures, financial obligations, and liability rules for building upkeep. While the Law on Property Relation focuses more on explaining co-ownership as a form of ownership and co-ownership rights and obligations, the Law on the Management of Residential Building focuses on rules and regulations for maintenance and management of common parts. There are overlaps, repetition and potential conflicts between the two laws, which need further analysis by lawyers.

Enforcement of the Law on the Maintenance of Residential Buildings has been challenging, as with all economic and political ex-centralized systems. The State’s responsibility for maintenance of housing stock, and the transfer of ownership to sitting tenants without taking into account

¹²⁷ See <https://borgenproject.org/homelessness-in-montenegro/#:~:text=Montenegro%20is%20a%20country%20located,information%20about%20homelessness%20in%20Montenegro>.

¹²⁸ UNDP, “the country’s Path to Energy Efficiency,” 2024.

their lack of knowledge and ability to afford it, makes the situation very challenging. Many homeowners fail to meet their financial obligations, leading to a lack of funds for essential repairs and maintenance. Moreover, there is a lack of transparency regarding how collected fees are spent. This has led to legislative proposals to improve accountability.¹²⁹

There are several types of management companies offering comprehensive services: cleaning, technical inspections, system maintenance (water, electricity, elevators), and handling tenant relations. However, these companies mostly deal with office buildings and tourist activities. It is common practice for Condominium Assemblies to choose an individual professional manager, while even a co-owner may serve in that role. The Law does not require condominium managers to have specific qualifications or training, just suggests that managers should be competent in their duties. There is currently no national registry of condominium managers in Montenegro.

Article 16 of the Law on the Maintenance of Residential Buildings, requires that the co-owners approve a maintenance cost not lower than €0.20 per m²/month, which is calculated for basic needs. It is not, however, clear if this is enough for decent building management and maintenance. Establishing a minimum tariff may be problematic: it helps monitoring and enforcement by court or local agencies, but may hinder the quality of management and maintenance. In new developments, there are cases where the contract of sale requires that building maintenance is done by specialized firms, implying future maintenance costs can be arbitrarily set by the maintenance company (see Box 3.2¹³⁰). The choice of the manager is an exclusive right of the co-owners, and the law should ban obligations developers set when selling.

Box 3.2 Evidence from Tirana

There is anecdotal evidence in Tirana (Albania) that a buyer did not pay attention to maintenance details in the contract and ended up paying a high monthly fee of €50 to €250. In recent years maintenance of condominiums has become an attractive proposition for developers, but also for small enterprises and individual people. According to the Albanian law “On the Management and Maintenance of Condominiums” of 2009, the manager can be a person or company and should comply with specific requirements that are specified by a Decree of the Government. To be able to sign a contract with the Condominium Board of Directors, elected by the Condominium Assembly, both the Board and the Manager should be registered in the municipality. The municipality assists with publishing the list of managers on their websites, as well as, if requested by any co-owner, for the establishment of the Assembly and the election of the Board.

Source: Consultant’s own professional experience

129 Vjesti, “True Montenegro Submits Amendment to Prevent Misuse by Building Managers,” 2022; Source: <https://en.vjesti.me/news-b/society/629769/true-Montenegro-per-cent2C-we-have-submitted-an-amendment-that-prevents-the-abuse-of-the-office-of-manager-of-residential-buildings>, accessed in April, 2025.

130 See <https://www.montenegroprospects.com/help-and-advice/apartment-amenities-your-ownership-and-use-rights-explained>.



PHOTO: OLEG GOLUBCHIKOV

Internationally, a condominium property is a form of private property, and maintenance of the common parts in a multi-apartment building and its management is the responsibility of the owners of single units, regardless of whether they use them or not. However, there are also elements of public interest in the way co-owners maintain the building, since it is part of the local economy, patrimony and image.

Through the privatization of state-owned dwellings, owners obtained their property almost for free, without knowing the responsibilities and costs of management and maintenance. These are some of the rationales that justify specific roles for local administration in the field of condominiums which the law should provide. In Western Europe, the management and maintenance of multi-apartment buildings is the responsibility of private owners' associations or housing cooperatives, with limited role for local government: mostly providing technical assistance to homeowners and financial support for renovation and energy upgrades. In most of the Eastern and South-Eastern European countries, due to their brief history in management and maintenance of condominiums and consequent lack of tradition and experience, local governments play a legally mandated and practical role. This includes appointing administrators, managing subsidy programmes and facilitating large-scale renovations. In Montenegro the Law on the Maintenance of Residential Buildings provides a specific role for local governments and others in appointing a temporary manager. However, the law should define more clearly, and in one specific chapter, the role of local government which should include management and maintenance, inspections, training, financing or co-financing, and providing clear procedural rules.

This challenging matter needs an integrated and multi-level approach, promoting best practice from the region and further afield. Projects retrofitting multi-apartment buildings (MABs) for energy efficiency projects can be used to stimulate homeowner interest. The legal framework, including local regulations on safety, hygiene, facade maintenance and so on, should be enforced and monitored nationally and locally.

Picture 3.2 Socialist-era multiapartment buildings in Podgorica



PHOTO: OLEG GOLUBCHIKOV

3.7 Energy efficiency in housing

There are several initiatives for the Government and other partners to improve household energy efficiency. The most recent is the Energy Efficiency Incentive Program for Households, funded by the EU and implemented by the Eco Fund and the Government of Montenegro with the support of UNDP. In May 2024, the government approved €8.8 million for this, of which €2.8 million was for Pljevlja: the country's most polluted city due to coal mining and the power plant. The 'me offers direct subsidies for modern technologies that reduce energy consumption and household expenses.¹³¹

By 2025, over 2,500 applications have been approved,¹³² but the level of implementation is low, due to lack of interest from contractors (See Box 3.4).

131 Government of Montenegro, "Energy Efficiency Improvement Programme," May 2024, <https://montbel.me/en/praviteljstvo-chnogorij-odobrilo-proekt-po-povysheniyu-energoeffektivnosti-v-domochozyajstvah/>, accessed on May, 2025 and <https://www.undp.org/montenegro/press-releases/more-4500-households-montenegro-already-path-energy-efficiency>.

132 UNDP, "the country's Path to Energy Efficiency," 2024, <https://www.undp.org/montenegro/press-releases/more-4500-households-montenegro-already-path-energy-efficiency>, accessed in May 2025.

Box 3.3 Programme on Energy Efficiency of the Residential Buildings

The Energy Efficiency Incentive Programme is financed with €8 million from EU pre-accession assistance (IPA), €0.3 million by the Municipality of Pljevlja, and €0.5 million by the Eco-Fund (The Fund). The Fund is also responsible for the project's implementation.

Eighty-five per cent of funds will be used for energy efficiency measures in individual residential buildings, of which €1.7 million is for households in Pljevlje, and 5.8 million is for other municipalities. In addition, €1.1 million will be allocated for the Municipality of Pljevlja to improve the energy characteristics of multi-apartment building envelopes. Individual homeowners in MABs can also benefit, but only for internal works that do not affect the facade.

When distributing funds among municipalities, special attention is paid to the level of pollution and the developmental index, with Pljevlje getting priority for a fair transition from coal dependence.

Specific measures financed include thermal insulation of facades, replacement of inefficient windows and doors, instalment of heating systems based on modern biomass, high-efficiency heat pumps, and multi-split systems for heating or cooling. Each measure has its own percentage of subsidy weight.

The Fund organizes public calls for contractors, which receive high interest from homeowners. While this is a good sign for the project, it also is the greatest challenge due to the limited number of contractors expressing interest. There are only 28 such companies, and they cannot cover the whole territory. Reasons for low interest include the complexity of the insulation works, the distribution of buildings in the municipality, lower profit compared to construction of new buildings. technical capacities and knowledge of energy-efficiency standards.

Source: Eco-Fund, personal communication, 11.06.2025

Despite a well-developed energy efficiency framework, implementation is still lagging. Reasons for this include the age and energy-inefficiency of existing housing stock, household financial constraints, limited institutional capacity¹³³ to enforce the legal framework, and the number of informal buildings. Moreover, shortage of professionals skilled in modern energy efficiency technologies and practices adversely affects the quality and feasibility of implementing energy efficiency measures.

¹³³ Energy Community 2020; REPORT on the implementation of the Energy Performance of Buildings Directive.

The most challenging sector is MABs, due to owners' low awareness of energy efficiency benefits, long payback of energy efficiency investments due to low energy prices, poor organization and inability of homeowners to borrow money, and banks' low confidence in lending to HOAs.¹³⁴ The price of energy in Montenegro is 9.7 eurocents per kilowatt hours – the highest for the Western Balkans, but much below than the EU average of 23.5 eurocents.¹³⁵ For an average income-earning family in Montenegro consuming roughly 700 kwh monthly, the energy would cost less than 5.7 per cent of their income, making the investment unattractive.

The Energy Efficiency Programme, financed by the EU, is an opportunity to raise awareness of energy efficiency benefits and establish an energy efficiency model for renovation of MABs. Montenegrin government, local government and international organizations should extend the project to multiapartment buildings, and local NGOs should be partnered to mobilize the Condominium Assemblies.

3.8 Challenges of housing affordability

Housing affordability is the relationship between housing costs and household income. It is a key indicator for assessing whether different income groups can access adequate housing. Affordability is influenced by location, size, construction quality, materials and building standards.

The Montenegrin Law on Social Housing does not define an affordability benchmark. Article 2 states that social housing is to be provided to people unable access housing. Priority is given to vulnerable groups including single parents, people with disabilities, older persons (65+), young people without parental care, Roma and Egyptians, displaced and internally displaced persons, and victims of domestic violence.

Housing prices

See Chapter V for a detailed analysis of the country's housing market.

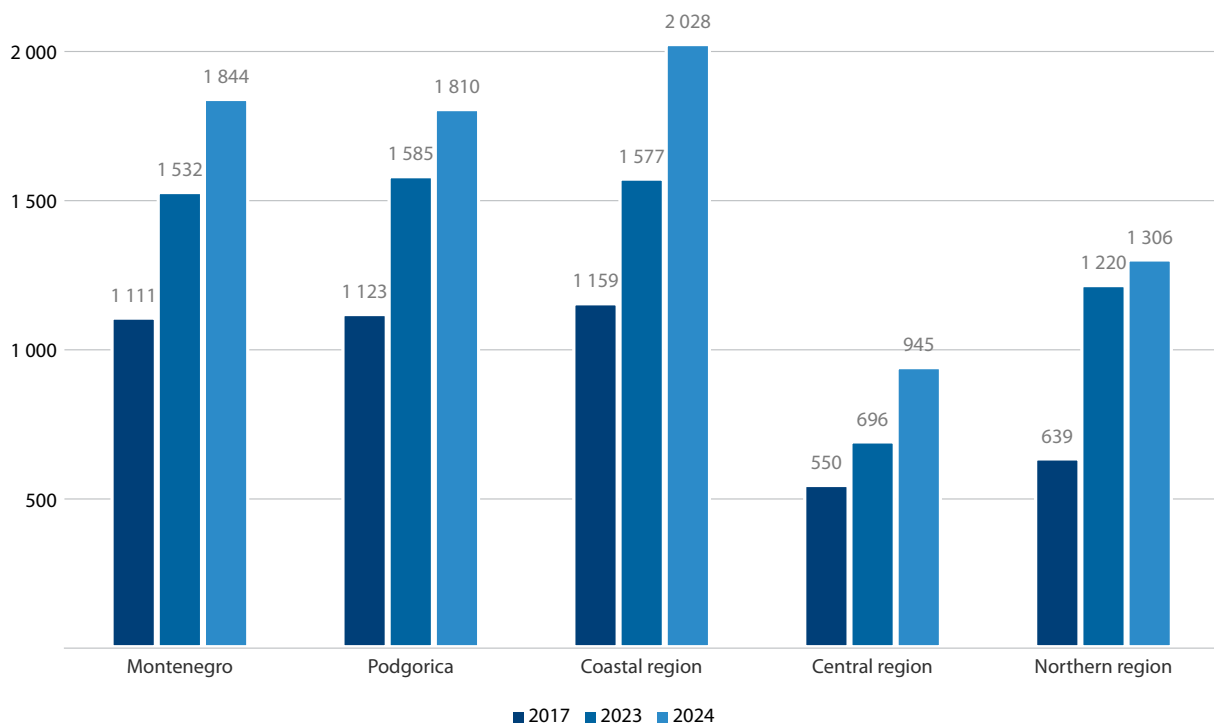
The housing market has experienced rapid growth in recent years, particularly in urban and coastal areas, driven by strong demand from foreign nationals, diaspora investors, and rising domestic interest. As a result, the construction sector has become one of the fastest-growing segments of the Montenegrin economy. The high demand is reflected in housing prices, although significant regional differences exist. The highest average price per square

134 USAID, 2020, gap analysis of the housing Sector in Western Balkan Countries: Bosnia and Herzegovina, Kosovo, North Macedonia, and Serbia vs. Slovak Republic. Source: https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://www.energy-community.org/dam/jcr:79fa0ca9-6603-47cb-a8cd-f873f64c7c45/EECG_USAID_032021.pdf&ved=2ahUKEwj7JO2H6NeMAxVR1AIHHcj_JuYQFnoECBkQAQ&usq=AOvWaw04yY4W6cp7eytBrstomhFB, accessed in April 2025.

135 <https://balkangreenenergynews.com/electricity-prices-in-balkans-highest-in-montenegro-lowest-in-kosovo/#:~:text=In%20the%20Western%20Balkans%2C%20Kosovo,in%20the%20category%2C%20Monstat%20said.>

meter is found in the coastal region (€2,000/m²), while the lowest is in the central region (€960/m²), which is 53 per cent lower than the coastal average. Over the past seven years, average apartment prices in Montenegro have increased by 66 per cent, with the northern region experiencing the sharpest rise at 104 per cent (Figure 3.8). Compared to 2023, housing prices in 2024 increased by an average of 20 per cent nationwide, with the central region showing the highest annual increase and the northern region the lowest.

Figure 3.8 Average prices per square meter of dwellings in new residential buildings by region, in EUR/m² (excluding prices of cooperative housing)



Source: <https://monstat.org/eng/page.php?id=320&pageid=320>

Note: Central region data does not include Podgorica

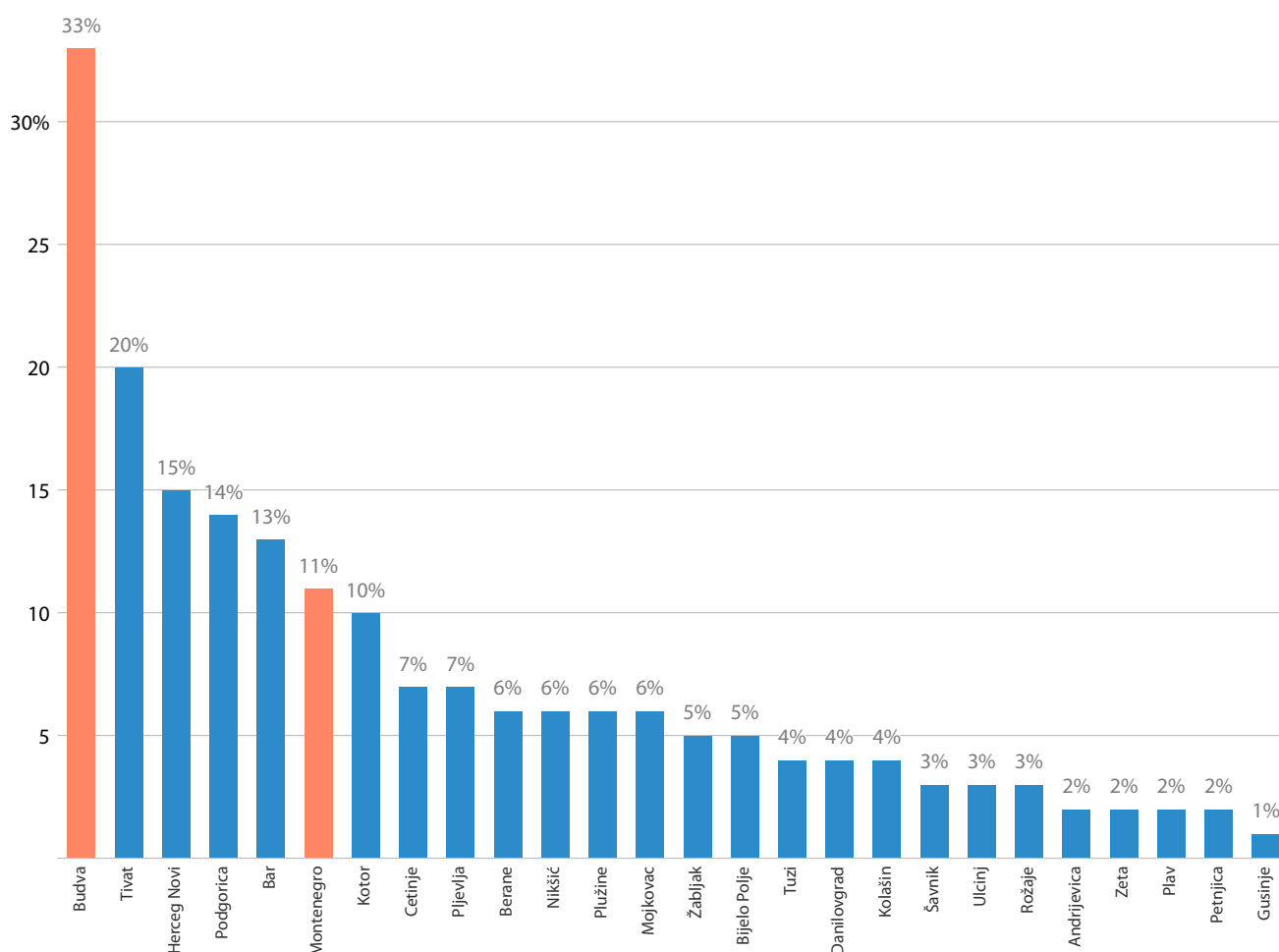
The construction sector, however, faces significant challenges, including rising material costs, shortages of skilled labour, and increasing service prices. For instance, in Podgorica, average construction costs amount to approximately €800/m², excluding land acquisition, utility infrastructure, and project development costs.¹³⁶

¹³⁶ See <https://montenegrobusiness.eu/montenegros-construction-sector-growth-challenges-and-future-prospects/>.

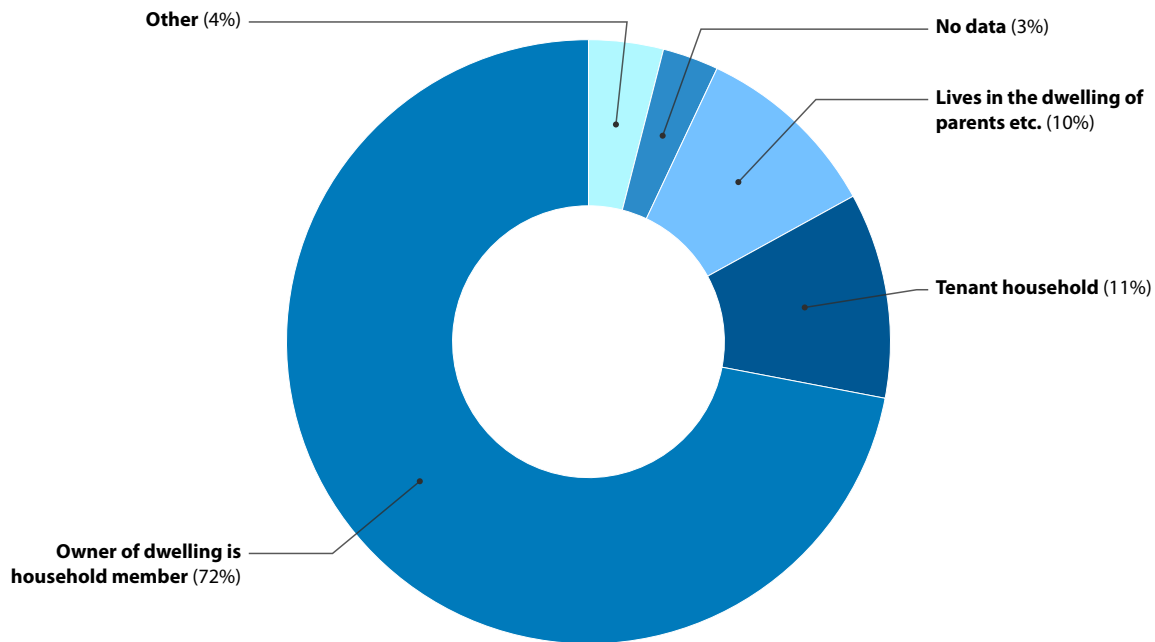
Data from the 2023 Census on housing tenure indicates that 11 per cent of households live in rental housing (Figure 3.10). Of all municipalities, Budva records the highest percentage of households living in rental accommodation (33 per cent), followed by Tivat (20 per cent), Kotor (20 per cent) and Herceg Novi (15 per cent), all affected by tourist short-term rentals. In the capital the percentage of households living in rental accommodation is 14 per cent (Figure 3.9).

The real figures should be higher but because the rental market in Montenegro operates largely informally there are difficulties in collecting reliable data, regulating tenancy conditions and protecting tenant rights. It also exposes renters to unregulated rent increases and the risk of eviction.

Figure 3.9 Percentage of households living as tenants by municipalities and total for Montenegro



Source: <https://www.monstat.org/uploads/files/Popis2024/Domaćinstva%20i%20porodice%20-%20ENG%20SAOPŠTENJE.pdf>.

Figure 3.10 Households by tenure status in Montenegro

Note: Rental prices generally follow property price trends and so are highest in the coastal region, particularly because of short-term tourist lettings. Average rental costs, based on data from a local real estate agency, are summarized in Table 3.2.

Table 3.2 Average Monthly Rents by Region and Apartment Type (€/month) in 2023

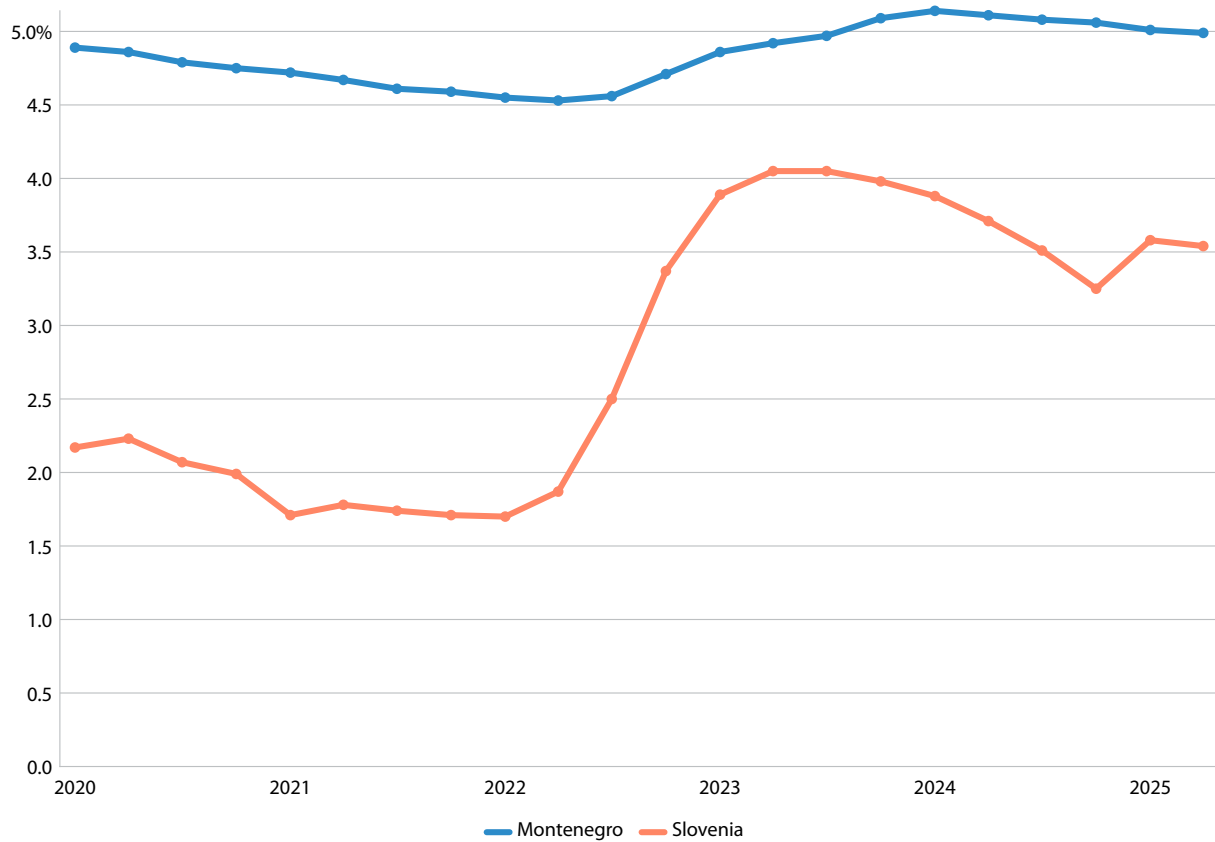
Type of apartments	Coastal region	Podgorica	Northern Region
Studio	300-600	300-400	No info
One-bedroom	400-900	300-600	300-500
Two bedroom / larger properties	600-1200	500-1500	500-1000

Source: <https://minicondos.me/long-term-rental-prices-in-montenegro/>.

Mortgage market for housing purposes

The country's mortgage market is expanding rapidly, with rising credit volumes and gradually declining—but still relatively high—interest rates. Compared to EU countries such as Slovenia,¹³⁷ ¹³⁸ lending rates in 2024-2025 remain elevated by 1.7 percent point (Figure 3.11). The interest rates increased with the start of the Ukraine war, slightly lower in Montenegro compared to Slovenia, where the rise was 300 per cent.

Figure 3.11 Comparing Average Mortgage Rates for Montenegro and Slovenia (2020-2025)



Source: [TheGlobalEconomy.com](https://www.theglobaleconomy.com)

¹³⁷ See https://www.theglobaleconomy.com/Slovenia/mortgage_interest_rate/.

¹³⁸ See <https://montenegrobusiness.eu/montenegrin-banking-sector-sees-strong-loan-growth-and-continued-decline-in-interest-rates-in-early-2025/>.

According to the Central Bank of Montenegro, citizens debt for housing loans amounted to approximately €600 million,¹³⁹ representing less than 10 per cent of the GDP, a figure much lower than in the EU where mortgage debt averages above 30 per cent of GDP. In 2023 compared to 2021, the loan amount increased by 31.74 per cent,¹⁴⁰ which may be a good sign for formalization of the sector, but it may also be the result of raising housing market prices.

The maturity of loans can be extended up to 30 years, which makes monthly payments more affordable, especially for younger people who can take a longer loan. High housing market prices and relatively high interest rates discourage middle-income families from buying a house with a mortgage, especially if banks do not grant more than an 85 per cent loan-to-value ratio. The 1000+ project addressed these barriers by fixing the price of dwellings at €1,100/m² and the interest rate at 2.99 per cent. However, due to steep price increases, the fifth phase of the project did not attract developers' attention, so the future phases of the project will have to reflect market prices and explore other measures to make housing loans affordable.

