



Ministry of Finance

Report on the implementation of the Public Finance Management Reform Program 2022-2026 in 2025

February 2026

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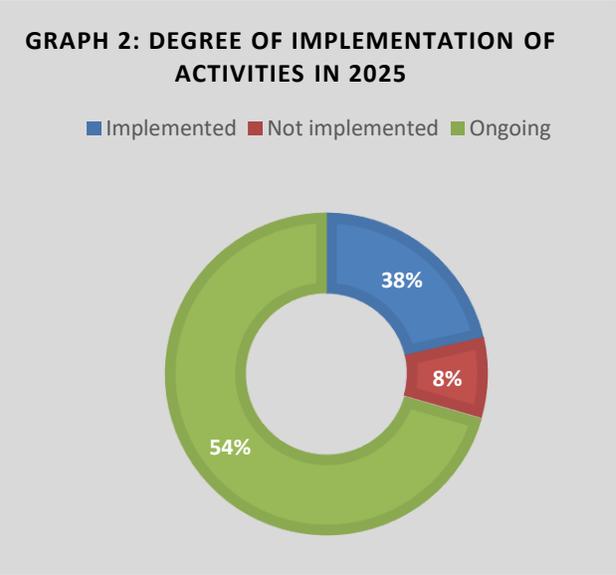
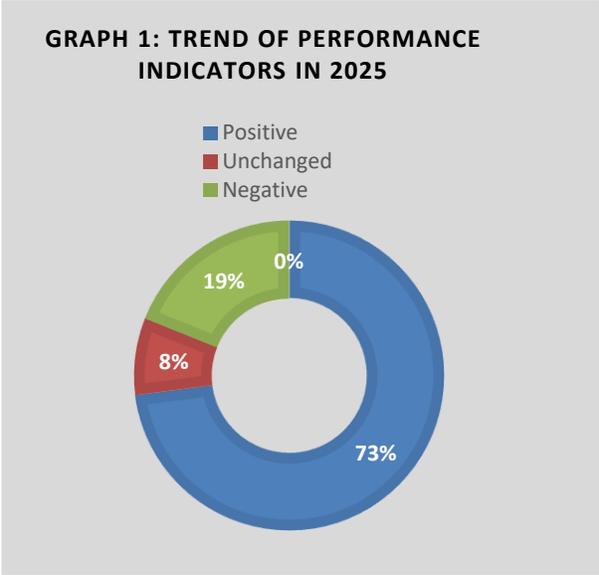
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I INTRODUCTORY SUMMARY

Results of the reforms in the area of public finance during 2025 confirm steady progress in building a functional and sustainable institutional system aligned with EU standards. A particularly significant step forward was recorded through the provisional closure of two out of three negotiation chapters within Cluster 1 – Fundamentals, namely Chapter 5 – Public Procurement and Chapter 32 – Financial Control¹. The negotiation process for accession to the European Union acts as a key mechanism for institutionalizing reforms in the area of public finance management, contributing to the establishment of a sustainable, transparent and results-based management system, fully aligned with the EU acquis and good European practices. Reform interventions are aimed at achieving measurable results, including improving fiscal discipline, more efficient and priority-oriented allocation of public funds, as well as increasing the operational and managerial efficiency of the public sector.

The findings of the mid-term evaluation of the Public Finance Management Program (PFM Program) indicate a partial level of effectiveness in the implementation phase so far, considering that a significant part of the planned measures is still in the implementation phase, while their full implementation is expected by the end of the program cycle in 2026.