Market housing price affordability

There are no international or EU standards for housing affordability, but there are benchmarks referring to different calculation methods. One of the most common is the *House-Price-to-Income-Ratio (HPIR)* which indicates the ratio between average price of dwellings with the annual family income; for an affordable housing market it should be typically 1:3.¹⁴¹ This indicator is best used at city level but can also be useful for national housing affordability. According to MONSTAT, the average monthly salary in 2023 for Montenegro was €987 gross and €792 net. The average price per square meter of newly built apartments was €1,532. Using an average dwelling size of 76.7 m² (Census 2023) and the OECD modified equivalence scale to calculate the household income (€1,188), the PIR is estimated at 1:8.1, more than double the UN-Habitat affordability threshold. Data from 110 European cities (including from non-EU countries but excluding cities from Montenegro) from NUMBEO¹⁴² shows that Podgorica ranks equal with Oslo in 53rd place from the topmost expensive cities (Tirana, the 6th). Figure 3.12 compares data from some cities of the Western Balkans, from the same source in June 2025.

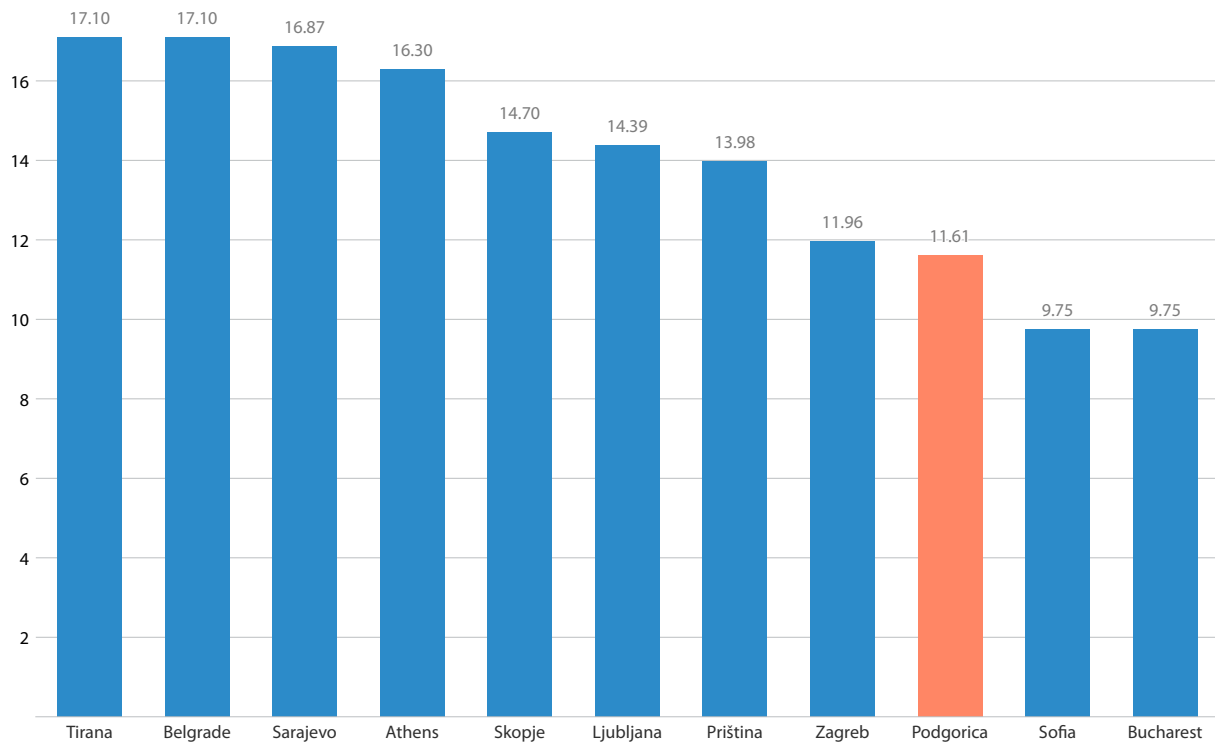
139 See <https://montenegrobusiness.eu/growing-demand-for-housing-loans-as-citizen-debt-reaches-record-levels-in-montenegro/>.

140 See <https://montenegrobusiness.eu/citizens-continue-to-take-out-housing-loans-owing-nearly-600-million-euros/>.

141 See <https://unhabitat.org/sites/default/files/download-manager-files/Global%20Report%20H%20III%20UN-Habitat%202016f2.pdf>; accessed on 16.07.2025, https://www.lincolnst.edu/app/uploads/legacy-files/pubfiles/kallergis_wp18ak1.pdf (pg. 11); accessed on 16.07.2025.

142 See https://www.numbeo.com/property-investment/indicators_explained.jsp.

Figure 3.12 House price-to-income ratio in some of the countries in South Europe



Source: Numbeo, data for each country; https://www.numbeo.com/property-investment/indicators_explained.jsp

Another method, the *Housing Expenditure-to-Income-Ratio*, is usually used by public authorities to calculate the subsidy needed to close the affordability gap. Housing is considered affordable if a household spends less than 30 per cent of their monthly income on housing-related expenses, such as mortgage repayments or rent payments, and direct operational expenses such as taxes, insurance and service payment.¹⁴³ For Montenegro, assuming a mortgage for 80 per cent of the property value, with 25-year maturity and 5.6 per cent annual interest, the required household income would be approximately €2,100, or €1,400 per adult (using OECD equivalence scale). Given the national average net salary of €792, the entire interest rate would need to be subsidized to ensure monthly payments remain under the 30 per cent affordability threshold.

Despite lack of data on families suffering inadequate housing conditions due to inability to afford housing costs, it is evident that families living on monthly incomes face serious difficulties getting a house without support by national or local government, or other organizations.

¹⁴³ See https://unhabitat.org/sites/default/files/2020/06/urban_data_digest_the_global_housing_affordability_challenge.pdf (pg. 4), accessed on 16.07.2025.

3.9 Affordable housing programmes and initiatives

The Government of Montenegro has developed and implemented various housing programmes, primarily promoting owner-occupied housing. Social rental housing has been largely developed with the support of international organizations, often in cooperation with national and local governments. Examples include social housing for displaced and internally displaced persons in municipalities such as Plav, Nikšić, and Podgorica.

In several cases, including Bijelo Polje, Petnjica, Plužine, and Rožaje, the government transferred social housing units to local government for allocation to vulnerable families. Some municipalities, such as Kotor, have directly financed social housing. Others, like Ulcinj, have inherited social housing stock from the Yugoslav era.

Table 3.3 Number of social houses in 24 municipalities

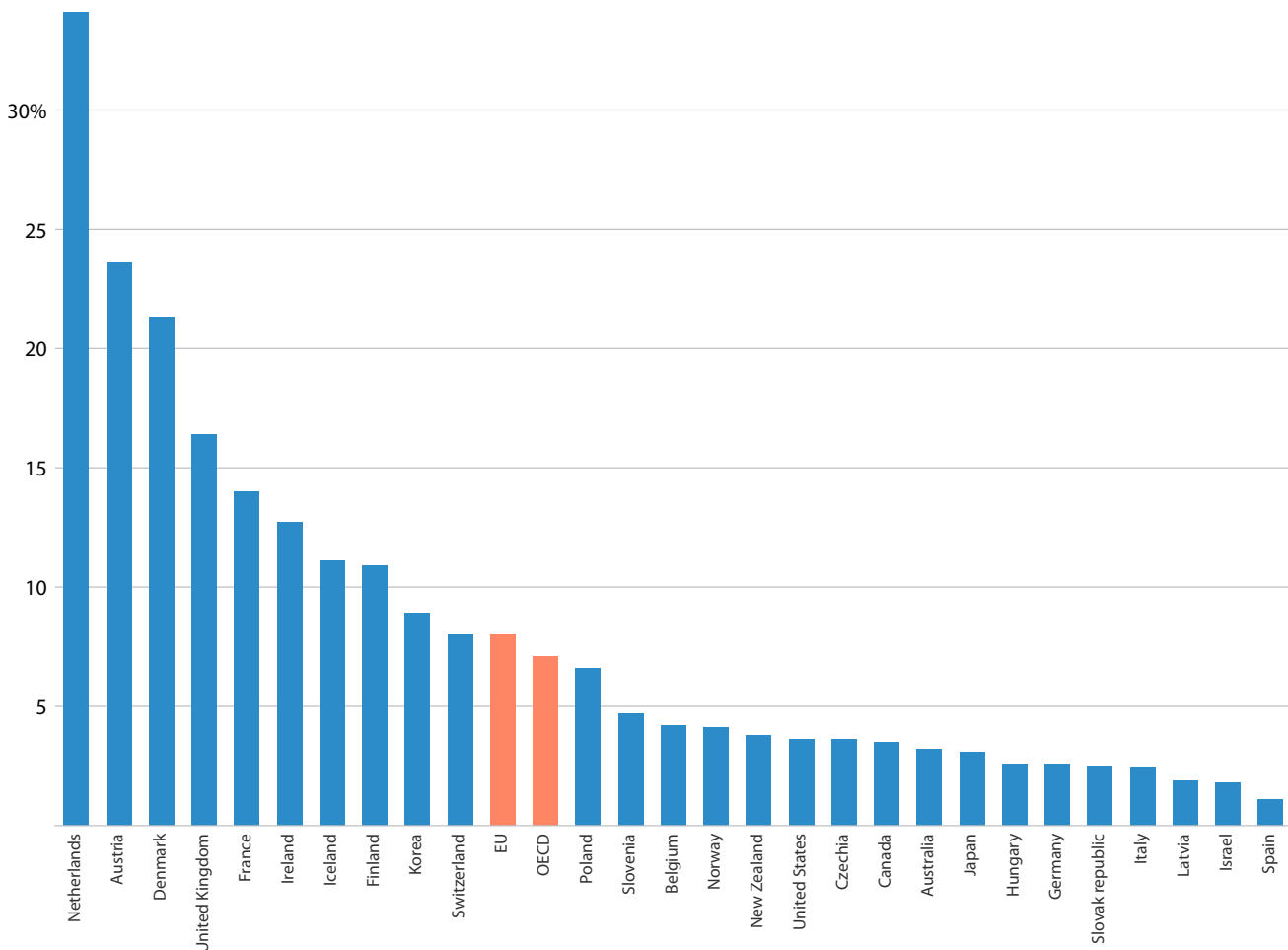
Nr.	Municipality	Number of social houses	Nr.	Municipality	Number of social houses
1	Andrijevica	61	13	Nikšić	448
2	Bar	275	14	Petnjica	12
3	Berane	385	15	Blue	0
4	White field	68	16	Plužine	16
5	Budva	59	17	Pljevlja	107
6	Cetinje	181	18	Podgorica	205
7	Danilovgrad	12	19	Rožaje	40
8	Gusinje	62	20	Šavnik	23
9	Herceg novi	74	21	Tivat	39
10	Kolašin	96	22	Sue	0
11	Kotor	78	23	Ulcinj	40
12	Mojkovac	46	24	Žabljak	4
Total					2331

Source: Draft National Housing Strategy until 2034, Montenegro, provided by the National Focal Point, May 2025

Note: The missing municipalities in the list either have not provided information to the responsible Ministry, or do not own social housing. Data is up to the year 2021.

Social housing makes up only 0.6 per cent of the total housing stock in Montenegro – a figure significantly below EU averages, but higher than that of some Western Balkan countries, for example, Albania with 0.3 per cent. Likewise, Southern European countries and ex-transitional countries of Central Europe, now members of EU, have low rates of social housing for historic reasons.

Figure 3.13 Relative size of the social rental housing stock



Source: OECD Affordable Housing Database – <http://oe.cd/ahd>, accessed in May 2025

Note: This figure shows percentage of total housing stock.

Over 55 per cent of the country's social housing is concentrated in four municipalities: Nikšić (19.2 per cent), Berane (16.5 per cent), Bar (11.7 per cent), and Podgorica (8 per cent). This distribution appears misaligned with population size—Podgorica accounts for almost 30 per cent of the national population but has only 8 per cent of social housing stock, while Berane, with just 4 per cent of the population, has 11.7 per cent. While there is no standard allocation formula, higher population density typically correlates with higher housing need, suggesting an underinvestment in the capital's social housing sector.

Two challenges should be noted:

- Data reliability: There is no consistent data-sharing mechanism between central and local governments regarding social housing. Field visits in municipalities such as Nikšić, Budva, Bijelo Polje, and Podgorica revealed inconsistent reporting.
- Terminological confusion: The terms “social housing” and “affordable housing for ownership” are used interchangeably in policy and legislation. This leads to conceptual ambiguity, potentially encouraging the privatization of rental housing intended for vulnerable groups. The prevailing belief that homeownership is a universal right comes with the risk of misinterpreting the right to adequate housing as ownership-based rather than tenure-neutral. This distinction needs to be clearly articulated in future legislative reforms.

Housing cooperatives

Housing cooperatives in Montenegro differ significantly from the cooperative housing models in many Western European countries, where cooperatives typically function as collective, long-term rental models. In these models, members jointly own the property and rent their units from the cooperative, with the organization managing the housing over time. In contrast, Montenegrin housing cooperatives are a legacy from the socialist period, where workers’ houses were constructed, leased, and subsequently privatized during the early transition period. Once construction is complete, cooperative members become individual owners of their units, and buildings are managed as condominiums under a separate legal framework. Currently, housing cooperatives constitute less than 1 per cent of the housing stock (see some examples of Housing Cooperatives in Montenegro in Box 3.5).

Various public institutions and government agencies have developed housing support schemes for their employees. These primarily offer housing loans or subsidies, and projects are often supported by municipalities that donate land and waive utility connection fees, contributing up to 30 per cent of total housing costs. These include:

- Administration for Execution of Criminal Sanctions (UIKS)
- Police Administration Trade Union
- Maritime Safety and Port Management Administration
- Human Resources Administration
- Customs Administration
- Public Health Institute of Montenegro
- Health Insurance Fund

Box 3.4 Examples of housing cooperatives in Montenegro

Example 1: Housing Cooperative “Solidarno” (Education Sector): Established in May 2002 by the education sector trade union, the “Solidarno” cooperative operates as a non-profit organization to address the housing needs of education sector employees. Since establishment it has provided 737 dwellings.

Example 2: The Montenegrin Fund for Solidarity Housing Development was established in 1996 as a mechanism to provide affordable housing provision for employees of public and semi-public institutions. The Fund has supported the construction of 2,089 dwellings, distributed as follows:

- Southern region: 39 per cent
- Central region: 36 per cent
- Northern region: 25 per cent

Fund beneficiaries are typically employees of institutions that contribute financially to the Fund. From a taxation standpoint, the Fund is treated as a private investor and does not benefit from tax exemptions.

Example 3: Housing Cooperative “Zdravstvo” (Health Sector): Founded on 29 May 2012, the “Zdravstvo” cooperative serves employees in the healthcare system, including those working in hospitals, clinics, health insurance institutions, and the Ministry of Health. It was founded by the Ministry of Health, the Trade Union of Health of Montenegro, and the Independent Trade Union of Health of Montenegro, along with 10 individuals. Since 2013, the cooperative has delivered approximately 155 dwellings.

Sources: National Housing Strategy till 2034 for Montenegro (draft version provided by national focal point)

According to MONSTAT data for 2017–2024, the smallest price difference between the Cooperative-subsidized and market housing were in the central region in 2018 (5 per cent), while the largest difference was Podgorica in 2023 (62 per cent), due to high market land values. Thus, while the Solidarity Fund contributes significantly to housing affordability in Podgorica, its benefits are limited in the coastal and northern regions and almost equal to market prices in the central region, reducing its overall effectiveness there. Typically, housing built through Cooperatives is 50 per cent cheaper than market prices (see Table 3.5), primarily due to municipal land donations and lower construction costs.

Table 3.5 Average price of new apartments in the three Regions and Podgorica between 2017 and 2024

	2017	2018	2019	2020	2021	2022	2023	2024
Average price of new apartments								
Montenegro	1,111	1,122	1,113	951	1,194	1,339	1,532	1,844
Podgorica	1,123	1,054	1,066	966	1,211	1,383	1,585	1,810
Coastal region ¹⁴⁴	1,159	1,397	1,401	1,348	1,359	1,315	1,577	2,028
Central region	550	580	663	554	624	647	696	945
Northern region	639	753	760	720	1,060	1,025	1,220	1,306
Average price - Solidarity housing construction								
Montenegro	544	628	666	581	578	598	589	589
Podgorica	664	674	668	615	758	600	600	-
Coastal region	850	840	-	-	-	600	-	-
Central region	-	553	-	470	550	571	589	589
Northern region	462	536	526	624	721	-	-	-

Source: https://www.monstat.org/uploads/files/gradjevinarstvo/Gra%C4%91evinska%20aktivnost/2025/1/Podaci_Gra%C4%91evinska%20aktivnost_2025.xls.

Cooperatives receive considerable subsidies, including land and infrastructure support from municipalities and grants from ministries. However, these publicly funded assets are transferred to individual homeowners, rather than retained as public or cooperative rental housing, thus limiting the development of a sustainable social housing stock. Future reforms should explore restricting ownership to expand public rental housing options.

Despite their limitations, Housing Cooperatives present a strong institutional foundation that could be further leveraged to scale up affordable and social housing.

In many Western countries, housing cooperatives and employer-supported housing schemes are open to low and middle-income households regardless of profession and often function on a long-term rental basis. Models range from non-profit cooperative ownership, public-private partnerships and philanthropy-funded developments to municipal rental agencies. These programmes typically offer below-market rents, tailored to household income levels (see Box 3.6). In contrast, Montenegrin housing cooperatives currently serve specific professional groups and do not retain ownership or management of the housing stock after initial provision. There is potential to diversify cooperative models and introduce tenure-neutral, income-based housing solutions aligned with international good practice.

¹⁴⁴ Coastal region: Bar, Budva, Herceg Novi, Kotor, Tivat and Ulcinj.
Central region: Cetinje, Danilovgrad, Nikšić, Tuzi and Zeta.
Northern region: Andrijevica, Berane, Bijelo Polje, Gusinje, Kolašin, Mojkovac, Petnjica, Plav, Pljevlja, Plužine, Rožaje, Savnik and Zabljak.



PHOTO: OLEG GOLUBCHIKOV

Box 3.5 Examples on housing for employees

The Greek Workers' Housing Organization (OEK) was a government department which operated mass housing projects across the country from 1954 to 2012. To carry out housing projects, OEK collected from the Social Security Institute (IKA) a small part of employer's contributions (0.75 per cent at the time it was closed down) and employees' wages (1 per cent). During its 58 years of activity, OEK provided financial aid to some 700,000 households to purchase or rent a house. This includes 100,000 households that took out a loan to buy a turnkey dwelling, 362,000 who took out a loan to build a house, 238,000 who took out a loan to repair their house and 100,000 who benefited by an annual rent subsidy of EUR 1,000 to 1,200. Around 500 social housing settlements are currently occupied by around 50,000 households.

Its scope of activity was limited compared to equivalent organizations across Europe. The Greek version of social housing focused almost exclusively on owner-occupancy. Social housing was given to beneficiaries for a low price, after which they became the owner regardless of their financial situation later. The agency's management was not always ideal: beneficiaries often claimed that houses suffered from poor construction and would claim a lower amount to pay. In addition, many people defaulted on their OEK loans. In 2012, as part of a bailout agreement between Greece and its creditors, the Parliament enacted legislation "to close small earmarked funds engaged in non-priority social expenditures", including the OEK.

Source: <https://www.dianeosis.org/en/2023/07/housing-policies-across-greece-and-europe/>, accessed on June, 2025.

The “1000+” Affordable Housing Project

The “1000+” project, launched in 2010 and implemented in four phases (2010-2011, 2015-2017, 2018-2020 and 2021-2023), targeted low and middle-income households unable to access market-based housing solutions. It has been implemented in four phases with a combined budget of €69 million, supporting 1,552 households to date. It was a multi-partner initiative involving the Council of Europe Development Bank (CEB), the country’s commercial banks, private developers, national and local governments and beneficiary households.

Half the programme’s finance was provided by the State through a CEB loan and half through commercial bank financing. In the two first phases of the project, beneficiaries were required to contribute with 5 per cent financing, not required in the next phases. The project design makes housing loans more affordable through subsidized interest rates and favourable lending terms. For example, the open invitation to tender for commercial banks in 2018 for the third phase of the project was crucial for defining the exact credit rates. A fixed interest rate of up to 2.99 per cent (the nominal interest rate was 4.9 per cent) was agreed upon, along with a repayment period of up to 20 years without obligatory participation, and processing of the loan not to be higher than 0.3 per cent.¹⁴⁵

While state involvement has been limited, the project is seen as highly successful by stakeholders and is popular among the public. This is because it supports homeownership, the preferred housing tenure in Montenegro.

The affordable loans programme may be attractive to many and solve accumulated housing problems in the short term but in the longer term it hides many risks, including increasing property prices by stimulating the effective demand and accumulating a large public budget debt if loan interest increases. Therefore, the programme needs to carefully monitor interest rate fluctuations as the subsidy amount is cumulative annually. Furthermore, the programme has a regressive effect on income groups, typically benefiting those with higher income. It also further supports ownership, while Montenegro needs more rental options to support mobility in the labour market, especially for young people.

Regional Housing Programme (RHP)

Montenegro is a participant in the Regional Housing Programme (RHP), established in 2012 as a joint initiative of several countries from the Western Balkans, supported by international donors. Its goal is to provide durable housing solutions for refugees and internally displaced persons (IDPs) from conflicts in the 1990s.

¹⁴⁵ See <https://www.total-montenegro-news.com/business/1123-five-commercial-banks-applied-for-1000-project>.

Box 3.6 Houses for displaced Roma persons from Kosovo¹⁴⁶ in Camp Konik, Podgorica

The RHP programme provided 171 housing units in Camp Konik, located on the periphery of the city of Podgorica. It was originally a refugee camp, settled by Roma and Balkan Egyptians who escaped during the 1999 war in Kosovo.¹⁴⁶ Houses are owned by the municipality of Podgorica and tenants are required to pay a rent equal to the minimum tariff for management and maintenance of condominiums equal to €0.20/m². Houses are run down due to overcrowding, misuse and lack of upkeep of common spaces. Living conditions of residents are much better than in the camp, but integration lags behind, hindered also by the language barrier.



¹⁴⁶ Reference to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999)



PHOTO: DORIS ANDONI

Box 3.7 Houses for displaced persons in Nikšić

Nikšić is the municipality with the largest amount of social housing - 448 dwellings. Apartments are leased to priority categories, including single parents, persons with disabilities, young people who grew up without parental care, families with children with disabilities, members of the RE population, victims of domestic violence, and persons in a state of social need. The Regional Housing Programme provided 64 dwellings for internally displaced persons and displaced persons, including for Roma and Egyptians. The combination of different ethnic categories and their employment have been successful in the integration of these last.

Key achievements include 646 housing units delivered in five municipalities:

- Podgorica: Camp Konik (171 units, see Box. 3.7), Vrela Ribnička (96 units)
- Nikšić: 64 units for IDPs (Box. 3.8) and conversion of a military facility into 104 units for elderly and disabled persons
- Pljevlja: 64 units for vulnerable groups
- Berane: 64 units
- Herceg Novi: 23 units purchased on the market¹⁴⁷

Section 6 in Chapter V and Box 5.2 provide further details about the financial arrangement of RHP.

The management of the Regional Housing Programme (RHP) was shared: while RHP focused on the construction of housing units, partner countries were responsible for ensuring the integration of beneficiaries into local communities and supporting their livelihoods. UNHCR and OSCE were tasked with monitoring the sustainability of outcomes, particularly regarding rights. This distribution of responsibilities meant that different bodies could use their particular expertise; however, stronger coordination and proactive involvement at both national and local levels—combined with clear ownership of the process by these authorities—are vital to sustaining results over the long term. Sustainability must extend beyond the provision of housing, to encompass social inclusion, access to services, community integration, and the ongoing support needed for vulnerable groups, including Roma and Egyptian communities, displaced persons, and those with unresolved legal status.

UNHCR also provided technical advice on inclusion, community integration, and legal status resolution for RHP beneficiaries, complementing the physical housing support and ensuring the programme addressed not just infrastructure but also the rights and dignity of those it served. Building on these lessons, the Government of Montenegro should ensure that future social housing programmes are designed and managed to embed local authorities' responsibility for supporting beneficiaries, fostering long-term integration, and maintaining community cohesion.

Housing for senior citizens

In 2023 the population over 65 was 18.8 per cent of the total, compared to 12.8 per cent in 2011,¹⁴⁸ ranking Montenegro among the fastest-aging populations of the EU countries. The EU average increase between 2014 and 2024 was 2.9 per cent, with Poland ranked top out of 27 EU members with 5.6 per cent increase in population aged 65 years and over, and Malta at the bottom with only 0.8 per cent.¹⁴⁹

¹⁴⁷ See <https://regionalhousingprogramme.org/wp-content/uploads/publications/annual-report/2023/>.

¹⁴⁸ See <https://monstat.org/uploads/files/publikacije/godisnjak2024/4.pdf>.

¹⁴⁹ See https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Population_structure_and_ageing.

Among the municipalities with over 20 per cent of 65+ people are Plužine (28 per cent), Pljevlja (25 per cent), Šavnik (24 per cent), Žabljak (22 per cent), Andrijevica (22 per cent) and Cetinje (22 per cent). Those with lower than 15 per cent are the municipalities of Podgorica (14 per cent), Tuzi (13 per cent), Budva (12 per cent) and Rozaje (12 per cent).

In Montenegro, housing programmes for older people are addressed by the Ministry of Labour and Social Welfare, Family Care and Demography and by the Federations of Pensioners. In 2021, there were three public residential care homes for elders in Montenegro, with capacity to house 549 people.¹⁵⁰ The Social Housing Strategy to 2034 shows that there are four facilities in Montenegro that adequately meet the needs of older people, in Risan, Bijelo Polje, Pljevlja and Podgorica, and a nursing home in Plav is in the final phase of construction. According to the data from the National Federation of Pensioners' Associations provided by the national focal point, there are about 1,800 pensioners in Montenegro in need of housing provision.

Changes in demographic structure and population trends will create more need for specialized housing for older people, including particularly vulnerable groups such as elderly women, who often face compounded vulnerabilities. While the Pensioners' Federations currently provide ownership-based housing, this should be complemented by the public sector. Alternative models, such as co-housing, with collective areas for services such as kitchens, living rooms and laundries and providing necessary space for physical, mental and physiotherapeutic activities should be explored in cooperation with the private sector. Moreover, Universal Design criteria should be mandatory for all new buildings. Nowadays, with progressive aging of the population, "aging-in-place" or "aging-at-home" is increasingly becoming a solution for providing older people with the possibility of living in appropriate conditions to satisfy their expectations.

Box 3.8 Co-housing as a housing typology and way of living

Co-housing is a type of housing where people live in private units but share common spaces—such as kitchens, laundry facilities, gardens or childcare areas. Everyone has their own small private space, but they also work together to create a caring, supportive environment. Co-housing can provide affordable housing for different groups, including women and senior citizens. In recent years, intergenerational co-housing has increased, where everyone gives and receives support. For example, older residents might help with school pickups or share meals, while younger residents might help with technology or heavy lifting, or young mothers gain help with childcare. This might also liberate time to go back to school or work, while older women experience less loneliness, increased activity, a sense of purpose and the opportunity to age at home.

Source: <https://homelesshub.ca/blog/2025/shared-spaces-shared-futures-enhancing-belonging-through-intergenerational-co-housing/#:~:text=In per cent20an per cent20intergenerational per cent20co per cent20housing, everyone per cent20gives per cent20and per cent20receives per cent20help.>

150 See <https://www.researchgate.net/publication/354462943> Long-term care for older people in Montenegro.

3.10 Recommendations for housing policy

1. Ensure effective implementation of the Housing Strategy and extend its scope

Housing affordability remains a major challenge in Montenegro, particularly for low and middle-income households, young people, and public-sector employees. The recently adopted Housing Strategy (2025–2034) and the reform of key legislation—including the planned Law on Housing Support and the Law on Condominium Management—offer an opportunity to develop an integrated, rights-based housing policy that goes beyond the physical unit to address broader issues of neighbourhood quality, affordability, and inclusion. One shortcoming, however, is that the new Strategy focuses on housing as a physical unit, giving insufficient attention to neighbourhood development, urban quality, and community integration.

It is recommended that the Government:

- (a) Make the implementation of the Housing Strategy a development priority and integrate it into public investment and budgeting frameworks by doing the following:
 - Allocate adequate financial and human resources, including mobilization of IPA III and other European funds.
 - Establish a national housing information system to collect disaggregated data on needs, affordability, informality, and vulnerable populations.
 - Set measurable targets in the Strategy’s Action Plan, such as number of housing units, beneficiaries and categories served, with adequate budget provision to support them.
 - Conduct regular, regionally disaggregated housing needs assessments across tenure types and population groups.
 - Introduce legislation for standardized rental contracts and clearly define tenant and landlord rights and obligations to improve legal security and reduce informality in the rental market.
 - Conduct social impact and cost-benefit assessments of large-scale projects like Velje Brdo, prior to implementation, estimating the number of affordable dwellings, their affordability levels, and social mix.
- (b) Strengthen and broaden the scope of the Housing Strategy regarding urban liveability, women and vulnerable groups and ensure that housing developments accommodate their needs by doing the following:
 - The Strategy should adopt a broader, place-based perspective that considers housing as part of a wider system of urban and community development. In line with the UNECE Regional Action Plan “Place and Life in the UNECE – A Regional Action Plan 2030”, the Strategy should include measures to improve urban quality, public space, service access, and neighbourhood integration—ensuring that housing provision contributes to cohesive, sustainable, and liveable communities (see also recommendations in Chapter 2).

- With the assistance of international organizations such as UNHCR, ensure the proper accommodation of refugees, temporary protection holders, and stateless persons in housing need, in line with the country's international commitments on refugee protection and statelessness reduction.
- Focus on upgrading informal settlements and Roma and Egyptian communities through integrated, participatory approaches.
- Ensure that national housing policies address the specific needs of women, particularly female-led households, single mothers, elderly women, women with disabilities, Roma women, and internally displaced women, all of whom are disproportionately affected by housing insecurity.
- Ensure that housing developments, especially social housing, are equipped with gender-sensitive water, sanitation, hygiene, menstrual management, waste management and energy services that support women's health, wellbeing, mobility and dignity.

2. Revise existing legislation or adopt a new law for social and affordable housing

The Government of Montenegro is working on a new Law on Housing Support that will amend the existing Law on Social Housing.

It is recommended that the Government:

- Define key terms, such as *slums* (see an example of definition of the term in Box 3.9), *overcrowding*, and *housing exclusion*, in line with SDG 11.1 and establish minimum adequacy standards: for example minimum area/person or maximum persons per room.
- Differentiate between social rental housing for low-income and vulnerable groups and affordable housing for moderate-income households, with cost-based rent or ownership options.
- Strengthen legal safeguards for security of tenure and regulate evictions in line with UN OHCHR guidelines.
- Revise eligibility criteria for public housing assistance using a transparent ranking system that combines income thresholds with housing need indicators.
- Introduce a national affordability standard adjusted for income level and local housing market conditions.
- Establish a rent-setting methodology that allows cost-based rental models, particularly for housing developed by non-profit or public-private partnerships (see example from Austria in Box 3.10). Ensure such models are coupled with subsidies for low-income households.



Box 3.9 Determining the term “slum” in the Albanian legislation

Albanian legislation defines “slum” as “Inadequate residential areas” (IRA). IRAs are residential areas where residents lack one or more adequate housing condition. Housing is adequate if it meets:

- sufficient living space according to housing norms and construction standards, as defined in legal and sub-legal acts
- basic services within the residential environment
- sustainability and safety from risks arising from human actions or inactions, natural and climatic factors
- access to public services, such as drinking water and electricity supply, wastewater disposal and waste management
- access to employment and public services, health and social care services, education and other community services
- appropriate access for persons with disabilities, the elderly and children, facilitating the extent to which their specific housing needs are met

Source: Law 22/2018 “On Social Housing”, as amended, Source: <https://meki.gov.al/wp-content/uploads/2024/11/Ligji-per-strehimin-i-perditesuar.pdf>

Box 3.10 Cost-based rental Social Housing in Austria

Cost rental in social housing was introduced in Austria in the decades following World War II, when there was a significant expansion of the social housing sector. Today, Austria has one of the largest social housing stocks in Europe, consisting of 24 per cent of overall housing. The sector has benefited from a strong legal framework which offers clarity to housing providers, as well as a political consensus on the importance of access to a decent and affordable home. The Austrian model is based on a mix of financing, making it robust and resilient. The financing arrangements are as follows:

- A low-interest public loan from the regional government making up 30-40 per cent of total investment; some regions provide repayable or non-repayable annuity grants. The funds from the regions come from loan repayments from Limited Profit Housing Associations (LPHA), based on historic lending for housing development (a revolving fund), or directly from the financial resources of regional governments. Public loans have a maturity of about 30-35 years, at a current fixed interest rate of 1 per cent.
- Bank loan: 30-40 per cent of total investment, with a typical maturity of 25-30 years at an interest rate of 1-1.5 per cent. Previously, the rate was closer to 2.5 per cent.
- Equity of the LPHA: 10-20 per cent of total investment, which is used among finances for purchase of land. Adding a 3.5 per cent interest on any equity invested for the calculation of the cost-rent is the main way in which LPHAs are allowed to deviate from a strict cost-rent approach. The surpluses generated provide an important capital source for future investments, creating a revolving fund. These are evaluated in the annual audit, and they must be used for reinvestment in the sector (same as in the case of National Housing Agency of Albania, presented later).
- Tenant equity contribution: 5-10 per cent of total investment costs may be paid by the tenant as a sort of 'down payment' used to finance land acquisition costs or other purposes. The tenant equity contribution is reimbursed at the end of tenancy, with a 1 per cent depreciation per year of residency.
- Additional public grant: 5 per cent of total investment may be made available to cover expenses to meet other policy objectives such as solar panels. Additional public development grants may be made available.

Source: COST-BASED SOCIAL RENTAL HOUSING IN EUROPE, The cases of Austria, Denmark, and Finland https://www.housingagency.ie/sites/default/files/2021-12/Cost-based%20social%20rental%20housing%20in%20Europe_0.pdf, accessed on 28 June, 2025

3. Consolidate national housing responsibilities within a single ministry or authority

Housing policy in Montenegro is currently fragmented across several national ministries and agencies, resulting in overlapping responsibilities, limited coordination, and reduced policy effectiveness. While the Ministry of Spatial Planning, Urbanism and State Property is the main actor, other ministries—including those responsible for social welfare – remain involved in housing-related programmes. Meanwhile, local governments are legally responsible for urban planning and land use, yet face capacity constraints in planning, financing, and delivering housing services. Strengthening institutional coordination and clarifying mandates nationally and locally is essential for effective housing policy implementation.

It is recommended that the Government:

- Consolidate housing policy coordination within a single national ministry or housing authority, including social and affordable housing, renovation programmes, and upgrading informal settlements.
- Eliminate overlapping mandates across ministries and streamline public funding channels for housing to improve efficiency and accountability.
- Ensure that the national authority is responsible for both strategic planning and oversight of implementation, including monitoring, regulation, and evaluation.

4. Clarify and strengthen the role of local governments in housing policy

Local government in Montenegro lacks the administrative capacity, financial resources, and technical know-how to manage housing policy effectively. Delegating responsibilities across all municipalities is neither realistic nor efficient. Instead, a phased, differentiated, and partnership-based approach should be adopted, where municipalities gradually take on responsibilities in line with their capacity, with continued strategic leadership and coordination from national government.

It is recommended that the Government:

- Revise the Law on Local Self-Government and incorporate provisions in the forthcoming Law on Housing Support to specify which housing functions are mandatory, such as local housing data collection and support to vulnerable groups, and which are optional based on capacity.
- Require municipalities to develop three to five-year local housing plans instead of yearly plans, with national technical support and templates to ensure comparability.
- Ensure that these plans are developed based on municipal-level housing needs assessments and include tailored instruments such as rent subsidies, service access for informal areas and land identification.

- Develop a national training programme for municipal staff focused on housing policy, urban land management, financial tools, and community engagement.
- Create incentive-based funding allocations that reward municipalities for adopting good practices such as establishing local housing registries, improving access for vulnerable groups and legalizing informal settlements.
- For municipalities with limited capacity, assign the main delivery role to national agencies or the proposed Housing Development Fund, while ensuring local consultation and oversight.
- Pilot “delegated implementation” models where national bodies develop and manage housing on behalf of municipalities, with performance monitoring and capacity transfer.
- Enable municipalities to gradually assume greater responsibilities, based on agreed milestones such as staffing, budget allocation and experience with housing interventions.



PHOTO: OLEG GOLUBCHIKOV

5. Establish a National Housing Development Fund to support affordable housing investment

The Housing Strategy of Montenegro (2025–2034) proposes creating a national-level housing authority or fund to finance and coordinate housing development, maintenance and upgrades. This is a timely and necessary institutional innovation as Montenegro currently lacks a dedicated, sustainable financing mechanism for public or non-profit housing provision. Lessons from Albania, Austria, Croatia, Finland and Slovenia demonstrate that well-designed housing funds can play a transformative role when adapted to national and local conditions. To ensure the success and sustainability of such a fund or agency, the following actions are recommended:

It is recommended that the Government:

- (a) Create a dedicated Housing Fund or Agency.
 - Establish a national public body or housing development fund with a clear mandate to plan, finance, develop and manage social and affordable housing.
 - Define a long-term governance structure and legal basis, ensuring independence, financial accountability and transparency in operations.
- (b) Diversify funding sources and ensure financial sustainability.
 - Allow the agency to reinvest income from rents and asset management into housing production, creating a revolving fund model, like the Albanian National Housing Agency.
 - Introduce a cost-based rental model that enables long-term financial sustainability while maintaining affordability through targeted subsidies.
 - Combine public investment with commercial loans, EU funds, and potential equity contributions from tenants (for example 5–10 per cent) as part of a cost-sharing model.
- (c) Promote mixed-income and inclusive housing projects.
 - Encourage mixed-income developments to reduce social segregation and ensure financial viability.
 - Develop eligibility and allocation criteria that promote inclusion, social mix, and affordability, with safeguards for vulnerable groups.

- (d)** Strengthen the role of municipalities as partners.
 - Involve municipalities as key implementing partners by allocating land, identifying priority sites, and co-developing projects based on local needs.
 - Enable municipalities to co-finance or co-manage housing projects where capacity exists and provide additional support where it does not.
 - Reserve an advisory or decision-making role for municipal representatives in the governance structure of the Fund or Agency to ensure local input.

- (e)** Expand the mandate to include renovation and activation of vacant stock.
 - Include renovation of existing housing and retrofitting of multifamily apartment buildings (MABs) in the Fund's operational scope.
 - Support conversion of vacant, underused, or derelict buildings into affordable housing, especially in areas with declining populations.
 - Empower public housing agencies or non-profit organizations to serve as intermediaries between landlords and tenants, increasing trust and reducing risk. Several EU countries (for example Belgium, France or Portugal) have developed public agencies or NGO-supported schemes that serve as intermediaries between landlords and tenants, particularly to facilitate access to affordable rental housing for vulnerable or lower-income groups. These intermediaries help build trust, reduce risks for landlords, and support tenants (See example from Belgium in Box 3.11).

- (f)** Promote transparency and inter-institutional coordination.
 - Establish clear procedures for public procurement, monitoring, and reporting.
 - Introduce digital platforms for applications, beneficiary tracking, and data exchange with social welfare systems. This could be modelled on Finland's Housing First coordination tools, for example.
 - Require regular audits, open data access, and public reporting on project performance and social outcomes.
 - Involve relevant institutions, including trade unions, as strategic partners while reviewing and addressing past inefficiencies.

Box 3.11 Belgium's Social Rental Agencies (AIS) – A Model for Mobilizing Private Rentals

Social Rental Agencies (Agences Immobilières Sociales – AIS) in Brussels, serve as non-profit intermediaries between private landlords and tenants in need of affordable housing.

How the AIS model works: landlords lease their properties to an AIS under long-term agreements, typically 9 years. The AIS sublets the homes to households from social housing waiting lists at regulated, below-market rents.

In return, landlords benefit from guaranteed and timely rent payments, even in case of vacancy or tenant default. They also benefit from property maintenance and tenant management handled by the agency, and tax incentives or subsidies for improvements and compliance.

Relevance for Montenegro: Montenegro has a high rate of private homeownership, but also many underused or vacant private units, especially in urban areas such as Podgorica and coastal municipalities. A publicly-supported rental intermediary scheme could:

- Incentivize private landlords to rent legally to low-income households.
- Help formalize the rental sector, improving tenure security and housing quality.
- Expand affordable rental options without relying on new public construction.
- Be piloted in municipalities with strong social service capacities, with NGOs or municipal housing units playing the intermediary role. The future Housing Agency can embrace this role initially until experience is developed.

Such a model could also be supported by a municipal or national housing fund or agency offering rent guarantees and, where necessary, rehabilitation grants, to participating landlords.

Sources: FEANTSA (2012). Social Rental Agencies in Belgium; https://www.feantsa.org/download/2012_06_22_sra_final_en-2-2292903742234225547.pdf

Housing Europe & UNECE (2021). #Housing2030: Effective policies for affordable housing in the UNECE region. <https://www.housing2030.org>

6. Strengthen the legal framework for housing management and maintenance and modernize management practices

Following widespread privatization of housing in Montenegro, the responsibility for maintaining and managing housing stock has shifted to private owners—often without adequate legal guidance, financial mechanisms, or organizational capacity. Many multifamily apartment buildings lack functioning homeowner associations or professional managers. While some energy efficiency retrofitting projects have succeeded, they remain isolated examples, for example through the Eco Fund. A more integrated approach is needed, combining legal reform, enforcement mechanisms, financial incentives, and support for community engagement and modern digital tools.

The Government is currently drafting a new Law on the Management and Maintenance of Residential Buildings.

It is recommended that the Government:

- (a) Strengthen the legal framework for condominium and housing management:
- Include all types of residential complexes in the legal framework, including single-family housing developments in residential and tourist complexes, and define boundaries between private and common property, for example gardens, parking and shared infrastructure.
 - Clearly define elements of common property and owners' obligations to contribute to maintenance costs—regardless of whether they reside in the unit.
 - Require co-owners with direct street access to contribute to shared management costs.
 - Mandate detailed procedures for convening building assembly meetings including timing, notification methods, quorum for different decisions and so on.
 - Remove outdated provisions related to housing for public employees from the legal framework of condominium management.
 - Introduce enforceable minimum standards for building safety, hygiene, aesthetics, and façade maintenance, subject to regular inspection by local authorities.
 - Allow unpaid maintenance invoices issued by building managers to serve as enforceable titles, subject to verification of economic hardship and access to support mechanisms.
 - Establish a Board of Directors for each Condominium Assembly with clear legal authority, including the right to sign contracts on behalf of the co-owners.

- Require buildings with more than a certain number of units to hire certified professional managers with qualifications in technical, financial, and conflict management, as well as legal knowledge.
 - The law should also empower a ministry to support local government with co-financing for energy-efficiency retrofitting and installation of energy-efficient equipment and solar panels. This would be in line with EU and Energy Community requirements and the objectives defined in the National Energy and Climate Plan to addresses decarbonization, renewable energy, and energy efficiency.
- (b)** Clarify the role of local government by providing a separate chapter in the new law mandating the role of local governments in:
- Assisting the co-owners to establish the condominium Assembly, with transparent procedures to call meetings, organize them and disseminate minutes.
 - Taking over management and maintenance of the condominium, indicating clearly the cases when this can happen, including duration of the role and compensation.
 - Inspection of mandatory norms, such as hygiene, façade maintenance and safety, defining rules, procedure and frequency.
 - Supporting with subsidies for low-income families and with investments for energy-efficiency retrofitting and for eliminating barriers for wheelchair users.
 - Financing training for condominium owners and managers.
- (c)** Modernize management practices and strengthen community engagement
- Introduce digital tools for maintenance fee collection, for example online payment systems, and smart building management, for example sensors and maintenance tracking platforms.
 - Organize awareness campaigns, community workshops, and online forums to educate co-owners on their rights and responsibilities.
 - Create user-friendly apps or reporting systems for residents to notify maintenance issues and monitor repair progress.

Box 3.12 Reform of the legal framework “On the management of Residential Buildings” of the Republic of Armenia

The 2023 Armenian Law on the Management of Apartment Buildings offers a good example of professional certification, digital platforms, and mandatory standards enforcement. Armenia has 19,000 apartment buildings and only around 42 per cent, or approximately 8,000, have management bodies. The remaining 58 per cent, or around 11,000, are managed by municipalities.

In 2023, the Parliament of the Republic of Armenia adopted the new law “On the Management of Apartment Buildings”, which entered into force on July 1, 2025. Trained managers are now part of management bodies of apartment buildings across Armenia. The law defines the requirements for professional qualification of apartment building managers, as well as the procedure for their training and management practice. According to the law, professional qualification requires knowledge of legal, technical, administrative and financial areas of Armenian legislation. Current managers have a two-year window to undergo training and obtain certification in these four areas, ensuring they meet the new standards.

The law also aims to incorporate digital solutions, allowing for electronic notifications, awareness campaigns, and reports from management bodies. This includes the potential creation of a single online platform for all apartment building management activities

The law recognizes the importance of modernizing apartment buildings, including energy-saving measures, that can be adopted by owners’ meetings, in addition to mandatory standards on fire protection, sanitation, urban planning and utilities.

In order to increase transparency of the work of apartment buildings managers, part of the legislation is bringing about a shift from cash payment of mandatory fees to bank payment.

Source: <https://evnreport.com/law-society/filling-the-knowledge-gap-new-requirements-for-residential-building-management/>; https://finport.am/full_news.php?id=49531&lang=3.

7. Enhance gender equality and gender considerations in housing policy

It is recommended that the Government:

- Strengthen data collection, ensuring all housing programmes systematically track beneficiary data disaggregated by gender, enabling assessment of who actually receives housing support and who remains in need.
- In drafting the new law on Housing Support, explicitly prioritize female-headed and single-parent households and include measurable targets for inclusion.
- Coordinate housing with social support and support municipalities in designing integrated programmes combining housing assistance with employment, childcare, and social services to improve women's long-term housing security.
- Allocate dedicated funding within the National Housing Fund for programmes that directly serve women and monitor fund allocation through a gender lens.
- Develop dedicated programmes such as microfinancing which targets women, and include a dedicated percentage for women beneficiaries in national and local housing programmes such as social housing, cohousing and, affordable loans.

8. Improve data collection for evidence-based policy for social and affordable housing

Reliable and disaggregated data is essential for planning, targeting, and evaluating social and affordable housing policy. While the country's Statistical Office (MONSTAT) produces regular reports in line with Eurostat standards, many key indicators—such as housing affordability, informality, and housing needs—are not available municipally or are collected inconsistently. The housing census, conducted every 10 years, is an important source of information but becomes outdated quickly, especially in rapidly-changing urban environments. Strengthening housing data systems will improve policy design and use public resources more efficiently.

It is recommended that the Government:

- (a) Establish a Central Housing Data Platform (CHDP)
 - Develop a national digital platform to consolidate data from MONSTAT, the Cadastre for property status and transactions, relevant ministries for housing and social welfare data, and municipalities for information on social housing stock, waiting lists and permits.
 - Introduce clear legal frameworks and data-sharing agreements between institutions to address privacy, interoperability, and data protection concerns.
 - Ensure the CHDP is accessible to national and local governments for planning and monitoring purposes.

- (b)** Define National Standards for Adequate and Affordable Housing
- Adopt internationally comparable definitions of “slum,” “informal settlement,” and “inadequate housing” in line with SDG 11.1.1 reporting.
 - Legally define what constitutes “adequate” and “affordable” housing in the Montenegrin context, including minimum space per person, access to basic services, safety, and affordability thresholds such as housing cost burden above 30 per cent of income.
- (c)** Conduct a National Housing Needs Survey to assess issues such as:
- Housing cost overburden
 - Overcrowding
 - Informal tenure
 - Risk of eviction
 - Physical inadequacy of housing
 - Disaggregating data by region, gender, age, income level, disability, ethnicity including Roma and Egyptians, and IDP status.
- (d)** Track and monitor housing affordability and market dynamics
- Collect and publish affordability indicators, such as rent-to-income and price-to-income ratios, by region and municipality.
 - Monitor housing availability, rental market trends, tenure patterns, and informal housing through regular updates to the CHDP.
 - Use this data to inform the design and targeting of support programmes, including rent subsidies, legalization schemes, and housing allowances.
- (e)** Develop a National Registry of Housing Beneficiaries
- Compile data from ministries, municipalities, trade unions and cooperatives to create a unified database of individuals and households who have received housing assistance over the last 10–15 years.
 - Use this registry to avoid duplication, improve targeting, and evaluate the long-term impacts of housing programmes.
- (f)** Map and monitor publicly owned land and buildings
- Create a publicly accessible map of state and municipality-owned land and buildings suitable for affordable or social housing development.
 - Track changes in land use, occupancy status, and suitability for repurposing, to support strategic planning and land allocation.



Chapter IV. LAND ADMINISTRATION

4.1 Introduction

Good land governance means that authorities base decisions on accurate, comprehensive data. This includes information about land ownership as well as harmonized, precise data on parcel and building areas, land use, zoning, legal and natural restrictions, property values, access for development, impact of climate change, and mineral resources and ores.

Despite progress in aligning legislation with EU standards, Montenegro faces systemic challenges in transforming usage rights into ownership, restitution of nationalized property, legalization of informal buildings, and registration and valuation of real estate. Lack of a dedicated legal framework to convert usage rights into ownership has led to inconsistent practices and legal uncertainty. Restitution processes have been administratively burdensome, with unresolved cases dating back nearly two decades. Meanwhile, the legalization of illegally constructed buildings is slowed by complex procedures and limited local capacity, risking further informal development.

The country's real estate cadastre is incomplete and technically inconsistent, limiting access to mortgages, fair taxation, and reliable property data. The lack of a centralized Geodetic-Cadastral Information System (GCIS) combined with outdated surveying methods undermines accurate and efficient property registration. Tax responsibilities have been decentralized without adequate support to municipalities, further weakening service delivery.

Access to construction and agricultural land is limited due to non-transparent administrative procedures, resulting in inefficient land utilization and underuse of state-owned assets. Despite this, spatial planning must reconcile development needs with environmental protection and climate resilience, particularly in disaster-prone and ecologically sensitive areas.

To address these challenges, Montenegro should adopt a comprehensive and coordinated reform agenda, including a dedicated law on ownership transformation, a modernized cadastre, improved valuation and taxation systems, and centrally and locally strengthened institutional capacity. Transparent procedures, digital tools, and citizen engagement will also be needed to ensure that reforms are inclusive, effective, and aligned with the country's long-term development goals.

4.2 Regulatory framework

Property rights and ownership transfer

Land governance in Montenegro is regulated by the Constitution, laws and legal acts. Property ownership is guaranteed under Article 58 of the Constitution¹⁵¹ which states: *“The right to property is guaranteed. No one shall be deprived of or restricted in their property rights, except when required by public interest, and with fair compensation.”* Ownership of natural resources and public-use assets is exclusively vested in the state. The Constitution allows foreign nationals to acquire property rights under conditions prescribed by law and guarantees rights over all types of property.

The *Law on Property-Legal Relations*¹⁵² elaborates on rights to possess movable and immovable property, and how to acquire, transfer, protect, and terminate these rights. It defines three main forms of ownership: state, municipal and private.

Property rights acquisition is further regulated by several legal provisions, including:

- Restitution of property confiscated under the previous communist regime (Law on Restitution of Property Rights and Compensation)
- Transformation of usage rights into ownership rights (Law on Property-Legal Relations, only Articles 419 and 420)
- Legalization of illegally constructed buildings (Law on the Legalization of Illegal Objects),¹⁵³
- Systematic registration of real estate rights by the cadastre (Law on State Surveying, Cadastre, and Registration of Real Property Rights)
- Real estate valuation¹⁵⁴ (The Law of Accounting and The Law on Property Tax),
- Transfer and registration of ownership rights, encumbrances, and restrictions (Law on Property-Legal Relations; Law on State Property;¹⁵⁵ Law on Real Estate Cadastre and State Survey Authority; Law on Mortgage;¹⁵⁶ and Law on Notaries)¹⁵⁷

¹⁵¹ Constitution of Montenegro (“Official Gazette of Montenegro”, No. 1/2007 and 38/2013 – Amendments I–XVI).

¹⁵² The Law on Property-Legal Relations (No. 19/2009).

¹⁵³ Law on the legalization of illegal objects (“Official Gazette of Montenegro”, No. 091/25).

¹⁵⁴ The Law of Accounting (“Official Gazette of Montenegro”, No. 145/21 and 152/22).

¹⁵⁵ Law on State Property (Official Gazette of Montenegro, No. 21/09, 20/11, 6/20).

¹⁵⁶ Law on Mortgage (“Official Gazette of Montenegro”, No. 55/09).

¹⁵⁷ Law on Notaries (“Official Gazette of Montenegro”, No. 68/05, 49/08, 45/12, 31/13).

Cadastral and registration systems

The main bodies regulating land administration and governance are the Real Estate Administration, Restitution Commissions, lawyers, notaries, geodetic companies, municipalities, and courts.

The cadastral infrastructure of Montenegro is vital to land administration and the property governance framework. It is organized through cadastral municipalities:¹⁵⁸ spatial units for geodetic surveying, real estate registration, and public service provisioning. These are classified under the Real Estate Cadastre or the Land Cadastre, reflecting historical development, legal transitions, and institutional reforms. The system was initially developed as a Land Cadastre, recording ownership and other land rights. In 1984, building registration within the cadastre began, establishing the Real Estate Cadastre, as explained in more detail in Section 4: Property Registration.

Montenegro has 808 cadastral municipalities, across 25 administrative municipalities. According to Article 32 of the *Law on State Surveying and Cadastre*, a cadastral municipality is a territorial unit that typically contains a single populated place and its designation established by law. This is the primary spatial unit for surveying activities and maintaining the cadastre of immovable property. Sometimes a cadastral municipality may include two or more populated places within a single unit, or a single populated place may be divided among several cadastral municipalities, generally for technical, topographic, or administrative reasons.

Changing cadastral municipality boundaries is done by the competent administrative body. However, if a boundary change affects neighbouring administrative municipality borders, the Government decides after hearing arguments from the affected municipality and the cadastral administration.