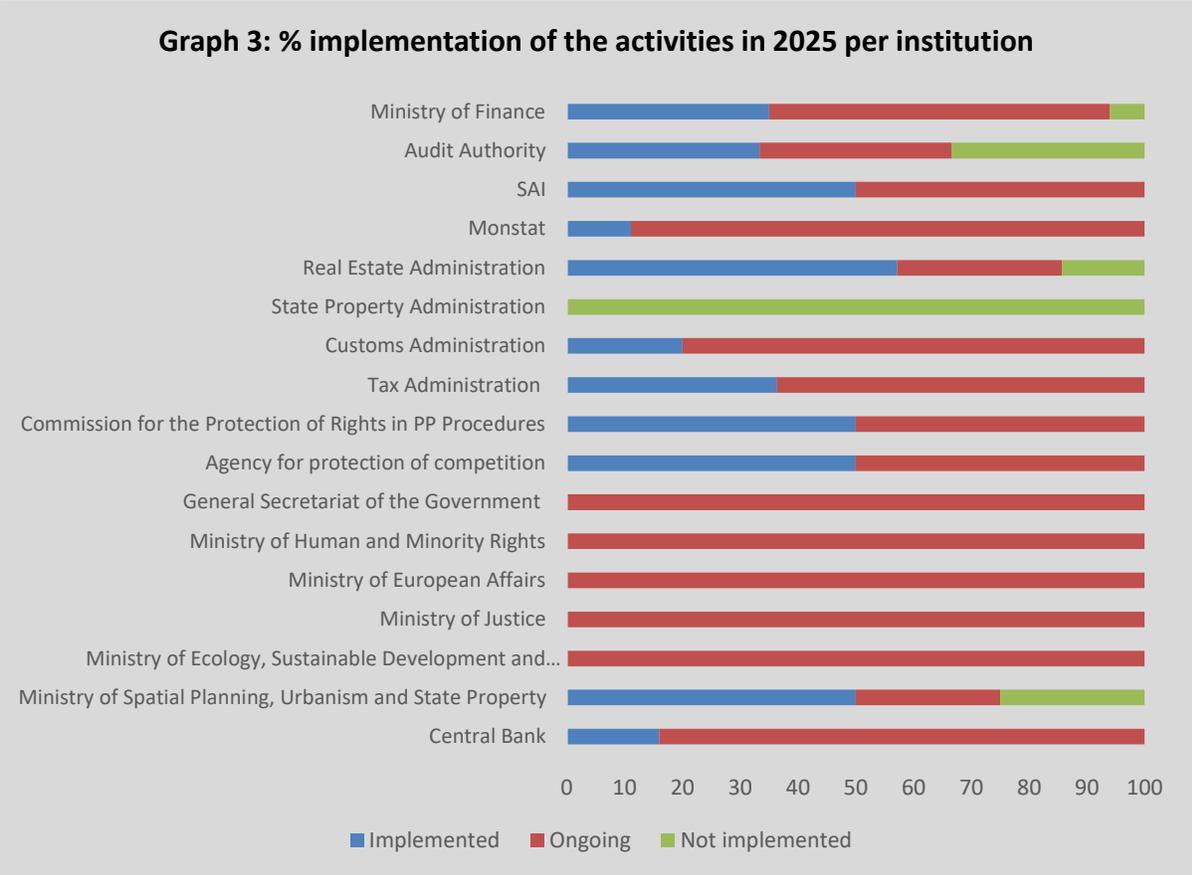
The Report on the implementation of the Action Plan for the implementation of the PFM Program for 2025 is based on the systematic monitoring of 120 planned activities and 37 performance indicators. Compared to previous reporting cycles, accelerated progress has been recorded in the achievement of performance indicators, which is in line with the planned implementation dynamics in the final phase of the program framework. Given that 2025 is the penultimate year of the implementation of the PFM Program, it is expected that most indicators will approach their target values. The following graph shows the trend of performance indicators by operational objectives of the PFM Program in 2025, as well as the degree of implementation of measures defined by the Action Plan.



Below is an overview of the implementation of activities by institution, where it is evident that the

¹ The intergovernmental conference at which the chapter was provisionally closed was held in January 2026.

majority of activities are still in the implementation phase, in accordance with the deadlines defined by the Action Plan. During 2025, 54% of activities were ongoing with a planned completion date of 2026, 38% of activities were implemented, while an additional 8% of activities were not completed within the planned deadline and their implementation was postponed to 2026. Of the total number of activities envisaged by the Action Plan, 76% relate to the Ministry of Finance; of which 35% of activities have been fully completed, 59% are being implemented in accordance with the established dynamics (deadline 2026), while 6% of activities have not been implemented. Delays in implementation are largely due to the postponement of the adoption of amendments to the Law on Budget and Fiscal Responsibility (LBFR), which represents the key legal basis for the implementation of reform measures aimed at achieving the operational objectives of the PFM Program, especially in the areas of budget planning, public investment management and IPA fund management.



The coordination structure for monitoring the implementation of the PFM Program continued its regular work in the reporting period. The second meeting of the Working Group for monitoring the implementation of the Public Finance Management Reform Program for the period 2022–2026 was held on February 3, and the third on July 21, 2025. The focus of the Working Group meetings, as well as the activities of individual working teams, was on completing the updated PFM Program, finalizing the Annual Report on the Implementation of the Program for 2024, as well as the Semi-Annual Report for 2025. Also, progress in the implementation of planned activities was discussed, potential challenges in implementation were identified, and a mid-term evaluation of the PFM Program was conducted with the expert support of the "EU4PFM" project team. In addition to the members of the

Working Group, the meetings were attended by representatives of the European Commission, the Delegation of the European Union to Montenegro, SIGMA and the Centre for Excellence in Finance, which provided additional expert and partnership support to the reform process.