The registration process includes preparing technical documentation and conducting geodetic surveys to determine spatial data (location, shape, usage) and property rights for each parcel. *The Rulebook on the Preparation and Maintenance of the Real Estate Cadastre*¹⁵⁹ explains this process in detail to ensure data accuracy and harmonization.

*The Law on Spatial Data Infrastructure*¹⁶⁰ is based on the EU INSPIRE Directive (Directive 2007/2/EC) and obliges Montenegro to harmonize spatial data across 34 spatial data themes. While the governance structure is in place, a National Spatial Data Portal is still pending.

¹⁵⁸ Article 30 of Law on State Survey and Real Estate Cadastre, „Cadastral territorial units are the cadastral parcel, the cadastral municipality, and the cadastral district“. Cadastral municipalities are different from political municipalities. For example, the Municipality of Cetinje is composed of 37 cadastral municipalities.

¹⁵⁹ Rulebook on the Preparation and Maintenance of the Real Estate Cadastre (“Official Gazette of Montenegro”, No. 18/23).

¹⁶⁰ *Law on Spatial Data Infrastructure* (“Official Gazette of Montenegro”, No. 37/17).

Types of land use in cadastral records

The cadastre records current land use, class, and agricultural value during systematic registration. Land is classified as Agricultural land, Forest land, Water use land, Natural resources land, Land in general use, Protected areas, Border and island areas and Construction land.

*The Law on Agricultural Land*¹⁶¹ defines types of agricultural land in the cadastral records, for example, arable, orchard, vineyard, meadow, pasture and wet. It requires owners to cultivate land according to its natural characteristics, improve its quality, prevent degradation, and comply with environmental protection measures. The Law also regulates:

- Non-agricultural use (temporary or permanent)
- Land consolidation for increased productivity
- Leasing and sale of agricultural land
- Protection from erosion, flooding, and pollution

Construction land is defined by urban planning documents. According to the Law on Spatial Planning¹⁶² (see Chapter II), the spatial planning system includes State-level plans such as the Spatial Plan of Montenegro, Special Purpose Area Plans, and Detailed State Regulation Plans. It also includes Local-level plans such as Municipal spatial and urban plans, local detailed regulation plans and urban projects. The Law requires the establishment of a *State Spatial Information System* integrated with the national spatial data infrastructure. Urban plans must be adopted electronically, and data exchange between institutions must be digital. The Ministry maintains a digital register of all valid urban plans and publishes planning documents on the geoportal (Article 63). The Law also regulates access to construction land for development, including land consolidation, construction fees, urban rent, public design competitions and the role of municipal and state enterprises in urban planning. The cadastre plays a key role in urban planning and construction.

*The Law on Forests*¹⁶³ is a comprehensive framework for the management, protection, use, and maintenance of forest land, including:

- Forest management: The law regulates sustainable forest management, including planning, construction and maintenance of forest roads, as well as monitoring forest resources.
- Public and private ownership: Forests may be publicly or privately owned, but all are subject to protection and regulation by the state.

¹⁶¹ Law on Agricultural Land ("Official Gazette of the Republic of Montenegro", No. 15/92 and 59/92; "Official Gazette of Montenegro", No. 32/2011).

¹⁶² Law on Spatial Planning ("Official Gazette of Montenegro", No. 19/25).

¹⁶³ Law on Forests (Official Gazette of Montenegro, No. 77/24).

- Abolition of concessions: The new 2024 law allows abolition of concessions for forest exploitation due to misuse and damage to forests and thereby the state budget. Instead, a state-owned company will be established to manage forests.
- Protection and sanctions: Measures are provided to protect against illegal logging, fires, and disease, as well as penalties for violations. In the past decade, thousands of hectares have been destroyed by fires and illegal logging.
- Sustainable use: The law promotes sustainable use of forests, reforestation, biodiversity protection and soil improvement.

Water-use land does not appear as a separate category in the cadastre under that name, but it is treated as part of public property and natural resources, especially rivers, lakes, water surfaces and coastal zones. According to the Real Estate Administration of Montenegro, the cadastral system provides records for all immovable property, including land under water, which is part of public ownership and is subject to a special legal regime. In practice, water land may include:

- Land under rivers, lakes, or canals
- Coastal land, including lake land
- Protected water areas

These areas are recorded in the cadastre, and their use and management are regulated by specific laws, such as: The Law on Waters;¹⁶⁴ The Maritime Law;¹⁶⁵ The Law on State Survey and the Cadastre of Real Estate.

4.3 Key land management processes

In Montenegro, several parallel processes are ongoing:

- Transformation of usage rights into ownership rights
- Restitution of property confiscated during the communist period
- Legalization of illegally constructed buildings

These processes are not merely technical adjustments but constitute socio-legal reforms that directly reshape the institutional, historical, and distributive framework of land governance in Montenegro.

¹⁶⁴ Law on Waters" ("Official Gazette of the Republic of Montenegro", No. 27/07, 32/11, 47/11, 48/2015, 52/2016, 2/2017 – other law, 80/17 – other law, 55/16 – other law, and 84/18).

¹⁶⁵ The Maritime Law (Official Gazette of the Republic of Montenegro", Nos. 14/92, 59/92, and 27/94, and "Official Gazette of Montenegro", No. 51/08, 21/09, 73/10, and 40/11).

Transformation of usage rights

Restitution and transformation of usage rights have been interconnected processes governing land reform in the post-socialist period. Restitution is a response to the socialist era forced expropriation of property. Transformation addresses that era's removal of ownership without affecting right of use, when former landowners continued using their land. Both processes share a common objective: the re-establishment of private property rights to develop a functioning real estate market.

The 1945 Law on Agrarian Reform and Colonization¹⁶⁶ reallocated *agricultural land* as the cornerstone of post-war socio-economic transformation. Large private estates exceeding 35ha of arable land were subject to expropriation, with lower thresholds in mountainous or low-productivity areas - typically 25 or 15ha, depending on regional classification. Religious institutions were generally limited to 10ha, except historically significant monasteries which could retain up to 30ha. Under the Law on Restitution (see below), citizens could exercise their right to the return of confiscated land or receive compensation.

Similarly, the Law on the Nationalization of Rental Buildings and Construction Land¹⁶⁷ in 1958, nationalized construction land in cities and urban settlements, transferring ownership of urban land and buildings from private individuals to the state as social ownership. Owners of buildings were given user rights to adjacent land, while land under rental buildings became state land.

The *Law on Ownership and Other Real Rights in 2009* created a legal basis for transforming property usage rights into ownership rights, particularly construction land previously held as social property. This transformation was pivotal in the privatization process, and the consolidation of property rights during the post-socialist period aimed to ensure legal certainty, clarify title holdings, and align with European standards in real estate and cadastral registration.

The transformation of usage rights in Montenegro is also governed by Articles 419 and 420 of the 2009 *Law on Property-Legal Relations*. Article 419 states that usage, management, or disposal rights over land become ownership unless restricted by a specific law, or if prior ownership can be demonstrated. However, if land is involved in privatization or bankruptcy where market value was not paid, it remains state-owned but building-owners retain preferential leasing or purchase rights. Article 420 authorizes the Cadastre to delete usage rights and register ownership upon formal request.

¹⁶⁶ Law on Agrarian Reform and Colonization ("Official Gazette of the Democratic Federal Yugoslavia", no. 64/45; "Official Gazette of the Federal People's Republic of Yugoslavia", nos. 24/46, 101/47, 105/48, 21/56, 55/57; and "Official Gazette of the Socialist Federal Republic of Yugoslavia", no. 10/65).

¹⁶⁷ Law on Nationalization of Rental Buildings and Construction Land (Official Gazette of the FPRY No. 52/58).

Despite this legal basis, many inherited usage rights over construction land remain in the cadastre. Due to the lack of detailed legal regulation, transformation into ownership is often stalled between citizens, the cadastre, municipalities, and the State Attorney's Office. Citizens' requests and cadastre decisions are frequently followed by appeals and lawsuits from state institutions or other interested parties. After the Decision on Transformation is issued by the Cadastre, the State Attorney, protecting state property, has the right to appeal, as does the relevant municipality.

This situation creates legal uncertainty, hinders urban development, obstructs the implementation of urban plans, and disrupts the real estate market and land management. A special law is needed to ensure transformation of usage rights into ownership rights is conducted efficiently and transparently. It should define clear procedures, institutional responsibilities and legally binding deadlines, with special attention to cases where automatic transformation is justified by lack of legal obstacles.

Furthermore, institutional roles, particularly of the Cadastre, municipalities, and the State Attorney's Office, must be unambiguously defined, alongside mandatory inter-agency cooperation and digital data exchange. The law should also include transparency obligations through regular public reporting and set clear conditions under which the state may retain ownership based on documented public interest.

Restitution of confiscated property

The process of restitution of property confiscated under the communist regime was initially regulated by the Law on Fair Restitution from 2002.¹⁶⁸ In 2004, a new *Law on Restitution of Property Rights and Compensation*¹⁶⁹ was adopted.

Claimants are individuals whose property was confiscated during the communist period (1945-1990). The process is administered by three Regional Restitution Commissions in Podgorica, Bar and Bijelo Polje. The Law provides for return of the original property and where that is not possible, former owners may be entitled to compensation. This is provided through the Restitution Fund and distributed as part of its annual budget, proportionally based on the total value of all validated claims. Alternatively, compensation may be issued as government bonds. The value of confiscated property is based on its condition at the time of confiscation, in line with the Regulation on Valuation and Compensation for Confiscated Property.

¹⁶⁸ Law on Fair Restitution from 2002 ("Official Gazette of the Republic of Montenegro", No. 34/02 and 33/03).

¹⁶⁹ Law on Restitution of Property Rights and Compensation ("Official Gazette of the Republic of Montenegro", No. 21/04, 49/2007, 60/07; "Official Gazette of Montenegro", No. 12/07, 73/10, 30/17, 70/17).

Eligible properties include:

- Olive groves
- Forests and forest land
- Residential buildings and apartments
- Commercial buildings and premises
- Undeveloped construction land
- Former socially-owned enterprises

Since the implementation of the Law on Restitution of Expropriated Property Rights and Compensation, up to the end of 2022, 1,697 final decisions were submitted to the Compensation Fund by the restitution and compensation commissions, with a total value of over €240 million. Based on final decisions, a total of €45.6 million has been paid to former owners.¹⁷⁰

The Compensation Fund in Montenegro faces several challenges, including insufficient annual budget allocations, slow administrative processing due to limited staffing, and a lack of transparency in reporting and case-tracking. These have led to delays in disbursements and prolonged restitution procedures; some cases have remained unresolved for over two decades. Montenegro needs to ensure a fair and timely restitution process, with full independence of the three regional commissions.

Despite this, the restitution framework has enabled thousands of citizens to reclaim or receive compensation for expropriated property. In the long term, restitution contributes to trust in public institutions, strengthens the rule of law, and supports the development of a transparent and functional property market.

Legalization of illegally constructed buildings and land they occupy

It is estimated that there are over 100,000 illegal structures in Montenegro or approximately 25 per cent of all residential units. As of 2024, 62,000 applications¹⁷¹ have been submitted, but only 3,300 buildings have been legalized, just 5 per cent over eight years. In Podgorica alone, 13,000 applications were submitted with only 638 resolved.

The process of legalizing informal constructions poses substantial challenges for land administration, particularly the legal status and cadastral registration of the land beneath. Although the previous Law on Spatial Planning and Construction (2017) provided a framework for formalizing buildings and requires their entry into the cadastre within six months, the underlying land is addressed through a separate procedure. Legalization does not automatically

¹⁷⁰ See <https://www.gov.me/clanak/kurtagic-ukupna-vrijednost-rjesenja-za-obestecenje-iznosi-vise-od-240-miliona-eura>.

¹⁷¹ See <https://www.gov.me/dokumenta/2cc3baa0-65d6-4d97-a25c-fa171aa559b3>.

regularize land rights; instead, applicants may acquire ownership through formal purchase agreements with the state or municipality, limited to the footprint of the building and the area essential for its regular use.

Registration of land parcels in the cadastre accompanies building registration, contingent upon the fulfilment of technical and legal criteria. Where land is state-owned and no valid claims are presented by the applicant, administrative or judicial review may be necessary. A lack of unified parcel-sizing standards and limited procedural integration between legalization and cadastral registration often leads to legal uncertainty. This hinders access to mortgages, impedes formal property transactions, and complicates spatial planning. The methods for transferring construction land from state to private ownership are explained in greater detail in Section 8 on Access to Developable and Agricultural Land.

The legal framework additionally prohibits the sale or commercial use of unregistered or unlegalized constructions beyond the set deadline, reinforcing the need for coordinated action among municipalities, cadastral authorities, and central government bodies. Strengthening this coordination mitigates the risk of fragmented land governance, especially given increasing pressures on urban land and the need for sustainable territorial management.

Legalizing informal constructions is often unpopular among those who have complied with construction and land-use laws, which is why it is usually accompanied by fees and penalties. However, the widespread nature of illegal construction shows a need for systemic reform with a sustainable strategy. Periodic ad hoc legalization measures, implemented without real improvements, are not a sustainable solution.

4.4 Property registration

According to *the Law on Property-Legal Relations*, ownership rights are registered in the Real Estate Cadastre (Article 84). The transition from the land cadastre to the real estate cadastre began in 1984 with the adoption of the Law on State Surveying, Cadastre, and Registration of Real Property Rights (“Official Gazette of the Socialist Republic of Montenegro”, No. 25/84 and 2/89).

The adoption of the Law on State Surveying, Cadastre, and Registration of Rights to Real Property in 1984 started a systematic survey of all land parcels and buildings to get high-quality geospatial data and determine property ownership rights to establish the Real Estate Cadastre. This has been carried out at cadastral municipality level; when surveying and determination of ownership rights is complete, the cadastral municipality is migrated from the Land Cadastre to the Real Estate Cadastre (Table 4.1). During this transitional phase, two systems coexist within the cadastre: cadastral municipalities where the Land Cadastre is still in use and only land rights are registered, and cadastral municipalities where the Real Estate Cadastre is applied, in which both land and buildings are registered along with the corresponding rights.

The *Real Estate Administration of Montenegro* is responsible for the systematic registration of property rights. Over past decades, the real estate cadastre has been established in 715 out of 808 cadastral municipalities, covering 88 per cent of the territory. In the remaining 93 cadastral municipalities, background surveying has been completed in 35 and is ongoing in 58. In the last few years, the cadastre was established in only one additional cadastral municipality.

Table 4.1 Administrative and Cadastral Municipalities – Real Estate and Land Cadastre

Administrative Municipality	Number of Cadastral Municipalities in Real Estate Cadastre	Number of Cadastral Municipalities in Land Cadastre	Total Cadastral Municipalities
Andrijevica	23	2	25
Bar	56	0	56
Berane	27	5	32
Bijelo Polje	56	10	66
Budva	16	0	16
Cetinje	36	1	37
Danilovgrad	35	0	35
Gusinje	7	3	10
Herceg Novi	27	0	27
Kolašin	38	0	38
Kotor	46	0	46
Mojkovac	16	2	18
Nikšić	58	34	92
Petnjica	7	2	9
Plav	9	7	16
Pljevlja	56	0	56
Plužine	33	0	33
Podgorica	81	1	82
Rožaje	16	10	26
Šavnik	19	1	20
Tivat	10	13	23
Ulcinj	28	2	30
Žabljak	15	0	15
Total	715	93	808

Source: <https://ekatastar.me/ekatastar-web/action/elogin>

This slow progress, combined with inconsistent geodetic technologies and the lack of a centralized system with harmonized graphic and alphanumeric data, has led to technical errors. A major issue for professional users such as surveyors, notaries and architects, is discrepancy between parcel areas in the graphic and alphanumeric records. Another problem is the inaccurate positioning of buildings and parcels on the ground compared to cadastral maps.

The Real Estate Administration is also responsible for establishing *a cadastre of utility lines and underground structures*, a legal obligation since 1977 under the Law on the Cadastre of Utility Lines and Underground Structures (“Official Gazette of the Socialist Republic of Montenegro”, No. 28/77). However, several decades later, this has not been started.

Montenegro must place greater focus on the cadastre and completing the real estate cadastre must be prioritized, requiring additional human and financial resources to speed the process. The lack of a complete real estate cadastre and a cadastre for infrastructure leaves huge capital resources outside the legal market. In parallel, a centralized Geodetic-Cadastral Information System (GCIS) must be developed to integrate harmonized data on parcels, buildings, owners, rights, addresses, utility lines, and more.

The digitalization of primary and secondary cadastral processes must begin as soon as possible. Digitizing cadastral maps and harmonizing them with alphanumeric data is essential for the entire country.

Resolving cadastral issues, through staffing, funding, and adopting a modern legal framework for property rights registration, is the most important tool for facilitating a functional real estate market and strengthening the country’s economic development.

4.5 Land and geospatial information and data

In Montenegro, several laws require the establishment of geoportals. For example:

- The Law on the National Infrastructure for Spatial Data states that all institutions with spatial data must make it available through a common geoportal which must ensure interoperability and standardized access.
- The Law on State Surveying and Real Estate Cadastre regulates the establishment and maintenance of cadastral data and its availability through the geoportal of the Real Estate Administration (GCIS).
- The Law on Spatial Planning and Construction of Structures provides for the digital availability of urban plans and planning documents through a digital platform.

- The Law on Environmental Protection, Law on Waters,¹⁷² and Law on Mining and Geological Research require the creation or integration of thematic spatial data such as protected areas, mining permits and water zones, through the NSDI or dedicated portals.

Several geoportals exist, with the National Geoportal serving as the central hub. The implementation of these is required by the Law on NSDI (National Spatial Data Infrastructure) and supported by other sectoral laws. These geoportals are essential for transparency, planning, environmental protection, and digital administration.

The establishment of key geoportals in Montenegro is regulated by multiple laws, as outlined in Table 4.2. Currently active geoportals include the National Geoportal, the INSPIRE Geoportal of Montenegro, the Eco-Information System, and SIZEP (Land Parcel Identification System). The remaining portals are mandated by law but are not yet developed.

Table 4.2 Key Geoportals in Montenegro

Geoportal Name	Responsible Institution	Content / Description	Relevant Law / Regulation
National Geoportal (geoportal.nekretnine.co.me)	Real Estate Administration	Cadastral data, orthophotos, topography, boundaries	Law on State Survey and Real Estate Cadastre; Law on NSDI
INSPIRE Geoportal of Montenegro	Real Estate Administration / Ministry of Spatial Planning and Urbanism	Data aligned with EU INSPIRE directive	Law on NSDI; EU Directive INSPIRE 2007/2/EC
Geoportal of Podgorica Capital City	Secretariat for Urbanism – Podgorica	Urban plans, permits, infrastructure	Law on Spatial Planning and Construction of Structures
Ministry of Ecology Geoportal	Ministry of Ecology, Spatial Planning and Urbanism	Protected areas, biodiversity, forestry and water resources	Law on Nature Protection; Law on Environment Protection
Water Directorate Geoportal	Water Directorate	Hydrological objects, zones of protection, hydrography	Law on Waters
Mining and Energy Geoportal	Directorate for Energy and Mining	Mining sites, permits, exploration areas	Law on Mining and Geological Research
Environmental Information System	Environmental Protection Agency	Air, water, pollution maps and environmental quality data	Law on Environment; special regulations and/or by-laws
SIZEP (Land Parcel Identification System)	Ministry of Agriculture, Forestry and Water Management	Data on reference parcels, agricultural holdings, and spatial data	Law on Agriculture and Rural Development

¹⁷² Law on Waters (“Official Gazette of the Republic of Montenegro”, No. 27/07, 73/10, 32/11, 47/11, 48/15, 052/16, 55/16, 2/17, 80/17, 84/18).

Land administration includes several registers that provide information on the legal status, use, value, and purpose of land. These registers are maintained by different institutions and are regulated by different laws (Table 4.3).

Table 4.3 Key land registers in Montenegro

Registry Name	Content / Description	Responsible Institution	Legal Framework
Real Estate Cadastre	Parcels, buildings, owners, legal rights (ownership, servitudes, liens, etc.)	Real Estate Administration	Law on State Survey and Real Estate Cadastre
Spatial Planning Registry	Urban and zoning plans, construction zones	Ministry of Ecology / Local Governments	Law on Spatial Planning and Construction
Land Users Registry (via Agricultural Holdings Register)	Farmers, agricultural plots, subsidy eligibility	Ministry of Agriculture	Law on Agriculture and Rural Development
Land Concessions Registry	Land concessions for mining, forestry, water use	Government / Sectoral Ministries	Law on Concessions; Law on Mining
Mortgage and Restrictions Registry	Mortgages, lines, restrictions on land	Cadastre / Notaries	Law on Mortgages; Cadastre Law
State-Owned Land Registry	Inventory of state-owned land parcels	Property Directorate	Law on State Property
Register of Spatial Units	Database of municipalities, settlements, cadastral municipalities, and statistical zones	The Statistical Office of Montenegro (MONSTAT)	Law on the Unified Record and Register of Spatial Units

Montenegro has made significant progress in aligning its land administration framework with EU regulations, particularly with registers and geoportals. The legal framework enables establishment of multiple registers and digital platforms, with the National Spatial Data Infrastructure (NSDI) portal as the central access point. However, practical implementation remains limited. Despite legal references to the NSDI portal across various sectoral laws, the portal has not been fully developed. This gap between legislation and execution undermines the effectiveness of the broader spatial data infrastructure.

Moreover, there is a need for centralized coordination and harmonization of register and portal content. Currently, multiple institutions manage overlapping datasets, leading to duplication of information and inefficiencies in data governance.

4.6 Transfer of property rights

According to the World Bank Doing Business Report (2020),¹⁷³ registering property in Montenegro required 6 steps and took approximately 69 days. Steps included obtaining a property ownership certificate, verifying signatory authority, drafting the sale-purchase agreement, tax assessment, registration with the Real Estate Administration, and payment of transfer tax.

Montenegro has made some progress in improving this process. Notaries now have direct electronic access to property records via the Real Estate Administration's website, eliminating the need for citizens to physically obtain property ownership certificate. Since 2023, notaries have had electronic access to cadastral data on ownership, encumbrances, and other rights.

However, data inconsistencies remain a major issue. The cadastre lacks a centralized, real-time database, and there are significant delays in updating graphic data (parcel maps), causing legal uncertainty and rejection of registration requests due to data mismatches. Notaries want an electronic portal for submission of notarized documents directly to the cadastre, which would speed up registration and enhance legal certainty. They also propose a real estate price register to prevent speculative transactions.

Since 2024, the responsibility for real estate transfer tax assessment has been moved from the central Tax Administration to municipalities. The Law on the Tax on Real Estate Transactions¹⁷⁴ clarifies the following:

- Tax rate: 3 per cent of the market value at time of acquisition.
- Taxpayer: The person acquiring the property – the buyer, heir or gift recipient.
- Taxable event: Any acquisition of ownership rights over real estate – including sale, exchange, inheritance, gift, contribution to a company and court decisions.
- Exemptions include:
 - State and local government bodies.
 - Public institutions.
 - Foundations and humanitarian organizations established under special regulations.
 - Diplomatic and consular missions accredited in Montenegro (subject to reciprocity), as well as international organizations exempt under international agreements.
 - Individuals acquiring property through restitution or agrarian policy measures.

¹⁷³ See https://archive.doingbusiness.org/en/data/exploreconomies/montenegro#DB_rp.

¹⁷⁴ Law on the Tax on Real Estate Transactions (Official Gazette of Montenegro, No. 36/2013, 3/2023 and 28/23).

- Adult Montenegrin citizens residing in Montenegro who are acquiring a residential building or apartment for the first time to meet housing need - up to 20 m² per household member - provided they do not own other property in Montenegro.
 - Individuals acquiring property through life-long support contracts, who are heirs in the first succession line.
 - Individuals acquiring parts of property due to termination of co-ownership or division, up to the value of their original share.
 - Non-governmental organizations acquiring property for programmes.
 - Individuals acquiring property through expropriation or other public interest procedures.
 - Banks acquiring property based on fiduciary or mortgage agreements, or in debt recovery and reorganization proceedings, provided the property is sold within three years of acquisition.
- Revenue Allocation: 80 per cent of revenue goes to the municipal budget and 20 per cent to the Equalization Fund, a fund for balancing resources among municipalities.
 - Payment Deadline: The tax must be paid within 15 days from the date the tax decision is delivered.

The tax base is defined as the market value of the real estate at time of acquisition, usually derived from acquisition documents and reflecting the price it could be sold under current market conditions. If the transaction is compensated, the tax base equals the total consideration paid, which may include money, services, goods, debt assumption, or other value transfers. In exchanges or partial acquisitions, the tax base is assessed individually for each party based on the market value of the portion acquired.

If the declared price is lower than the estimated market value or absent, the local tax authority determines the market value based on comparable sales data. Where data is unavailable, a certified appraiser may be appointed, and in public auctions or bankruptcy sales the entire payment is treated as the tax base.

On January 1, 2024, the flat 3 per cent rate was replaced by a nationally defined progressive scale, applicable across all municipalities (Table 4.4).

Table 4.4 Real Estate Transfer Tax Rates in Montenegro (Progressive Scale)

Property Value	Tax Rate
Up to €150,000	3 per cent
€150,001 to €500,000	€4,500 + 5 per cent on the amount exceeding €150,000
Above €500,001	€22,000 + 6 per cent on the amount exceeding €500,000

Source: The Law on the Tax on Real Estate Transactions

However, the Government, while transferring tax administration to municipalities, did not transfer databases or personnel previously employed by the central Public Revenue Administration. As a result, municipalities have faced serious challenges in securing adequate human resources and software solutions. For example, in the Municipality of Cetinje, only one person is responsible for handling real estate transfer tax. In the Municipality of Bar, which processes around 3,500 transactions annually, there are only three employees working in this area.

The Real Estate Administration conducts property rights registration under the Law on State Survey and Cadastre and the Law on General Administrative Procedure. However, the process is slow and complex, due to:

- The unfinished systematic registration of property rights.
- The lack of a centralized, harmonized data system.
- Insufficient and inadequately trained staff.
- Manual administrative procedures for registering ownership, encumbrances, and newly constructed buildings.
- Frequent appeals and lawsuits from citizens.

Modern cadastral systems are registries of rights, not institutions that determine ownership. Therefore, Montenegro urgently needs a new law to digitally transform the cadastre. This law should:

- Introduce a dedicated electronic procedure for registering ownership and other property rights.
- Establish two-way digital communication between the cadastre and professional users such as notaries, surveyors, municipalities, courts, enforcement officers, appraisers, ministries and agencies.
- Provide e-services for citizens, allowing them to submit requests and receive services online.

4.7 Real estate valuation and taxation

The conditions and procedures for property valuation in Montenegro are regulated by:

- The Law on Accounting¹⁵³
- The Regulation on Criteria and Methodology for Determining Market Value of Real Estate¹⁷⁵
- The Law on Property Tax¹⁷⁶

Under the Accounting Law, Montenegro has adopted *the International Valuation Standards (IVS)*, endorsed by the International Valuation Standards Council (IVSC).

Valuation is defined as providing an objective assessment of the value of real estate, buildings, equipment, other assets and capital, for accounting and other purposes using prescribed methodology and conducted by a licensed appraiser. It may be performed by a natural person holding the title of certified appraiser, licensed by the Ministry of Finance. Appraisers must conduct valuations truthfully, objectively, and accurately, in accordance with IVS and European Valuation Standards (EVS). The Ministry of Finance organizes the certification exam, or delegates it to a legal member of IVSC or TEGOVA (The European Group of Valuers' Associations) and maintains a Register of Certified Appraisers.

Property Taxation

Under the Law on Property Tax taxable property includes land, buildings, and special parts of buildings. Land categories include construction, forest and agricultural. Buildings subject to taxation include residential, commercial, mixed-use, under-construction structures, auxiliary buildings, and immovable temporary structures. In addition, taxation applies to special parts of buildings such as apartments, business premises, basements and garages.

The taxpayer is the registered owner of the property on January 1 of the tax year, and the taxable amount is the market value of the property on that date. For businesses, the applicable tax base is the fair value of the property as recorded in accounting books the previous year.

The tax rate is determined by the Municipal Council, setting a fixed for the municipality in accordance with the legally prescribed range (Table 4.5). Tax reliefs is prescribed by law and includes the categories in Table 4.6.

¹⁷⁵ The Regulation on Criteria and Methodology for Determining Market Value of Real Estate ("Official Gazette of Montenegro", No. 036/11, 066/15, 039/17).

¹⁷⁶ The Law on Property Tax ("Official Gazette of Montenegro", No. 25/2019, 49/2022, 152/2022).

Table 4.5 Tax rates

Category	Applicable Tax Rate (per cent of market value)
General property	0.25 per cent – 1.00 per cent
Secondary residences	0.3 per cent – 1.5 per cent
Illegal buildings (registered in cadastre, resolving housing needs)	0.3 per cent – 1.5 per cent
Illegal buildings (non-residential)	0.3 per cent – 2 per cent
Undeveloped construction land	0.3 per cent – 5 per cent

Source: The Law on Property Tax

Table 4.6 Tax reliefs

Relief Category	Reduction Rate
Primary residence	20 per cent for the taxpayer + 10 per cent per household member (max 50 per cent)
Tourism facilities	Up to 70 per cent, depending on official star rating: <ul style="list-style-type: none"> • 3 stars – 15 per cent, • 4 stars – 30 per cent • 5 stars – 70 per cent
Agricultural producers	70 per cent of registered users utilize the property for production or processing

Source: The Law on Property Tax

Property Valuation

To determine market value, the following criteria are taken into consideration:

- Average market price per square meter
- Purpose or intended use of the property
- Size of the property
- Location
- Quality of construction and materials
- Other relevant factors that may influence the property's market value

The Comprehensive Framework for Real Estate Market Valuation is given in Table 4.7.

Table 4.7 Comprehensive Framework for Real Estate Market Valuation

Valuation Category	Description	Source / Mechanism	Adjustment Range / Notes
Average Market Price	Established via standardized procedure to reflect fair market value per m ²	<ul style="list-style-type: none"> Statistical Data (published annually) Contractual Data (previous 3 years, minimum 3 samples) Expert Assessment (if prior data unavailable) 	Varies by municipality; based on representative samples
Purpose / Use of Property	Valuation adjusted based on structural type and intended use	<ul style="list-style-type: none"> Residential: Local or national adjusted data Commercial / Mixed-use: Residential base adjusted by use intensity Other: Adjusted by function and structure 	Coefficient range: 0.10 – 2.00 (residential), up to 2.00 (commercial)
Size of Property	Market value calculated based on total surface area in square meters	<ul style="list-style-type: none"> Real Estate Cadastre Business ledgers, property registers, notarial deeds (if cadastre unavailable) 	No coefficient, direct measurement applied
Location / Zoning Factor	Adjustment based on geographic characteristics and infrastructure	<ul style="list-style-type: none"> Zone classification (urban/rural, development level) Proximity to services and public amenities 	Location coefficient: 0.10 – 5.00
Quality of Construction and Materials	Adjusted based on utility equipment, structural form, and material durability	<ul style="list-style-type: none"> Construction land: Utility infrastructure level Agricultural land: Land use and cultivation type Facilities: Equipment level, type, complexity 	Coefficient range: 0.10 – 3.00
Depreciation	Value reduced to reflect age-related deterioration and reconstruction intervals	<ul style="list-style-type: none"> 1.00 per cent reduction per full year of age Maximum reduction capped at 60.00 per cent of assessed value 	Promotes valuation equity over property lifecycle
Exceptional Price Increase Adjustment	Optional tool for municipalities when price growth exceeds thresholds	<ul style="list-style-type: none"> Applied when market price grows less than 20 per cent year-on-year Municipality may average prior three years 	Discretionary; stabilizes valuation fluctuations

Source: The Law on Property Tax

For taxpayers maintaining business books, the tax base is the property value shown in the accounts for December 31 of the previous year. If the taxpayer does not declare the value of the real estate or submit a tax return, the tax base is decided by applying standardized valuation methodologies, as legally required. If neither of these give a reliable valuation, it is independently assessed by a certified real estate valuation expert, ensuring objectivity and compliance with professional standards.

Challenges

Municipalities in Montenegro face several challenges in determining property tax. Firstly, cadastral data is not harmonized, particularly regarding property areas and use classifications. There are no clear criteria for tax zoning land and buildings, making the obligation to adjust average market values by a coefficient ranging from 0.10 to 5.00 based on location, uncertain and subjective.

Average prices for newly-built properties published by MONSTAT are regional, not municipality-specific, creating additional problems. For example, in the Coastal Region, property prices in Ulcinj are significantly lower than in Budva, yet municipalities receive only a regional average price.

Not enough tax is collected; for example, in Cetinje Municipality, there are approximately 35,000 property tax decisions annually and the total property tax revenue for 2024 was €2 million, of which: €1.6 million came from property tax on buildings, and €400,000 from land tax. However, in 2024, the Municipality of Cetinje only collected €1.2 million of this. In Bar Municipality, there are 70,000 property tax decisions issued annually. The total property tax revenue is €10 million, with 93 per cent collected in 2024, amounting to €9.3 million. Availability of electronic tax payment services in some local government units depends on digitalization level, specifically development of software infrastructure and degree to which modern technologies have been implemented.

Montenegro must establish a Real Estate Transaction Price Register to improve market transparency and provide sufficient data for municipalities and the Statistical Office to accurately determine average property prices. To enhance fairness and efficiency, Montenegro should consider a centralized mass appraisal system for real estate. This would promote equitable tax assessments across jurisdictions, reduce opportunities for tax evasion, and increase municipal revenues. It would also boost other public income streams tied to property values, including notary fees, court charges, and banking-related costs.

The basis for mass appraisal is a comprehensive price register. Once reliable property market data is collected, authorities can define value zones and assign standardized property values per category within each zone. This approach enables consistency, transparency, and administrative efficiency. Examples include the Netherlands where mass revaluation is conducted annually and serves as a best-practice model in Europe, and the United States, which maintains systematic yearly updates to real estate valuations for fiscal purposes.

4.8 Access to construction and agricultural land

Access to construction land

Urban planning documents designate locations for future development, but in practice, state-owned construction plots offered to citizens and businesses through public calls are virtually non-existent. The most common development method is parcel completion through direct agreement. This should be carried out by the Real Estate Administration or municipalities, but other state institutions also conduct parcel completion, based on Government conclusions.

The procedure is regulated by the Law on Spatial Planning and can be implemented through:

- Urban Parcel Completion (Article 61)
- Urban Land Consolidation (Urban Consolidation) (Article 75)

Urban Parcel Completion involves combining multiple cadastral parcels into a single urban parcel, or cases where an urban parcel includes multiple owners. In practice, state-owned land is purchased through direct agreement. When a construction parcel includes both private and state ownership, the private owner may apply to purchase the state-owned portion, but the law does not specify minimum ownership percentage required for this.

As a result, practices vary, for example:

- The Property Administration, City of Podgorica, and Municipality of Cetinje do not sell the state-owned portion unless the private owner holds at least 51 per cent of the total area.
- The Municipality of Bar, however, may sell state land even when the private share is smaller, provided a strong development plan is presented.

Urban consolidation, introduced by the 2025 Law on Spatial Planning, is a legal mechanism used when multiple individuals - either legal entities or individual people - own portions of one construction parcel. It is managed by a specially appointed municipal commission and gives priority to the largest landholder, who has the first right to purchase remaining parts. Although the legal framework is now in place, no urban consolidation procedures have been implemented by the time of the preparation of this Country Profile.

This instrument differs from parcel completion; it focuses on physically and legally aligning an individual parcel with spatial planning criteria such as minimum surface area, access requirements, and zoning compliance. While parcel completion resolves deficiencies within a single ownership, consolidation addresses fragmented ownership that obstructs coordinated development. Both instruments aim to optimize land use and unlock construction potential. Consolidation facilitates legal and administrative coherence among multiple owners, allowing for unified development planning. Completion, on the other hand, ensures that existing parcels are adequately configured for development in line with regulatory standards. Together, they promote orderly urban expansion and help municipalities prepare land for strategic investment and infrastructure deployment.

Access to agricultural land

SIZEP, the System for the Identification of Land Parcels in Montenegro, is a geospatial and administrative platform established under Article 64a of the Law on Agriculture and Rural Development, and managed by the Ministry of Agriculture, Forestry and Water Management. SIZEP supports the implementation of agricultural policies and management of land resources. The system integrates data on reference parcels, agricultural holdings, and spatial layers, and is central to delivering direct payments, applying rural development measures, and monitoring land use. In its initial phase, SIZEP mapped a total of 418,883 hectares of agricultural land using 2016 orthophoto imagery, representing all visible agricultural surfaces during the digitalization period, regardless of ownership.

In fulfilling its mandate, SIZEP enables the digital identification and registration of agricultural parcels, supports subsidy allocation and control mechanisms, and facilitates land-use planning and environmental monitoring. It also contributes to aligning the country's agricultural data systems with EU standards, particularly through the Integrated Administration and Control System (IACS) and the Land Parcel Identification System (LPIS). Therefore, SIZEP is a key instrument in the country's EU accession efforts under Chapter 11 on Agriculture and Rural Development, having received technical and financial support through IPARD and IPA programmes. The SIZEP database also includes information on actively-used agricultural land, based on declarations submitted by farmers through official procedures. At present, approximately 120,000 hectares, or about 29 percent of total agricultural land, are registered as actively used. In 2017, the Montenegrin Academy of Sciences and Arts published the Soil Atlas of Montenegro, which provides detailed information on soil types and value classifications.¹⁷⁷ According to this, there was a total of 333,471 hectares of agricultural land in Montenegro.

Montenegro has taken decisive institutional steps to improve agricultural land governance through SIZEP that align with EU standards and support subsidy allocation, land-use monitoring, and strategic planning. Its establishment marks progress toward digitalized and transparent rural management. The mapping of over 418,000 hectares - regardless of ownership - is a commendable attempt to create a comprehensive baseline for policy interventions and reflects an increase of 84,529 hectares of agricultural land compared with the findings of the Montenegrin Academy of Sciences and Arts published in the Soil Atlas.

Despite this, there is a critical gap between mapped resources and actual land utilization. The fact that only 29 per cent of agricultural land is actively used, coupled with the absence of public calls for leasing unused land, raises concerns about institutional inertia, weak land policy coordination, and missed opportunities for local economic development. This underutilization is particularly concerning given the country's geographic limitations, where only 10 per cent of its territory is flat, agriculturally-favourable land.

¹⁷⁷ Soil atlas of Montenegro-Montenegrin Academy of Sciences and Arts ISBN 978-86-7215-409-2 and COBISS.CG-ID 33936144.

The juxtaposition between SIZEP's digital ambition and the reality of the situation shows the need for substantive reform, not just in technical systems, but in land access, activation policies and incentive structures. The Soil Atlas data reinforces this, suggesting that while land is classified and accounted for, its productive potential remains largely dormant.

A forward-looking agricultural strategy must address this by establishing transparent procedures for leasing state-owned agricultural land, enabling fair access for smallholders and enterprises, and integrating agronomic suitability with spatial planning. Without closing the gap between digital registration and physical use, SIZEP risks becoming an impressive but under-used tool in the country's rural development framework.

4.9 Land use policies in sensitive and disaster-prone areas

Montenegro has designated 77 protected natural areas where construction is prohibited.¹⁷⁸ These include areas of exceptional characteristics, strict nature reserves, national parks special nature reserves, nature parks and natural monuments. They cover 189,725 hectares, about 11.6 per cent of the country's total area and include both terrestrial and marine zones, with 185,185 ha on land (9.81 per cent of the country's land area) and 4,539 ha at sea (1.79 per cent of the marine area).

The Environment Protection Agency (EPA Montenegro) administrates environmental protection. This includes monitoring environmental conditions, preparing analytical documents and reports, issuing environmental permits, and maintaining communication with relevant domestic and international institutions, organizations, and the public.

The Agency has developed several publicly accessible digital applications related to environmental monitoring and data transparency. These include the Waste Register, the 3R (Reduce, Reuse, Recycle) platform, air quality monitoring, allergenic pollen monitoring, the national register of protected areas, and a dedicated Help Desk for citizen inquiries.

The Institute for Hydrometeorology and Seismology is the country's authority for seismological affairs. It is responsible for monitoring seismic activity, maintaining the national earthquake database, conducting hazard assessments, issuing early warning alerts, and collaborating with international seismological institutions.

According to MEST EN 1998-1:2015/NA:2015, Montenegro is divided into four seismic zones, based on reference horizontal ground acceleration (agR), calculated with a 10 per cent probability of exceedance in 50 years. The strongest recorded earthquake occurred on April 15, 1979, with a magnitude of approximately 6.9–7.0 and a maximum Mercalli intensity of around IX–X along the entire coastal region. The epicentre was in the Adriatic Sea, about 15 km off the coast between Bar and Ulcinj. More than 100 people were killed (101 in Montenegro and 35 in Albania), and over 1,000 were injured. The cities of Bar, Budva, Kotor, Ulcinj, and Herceg Novi were damaged.

¹⁷⁸ See <https://cloud.gdi.net/smartPortal/zppCG>.

Other significant major earthquakes included:¹⁷⁹

- November 26, 2019 – Magnitude 6.4, epicentre about 105 km south-southeast of Podgorica
- March 14, 2024 – Magnitude 5.3, epicentre 5 km southwest of Nikšić Municipality

Montenegro has developed a robust framework for land-use planning in disaster-prone and environmentally sensitive areas, aligning much of its legislation with European Union standards. Disaster risk reduction (DRR) and climate change adaptation (CCA) are integrated into spatial planning policies. This means risk assessments are used to allocate and develop land, reducing exposure to natural hazards like floods, landslides, and wildfires.

The Law on Spatial Planning, the Law on Protection and Rescue, and the Strategy for Disaster Risk Reduction ensure that spatial plans incorporate risk assessments and protection measures. Key elements from the Spatial Plan of Montenegro until 2040 (see Chapter II) related to nature protection and climate resilience include:

- Protection of natural values: This recognizes space as a “vulnerable and exhaustible resource” and emphasizes preservation of natural and cultural assets, with special attention given to areas with high biodiversity, protected zones, and the Natura 2000 ecological network.
- Climate resilience: This highlights the need to integrate climate factors into spatial planning, including mapping areas prone to flooding, erosion, and wildfires. It also advocates nature-based solutions, such as preserving forests and wetlands to mitigate climate risks.
- Green infrastructure systems: This promotes the development of a network of natural and semi-natural areas connecting urban and rural zones, contributing to ecological connectivity and resilience to climate change.
- Spatial constraints and conflicts: This identifies potential conflicts between development and conservation and proposes measures to balance them in line with European standards and national legislation.

The Ministry of the Interior¹⁸⁰ and the Directorate for Spatial Planning play central roles in coordinating protection, rescue, and land use planning. Local governments and private bodies are also required to develop their own protection and rescue plans based on risk assessments.

Montenegro is also exploring ecosystem-based approaches to reduce disaster risk, such as restoring wetlands to mitigate flooding or preserving forests to prevent erosion.

¹⁷⁹ See <https://www.meteo.co.me/page.php?id=153>.

¹⁸⁰ See <https://faolex.fao.org/docs/pdf/mne228015.pdf>.

4.10 Environmental issues, climate and mining regulations

Montenegro, in line with its constitutional commitment, declared itself an “ecological state” as early as 1991. The country has made significant progress in aligning its environmental and climate protection policies with the standards and legal framework of the EU. Montenegro has a comprehensive domestic legal framework which is continuously harmonized with EU law, covering environmental protection, air quality, pollution control, nature protection and biodiversity, water quality, waste management, noise, chemicals, marine resources, and climate change. Adoption of the National Climate Change Strategy until 2030 further shows the country’s commitment to a low-carbon and climate-resilient future.

Montenegro has a comprehensive legal framework addressing environmental protection, sustainable development, climate change, and responsible use of natural resources. Box 4.1 outlines laws categorized by thematic area and includes brief descriptions of their scope and purpose.

Box 4.1 Legal Framework on Environmental Protection, Climate, and Natural Resources

General Environmental Protection

- Law on Environmental Protection: Establishes the principles, objectives, and institutional framework for environmental governance.
- Law on Environmental Impact Assessment: Regulates procedures for assessing the environmental impacts of proposed projects.
- Law on Strategic Environmental Impact Assessment: Applies environmental assessment to strategic plans and programmes.
- Law on Integrated Prevention and Control of Environmental Pollution: Introduces integrated permits for industrial facilities to prevent and control pollution.
- Law on Environmental Damage Liability: Defines liability and remediation obligations for environmental damage.
- Law on Nature Protection: Conserves biodiversity, ecosystems, and natural heritage.
- Law on the Ratification of the Aarhus Convention: Ensures public access to environmental information, participation in decision-making, and access to justice.

Box 4.1 **Legal Framework on Environmental Protection, Climate, and Natural Resources (continued)**

Pollution Control and Waste Management

- Law on Waste Management: Regulates waste generation, treatment, and disposal to minimize environmental impact.
- Law on Chemicals: Governs the production, use, and disposal of hazardous chemicals.
- Law on Industrial Emissions: Sets emission limits and control measures for industrial activities.
- Law on Air Protection: Establishes standards and measures for maintaining air quality.
- Law on Environmental Noise Protection: Addresses noise pollution and its impact on human health and the environment.
- Law on Protection from Ionizing Radiation and Radiation Safety: Regulates radiation sources and ensures public and environmental safety.
- Law on Protection from Non-Ionizing Radiation: Covers electromagnetic fields and other non-ionizing radiation sources.
- Law on Biocidal Products: Controls the use and marketing of biocidal substances to protect health and ecosystems.

Water, Marine, and Coastal Protection

- Law on Waters: Manages water resources and ensures their sustainable use and protection.
- Law on the Sea: Regulates maritime zones, navigation, and marine resource use.
- Law on the Maritime Domain: Defines the legal status and management of coastal and marine public property.
- Law on Marine Fisheries and Mariculture: Governs sustainable fishing and aquaculture practices.
- Law on Hydrographic Activities: Covers mapping and surveying of marine and inland waters.
- Law on the Protection of the Sea from Pollution from Vessels: Prevents marine pollution caused by ships and maritime traffic.

Box 4.1 Legal Framework on Environmental Protection, Climate, and Natural Resources (continued)

Biodiversity, Wildlife, and Natural Resources

- Law on National Parks: Regulates the protection and management of national parks.
- Law on Forests: Ensures sustainable forest management and conservation.
- Law on Mountain Trails: Provides for the development and maintenance of mountain trail networks.
- Law on Wildlife and Hunting: Manages wildlife populations and regulates hunting activities.
- Law on Animal Welfare Protection: Promotes humane treatment and protection of animals.
- Law on the Ratification of the CITES Convention Implements international trade controls for endangered species.

Climate Change and Energy

- Law on the Ratification of the Kyoto Protocol: Commits Montenegro to international climate change mitigation targets,
- Law on Protection from the Adverse Effects of Climate Change: Establishes national measures for climate adaptation and emission reduction.

Source: The Environment Protection Agency

Despite this strong legal framework, several unresolved issues raise concern. Industrial pollution remains a significant problem, particularly in legacy sites such as the aluminium plant in Podgorica, the ironworks in Nikšić, and the coal mine and thermal power facility in Pljevlja.

Protected areas currently account for approximately 11.6 per cent of national territory, including five national parks and designated nature reserves such as Komovi and Ulcinjska Solana. Yet, despite formal designation, weak enforcement mechanisms and conflicting land-use interests, especially in the context of hydropower development, have led to public opposition.

Critical biodiversity hotspots, including Skadar Lake and the Ulcinj Saltworks, remain under pressure from tourism, construction activity, and institutional shortcomings in environmental governance. These cases show that regulatory measures alone do not guarantee effective environmental stewardship, and that implementation gaps continue to undermine long-term conservation goals.

National Climate Change Strategy of Montenegro by 2030

The country's National Strategy in the Field of Climate Change by 2030 is the country's long-term vision and policy framework for climate change through mitigation and adaptation measures. The strategy is aligned with EU climate goals and international commitments such as the Paris Agreement. It is a roadmap for the country's transition toward a climate-resilient and low-carbon economy and contributes to regional and global climate goals. Its key objectives are to:

- Strengthen the institutional and legal framework for climate action.
- Integrate climate change considerations into sectoral policies such as energy, agriculture, forestry, water and tourism.
- Promote low-carbon development and green growth.
- Enhance resilience to climate impacts through adaptation planning.

To achieve these objectives, the Strategy must deliver a coherent set of enforceable actions and sustained public-private engagement.

Mining Regulations

Montenegro possesses mineral resources, including coal, bauxite, architectural stone, and non-metallic minerals. The mining sector is economically dominant and plays a strategic role in regional development, infrastructure, and energy supply. The Government has committed to aligning mining activities with principles of sustainability, environmental protection, and resource efficiency.

The mining sector in Montenegro is primarily governed by *the Law on Mining*, establishing the basis for exploration, exploitation and management of mineral resources. Key provisions of the law include:

- State ownership of resources: mineral resources are considered public property and managed in the public interest.
- Licensing and concessions: mining activities require government-issued concessions granted through public tenders or direct negotiations.
- Environmental and safety standards: operators must comply with environmental regulations, conduct impact assessments, and implement occupational health and safety measures.
- Land use and compensation: the law regulates access to land for mining, including compensation for private landowners.
- Monitoring and enforcement: the Ministry of Energy and Mining oversees compliance, supported by inspection services and administrative penalties.

The Ministry of Energy and Mining is the central authority which drafts mining policies and strategic plans, issues and manages exploration and exploitation licenses, supervises geological research and resource classification, and coordinates with environmental and spatial planning authorities. Other relevant institutions include the Environmental Protection Agency, which ensures mining projects comply with environmental impact assessment (EIA) procedures, and local governments, which participate in land-use planning and community engagement. Continued investment in environmental safeguards and community engagement ensures mining contributes positively to the country's long-term development goals.

4.1.1 Recommendations for land administration

It is recommended that the Government:

1. Enact a dedicated law on the transformation of usage rights into ownership

Despite general provisions regulating usage rights, lack of a targeted legal framework has led to procedural inconsistencies, protracted disputes and legal uncertainty. The Government is therefore recommended to introduce a dedicated law to comprehensively regulate the transformation of usage rights into ownership rights, particularly for construction land classified as social property. Such legislation would provide clear procedures, define institutional responsibilities, introduce binding deadlines, and reduce administrative and judicial bottlenecks. In doing so, it would enhance legal certainty, unlock urban development potential, and support the real estate market's modernization in line with European land governance standards.

2. Strengthen budgetary commitments to the Compensation Fund

To accelerate disbursement and uphold the integrity of final decisions, Montenegro should ensure adequate and predictable annual funding for the Compensation Fund. Chronic underfinancing undermines restitution credibility and delays justice for rightful claimants.

3. Develop a unified legal framework covering both land and building legalization

Current procedures separate the legalization of structures from the regularization of the land beneath them, creating fragmentation and legal uncertainty. A unified legislative framework should integrate both building and land registration processes, establish standardized parcelizing criteria, and ensure legalization confers full property rights where appropriate. This would streamline implementation, reduce administrative burdens and promote legal clarity in property transactions.

4. Accelerate the completion of the Real Estate Cadastre

Montenegro should finish establishing the real estate cadastre across the remaining cadastral municipalities and initiate the long-overdue cadastre of utility lines and underground structures. Absence of this limits legal certainty, obstructs infrastructure planning and keeps substantial capital out of formal economic circulation. Completion will enable secure transactions, unlock development potential, and align with EU land administration standards.

5. Develop and deploy a centralized Geodetic-Cadastral Information System (GCIS)

Lack of harmonized graphic and alphanumeric data, along with outdated technologies, has led to serious discrepancies in parcel and building records. A unified digital platform integrating parcel geometry, ownership data, utility lines, and property rights would eliminate technical errors, support interoperability between institutions, and enable efficient access for surveyors, architects, and notaries. GCIS would be the backbone for modern land governance and digital public services, with standardized data aligned with the EU INSPIRE Directive. Box 4.2 presents the example of North Macedonia, which successfully digitalized its cadastral maps.

Box 4.2 Digitalization of Cadastral Plans in North Macedonia

In the Republic of North Macedonia, the real estate cadastre contains 1,913 cadastral municipalities. How this was done is outlined below.

Creation of Digital Cadastral Plans through Systematic Registration. As part of the systematic registration of property rights, digital cadastral plans were created for 424 cadastral municipalities: 22 per cent of the total. This involved synchronized verification of graphical and alphanumeric components for each municipality. Once verified, the data was officially adopted into the real estate cadastre and published in the Official Gazette of the Republic of Macedonia. Following this, the digital cadastral plans were maintained in MicroStation software, independently of the alphanumeric database. This parallel maintenance without synchronized data led to inconsistencies, where updates in the graphical plan were not always reflected in the alphanumeric database, and vice versa.

Digitalization of Analog Cadastral Plans. In collaboration with the World Bank, the Agency for Real Estate Cadastre digitalized 1,489 analog cadastral plans through the Real Estate Cadastre and Registration project. This involved several key phases:

- Scanning and Georeferencing - all working originals of analog cadastral plans were scanned and georeferenced.
- Mass Vectorization - all archival originals were scanned, georeferenced and vectorized to produce an basic digital cadastral plan.
- Data Updates - the basic digital plans were updated concerning cadastral parcel boundaries, reflecting all changes from the archival original's creation to the date of digitalization. This included additional field surveys to harmonize the graphical and alphanumeric databases.
- Quality Control and Data Harmonization - a comprehensive quality control system (MakEdit) was established to verify all updates. These vectorized plans were imported into the MakEdit graphical database and went through the following steps: topological cleaning of features and harmonization of boundaries within and between cadastral municipalities in order to create seamless layers of cadastral parcels and buildings for the whole territory of Macedonia. Following this, there were topological checks for parcels, buildings, and building parts, validation of parcel areas, parcel numbers, property sheet numbers, land use types and classifications and, finally, removal of redundant vertices, spikes, and other artifacts.

Box 4.2 Digitalization of Cadastral Plans in North Macedonia (continued)

MakEdit is designed to update and maintain digital cadastral plans. It is a GIS-based system, enabling faster, more efficient, and high-quality implementation of changes plans during maintenance of the real estate cadastre.