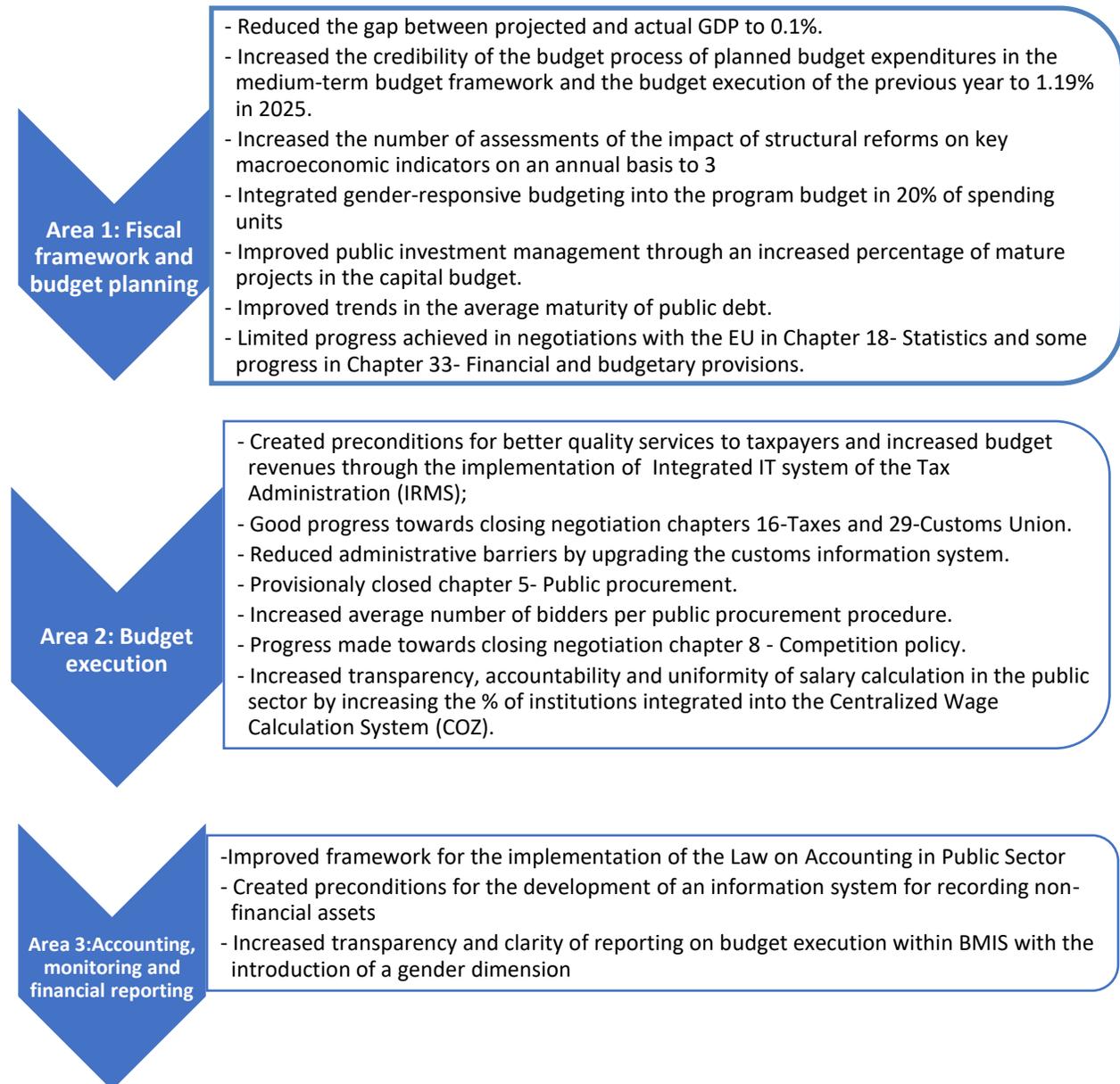
The updated draft of the PFM Program and the Action Plan, aligned with the Methodology of the General Secretariat of the Government and adjusted to organizational and normative changes, were finalized and adopted at the Government session held on March 13, 2025. At the same session, the Report on the Implementation of the PFM Program for 2024, prepared by the PFM Working Group, was also adopted. Also, the Semi-Annual Report on the Implementation of the PFM Program for the period January-June 2025 was completed and submitted to the European Commission. This report forms an integral part of the request for the withdrawal of funds under the Reform and Growth Facility, as well as sector budget support.

In the context of EU membership negotiations, the dialogue with the European Commission in the area of public financial management reform, which is part of the political criteria and benchmarks for the closure of Chapter 23 – Judiciary and Fundamental Rights, was intensified. A follow-up meeting with representatives of the EC and SIGMA was held on 16 June 2025, when progress in the implementation of the conclusions of the PFM Dialogue from November 2024 was discussed, including the work of the coordination structure, the implementation of PIMA recommendations, the management of state-owned enterprises, the linking of strategic planning and program budgeting, as well as the establishment of the Fiscal Council. The dialogue continued at meetings held on 16 July and 16 October 2025. The PFM Dialogue was held on 18 November 2025 in Podgorica. The focus was on improving public investment management, medium-term budget planning, the establishment of the Fiscal Council, improving the management of state-owned enterprises and strengthening the capacity for fiscal risk management. Following the PFM Dialogue, operational conclusions were defined in communication with representatives of the European Commission that Montenegro will be obliged to implement by the end of September 2026, in the context of the process of closing Chapter 23 - Judiciary and Fundamental Rights. Below is an overview of the agreed conclusions:

- Montenegro will conduct a mid-term evaluation of the Public Financial Management (PFM) Reform Program, and adopt a new Public Financial Management Reform Program for the period 2027–2031.
- Montenegro will improve public investment management and preparation of capital projects through:
 - development and adoption of a new methodological guide for project evaluation, in line with PIMA recommendations and best international practice;
 - organization of continuous training programs at the central and local levels, based on the new methodological guide for project evaluation;
 - implementation of the "training of trainers" program;
 - development of the first draft of a single portfolio of capital investment projects, which includes projects at the state and municipal levels financed from the central budget, according to the sectoral principle;
 - taking key steps towards publishing a register of active capital projects in the portfolio, with the associated project documentation and spending data.
- Montenegro will adopt amendments to the Law on Budget and Fiscal Responsibility, and:
 - further strengthen the Medium-Term Budget Framework (MTBF) by improving the budget calendar, the methodology for estimating the costs of strategic documents, and strengthening the link with strategic planning;

- ensure budget transparency by introducing the obligation to prepare a semi-annual budget review, and taking key steps to prepare a “citizens' budget” as a version of the executive budget proposal;
- prepare and regularly publish an updated and comprehensive fiscal risk statement, as an integral part of the budget documentation, that covers all key fiscal risks, including those related to state-owned enterprises, guarantees, public-private partnerships, contingent liabilities and local government.

KEY SUCCESSES / POSITIVE EFFECTS AT PROGRAM LEVEL IN 2025.





Area 4: Efficient financial control

- Increased level of delegation of authority for financial management and internal controls
- Increased accountability and efficiency through a higher level of controls on the implementation of SAI recommendations
- More efficient control of irregularities through a higher number of reports of irregularities to OLAF and a higher number of reports of suspected fraud.
- More efficient and effective inspection supervision through an increased percentage of regular budget inspection activities carried out in the field compared to the plan.

CHALLENGES IN ACHIEVING THE OUTCOMES OF THE PROGRAM

- ✓ Limited capacities for medium-term budgeting.
- ✓ Delays in the adoption and implementation of amendments to the Law on Budget and Fiscal Responsibility; which is the legal basis for a series of reforms in the area of budget planning, public investment management, monitoring of irregularities in the use of EU funds, etc.
- ✓ The Fiscal Council has not been established, due to the failure of the Parliament to vote on the proposed members.
- ✓ The pronounced complexity of the development and introduction of IT systems, as well as the great need to upgrade the existing ones.
- ✓ High staff turnover and lack of staff in certain areas, such as statistics, public procurement, tax administration, Real Estate Administration, budget inspection, etc.
- ✓ Slow completion of the legal framework for accrual accounting due to delays in defining the scope of public sector entities for the entity register.
- ✓ Delays in the simulation of EU own resources data due to the interdependence of activities.
- ✓ Uneven pace of implementation across institutions and the need for additional testing, system harmonisation and training.
- ✓ User difficulties in using IRMS
- ✓ Age structure of tax inspectors
- ✓ Inability to access COZ outside the gov.me domain
- ✓ Need for further automation of processing to reduce manual work in preparing final statements/reporting.
- ✓ Lack of competency framework in implementing SAI strategy
- ✓ Insufficient audit capacity to conduct performance audits

II INFORMATION ON PROGRESS IN ACHIEVING OPERATIONAL OBJECTIVES

Monitoring of the implementation of the PFM Program in 2025 was carried out within the four areas of the Program and their operational objectives, as follows.