Integration into the Geodetic-Cadastral Information System. Once harmonized, the digital cadastral plans were integrated into the Geodetic-Cadastral Information System centralized database which unifies graphical and alphanumeric data. The system enforces strict software-based controls to maintain data integrity during cadastre maintenance. Any updates must be submitted through a digital geodetic report in .xml or .gml format and these undergo rigorous topological and quality validation before being accepted into the system.

The Distribution System. The digital cadastral plans, with all other data from the Geodetic-Cadastral Information System, are publicly available through the Distribution System and the geoportal for data and service dissemination (<https://e-uslugi.katastar.gov.mk/imotenList>). The Distribution System provides data, information, and services for both public and professional users, including citizens, private geodetic firms, architects, urban planning companies, notaries, lawyers, appraisers, municipalities and ministries.

Electronic Access and Delivery. Citizens and professional users can electronically submit requests for data or documents through the Distribution System at any time. Within minutes, they receive the requested products via email, certified with the Agency's electronic seal, making them legally valid public documents in electronic form.

Sources: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/657051468049148263>; <https://www.katastar.gov.mk/en/completed-projects/real-estate-cadastre-and-registration/>.

6. Establish a fully functional and harmonized Spatial Data Infrastructure

Montenegro should prioritize the full usage of its National Spatial Data Infrastructure (NSDI) portal as the central platform for accessing and integrating spatial data across sectors. This means activating its core functions such as standardized metadata and interoperability protocols, and also harmonizing land-related registers and geoportals managed by different institutions. A unified geospatial architecture combining graphic and alphanumeric datasets will improve planning efficiency, reduce data duplication and support legal certainty. Aligning with EU INSPIRE standards, this integrated approach will strengthen institutional coordination, improve public accessibility, and reinforce sustainable land governance.

7. Adopt a Law on Valuation

A dedicated law should establish a clear legal framework for licensing, professional chambers, oversight, and ethical standards in accordance with IVS (International Valuation Standards) and EVS (European Valuation Standards). A Register of Transaction and Lease Prices should be established and maintained by the cadastre, which already receives data from sales and lease contracts. This register would improve market transparency, enable accurate valuations, and provide a stronger taxation basis.

Box 4.3 shows the example of the Republic of Serbia, which established a high-quality price register and is in an advanced phase of implementing mass property valuation.

Box 4.3 Real Estate Price Register and Mass Valuation in Serbia

Serbia has introduced a comprehensive, integrated system for real estate market transparency, combining systematic data collection, mass property valuation, and continuous market monitoring. This development has been led by the Republic Geodetic Authority (RGA), which holds the legal mandate for real estate value assessment and has gradually built a system that now serves citizens, public institutions, investors, and the financial sector alike.

The work was begun in 2012 with the legal establishment of the Real Estate Price Register (REPR). Prior to that, Serbia had no centralized mechanism for tracking real estate prices or supporting valuation based on actual transactions. The Register became operational in 2014, when public access was enabled by an interactive online platform, offering free access to verified transaction data from notaries and courts. The REPR now provides georeferenced, standardized and verified data on property transactions, including price, property characteristics, location, and transaction date.

The introduction of mass valuation models marked a further institutional step. These models rely on REPR data and inputs from the real estate cadastre, the Building Registry, local tax records, and satellite imagery. Mass valuation uses statistical modeling aligned with international methodologies and supports property taxation, valuation benchmarking, housing affordability analysis, and economic forecasting.

An important outcome has been the development of real estate price indices, including the Apartment Price Index, which is calculated quarterly, disaggregated by region, and publicly available. These indices are based on transaction data adjusted by quality and time, using a hedonic model. In 2023, the Apartment Price Index for Serbia was officially included in the datasets of the Bank for International Settlements (BIS), and it is used regularly by the National Bank of Serbia in its Financial Stability Reports.

Box 4.3 Real Estate Price Register and Mass Valuation in Serbia (continued)

All of these products - individual valuations, market reports, and indices - are available through RGA's eServices Platform, where citizens can freely access property estimated market values. The RGA publishes quarterly, semi-annual, and annual reports on market activity, including data on number of transactions, property types, average and maximum prices, dominant transaction methods (cash or credit), and regional breakdowns.

As well as technical and fiscal functions, the REPR and mass valuation system have also contributed to exposing informal markets, supporting legal reforms, and protecting property rights. By identifying transactions that occur outside formal channels or involve unregistered buildings, the system provides valuable input to urban planning, legalization efforts, and policy design aimed at reducing informality.

Source: <https://www.rgz.gov.rs/mass-valuation>

8. Strengthen local implementation of risk-based land use policies

Montenegro should enhance the practical enforcement of environmental and disaster-related legislation by using risk-informed zoning, digitizing hazard data, and helping local institutions to apply spatial constraints during development approvals. A unified geoportal and coordinated municipal action are vital to translate legal frameworks into effective protection of sensitive and disaster-prone areas.

9. Activate urban consolidation and establish transparent land access mechanisms for construction and agriculture

The usefulness of legal frameworks for parcel completion and consolidation has been stalled due to procedural ambiguity and inconsistent municipal practices. Similarly, despite the digital mapping achievements of SIZEP, limited land activation and absence of public leasing procedures constrain rural development. Montenegro should prioritize the implementation of urban consolidation procedures and introduce transparent, rule-based mechanisms for accessing construction and agricultural land.

To bridge the gap between legal intent and implementation, the Government should define clear criteria for initiating urban consolidation, including ownership thresholds and municipal coordination. It should also establish inclusive procedures for leasing state-owned land, using spatial plans and agronomic suitability. These reforms would unlock fragmented parcels, facilitate strategic investment, and make dormant land productive, supporting economic growth, EU alignment, and equitable access to land resources.

10. Strengthen cross-sectoral enforcement and accountability in environmental and climate governance

Despite regulatory frameworks, industrial pollution, contested land-use decisions and pressure on biodiversity hotspots persist due to weak oversight and fragmented sectoral coordination. To close this implementation gap, authorities must

- (i) ensure that environmental permits, inspections, and impact assessments are consistently applied across sectors such as energy, tourism, and mining.
- (ii) integrate climate resilience objectives into local land-use planning and concessions.
- (iii) adopt measurable performance indicators tied to institutional accountability.

This would align the country's commitments under its Climate Change Strategy and EU accession process with real-world outcomes, safeguarding ecosystems, enhancing public trust, and supporting low-carbon sustainable development.



Chapter V. FINANCIAL FRAMEWORK FOR URBAN DEVELOPMENT, HOUSING AND LAND MANAGEMENT

5.1 Introduction

The financial framework for urban development and housing in Montenegro has systemic challenges such as the chronic national underfunding of the housing sector. In recent years, budget allocations for housing and community amenities have reached only 0.2 per cent of the total 2024 budget. This severely limits implementation of effective housing policies, support for vulnerable groups, or improvement of affordability. There are plans to establish a National Housing Agency and a dedicated Housing Fund but these are at an early stage.

The municipal situation is uneven. Coastal municipalities benefit from higher own-source revenues and greater fiscal autonomy, while northern municipalities rely on central government transfers, with nearly 40 per cent of their income from conditional grants and the Equalization Fund. This reflects broader territorial imbalances and fiscal fragmentation (see also Chapter II). Moreover, municipalities in the north have less capacity for capital investment as current expenditures consume more of their budgets, leaving little room for infrastructure or housing development. In contrast, wealthier coastal municipalities allocate more resources to long-term investments but also carry higher levels of debt relative to their revenues, reflecting the financial pressures of large-scale projects and legacy obligations.

The present chapter complements the Chapter III discussions with an analysis of the real estate market. Prices for new apartments have surged across all regions, particularly in Podgorica and the coast, driven by strong demand from foreign buyers and the diminishing availability of subsidized housing. Consequently, affordability pressures have intensified, especially without a robust rental market and widespread informality in rental contracts. Despite recent growth in housing loans and stable banking fundamentals, the mortgage market remains shallow, with only a small percentage of real estate transactions financed this way. Financing mechanisms, such as the “1000+” housing programme and the Energy Efficient Home Programme are a positive start, but remain limited in scope.

International donors, particularly the EU, have significantly financed housing and infrastructure, but the dependence of public investments on donor funds raises concerns about the sustainability of different initiatives.

The chapter concludes with a broader examination of political measures supporting regional development, including the newly established Development Bank of Montenegro and the Ministry of Regional Investment Development. It highlights low productivity and underinvestment in the northern region, calling for more integrated territorial planning, targeted financing tools, and improved institutional coordination. Additionally, it emphasizes the importance of financial inclusion and literacy, noting that limited financial awareness undermines economic resilience and contributes to an overreliance on real estate as an investment vehicle.

5.2 National finance

Some key economic features of Montenegro have already been introduced in Chapter I. In 2014, the fiscal framework experienced significant reforms with the *Law on Budget and Fiscal Responsibility*.¹⁸¹ This introduced fiscal rules to regulate public debt, deficits, and expenditures. However, these reforms have had limited impact on fiscal outcomes – public debt has continued to increase relative to GDP, and the deficit has remained large, even widening slightly. Although expenditures initially increased before modest declining, they remained generally consistent with the previous period, and revenues remained stable.¹⁸²

Montenegro has adopted the *Economic Reform Programme (ERP)* as a crucial component of its EU accession process. However, the programme currently lacks a medium-term fiscal consolidation strategy, and the budget framework does not yet align with EU standards.¹⁸³

Recently, the fiscal policy focus has been on comprehensive reduction of the labour tax wedge,¹⁸⁴ reducing the difference between the total cost of labour for an employer and the net income received by the employee. This is implemented through the 'Europe Now 2.0' programme, a tax reform which reduces the labour tax burden and increases minimum and average wages alongside previous reforms. These initiatives have decreased employees' pension contributions from 15 per cent to 10 per cent and eliminated the employer's 5.5 per cent contribution. Montenegro now boasts one of the lowest labour tax wedges in Europe, standing at 16.2 per cent for the average wage, 11.1 per cent for a minimum salary of €600, and, for example, 13.5 per cent for a monthly wage of €800. These reductions should enhance economic competitiveness, but they have also considerably shrunk the tax base and heightened dependence on VAT and excise taxes. By 2025, these sources are anticipated to make up over 54 per cent of public revenues, with VAT alone projected to reach 17.2 per cent. This shift may diminish competitiveness within the tourism sector and exert pressure on fiscal discipline.

181 Official Gazette of Montenegro 20/14.

182 See <https://wiiw.ac.at/fiscal-governance-in-the-western-balkans-an-analysis-of-fiscal-rules-fiscal-councils-and-medium-term-budgetary-frameworks-dlp-7092.pdf>.

183 See <https://wiiw.ac.at/fiscal-governance-in-the-western-balkans-an-analysis-of-fiscal-rules-fiscal-councils-and-medium-term-budgetary-frameworks-dlp-7092.pdf>.

184 See <https://data.consilium.europa.eu/doc/document/ST-8076-2025-INIT/en/pdf>.

The Law on Budget and Fiscal Responsibility has undergone several amendments: notably, in 2023, it was modified to establish an independent fiscal council¹⁸⁵ to monitor compliance with debt rules. However, this is not operational because whilst Parliament has issued three calls for candidates to elect three members of the Fiscal Council, two of these were unsuccessful, and the third one was still being prepared in 2025.¹⁸⁶

The Government still lacks a dedicated and sustainable funding mechanism for its housing policy. This can be seen in the budget breakdowns for 2024, 2023, and 2022, which show minimal to non-existent allocations for housing and community amenities (Table 5.1). In 2024, €0.94 million — just 0.2 per cent of the national budget — was allocated to Housing and Community Amenities, making it the least-funded category among major expenditure areas.

Table 5.1 Breakdown by expenditure category of the national budget of 2024

Function	2024 (€ mln)	2024 (per cent)	2023 (€ mln)	2022 (€ mln)
01 General Public Services	124.25	23.6	113.79	98.18
02 Defense	21.65	4.1	10.76	10.02
03 Public Order and Safety	25.58	4.9	29.50	26.68
04 Economic Affairs	118.67	22.5	46.32	53.39
05 Environmental Protection	4.70	0.9	3.46	2.88
06 Housing and Community Amenities	0.94	0.2	0.0	0.0
07 Health	70.10	13.3	63.33	71.67
08 Recreation, Culture, and Religion	17.32	3.3	8.70	8.11
09 Education	40.46	7.7	42.94	38.94
10 Social Protection	102.64	19.5	130.34	119.41
TOTAL	526.29	100	449.13	429.20

Source: Based on data from the Ministry of Finance¹⁸⁷ and the Economic Reform Programme 2024-2026.¹⁸⁸

185 See <https://op.europa.eu/en/publication-detail/-/publication/66f8eded-7eee-11ee-99ba-01aa75ed71a1/language-en>.

186 See <https://www.gov.me/en/documents/64cd49b0-1749-4fd9-8962-14a55495836a>.

187 See <https://www.gov.me/clanak/izvrsenje-budzeta-za-dvanaest-mjeseci-2024-godine>.

188 See <https://www.gov.me/en/documents/97a5b5fd-9e83-4b63-82fa-c8692a242f82>.

Recognizing the housing sector's chronic underfunding and institutional gaps, the Government prepared a new strategic framework to address housing insecurity and improve access to affordable housing. A key component is the establishment of a *National Housing Agency*, with regional branches responsible for coordinating housing initiatives across major municipalities and surrounding smaller areas. The agency's primary aim will be to provide social and affordable housing to vulnerable groups (see Chapter II).

To support this, a new *Law on Housing Support*¹⁸⁹ was to be adopted in 2025, establishing the *National Housing Fund*. This will build, maintain and lease apartments under favourable conditions. Priority access will be granted to single parents, people with disabilities, young adults without parental care, seniors over 65, and members of the Roma community, all of whom are currently disproportionately affected by housing insecurity. The draft law also gives the private sector a significant role, offering incentives such as subsidies, tax breaks, and access to public land for private developers. In return, a portion of new housing developments will be for social or affordable rental purposes, thereby increasing housing availability, reducing rental costs, and fostering a competitive and sustainable rental housing market.

5.3 Municipal finance

Decentralization and financial autonomy in Montenegro remain relatively limited: primarily essential services such as utilities, water supply and maintenance of public spaces. Most municipalities have a small population, making it difficult to develop relative capacities. Local governments face significant constraints on their fiscal autonomy and are often excluded from consultations regarding draft legislation directly impacting them.

The *Law on Local Self-Government Financing* regulates the sources of funds, the method of financial equalization, and the financing of local government activities. According to this, municipalities are financed from their own revenues, revenues assigned by law, the Equalization Fund (see Box 5.1) and the state budget. In December 2023, this law was amended, enabling the reallocation of funds among municipalities to increase the income of northern municipalities,¹⁹⁰ in line with the Montenegro Economic Reform Programme 2024–2026. This was to balance regional development by adjusting the share of assigned revenues.

Data in Table 5.2 confirms the equalization fund has grown in recent years, as have government transfers to local municipalities (donations and conditional allocations), which nearly doubled between 2022 and 2024. These transfers were originally introduced as temporary measures, particularly additional donations to all northern municipalities, but they remained in place at the time of the preparation of the Country Profile.

189 See <https://montenegrobusiness.eu/montenegro-to-launch-national-housing-fund-and-new-affordable-housing-law/>.

190 See https://enlargement.ec.europa.eu/commission-staff-working-document-montenegro_en.



An analysis of municipal budgets (see Table 5.3) for 2024 still indicates notable regional disparities. On average, northern municipalities rely on central government transfers for nearly 40 per cent of their revenues. In contrast, coastal municipalities demonstrate a significantly higher level of fiscal autonomy, with minimal to no reliance on such transfers.

Significant number unauthorized constructions further exacerbate the fiscal constraints of local municipalities (see Chapters II and III for more details), representing lost revenue from property taxes and development fees.

Table 5.2 Equalization fund and other State transfers (€)

	Consolidated amount of the equalization fund	Consolidated amount of other transfers (donations and conditional allocations) from state budget
2024	50,611,463	40,547,857
2023	43,453,044	27,456,953
2022	37,922,699	22,193,311

Source: Based on data from the Ministry of Finance

Table 5.3 Revenues of municipalities by source (per cent)

	2024			2023			2022		
	Central region	Northern region	Coastal region	Central region	Northern region	Coastal region	Central region	Northern region	Coastal region
Personal income tax	26.3	15.7	13.9	21.5	14.0	14.9	14.5	14.9	10.9
Property tax	10.5	6.6	25.2	10.3	8.4	28.4	13.9	9.2	32.4
Real estate transfer tax	2.9	0.7	7.3	2.6	1.1	8.0	2.2	1.3	9.8
Local taxes and fees	9.2	12.2	29.6	12.1	15.6	22.7	15.1	18.2	24.8
Proceeds from the sale of assets	0.4	3.5	0.6	0.7	0.4	1.9	5.1	0.6	1.2
Revenues from loan repayments and funds carried over from the previous year	13.0	20.8	18.8	9.0	10.4	18.9	8.7	15.2	14.1
Donations	5.4	1.5	0.8	4.2	3.6	0.9	5.9	2.3	1.0
Transfers from the State Budget (Conditional allocations)	17.2	13.9	0.3	21.0	16.9	0.1	11.3	2.4	0.4
Transfers from the Equalization Fund	13.5	24.9	3.2	13.6	29.2	2.6	13.4	35.0	2.8
Loans and credits	1.5	0.2	0.5	5.1	0.5	1.7	9.9	1.0	2.5
TOTAL	100	100	100	100	100	100	100	100	100

Source: Ministry of Finance¹⁹¹

Notes: see Box 2.1 in Chapter II for municipal compositions of the Central, Northern and Coastal region.

Box 5.1 Equalization fund

In Montenegro, the Equalization Fund (EF) redistributes resources to municipalities with lower fiscal capacity. It promotes financial equity among local governments by transferring funds from wealthier municipalities to those with lower per capita budgets.

EF is funded by a portion of specific taxes and fees collected by the municipalities. It receives contributions from, among others, personal income tax (11 per cent), real estate transfer tax (10 per cent), tax on motor vehicle and aircraft usage (100 per cent), and concession fees for gambling (40 per cent).

191 See <https://www.gov.me/clanak/prihodi-rashodi-i-neizmirene-obaveze-lokalnih-samouprava-na-31122024-godine>.

Box 5.1 Equalization fund (continued)

Municipalities whose level of development is below 100 per cent of the average development index have the right to use funds. The calculation of the index is described in *the Regulation on the Method of Calculating the Local Self-Government Unit Development Index* and is based on four indicators that are equally weighted.

1. Unemployment Rate: ratio of unemployed persons to the total labor force (employed + unemployed) in a municipality.
2. Income per Capita: total taxable income earned by residents in a fiscal year divided by number of inhabitants.
3. Population Growth Rate: comparison of official population estimates over a three-year span.
4. Education Rate: share of population aged 15–64 with completed secondary, higher, or university education.

Each indicator is standardized across all municipalities because this guarantees comparability regardless of scale.

Each municipality's Development Index is calculated as the average deviation of its standardized values from the national mean. The calculations use data from the past three years or the most recent census to provide a current assessment of local conditions.

Over 50.6 million euros were allocated from the EF to 18 municipalities in 2024, with Nikšić (€7.6 million) and Bijelo Polje (€7.2 million) as the largest recipients. Transfer from the Equalization Fund amounted to over a fifth of budget revenues in the following municipalities: Rožaje (40.8 per cent), Danilovgrad (35.3 per cent), Bijelo Polje (29.6 per cent), Berane (29.6 per cent), Plav (29.6 per cent), Petnjica (29.4 per cent), Andrijevica (29.1 per cent), Tuzi (26.6 per cent), Šavnik (24.1 per cent), Kolašin (23.4 per cent) and Mojkovac (22.6 per cent).

Source: Regulation on the method of calculating the local self-government unit development index and Ministry of Finance

In terms of expenditures, municipalities clustered in the coastal region demonstrate a stronger spending capacity, with a greater budget share allocated to capital expenditure rather than recurring current expenses. This indicates their higher ability to invest in long-term development projects such as infrastructure and public facilities, in contrast to municipalities in the northern region, where operational costs essentially absorb budgetary resources (see Table 5.4).

Table 5.4 Expenditure of municipalities (per cent)

	2024			2023			2022		
	Central region	Northern region	Coastal region	Central region	Northern region	Coastal region	Central region	Northern region	Coastal region
Current expenditures	61.4	64.4	54.7	65.8	68.4	54.9	56.4	64.5	54.4
Including salaries	22.1	23.8	17.7	28.3	27.8	19.5	20.5	24.8	19.6
Including transfers to public enterprises	11.3	12.3	13.5	8.3	10.8	10.7	8.3	9.0	9.8
Capital expenditures	21.4	25.6	33.1	16.7	19.8	32.1	24.7	22.6	29.3
Including infrastructure expenditures	6.5	1.9	2.3	2.2	1.2	2.5	2.2	1.3	1.8
Loans and credits	0.5	0.0	0.0	0.5	0.2	0.5	0.4	0.0	2.1
Debt repayment	15.2	8.8	11.7	15.9	10.5	12.0	17.3	11.7	13.4
Reserves	1.5	1.3	0.6	1.2	1.1	0.5	1.3	1.2	0.8
TOTAL	100	100	100	100	100	100	100	100	100

Source: Ministry of Finance¹⁹²

In 2024, local governments collectively had €68.4 million in unsettled obligations, marking a slight reduction compared to 2023 levels (Table 5.5). The most indebted municipalities are Budva (€15.2 million), Herceg Novi (€10.9 million), and Ulcinj (€10.3 million), with liabilities largely stemming from legacy debts and infrastructure-related borrowing. However, between 2022 and 2024, the overall level of outstanding municipal debt has followed a downward trend, with municipalities in all three regions reporting lower obligations compared to previous years. This gradual decline shows the progress in fiscal consolidation, an important factor to consider when evaluating future decentralization and the allocation of additional resources to local government.

In terms of debt related to total municipal revenues (Table 5.6), coastal municipalities are significantly more indebted than their northern and central counterparts. This suggests that, despite their stronger revenue-generating capacities, coastal cities face higher fiscal pressure due to large-scale investments and historical liabilities.

192 See <https://www.gov.me/clanak/prihodi-rashodi-i-neizmirene-obaveze-lokalnih-samouprava-na-31122024-godine>.

See https://www.monstat.org/uploads/files/BDP/BDP%202023/Annual%20GDP%202023_eng.pdf.



PHOTO: OLEG GOLUBCHIKOV

Table 5.5 Outstanding municipal debt (€)

Absolute values	2024	2023	2022
Central region	10,206,137	10,817,227	9,856,315
Northern region	13,000,709	14,309,271	17,446,822
Coastal region	45,206,348	47,997,765	50,536,858
Total	68,413,194	73,124,263	77,839,995

Source: Based on data received in personal communication from the Ministry of Finance

Table 5.6 Outstanding municipal debt as percentage of total revenues

Type of outstanding debt as a percentage of total revenues	2024	2023	2022
Central region	14.1	17.7	15.8
Northern region	7.5	10.3	16.4
Coastal region	22.6	25.3	32.4

Source: Ministry of Finance¹⁹³

193 See <https://www.cbcbg.me/en/publications/regular-publications/cbcbg-bulletin> and <https://www.cbcbg.me/en/publications/regular-publications/cbcbg-bulletin>.

5.4 Real estate market

In 2023, the real estate and construction sectors combined contributed 8.5 per cent to GDP, amounting to €369.4 million (5.3 per cent) and €223.8 million (3.2 per cent), respectively.¹⁹⁴ The change in real estate prices for newly-constructed apartments since 2006 reveals significant spatial and temporal dynamics influenced by the structure of housing supply, the role of solidarity-based housing schemes, and market pressures, particularly in coastal and urban areas.

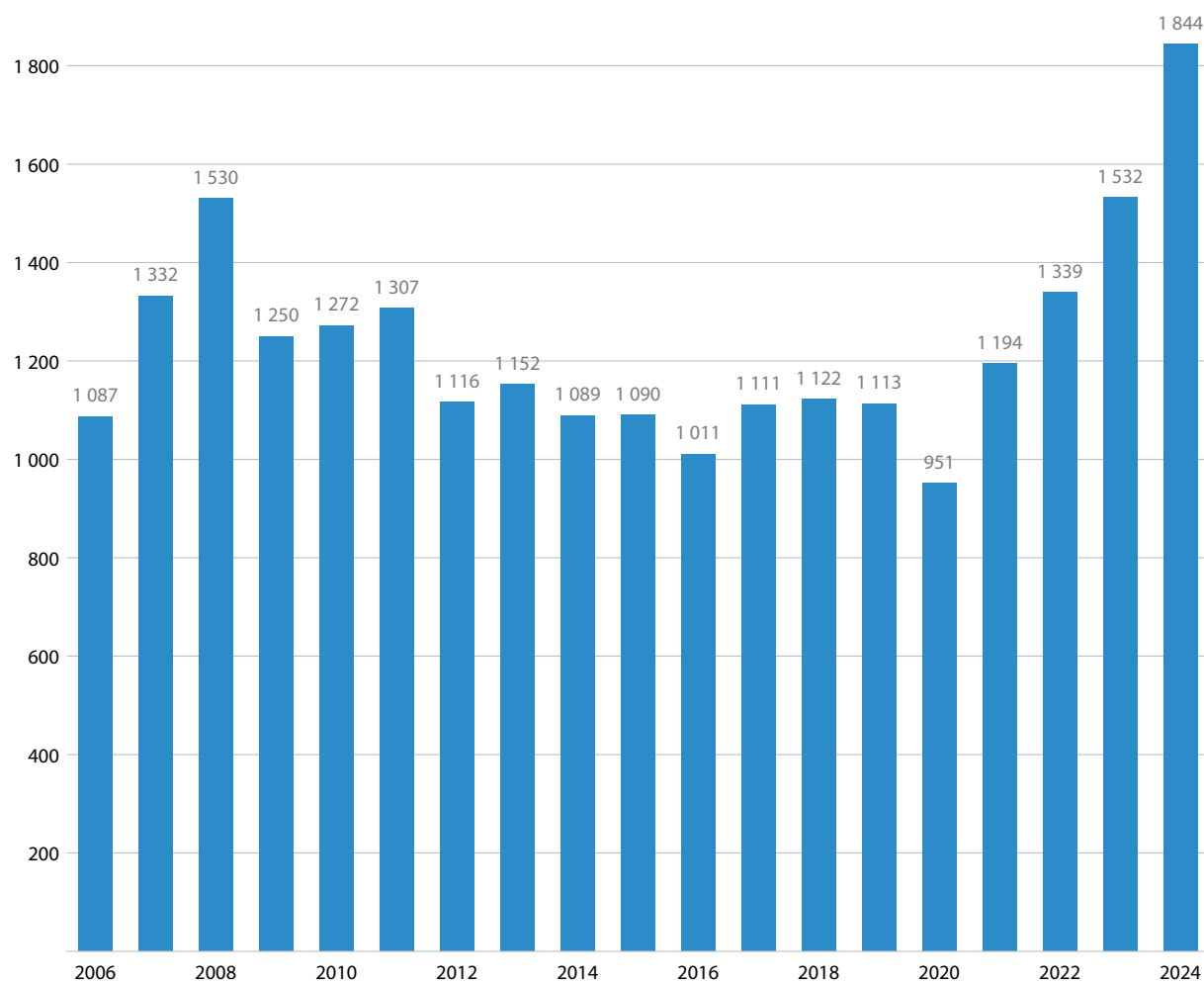
Like many countries, Montenegro was significantly affected by the Global Financial Crisis of 2008–2009, leading to a 20–30 per cent decline in house prices from their pre-crisis peak by mid-2009. A period of gradual recovery followed, with average prices for new apartments reaching €1,090 per square meter in 2015. By 2019, this figure had increased slightly to €1,113, representing a mere 2.1 per cent rise over four years. However, between 2019 and 2024, the market experienced a sharp upswing, with average prices skyrocketing by over 65 per cent to reach €1,844 per square meter (Figure 5.2).