Area 1: Fiscal Framework and Budget Planning	Area 3: Accounting, monitoring and financial reporting
1.1 Macroeconomic Analysis and Fiscal Policy	3.1 Transition to accrual accounting
1.2 Medium-Term Budget Planning	3.2 Management of (non-financial) state assets and cadastre
1.3 Further Development of Program Budgeting	3.3 Reporting on budget execution
1.4 Public Investment Management	3.4 Management and reporting on the use of EU funds
1.5 Public Debt Management	Area 4: Efficient Financial Control
1.6 Development of the EU Own Resources System	4.1 Improving Public Internal Financial Control (PIFC)
1.7 Improving Official Statistics	4.2 - Strengthening the impact of external audit on the management of public and EU funds
Area 2: Budget Execution	4.3 Increasing the efficiency of the AFCOS system in order to protect the EU's financial interests
2.1 Improving efficiency in revenue collection	4.4 Improving transparency and efficiency in the use of public funds through the development of a normative framework and strengthening the capacity of budget inspection.
2.2 Improving the public procurement system	
2.3 Alignment the legislative framework and administrative capacities in the area of state aid with the EU acquis	
2.4 Implementing the COZ system in all entities whose employees' salaries are financed from the Budget of Montenegro	

Assessments from relevant reports of international organizations in 2025

When preparing the Report, the latest available European Commission (EC) Reports (from 2025) on public financial management were taken into account, as well as the SIGMA/OECD Report from 2025 and the International Monetary Fund (IMF) Report based on Article 4 of the IMF Statute from November 2025.

The EC Report for Montenegro 2025. The report confirms that the public finance system in Montenegro is largely established, with a recognized need for its further improvement and functional strengthening. At the same time, it notes the existence of a defined and operational strategic framework for PFM, including the updated Public Finance Management Program. The European Commission in its recommendations emphasizes the need for the Parliament to appoint members of the Fiscal Council and ensure the full operationalization of its work, further improve the "Citizen

Budget" approach, and ensure further integration of gender responsive budgeting into the budget cycle. It also recommends strengthening the role of the Investment Council, with the adoption of a methodology for assessing capital investments, as well as further improving the capacity of the budget inspection.

The implementation of the PFM Programme directly contributes to the closure of nine negotiation chapters that form an integral part of the area of public finance (5, 8, 16, 17, 18, 22, 29, 32 and 33), which represents almost a third of the total negotiation process. The reform of public finance also contributes significantly to the reform of public administration, given that chapters 5, 18 and 32 represent key segments of Cluster 1 - Fundamentals. The provisional closure of negotiations in chapters 5 and 32 indicates the gradual fulfilment of the "fundamentals first" principle in the process of Montenegro's accession to the European Union.

Reform Agenda and PFM. In order to access funds under the Reform and Growth Facility (RGF), in addition to meeting defined qualitative and quantitative milestones, the country is also required to meet general conditions. These conditions include maintaining macro-financial stability, efficient public finance management, as well as transparency and adequate oversight of budget spending. In this context, the importance of implementing the PFM Program becomes crucial, as it directly contributes to meeting the conditions required for withdrawing funds from the RGF.

SIGMA /OECD report. In its 2024 report, SIGMA assesses the state of public finance management in Montenegro according to the SIGMA principles. The report notes significant progress in the development of fiscal policy guidelines, while the medium-term budget framework (MTBF) is still not used in practice as a key guideline for preparing the annual budget. At the same time, SIGMA emphasizes the need to establish a Fiscal Council. The legal framework for public investment management has been improved, although the full effect of the reforms will depend on the results of implementation. Certain challenges have been recorded in revenue collection, but over time, a decrease in the deviations between planned and realized revenues, as well as between the plan and the realization of expenditures, has been recorded, which has increased the credibility of the budget process. Fiscal risk management is still not fully established. SIGMA also emphasizes that the Law on the Budget Final Accounts has not been adopted by the Parliament for two years, which represents an important shortcoming in the area of fiscal responsibility. In the area of internal controls, the report assesses that there is a good legal framework, but that its implementation needs to be further improved. Internal audit functions in line with international standards, while the certification process and professional development program function well. In the public procurement sector, SIGMA highlights the existence of a solid legal framework in Montenegro, recommending that implementation should be further improved. The electronic public procurement system is fully implemented. The report also highlights the importance of further progress in the area of performance audits within the external audit. Regarding the financing of local governments, SIGMA notes that the legal framework guarantees their autonomy, but points to the high indebtedness of municipalities. The equalization system is assessed as ineffective, as the level of inequality between municipalities is significantly higher than the EU average.

IMF report under Article 4 of the Statute. In its latest report for Montenegro, published in November 2025, the IMF emphasizes the importance of adjusting fiscal policy to the cyclical position of the economy, and the necessity of full implementation of the Law on Budget and Fiscal Responsibility, especially in the part of fiscal rules. In its report, the IMF also emphasizes the importance of improving public investment management (PIM) for economic growth, which is all

part of PFM reforms.

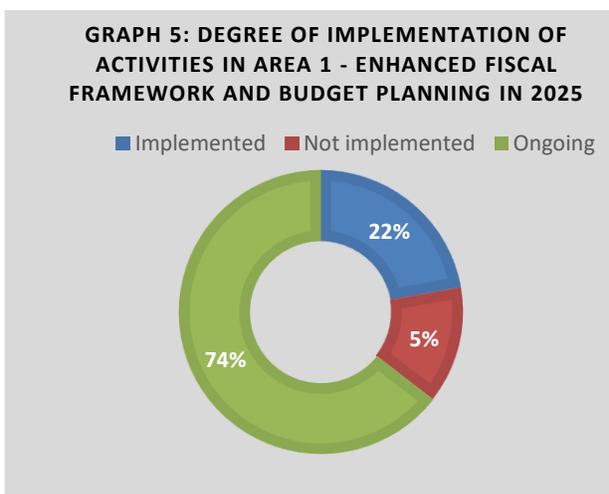
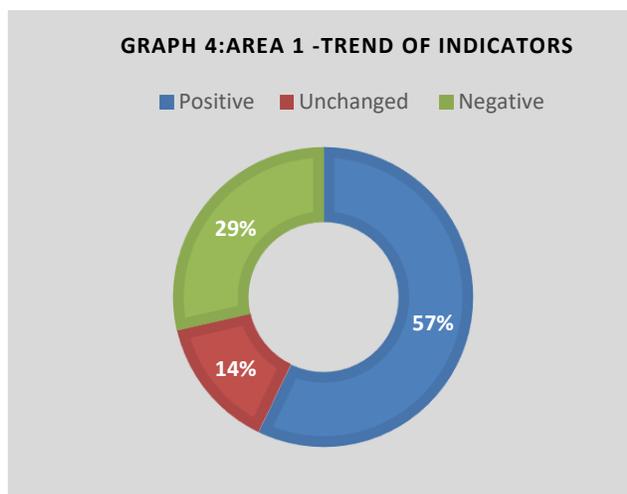
2.1. FISCAL FRAMEWORK AND BUDGET PLANNING

This area focuses on the sustainability of macroeconomic and fiscal policies through the improvement of medium-term budget planning, achieved through strengthening the monitoring of fiscal risks, more efficient management of public investments and public debt, development of the own-source revenue system, and improvement of official statistics.

Towards the achievement of operational objectives within the area of "Fiscal Framework and Budget Planning", a positive trend in performance indicators is evident. Monitoring of implementation in this area is carried out through 14 indicators, the trends of which are shown in the attached graph, together with the degree of implementation of 46 planned activities, in the function of achieving the set operational objectives.

The positive trend shows that 57% of the performance indicators have improved compared to the baseline. Most of the operational objective indicators are moving towards the target values set for 2026, while some have already exceeded the planned targets. The improvement of the indicators has been contributed by progress in some negotiation chapters of the EU Stabilisation and Association Process, in particular Chapter 18 – Statistics and Chapter 33 – Budgetary and financial provisions. At the same time, 29% of the performance indicators record a negative trend, which is a consequence of the deviations between the expenditure ceilings defined in the Mid-term Budgetary Framework and the annual budget, the difference between the planned and achieved revenues from the previous year, the increase in the weighted average interest rate compared to the baseline, as well as the slower progress in the negotiations of Chapter 17 – Economic and Monetary Union.

Regarding the implementation of activities, 22% of activities have been completed in accordance with the planned dynamics, 74% are ongoing, while 5% have not been implemented, primarily due to the incomplete legal framework.



Below is an overview of the achieved performances or successes in 2025 - Area 1 - Fiscal framework and budget planning.