Podgorica, the capital and economic hub of Montenegro, has consistently recorded some of the highest housing prices. After a brief decline from €1,121 per square meter in 2015 to €1,066 per square meter in 2019, prices in Podgorica surged dramatically to €1,810 on average per square meter in 2024, an increase of nearly 70 per cent over five years and more than 70 per cent compared to 2015 (Table 5.7).

Regional trends, shown in Table 5.8, further highlight significant disparities: the coastal region remains the most expensive, with average prices rising from €1,401 per square meter in 2019 to €2,028 per square meter in 2024, a 44.7 per cent increase. The northern region, traditionally less economically dynamic, experienced the most substantial relative increase of 71.8 per cent, rising from €760 per square meter to €1,306 per square meter. This may reflect a low initial base and increased interest in eco-tourism and alternative housing models. The central region, which includes cities such as Nikšić and Danilovgrad, remains the most affordable, with prices rising from €663 per square meter in 2019 to €945 per square meter in 2024, a 42.5 per cent increase.

¹⁹⁴ See <https://www.cbcbg.me/en/publications/regular-publications/cbcbg-bulletin> and <https://www.cbcbg.me/en/publications/regular-publications/cbcbg-bulletin>.

Figure 5.1 Average annual price of new residential buildings in Montenegro (€ per square metre)



Source: Based on data received from MONSTAT.

Note: Data include solidarity housing development.

Table 5.7 Average market price per m² in new buildings (€) from 2019 to 2024

Period	Montenegro	Podgorica	Coastal region	Central region	Northern region
Q1 2019	1129	1076	1433	590	795
Q2 2019	1206	1204	1368	677	880
Q3 2019	1226	1248	1365	660	676
Q4 2019	1212	1179	1451	694	901
Q1 2020	1213	1257	1363	641	793
Q2 2020	1119	1153	1229	669	845
Q3 2020	1109	1158	1414	630	974
Q4 2020	1160	1180	1359	635	1060
Q1 2021	1224	1199	1383	708	911
Q2 2021	1242	1236	1298	660	1231
Q3 2021	1203	1182	1385	651	1250
Q4 2021	1209	1232	1370	666	1399
Q1 2022	1346	1360	1445	617	1352
Q2 2022	1425	1450	1473	689	915
Q3 2022	1446	1469	1409	612	1279
Q4 2022	1409	1477	1387	691	1268
Q1 2023	1389	1409	1392	680	1201
Q2 2023	1502	1581	1413	722	1280
Q3 2023	1647	1700	1584	682	1288
Q4 2023	1795	1862	1771	952	1091
Q1 2024	1756	1761	1857	958	1200
Q2 2024	1821	1763	2107	960	no sales recorded
Q3 2024	1854	1824	1995	960	1316
Q4 2024	1943	1938	2076	971	no sales recorded
Q1 2025	2161	2071	2328	1050	1209
Trend of change (Q1 2025 vs Q1 2024):	23 per cent	18 per cent	25 per cent	10 per cent	1 per cent

Source: Based on data received from MONSTAT.

Note: Data include solidarity housing development.

Table 5.8 Regional disparities in average market prices

Region	2019 (€/m ²)	2024 (€/m ²)	Change (2024 over 2019, per cent)
Coastal	€1,401	€2,028	+44.7 per cent
Central	€663	€945	+42.5 per cent
Northern	€760	€1,306	+71.8 per cent
Podgorica	€1,066	€1,810	+69.7 per cent
Montenegro	€1,113	€1,844	+65.6 per cent

Source: Based on data received from MONSTAT.

Note: Data include solidarity housing development.

However, these housing price figures need to be interpreted with caution. The MONSTAT survey only covers first-sale transactions of newly-constructed apartments based on signed contracts, excluding secondary market transactions and informal arrangements. It may underrepresent broader market dynamics and the full extent of housing cost pressures, particularly in high-demand areas with limited new supply.

Another critical factor influencing average housing prices in Montenegro is the changing balance between market-rate and solidarity housing (see Chapter III for further details). MONSTAT distinguishes between market housing, developed and sold by private companies, and solidarity housing, which is built under favourable conditions for public sector employees and often subsidized or supported by cooperatives and local authorities (Table 5.9). For example, in 2019, market-rate apartments averaged €1,191 per square meter, while solidarity housing cost just €666 per square meter. This significant price gap contributed to a lower national average of €1,113 per square meter that year, suggesting that solidarity housing had a meaningful presence in the overall housing mix. By 2024, while market prices surged to €1,846/m² (a 55 per cent increase from 2019), the price of solidarity housing declined to €589/m². Despite this, the national average indicated above nearly matched the market price at €1,844/m² — indicating that solidarity housing probably represents a much smaller share of new apartment sales than it did five years prior. This shrinking of the solidarity segment not only highlights growing disparities in housing access but may also partly explain the sharp rise in average apartment prices: as the more affordable segment declines relatively, overall prices become increasingly driven by high-end, market-rate developments.

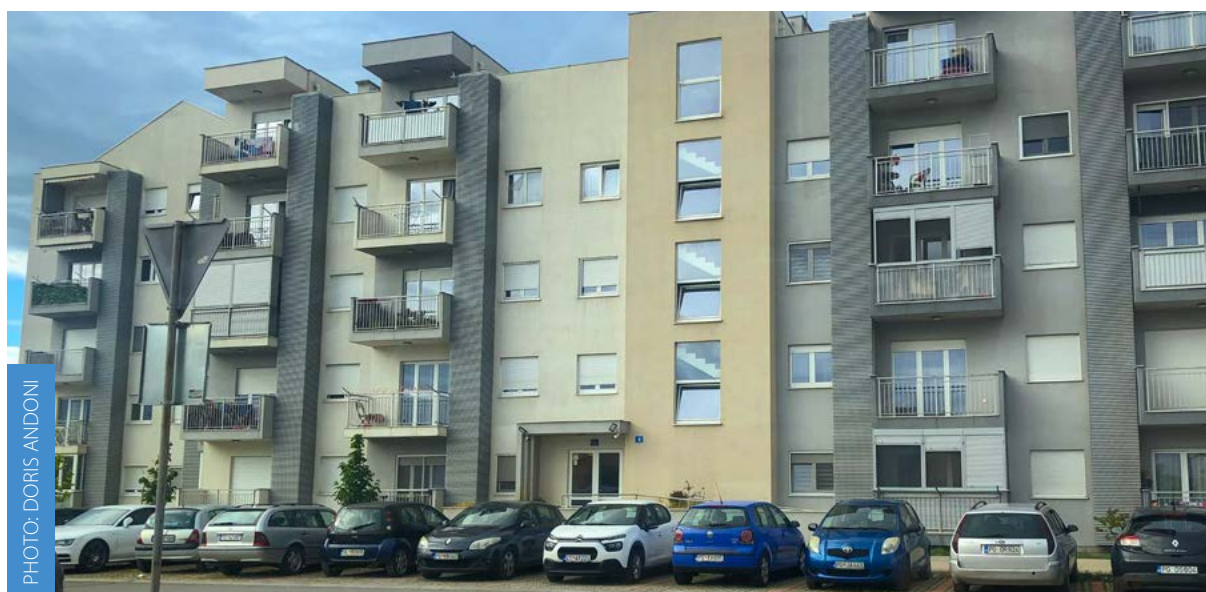


Table 5.9 Trend of market and solidarity housing prices, € per m²

Year	Market Housing Price	Solidarity Housing Price
2019	1,191	666
2024	1,846	589

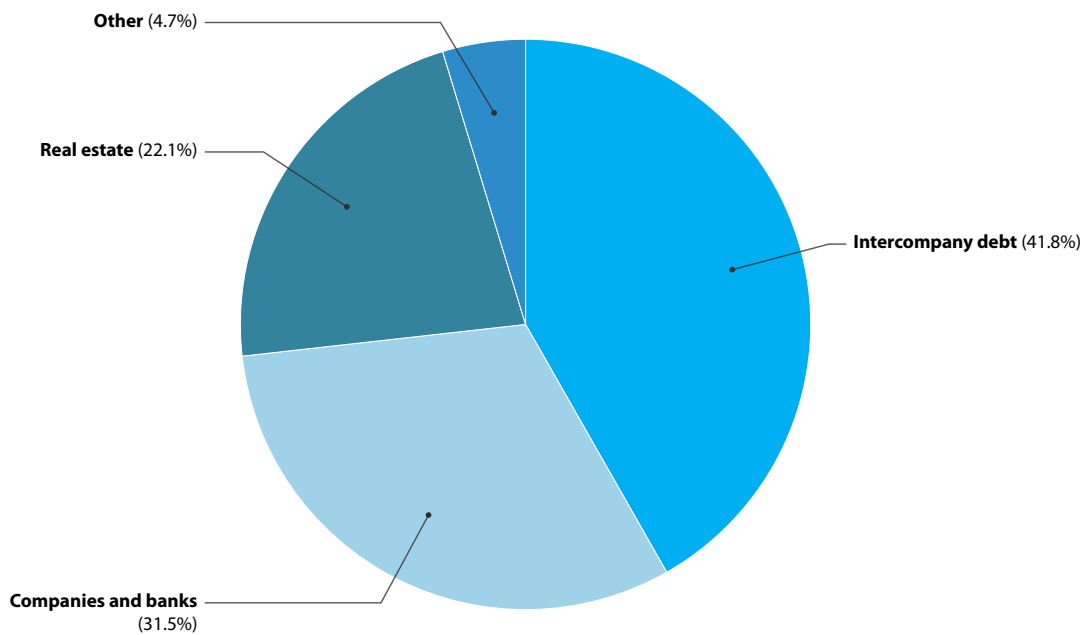
Source: Based on data received from MONSTAT.

The increase in housing prices relative to monthly incomes raises concerns about affordability. As shown in Chapter III, the steep rise in average prices, driven by heightened demand and the declining role of solidarity housing, has not been accompanied by a corresponding increase in wages.

The rise in housing prices in Montenegro is largely because of sustained, growing demand from foreign buyers. Recent data from the Central Bank of Montenegro (CBCG)¹⁹⁵ shows a significant increase in foreign direct investment (FDI) in real estate (see figure 5.3 and 5.4). In 2024, total FDI inflow amounted to €890 million, with real estate comprising 54 per cent of that total (€455 million) whereas in 2019 total FDI inflow was €760 million in 2019 with a 22 per cent share real estate share (€170 million). So, from 2019 to 2024, real estate FDI investment has almost tripled, reflecting increased interest from foreign nationals, members of the Montenegrin diaspora, and international investors seeking second homes or rental properties, particularly in high-demand coastal areas.

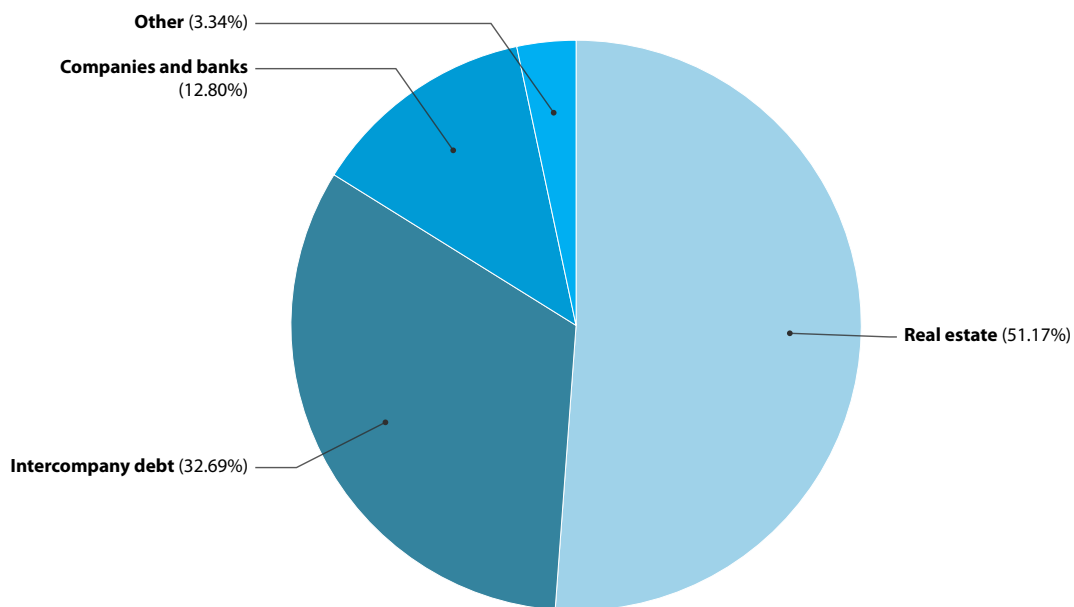
¹⁹⁵ See <https://www.cbcg.me/en/publications/regular-publications/cbcg-bulletin> and <https://www.cbcg.me/en/publications/regular-publications/cbcg-bulletin>.

Figure 5.2 Structure of total FDI inflow (2019)



Source: CBCG¹⁹⁶

Figure 5.3 Structure of total FDI inflow (2024)



Source: CBCG¹⁹⁷

196 See <https://internationalinvestment.biz/en/real-estate/5793-montenegros-real-estate-investment-in-2025-record-growth-amid-market-correction-risk.html>.

197 See <https://montenegrobusiness.eu/rent-prices-in-last-two-years-increased-from-60-to-100-in-budva-and-kotor-the-rent-for-a-one-room-apartment-is-up-to-1500-eur-in-podgorica-450-eur/>.

Meanwhile, rising domestic incomes and favourable mortgage conditions have spurred local demand. Housing loans reached €49 million in Q1 2025, nearly twice Q1 2024.¹⁹⁸

Rental prices have mirrored the rise in market property prices, with notable accelerations since the outbreak of the Ukraine war.¹⁹⁹ In some areas, rent prices have surged between 60 per cent and 100 per cent, particularly in the coastal region, where the influence of short-term tourist rentals significantly inflates prices during the tourist season. Podgorica, as the country's economic and administrative hub has also experienced sustained pressure on rental markets.

Moreover, according to the Montenegro Tenants Association, over 80 per cent of tenants lack formal rental contracts.²⁰⁰ This widespread informality leaves them without legal protection, limits access to public services such as residence registration, and deprives the state of substantial tax revenue. The rental market is increasingly dominated by properties purchased purely for speculative investment, rather than residential use. Chapter III highlights the high ratio of vacant housing in Montenegro. The withdrawal of long-term rental units for short-term tourist rentals has further constrained supply and contributed to sharp rent hikes, intensifying housing insecurity for low and middle-income residents.

5.5 Mortgage market and alternative finance

The banking system of Montenegro is stable and profitable.²⁰¹ The capital adequacy ratio of the banking sector (regulatory capital to risk-weighted assets) remained high at 19.8 per cent in Q3-2024, although it was somewhat lower than in 2023. As a precautionary measure to ensure financial stability, the central bank requires banks to maintain capital buffers ranging from 3.4 per cent to 3.9 per cent of the total risk exposure amount.

Given the increase in real estate prices and rapid growth of cash loans to individuals, there is a plan to introduce a countercyclical capital buffer of 0.5 per cent from April 2025. This will enhance the resilience of the banking system against potential risks associated with an overheating market.²⁰²

According to the Central Bank's Report on Bank Lending, credit standards for housing loans were eased until the end of Q4 2023 due to increased risk-taking and competition. In Q4 2024, Montenegrin banks reported a significant increase in household borrowing, driven by refinancing needs and real estate acquisition. This suggests improved household income and confidence as well as economic stabilization. Banks reported that rising demand was fuelled by increased wages, employment, and a favourable real estate market, with expectations for this trend to continue into Q1 2025.

198 See https://www.homesoverseas.ru/eng/news/Rynok_arendy_zhilja_v_Chernogorii_nuzhdaetsja_v_regulirovanii_schitajut_v_associacii_arendatorov.

199 See <https://data.consilium.europa.eu/doc/document/ST-8076-2025-INIT/en/pdf>.

200 See <https://www.cbcg.me/en/publications/regular-publications/central-bank-of-montenegro-annual-report>.

201 See https://cbcg.me/slike_i_fajlovi/eng/fajlovi/fajlovi_publicacije/fin_stabilnost/financial_stability_report_2023.pdf.

202 See <https://hypo.org/app/uploads/sites/2/2025/05/Final-EMF-ECBC-Concept-Note-on-Housing-7-May-2025-1.pdf>.

Housing loans play a pivotal role in shaping housing demand in Montenegro, with steady growth over the past decade in both loan stock and the average loan amount. As shown in Table 5.10, the total housing loan stock rose from €284.3 million in 2015 to €501 million by the end of 2023.

Table 5.10 Housing loans (2015-2023)

Year	Stock at end-year, in million euros	Year-over-year growth, %	% of GDP	% of total loans
2015	284.3	-2.8	7.8	11.9
2016	315.6	11.0	8.0	13.1
2017	323.8	2.6	7.5	12.0
2018	360.0	11.2	7.7	12.3
2019	395.2	9.8	8.0	12.9
2020	422.3	6.9	10.1	13.4
2021	431.5	2.2	8.7	12.8
2022	493.1	14.3	8.5	13.5
2023	501.0	1.6	7.3	12.2

Source: CBCG and MONSTAT²⁰³

Similarly, commercial banks report a significant increase in the average mortgage amount. This upward trend corresponds to the substantial rise in housing prices, indicating that buyers are borrowing more to meet escalating costs, while also creating additional demand in the housing market.

Nevertheless, Montenegro lags behind the EU in the significance of housing loans within its financial system. In 2023, housing loans constituted only 7.3 per cent of GDP, a decrease from 8.5 per cent in 2022, and accounted for 12.2 per cent of total loans, also down from the previous year. These figures fall well below EU averages,²⁰⁴ showing the relatively limited role of mortgage financing in the housing market. Unofficial estimates from commercial banks suggest that only 15–20 per cent of real estate transactions in Montenegro are financed through housing loans, with the remainder funded mainly by buyers' own resources. As a benchmark, Italy has a figure of 46 per cent.²⁰⁵

²⁰³ See https://www.agenziaentrate.gov.it/portale/documents/20143/9134978/StatisticheOML_RES_I_2025.pdf/16d00394-7a6b-eb4b-27df-c9a9fa294cf2?t=1749553171606.

²⁰⁴ See <https://montenegrobusiness.eu/foreign-investment-in-montenegros-real-estate-trends-challenges-and-future-outlook/>.

²⁰⁵ See <https://www.gov.me/en/documents/97a5b5fd-9e83-4b63-82fa-c8692a242f82>.

2023 data further corroborate this,²⁰⁶ showing that Montenegrin banks approved €156 million in mortgage loans, while foreign nationals purchased €463 million worth of real estate. This significant disparity shows that most transactions, especially those involving foreign buyers, happen outside the formal mortgage market, often through cash purchases. So, while housing loans are increasing in value, they are not the primary catalyst for real estate transactions in Montenegro.

“1000+” project

Launched in 2010 and implemented in four phases, the “1000+” project is the country’s strongest initiative to improve housing access for low and middle-income households struggling to afford market-based solutions. With a total budget of €69 million, the programme has supported 1,552 households, providing secure housing to thousands of Montenegrin citizens. Further details are provided in Chapter III.

The financial sector’s assessment of “1000+” has been largely positive, with commercial banks recognizing its strong public appeal and operational clarity despite its initial complexity. From a financial institution’s perspective, while the scheme’s fixed, state-determined interest rates initially appeared less profitable than market-based lending, the programme yielded long-term advantages. Many beneficiaries became loyal clients, eventually expanding their use of other banking services and products. This outcome reinforced the project’s strategic value beyond short-term lending margins.

Operationally, the process began with the bank conducting a creditworthiness assessment, followed by state confirmation of eligibility, and concluding with final loan approval. Despite relatively low average incomes at the time, applicants were often well-prepared and rejection rates remained low. Banks maintained their standard eligibility criteria, including typical debt-to-income thresholds in the range of 40–45 per cent, ensuring responsible lending practices while facilitating access to subsidized housing loans.

Energy Efficient Home Programme

Another noteworthy initiative is the Energy Efficient Home Programme,²⁰⁷ which is also referred to as Energy Efficiency Incentive Programme for Households (see Box 3.4 and Chapter III). This merges energy efficiency goals with financial accessibility within the housing sector. It is a public-private partnership between the government, commercial banks, and pre-approved private contractors, and empowers households to make energy-saving renovations without significant borrowing costs.

²⁰⁶ See https://enlargement.ec.europa.eu/montenegro-2024-enlargement-package-factsheet_en.

²⁰⁷ See https://regionalhousingprogramme.org/wp-content/uploads/publications/RHP_FS_MNE_dec_2023_mn.pdf.

In this model, the Government directly subsidizes interest payments to partner banks, enabling households to repay only a monthly principal. This effectively removes interest rate barriers for participating families, promoting investment in insulation, heating systems, energy-efficient windows, and similar upgrades. Operationally, beneficiaries choose from vetted energy service providers and upon loan approval, funds are disbursed directly to the contractor, facilitating streamlined implementation.

While modest in scale, the programme addresses a crucial financing gap in the country's housing sector. It is a practical example of blended finance, leveraging public support to engage the private sector while ensuring affordability.

5.6 The role of international donors

International donors, especially multilateral institutions, play a crucial role in fostering public investment and advancing sectoral reforms in Montenegro, particularly in housing, infrastructure, and environmental sustainability. Unlike other contexts where bilateral support is more prevalent, EU-led mechanisms organize most of the technical and financial assistance.

The role of these institutions has already been shown in previous chapters. Several financial institutions noted below further illustrate the significant role these organizations have in supporting projects in Montenegro.

The **European Union** is the country's most significant development partner, with over €135 million allocated through IPA III between 2021 and 2024. This includes budget support for public service digitalization, energy shock mitigation, and rule of law reforms. The EU has also mobilized over €1.3 billion in investments since 2020,²⁰⁸ supported by €394 million in grants through the Economic and Investment Plan and the WBIF, targeting flagship infrastructure and education projects. Furthermore, Montenegro has access to €383.5 million under the EU's 2023 Growth Plan, contingent upon progress in reforms.

The European Union has been the primary donor of the Regional Housing Programme (RHP),²⁰⁹ a successful donor-funded initiative demonstrating tangible outcomes providing housing solutions to vulnerable populations (see Box 5.2 and Section 9 in Chapter V).

208 See <https://www.ebrd.com/home/news-and-events/news/2025/ebd-and-eu-roll-out-sme-go-green-programme-in-montenegro.html#>.

209 See <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099082024155559792/bosib11ef4456f06d1be84124abeb6f1340>.

Box 5.2 Regional Housing Programme

The Regional Housing Programme (RHP) in Montenegro, launched in 2012 as a joint initiative of Montenegro, Bosnia and Herzegovina, Croatia, and Serbia, provides durable housing solutions for vulnerable populations affected by the 1990s conflicts, including refugees, internally displaced persons (IDPs), and returnees. Concluding in 2023, the programme delivered secure homes to 646 families — more than 2,000 individuals — across municipalities in Montenegro. This included the construction of 423 new apartments, 172 individual houses, 28 homes for older persons and persons with disabilities, and the purchase of 23 apartments on the market. Total investment was €25.3 million, of which €19.8 million was funded through international donor grants and €5.5 million was provided by the Montenegrin state.

Funding Overview	€ million
Total programme cost	25.3
International donor grants	19.8
National contribution (Montenegro)	5.5
Total housing units delivered	646

Municipality / Project Code	Housing Units	Notable Purpose
Podgorica (MNE2, MNE9)	267	Former Konik camp residents and vulnerable families
Nikšić (MNE1, MNE6)	166	New buildings and elderly care home
Berane (MNE4)	94	Apartments for displaced persons
Pljevlja (MNE3)	68	Home for elderly and disabled persons
Herceg Novi (MNE7)	23	Apartments purchased on open market
Various locations (MNE8)	28	Individual houses

The primary donor was the European Union, complemented by additional contributions from the United States of America, Germany, Norway, Switzerland, Italy, Denmark, Türkiye, Luxembourg, Czechia, Romania, Slovakia, and Hungary.

The Regional Housing Programme (RHP) in Montenegro had a significant social and strategic impact, closing a long-standing humanitarian chapter by addressing the housing needs of the most vulnerable displaced populations, facilitating the long-term integration of marginalized communities, and improving accessible housing infrastructure in urban centers and less-developed municipalities.

The **European Bank for Reconstruction and Development** (EBRD) plays a crucial role in the country's economic development through its market-oriented approach and focus on private sector lending. In contrast to traditional development banks, the EBRD refrains from direct government lending, engaging solely with the private sector or public-private structures that demonstrate additionality: meaning projects that would not develop without EBRD support. The Bank is a hybrid of commercial and investment institution, participating in capital markets while adhering to stringent financial discipline and maintaining market-based interest rates.

Since Montenegro joined the EBRD in 2006, the Bank has invested €943 million across 99 projects as of June 2025. Its priorities in Montenegro are enhancing competitiveness, facilitating the green transition, and promoting integration with regional and global markets.

However, the EBRD's engagement is selective, with project eligibility contingent upon strong governance standards, creditworthiness, and absence of reputational risk. Notably, the EBRD does not participate in residential real estate development for sale, a segment it considers speculative and misaligned with its mandate.

The recent launch of the *SME Go Green programme* in Montenegro reflects renewed momentum.²¹⁰ The EBRD, in collaboration with the EU, provides green finance to local SMEs via commercial banks, along with grant incentives of up to 15 per cent for investments in energy efficiency, renewable energy, and agribusiness. This programme also emphasizes support for women-led enterprises and rural development. It aims to enhance competitiveness, minimize energy waste and align local businesses with EU environmental standards, potentially laying the groundwork for increased adoption of green investment practices, including in the housing sector.

The **World Bank** plays a vital role in supporting the country's journey toward EU accession, allocating a strategic budget of €350 million from 2024 to 2029.²¹¹ It fosters fiscal stability and sustainable growth and promotes structural reforms such as consolidation of tax collection and management of public debt.

The World Bank is also engaged in sectoral initiatives, including the development of regional waste management policies such as establishing a recycling centre in Nikšić, investments in water security such as support for regional water utilities and replacement of pipelines, reforms in forestry, flood protection, and the development of the fisheries sector. It also offers technical assistance and is currently conducting a functional review of government institutions, including the Ministry responsible for environmental and climate change issues and the Environmental Protection Agency.

210 See <https://documents1.worldbank.org/curated/en/099255006292212032/pdf/P12213904f1cc50c10932405ae89d64149d.pdf>.

211 See infrastructuregovern.imf.org.

By coordinating with the Montenegro Investment Agency and the Ministry of Economic Development, and with active involvement from the International Finance Corporation (IFC), the World Bank aids privatization and infrastructure development. An example of this is the remediation and revitalization of the Bijela shipyard which has revived operations and created 500 new jobs.²¹²

The **United Nations Development Programme** (UNDP) is a key partner supporting the country's European integration and reform agenda. It focusses on democratic governance, social inclusion, and sustainable development. For example, it is the technical partner implementing the Eco-Fund (see Chapter II and Box 2.7 for details).