Review of achieved performance/successes by operational objectives in Area 1	
OO 1.1 - Improving macroeconomic analysis and fiscal policy	<ul style="list-style-type: none"> - The reduced difference between projected and achieved GDP was reduced to 0.1% in 2025, thus achieving and exceeding the targeted outcome of this indicator in the program. - The number of annual assessments of the impact of structural reforms on basic macroeconomic indicators has increased. - The discrepancy between planned budget expenditures in the Medium-Term Budget Framework (MTBF) and the previous year's budget execution has been reduced.
OO 1.2 - Improving medium-term budget planning	<ul style="list-style-type: none"> - Increasing the number of first-level budget users who provide comprehensive inputs to the Medium-Term Budget Framework (MTBF) proposal.
OO 1.3 - Further development of program budgeting with a focus on the gender dimension	<ul style="list-style-type: none"> - The percentage of spending units that have integrated gender-responsive policies into the program budget has been increased to 20%.
OO 1.4 - Improving public investment management	<ul style="list-style-type: none"> - Increase the number of mature projects included in the capital budget to 60%.
OO 1.5 - Improving public debt management	<ul style="list-style-type: none"> - Increasing the average maturity of public debt to 4.3 years and reducing the average weighted interest rate to 3.9%. This has already exceeded the target value of these performance indicators in 2026.
OO 1.6 - Development of the EU's own resources system	<ul style="list-style-type: none"> - Some progress has been made on Chapter 33.
OO 1.7 - Improving official statistics	<ul style="list-style-type: none"> - The Law on Statistics and the System of Official Statistics was adopted, and the Cooperation Agreement between Monstat, the Central Bank of Montenegro and the Ministry of Finance was signed.

The challenges in achieving the performance targets for Area 1 are presented below:

Challenges in achieving performance against operational objectives in Area 1	
OO 1.1 - Improving macroeconomic analysis and fiscal policy	<ul style="list-style-type: none"> - Delays in the adoption of the Law on Budget and Fiscal Responsibility (LBFR) have led to delays in activities. - Limited application of the fiscal risk methodology before formal adoption. - Delays in the establishment of the Fiscal Council slow down fiscal surveillance and EU obligations. - Lack of timely and quality data due to delays in audited reports of

	state-owned enterprises, which limits the early inclusion of fiscal risks in the budget cycle.
OO 1.2 - Improving medium-term budget planning	- Prolongation of the establishment of an integrated planning system due to delays in the adoption of the LBFR.
OO 1.3 - Further development of program budgeting with a focus on the gender dimension	- Insufficient and inadequate data from consumer units for consolidation. - Lack of automated regression tests and stress testing. - Need for frequent updates of budget management system (BMIS) due to new requirements. - Technical incompatibility of BMIS and SAP systems in the area of gender-responsive activities.
OO 1.4 - Improving public investment management	- The delay in adopting the LBFR limits the full achievement of the planned effects.
OO 1.5 - Improving public debt management	- Strengthening administrative capacities
OO 1.6 - Development of the EU's own resources system	- Insufficient staffing capacity and delays in filling positions; need for additional training. - Inadequate and incomplete database on recycled plastic packaging. - Complex technical requirements and need for institutional coordination and integration of Extended Producer Responsibility (EPR) modules. - Delay in hiring experts and defining the methodology for calculating VAT own resources, with limited analytical capacity. - Limited human resources for national accounts and fiscal statistics, and dependence on coordination with the Tax Administration. - Delay in simulating EU own resources data due to interdependence of activities. - Uneven pace of implementation across institutions and need for additional testing, system alignment and training.
OO 1.7-Improving official statistics	- Lack of long-term expert support for the production of historical time series (2006–2012). - Limited human resources capacity to produce missing time series in sector accounts, supply and use tables and input-output tables. - Need to conduct an extraordinary revision of national accounts for full compliance with ESA 2010 methodology and EU statistical standards. - Delay in the implementation of the project supporting the process of digitization and digital transformation of statistical production, while simultaneously improving the information technology system

An overview of the achievement of performance indicators within each of the operational objectives for Area 1, as well as the implementation of activities envisaged by the Action Plan in the function of the stated operational objectives, is presented below.

2.1.1. Improving macroeconomic analysis and fiscal policy

OPERATIONAL OBJECTIVE 1.1	Improving macroeconomic analysis and fiscal policy²				
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
The difference between projected and actual GDP	Monstat MF	2%	0,1% ³		2%
Deviation between the upper limits of expenditure determined in the MTBF and the annual budget	MF	2%	7%		2%
Deviation between planned budget expenditures in the MTBF and budget execution of the previous year	MF	2%	1,19%		2%
Deviation between planned budget revenues in the MTBF and budget execution of the previous year	MF	2%	3% ⁴		2%
Number of annual assessments of the impact of structural reforms on basic macroeconomic indicators	MF	2	3		5

² In presenting the trend of achieved performance indicators in this report, the achieved value of the indicator in 2025 was used and compared with the initial value. The initial value of most indicators refers to data for 2021. However, as new indicators were introduced in 2025 during the update of the PFM program, the initial value of which was based on data from 2023, and at the same time some indicators were excluded, in the preparation of this report it was not possible to compare the values of the new indicators given for 2025 with the previous period, when these indicators were not part of the program before its update. Therefore, in order to avoid the challenges of the inability to compare data for an indicator that was introduced in the updated program and was not in the previous one, only the initial values of each indicator from the updated program were taken into account, as well as the values achieved in 2025 and they were compared, for each of the OCs within all four areas.