Despite these positive examples, an IMF assessment noted that external loans and donor funds are vital for public investments, comprising about 35 per cent of public debt in 2021.²¹³ This suggests many infrastructure projects are initiated only when outside funding is secured.

5.7 Financing sustainable urban and regional development

Structural and spatial disbalances

The service-based and small economy of Montenegro - 99.3 per cent of companies have fewer than 50 employees - is highly vulnerable to external shocks, as shown by the COVID-19 crisis. The economy depends on a narrow base of economic sectors, with wholesale and retail trade (€952.6 million, 13.7 per cent of GDP) and accommodation and food service activities (€642.1 million, 9.2 per cent) accounting for over 20 per cent of GDP. This dependence on services and tourism makes the economy particularly sensitive to external disruptions and seasonal volatility.

Beyond sectoral fragility, spatial and structural imbalances characterize development. Between 2020 and 2024, the number of businesses increased by 58 per cent, although this growth was unevenly distributed geographically. The northern region — historically underrepresented — experienced an absolute decline in active businesses from 8,400 to 4,967, but there were significant increases in the central and southern regions where business activity is becoming increasingly concentrated (Table 5.11). This reinforces disparities in economic opportunity and contributes to patterns of out-migration from the north.

It also exacerbates regional unemployment and labour inactivity, particularly in rural municipalities like Gusinje, Plav, and Petnjica, where unemployment rates exceed 40 per cent and activity rates fall below 40 per cent. By contrast, urban municipalities such as Budva, Podgorica, and Tivat exhibit much healthier labour market indicators, with unemployment rates ranging from 6 per cent to 9 per cent and activity rates exceeding 60 per cent (Table 5.12).

²¹² See <https://monstat.org/eng/page.php?id=1981&pageid=98>.

²¹³ See https://www.monstat.org/uploads/files/popis%202021/saopstenja/Population%20by%20activity%20status%20in%20Montenegro_Census%202023.pdf.

Table 5.11 Active businesses by region

Region	2020 (estimate)	2024 (official data)	Absolute Change
North	8,400	4,967	-3,433
Centre	15,500	25,762	+10,262
South	13,300	28,269	+14,969

Source: MONSTAT²¹⁴

Table 5.12 Employment data across the country

Municipality	Activity Rate (per cent)	Employment Rate (per cent)	Unemployment Rate (per cent)
Budva	65.1	60.7	6.8
Podgorica	64.0	58.0	9.3
Tivat	60.5	56.7	6.4
Plav	39.7	23.0	42.1
Gusinje	35.6	20.3	43.0
Petnjica	34.0	17.8	47.5

Source: MONSTAT²¹⁵

A significant wage gap persists between regions: northern workers earn, on average, less per month than their counterparts in the central and southern areas.²¹⁶ This reinforces internal migration pressures and deepens socio-economic divides (see Table 2.3 in Chapter II).

214 See <https://montenegrobusiness.eu/exploring-montenegros-salary-landscape-identifying-regions-with-the-highest-and-lowest-average-incomes>.

215 See <https://www.monstat.org/eng/page.php?id=527&pageid=22>.

216 See <https://www.monstat.org/eng/page.php?id=527&pageid=22>.

Gender and youth inequalities also remain persistent. Women represent most of the economically inactive population (59.8 per cent in 2024),²¹⁷ and labour force participation and employment rates among women continue to lag behind those of men (Table 5.13). Furthermore, youth unemployment, at 18.5 per cent, is markedly higher than the general average (11.5 per cent)²¹⁸ highlighting structural obstacles to the integration of young people into the labour market.

To effectively address regional disparities and curb internal migration flows, particularly from underdeveloped areas such as northern Montenegro, targeted and coordinated policy interventions are essential. These challenges require not only tailored financial and infrastructural support, but also the active engagement of key institutional actors and stakeholders.

Table 5.13 Workforce by gender

	2019	2024
Labour force – per cent male	55.6	54.9
Employed – per cent male	55.9	55.3
Inactive – per cent female	60.1	59.8

Source: MONSTAT

Ministry of Regional Investment Development and Cooperation with Non-Governmental Organizations

The *Investment Support Programme for 2025* is the responsibility of the newly-formed Ministry of Regional-Investment Development and Cooperation with Non-Governmental Organizations. Its purpose includes co-financing equipment, strengthening production activities and economic potential, as well as stimulating production and business results. Through two programme lines – support for key investments and support for small and sustainable investments – it addresses the needs of different business categories, considering the territorial, demographic and social specifics of the market. The level of assistance is €1.2 million for 2025.

For registered businesses operating in local government units with a development index of 75-100 per cent, support will be up to 70 per cent of justified costs, while for businesses registered and operating in local government units with a development index of up to 75 per

²¹⁷ Also see: <https://www.monstat.org/uploads/files/publikacije/Poslovnici%20subjekti%20u%20vlasni%20tvu%20i%20Bena%20i%20mu%20i%20A1karaca%20u%20Crnoj%20Gori.pdf>.

See https://agriculture.ec.europa.eu/document/download/27ac30d8-a069-4d8b-9cd2-e9c09ba94c93_en?filename=ipard-iii-programme-montenegro-2021-27_en.pdf.

See <https://montenegrobusiness.eu/montenegro-business-recent-food-imports>.

²¹⁸ See https://www.researchgate.net/publication/387134693_Understanding_the_Role_of_Financial_Literacy_in_Enhancing_Economic_Stability_and_Resilience_in_Montenegro_A_Data-Driven_Approach.

See https://www.oecd.org/en/publications/financial-literacy-of-adults-in-south-east-europe_c639aa3c-en.html.

cent, support will be to up to 80 per cent of justified costs. For businesses operating in local government units with a development index above 100 per cent, support is 50 per cent of the amount of justified costs. All costs exclude VAT.

Looking forward, the newly-created Ministry's operational capacity will be strengthened through the *Programme for Encouraging the Development of Underdeveloped Local Self-Governments*, which — pending the adoption of a new law — ensures a dedicated national budget allocation of at least 2 per cent, starting next year. In parallel, the establishment of a new *Partnership Council for Regional Development* will co-ordinate strategically among ministries and align regional development programmes.

All state aid programmes will still undergo verification by the Ministry of Finance and the Agency for the Protection of Competition to ensure coherence and compliance.

The Programme for Improving the Competitiveness of the Economy

The Programme for Improving the Competitiveness of the Economy prepared by the Ministry of Economic Development, aims to develop micro, small, medium-sized enterprises and entrepreneurs and increase their productivity, creating of a more resilient, competitive and export-oriented economy. The 2025 value of the Programme was €3.5 million, distributed between three programme lines:

- Improving production capacities in the food industry, aimed at co-financing costs related to the adaptation of facilities and the purchase of new equipment (€2.85 million allocated). This support is available in two components: up to €150,000 for existing companies and up to €50,000 for newly registered businesses.
- Supporting women's entrepreneurship.²¹⁹ This is endowed with €500,000 and disburses grants of up to €30,000 both to businesses under three years of operation and those over three years, provided they are at least 51 per cent female-owned.
- A line for the stimulation of sustainable health development: production of medical and dental instruments and materials. With €150,000, it finances fixed asset purchases, with a maximum support of €30,000 per beneficiary.

Across the three lines, the programme operates on a reimbursement model, covering at least 70 per cent of eligible expenses, or up to 80 per cent for projects in less developed regions.

²¹⁹ See <https://vancouver.ca/files/cov/empty-homes-tax-annual-report-2023.pdf>.

See https://www.oecd.org/en/publications/financial-literacy-of-adults-in-south-east-europe_c639aa3c-en.html.

See <https://www.canada.ca/en/financial-consumer-agency/programs/financial-literacy/financial-literacy-strategy-2021-2026/infographic.html>.

Picture 5.1 A bakery in Cetinje



The Development Bank of Montenegro

The Development Bank of Montenegro (DBM) was officially established in October 2024, following the transformation of the former Investment and Development Fund (IDF), one of the country's most important institutions for economic development. The new bank assumed all the rights and responsibilities of the IDF, which had disbursed over €2.2 billion to support the Montenegrin economy before its reorganization.

The Development Bank has maintained operations and continued lending without any disruptions despite the ongoing evolution of the legal and regulatory framework at the time of drafting this Country Profile, particularly with some enabling legislation from the Central Bank still pending. In the first quarter of 2025, for example, it issued over €40 million in loans, marking an increase of €10 million compared to the same period in 2024.

Its mission is to create new value through strategic investments aligned with national priorities and national economic development, for example agriculture and food production, industry, tourism and hospitality. Further details are summarized in Box 5.3.

Box 5.3 The Development Bank of Montenegro

DBM prioritizes small and medium businesses, start-ups and young entrepreneurs. It champions social inclusion by offering tailored financing to vulnerable groups, including women entrepreneurs and young people. It also supports projects in green economy, energy efficiency, and renewable energy sources, for example the “Solari 5 000+70MW” scheme, involving solar panel installations. DBM specifically targets support for the northern region and less developed municipalities. Key measures include financing infrastructure improvements and addressing migration challenges by funding projects aimed at retaining young people. DBM, however, only provides loans to legal non-state entities, not to individual citizens or institutions.

It operates on financial self-sustainability, using its own and international funds, for example under contract, particularly with the EIB, EIF, CEB, and AFD. The DBM’s financial instruments include short-term liquidity support, medium-term business expansions, and long-term strategic investments. In 2025, the planned financing was €200 million euros; DBM funded credit lines with loans typically reaching up to 5 million and a repayment period of 15 years, with the possibility of a grace period up to 5 years.

The bank can provide loans for up to 50 per cent of project value. Interest rate reductions are offered according to the bank’s priorities. For example, in projects in municipalities with a development level below the national average, a stimulus of 0.5 per cent interest rate reduction is used: 4 per cent as opposed to 4.5 per cent in 2025. Similar reductions apply for projects financed under EIB-approved schemes.

The Development Bank of Montenegro adheres to prudent banking standards, including requiring collateral for loans. It combines this with a flexible approach, reflecting its developmental mandate. This allows DBM to support higher-risk investments and be a countercyclical stabilizer during economic downturns. For example, in line with its public policy objectives, DBM shows greater flexibility in evaluating collateral for projects in underdeveloped regions like northern Montenegro. In these areas, commercial banks often consider real estate or asset-backed guarantees insufficient. In contrast, DBM may prioritize the strategic relevance of the project and support applicants with limited collateral if their initiatives contribute meaningfully to economic or social development.

At the time of the preparation of this Country Profile, DBM was a newly set up institution, with regulations still in development. The bank should develop a stronger foothold at local level on its own or in collaboration with state institutions like the Pension Fund. DBM already collaborates closely with local governments, providing support for municipalities with insufficient financial or administrative capacity, as well as helping applicants from weaker businesses to make their ideas bankable. However, with offices only in Podgorica and Bijelo Polje, the capacity to engage with municipalities is limited and could be strengthened. Blended finance, such as mixing assistance grants and loans, is another promising area for the bank’s development.

Additionally, legal uncertainties around land ownership versus use rights continue to restrict loan eligibility, highlighting the need for targeted legislative reform or institutional support to unlock broader credit access.

The Innovation Fund of Montenegro

In 2021, *the Innovation Fund of Montenegro* was established to support projects in priority areas defined by the Smart Specialization Strategy. Up to 2025, it has distributed over €8 million in grants to support innovative communities.

In 2025 the Government has also enabled the Fund to use an additional €6 million from donations from the Investment Programme of Special Importance for the Economic and Financial Interest of Montenegro.

The IPARD III Programme

The country's sustainable development hinges on two particular sectors: agriculture and tourism. Agriculture is vital for economic diversification of the north, reducing regional disparities and curtailing outward migration. Concurrently, tourism is a driver of national growth but it needs careful planning and investment to evolve into a sustainable, year-round model which is regionally balanced and capable of preserving natural resources while ensuring long-term socioeconomic benefits for the entire country.

The IPARD III Programme 2021–2027, co-funded by the European Union and the Government, allocates €81.9 million to support rural development and agricultural modernization. With agriculture contributing 7.6 per cent to national GDP in 2022 and employing over 99,000 people, the sector remains vital but underperforming. Farms are typically small (average 5.8 ha) and fragmented, with limited technological advancement and poor environmental compliance.²²⁰

The IPARD III programme tackles structural weaknesses such as outdated processing infrastructure, low specialization, and rural depopulation while promoting modernization and sustainable practices. This is particularly urgent given the agricultural trade deficit: in 2023, food and beverage imports topped €744 million, exceeding the country's total export earnings, indicating a substantial reliance on imported food.²²¹

The Ministry of Agriculture, Forestry and Water Management (MAGWM) allocates an agrobudget to strengthen primary agricultural production and invest in rural infrastructure. This was €77 million in 2024, with significant EU grants and World Bank loans. Agri-tourism has recently gained recognition, with the MAGWM taking the lead in providing incentives and funding to rural households for accommodation services.

220 See <https://publications.bof.fi/bitstream/handle/10024/43727/Talousosaamisen-strategia-EN.pdf?sequence=1&isAllowed=y>.

221 See <https://www.ft.com/content/26c56174-76ab-493b-9770-6d1ed4996505>.

5.8 Financial inclusion and literacy

A recent study²²² investigated the relationship between financial literacy and economic resilience in Montenegro using a quantitative survey of 1,000 adults across all municipalities. The results show that higher financial literacy is closely associated with positive financial behaviours, including higher savings, better debt management, and improved access to financial products. These behaviours, in turn, contribute to household-level economic stability and help mitigate the effects of economic shocks. The research shows the importance of financial education as a catalyst for inclusive and sustainable economic growth and of advocating for more robust public policies to promote financial literacy, particularly in emerging economies.

However, the levels of financial literacy in Montenegro remain relatively low, affecting people's ability to engage with financial products such as mortgages, savings, and investments. Over-reliance on real estate as the primary investment option exacerbates economic vulnerabilities and contributes to market distortions. Indeed, there is poor understanding of the financial concept of "diversification": spreading investments across different assets to reduce risk and stabilize returns.²²³ By developing comprehensive national strategies to improve financial literacy, along with targeted educational programmes, Montenegro can enhance its economic resilience and market stability.

In April 2025, the CBCG signed a strategic cooperation agreement with UNDP under the FINSTEM project (*Financial Innovation, Sustainability, and Transformation for EU and Future-Ready Montenegro Financial Sector*). This should accelerate digital transformation of the financial sector, enhance systemic resilience, and promote sustainable economic practices. The initiative operates through regulatory modernization, digital infrastructure upgrades, capacity building, innovation support, and alignment with EU standards.

5.9 Recommendations for finance

1. Reform the Equalization Fund and further strengthen local governments' fiscal and administrative capacities for project development

Enhancing the administrative and financial capabilities of municipalities is vital for ensuring sustainable regional development. Meanwhile, the ability to finance long-term development through domestic revenue and capital markets will be critical to the fiscal resilience and EU integration goals of Montenegro.

222 See https://www.researchgate.net/publication/387134693_Understanding_the_Role_of_Financial_Literacy_in_Enhancing_Economic_Stability_and_Resilience_in_Montenegro_A_Data-Driven_Approach.

223 See https://www.oecd.org/en/publications/financial-literacy-of-adults-in-south-east-europe_c639aa3c-en.html.

It is recommended that the Government:

- (a) Reform the Equalization Fund to reflect actual territorial needs and incorporate donations, ensuring a more sustainable and transparent mechanism of redistribution. This would involve revising its criteria to address municipal disparities in infrastructure access, housing cost burdens, and service delivery needs. Improved data collection is necessary to ensure this.
- (b) Build local administrative capacity for project development and financing by incorporating the following measures:
 - Establish a national “helpdesk” or technical assistance platform to support municipalities in project design, investment planning, and accessing donor funding. A central body can also better leverage economies of scale, considering the country’s size.
 - Provide standard templates, legal guidance, mentoring, and feasibility studies to help local governments prepare robust investment proposals.
 - Encourage the creation of shared technical units across smaller municipalities to pool expertise, improve project quality, and reduce inefficiencies.

2. Extend financial incentives for sustainable and affordable housing options through the National Housing Fund, green mortgages, and other measures

Prices for new apartments have surged across all regions, particularly in Podgorica and coastal areas. As a result, housing affordability has deteriorated, exacerbated by the absence of a robust rental sector and the prevalence of informal rent contracts.

It is recommended that the Government:

- (a) Capitalize and operationalize the new National Housing Fund:
 - Ensure adequate initial funding and long-term financial autonomy of the proposed National Housing Fund.
 - Make the Fund a revolving mechanism by allowing it to reinvest revenues generated from rent, asset management and property sales.
 - Prioritize investment in social and affordable housing in demographically declining or underserved areas, where private market solutions are lacking.

(b) Stimulate the rental sector through fiscal incentives:

Introduce a preferential tax regime for long-term rental contracts with agreed rent levels. Under this scheme, tenants benefit from below-market rent ceilings, while landlords receive tax advantages including reduced flat-rate income taxation, lower property tax burdens, and reduced registration fees. The reference rent levels should be determined by periodic local agreements between tenant and landlord associations based on property characteristics and zoning. This could improve rental affordability, enhance tenancy stability, and encourage landlords to formalize rental contracts.

(c) Promote green mortgage products for housing renovation:

- Support the development of green mortgage schemes to finance energy-efficient renovation, especially in the secondary housing market.
- Tie mortgages to tax deductions or income tax refunds to incentivize uptake among households in lagging regions.

(d) Resolve legal discrepancies around “right of usage versus ownership” to unlock financing:

Address the barrier posed by the legal distinction between rights of usage and ownership, which undermines loan eligibility and deters both domestic and foreign investment (also see recommendations and further details in Chapter IV).

3. Improve housing market function through better monitoring, additional taxation of vacant housing stock, and anti-speculation measures for property markets

The housing market in Montenegro is highly polarized. In tourist-driven areas, housing prices have skyrocketed while wages remain low, exacerbating affordability issues and contributing to high vacancy rates in key cities. At the same time, limited regulation and lack of reliable data hinder the government’s ability to steer the market toward public interest outcomes. Strengthening housing market regulation is crucial to strike a balance between private investment and affordability, sustainability, and housing access for lower-income groups.

It is recommended that the Government:

(a) Monitor housing supply and demand:

- Establish national and local housing observatories to monitor housing prices, rent levels, vacancies, building conditions, and housing need.
- Track key affordability indicators such as rent-to-income and price-to-income ratios to inform evidence-based policymaking.
- Improve transparency of real estate transactions and rental agreements through a national housing data platform.

(b) Mobilize vacant and underused housing stock:

- Impose a vacancy tax on unoccupied properties, for example those left empty for more than six months, and allocate the revenues to affordable housing programmes. For example, in Vancouver, Canada, Empty Homes Tax reduced vacant units by 54 per cent between 2017 and 2022.²²⁴
- Convert vacant or derelict buildings into affordable housing, including through acquisition or expropriation, where justified by public interest.

(c) Control land prices and discourage property speculation:

- Introduce anti-speculation measures such as capital gains taxes on short-term property resale, and restrictions on land-holding by imposing tax on vacant land.
- Require developers to contribute to social and affordable housing as a condition of building permits in high-demand areas: inclusionary zoning.

(d) Combat informality in the rental sector:

- Enforce mandatory rental contract registration, linking declared rental contracts to access social benefits and legal protection.
- Increase cooperation and integrated tax systems with short-term rental platforms.

4. Strengthen financial mechanisms for the development of regional infrastructure

To reduce regional disparities and unlock the country's full economic potential, it is essential to stimulate targeted investments in infrastructure, sustainable industries, and agricultural food systems. This requires a shift from donor-dependency and fragmented financing toward a more strategic and nationally coordinated investment approach.

It is recommended that the Government:**(a)** Ensure the Development Bank of Montenegro (DBM) addresses market gaps:

- Avoid crowding out commercial banks by concentrating mainly on areas with structural financing shortfalls.
- Expand DBM's regional presence, especially in northern and central regions, and strengthen capacity to deliver blended finance, for example soft loans, guarantees, co-financing, and channelling international grants.
- Enhance DBM's advisory services to improve project bankability for SMEs and local governments.

224 See <https://vancouver.ca/files/cov/empty-homes-tax-annual-report-2023.pdf>.

- (b) Establish a Territorial Development Fund or expand the role of DBM to support priority infrastructure projects and reduce donor dependency, especially in housing, water, roads, and energy (see Recommendation 5 in Chapter II). A national investment vehicle can be created, co-financed by the state and international partners, to help local municipalities develop resilient infrastructures and sustainable community amenities. While DBM engages only with legal non-state bodies, this mechanism should address the needs of municipalities.
- (c) Establish Special Economic Zones (SEZs) in lagging geographical areas:
- Introduce nationally coordinated Special Economic Zones in structurally weaker regions like the north, targeting specific sectors and offering employer and employee incentives. Unlike local business zones, SEZs should be governed by national frameworks, with simplified procedures and coordinated infrastructure development.
 - Economic incentives could include tax breaks, payroll tax reductions, subsidized land access for employers, and higher net wages or training subsidies for employees.
- (d) Support integrated agri-food value chains to reduce import dependence:
- Direct progressively higher proportions of total support in agricultural/rural programmes to high added value production.
 - Develop agro-industrial clusters with shared storage, processing, and distribution infrastructure.
 - Introduce quality certification systems and promote contract farming to stabilize income for producers.
 - Provide targeted fiscal incentives and access to long-term finance for cooperatives and SMEs investing in domestic food processing, particularly in high-potential rural areas.
 - Ensure that rural development strategies explicitly recognize and prioritize rural women, given their vital contributions to agriculture and family farming, including unpaid contributions as well as their central role in sustaining rural communities.

5. Develop green finance taxonomy and support green investment

It is recommended that the Government:

- (a) Introduce a national green finance taxonomy:
 - Develop a taxonomy aligned with the EU Taxonomy Regulation to define eligible green investments and prevent greenwashing.
 - Use this to guide both public and private investment, and as the basis for future reporting, monitoring, and auditing of green-labelled expenditures.
- (b) Accelerate the development and issuance of a sovereign green bond to finance environmentally sustainable infrastructure.
- (c) Incentivize renewable energy investments:
 - Establish a fast-track “one-stop shop” model for renewable energy projects to reduce bureaucratic delays.
 - Clarify and optimize the fiscal treatment of land used for renewable energy, particularly for utility-scale solar and wind.

6. Promote a municipal certification system for business-friendly environments

It is recommended that the Government:

Develop transparent, criteria-based certification covering e-permit turnaround, one-stop-shop availability, land-registry digitization, and grievance-redress channels. This would help firms identify reliable locations and spur a “race to the top” among municipalities. Municipalities in Montenegro already take part in the certification programme of Business Friendly Certification South East Europe, which assesses local authorities based on criteria related to their business environment. Linking certification tiers to preferential access to state infrastructure grants can further incentivize reforms.

7. Promote financial literacy and responsible investment

Financial literacy levels in Montenegro remain below international benchmarks, hindering people’s ability to make informed financial decisions and access essential financial services.²²⁵

This challenge is particularly acute for farmers and small and medium-sized enterprises (SMEs), resulting in high rates of rejected loan applications and missed investment opportunities.

225 See https://www.oecd.org/en/publications/financial-literacy-of-adults-in-south-east-europe_c639aa3c-en.html.

It is recommended that the Government:

- Develop and implement a comprehensive national strategy for financial literacy, targeting various age groups and socioeconomic segments by drawing on successful models from countries such as Canada or Finland (see Box 5.4).
- Integrate financial education into school curricula from an early age, with practical learning modules adapted to different school stages.
- Engage banking institutions in awareness campaigns.
- Use a gender-sensitive approach, as women generally have lower levels of financial literacy due to traditional gender roles, unequal access to financial education, and lower participation in formal employment.

Box 5.4 Examples of financial literacy strategies

Canada: In 2021,²²⁶ the Financial Consumer Agency of Canada (FCAC) unveiled the National Financial Literacy Strategy for 2021–2026, a five-year initiative aimed at creating a more accessible, inclusive, and effective financial literacy ecosystem. Stakeholders include government bodies, community organizations, non-profits, and industry. This strategy gives them guidance on collaborating to encourage positive financial outcomes. Its core pillars emphasize reducing barriers, catalyzing action, and fostering long-term financial resilience among population groups. Key elements such as progress measurement, inclusiveness, and public reporting ensure accountability and facilitate evidence-based improvements.

Finland: Finland's National Financial Literacy Strategy for 2022–2030,²²⁷ spearheaded by the Bank of Finland, is implemented through a collaborative network including public, private, third-sector, and academic organizations. This strategy strongly emphasizes integration of financial literacy into formal education, where it is taught across the Finnish educational system. The principles of "learning by doing" and gamification are regarded as essential to the theoretical components of the curriculum. The strategy also includes initiatives for lifelong learning. Monitoring is achieved through action plans that outline specific responsibilities, regular evaluations, and stakeholder consultations.

A distinctive feature of the Finnish approach is the incorporation of experiential programmes for young students, such as Yrityskylä,²²⁸ which equips 12- and 13-year-olds with knowledge about how business, the economy, and society function, as well as how to navigate the job application process.

226 See <https://www.canada.ca/en/financial-consumer-agency/programmes/financial-literacy/financial-literacy-strategy-2021-2026/infographic.html>.

227 See <https://publications.bof.fi/bitstream/handle/10024/43727/Talousoosaamisen-strategia-EN.pdf?sequence=1&isAllowed=y>.

228 See <https://www.ft.com/content/26c56174-76ab-493b-9770-6d1ed4996505>.

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Montenegro is one of the most rapidly urbanizing countries in South-Eastern Europe, facing complex spatial and housing challenges. While the capital city Podgorica and the coastal areas have become centres of economic growth and real estate investment, the northern region continues to experience depopulation and economic stagnation. This uneven territorial development has resulted in growing housing affordability pressures in high-demand areas and declining living conditions in less developed regions.

Following the large-scale privatization of housing in the 1990s, the housing sector is dominated by private ownership, with limited public and affordable rental options. Informal construction remains widespread, affecting a significant share of housing stock. The Government has launched successive legalization programmes, most recently strengthened by the 2025 Law on Legalization of Illegal Buildings, to improve enforcement and ensure safer and more sustainable settlements.

As part of its European Union accession process, Montenegro has undertaken an ambitious reform agenda in urban development, housing, and land management. The year 2025 saw the adoption of the Spatial Plan of Montenegro until 2040, the Housing Strategy 2025–2034, and new laws on spatial planning and construction. These marked an important step toward institutional consolidation and alignment with European standards.

Despite notable progress, persistent regional disparities, weak municipal capacities, and affordability constraints continue to hinder balanced development. Pressures from tourism and real estate investment have intensified environmental and heritage risks, particularly in coastal and protected areas.

To assist the country in addressing these challenges, the United Nations Economic Commission for Europe (UNECE) prepared this Country Profile on Urban Development, Housing and Land Management of Montenegro. The Profile calls for stronger political commitment to make housing and spatial planning central to sustainable development, scale up legalization and urban regeneration, and foster a more polycentric territorial model that promotes inclusive, resilient and liveable communities across the country.

Find out more about the work of the UNECE on urban development, housing and land management at www.unece.org/housing.

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