³ data for 9 months, and the realization for the whole of 2025 will be available at the end of February

⁴ Data for 11 months

Within the framework of the implementation of the operational objective of improving the macroeconomic and fiscal framework, the implementation of activities related to improving the management and supervision model of companies in majority state ownership continued.

Capacity building was carried out through the continuous organization of specialized trainings for the assessment, monitoring and reporting of fiscal risks arising from the operations of state-owned enterprises, in cooperation with IMF and World Bank experts. Accordingly, the analyses were conducted based on the platform for determining the financial health of enterprises "SOE HCT", in accordance with the IMF Methodology for conducting fiscal risk assessment. Based on the existing IMF methodology, analyses of the operations of the state-owned enterprise sector were conducted up to and including the business year 2025, and Statements on fiscal risks of state-owned enterprises for 2023 and 2024 were prepared. In parallel, activities have begun to develop a single methodology on fiscal risks for the state-owned enterprise sector, which will be adapted to the regulatory framework of Montenegro and harmonized with international standards. Namely, the IMF methodology is already used in analytical work, but a unified methodology adapted to the Montenegrin regulatory framework has not been formally adopted by the end of 2025. The implementation of this activity is in the final phase and is expected in the near future (first quarter of 2026), after the adoption of the relevant legal framework.

At its session held on 25 December 2025, the Government of Montenegro adopted the Aggregate Analysis of Financial Operations of the State-Owned Enterprises Sector for 2024 with a Statement on Fiscal Risks. Monitoring and public disclosure of the Statement on Fiscal Risks of State-Owned Enterprises is in accordance with the IMF's Fiscal Transparency Code, which is a standard to be applied by all IMF members.

Challenges in the area of fiscal risk management of majority state-owned enterprises relate to the need for additional expertise to adapt the IMF methodology on fiscal risks to the local context. Also, activities in this area depend on the dynamics of the adoption of the legal framework, which is in the adoption procedure. Another challenge is the collection of relevant data from majority state-owned enterprises for the previous year, on the basis of which financial analyses of enterprises are conducted. Namely, audited financial data, aligned with audit reports and opinions on financial statements, in accordance with Article 41 of the Law on Audit (Official Gazette of Montenegro, No. 84/2025), are submitted to the Tax Administration by June 30. Only after their submission can the preparation of the Statement on Fiscal Risks of the State-Owned Enterprises Sector be initiated, which may cause delays in the planned deadlines.

During the reporting period, planned training activities for employees of the Directorate for Macroeconomic and Fiscal Analysis and Projections for macroeconomic modelling, financial programming and impact assessment were initiated and partially implemented. The training and educational activities implemented contributed to strengthening the analytical capacities of the Directorate, improving the quality of macroeconomic analyses and more efficient work of employees. The implementation of activities was occasionally slowed down/postponed to the next period due to limited technical capacities and ongoing work processes.

2.1.2. Improving medium-term budget planning

OPERATIONAL OBJECTIVE 1.2	Improving medium-term budget planning				
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
Percentage of first-level budget users who provide comprehensive inputs to the Medium-Term Budget Framework (MTBF) proposal	MF	0%	77%		90%
Percentage of new strategic documents prepared in accordance with the new methodology for drafting strategic documents linked to the program budget	MF	0%	0%		70%

The preparation of amendments to the Law on Budget and Fiscal Responsibility is in the final stage. The draft Law on Budget and Fiscal Responsibility envisages changes aimed at strengthening the Medium-Term Budget Framework (MTBF). The new provisions include, among others, a revised budget calendar with a medium-term focus, linking the MTBF to new Government policies and priorities and strategic plans, with an assessment of their impact on expenditures in the medium term. Additional changes include improving public debt management, strengthening the delegation of authority, further developing program budgeting and consolidating the investment planning framework.

Activities initiated in April 2025 focused on establishing a system that links strategic documents to the program budget. These activities included a review of the strategic planning methodology and an analysis of the links to the medium-term budget framework, in consultation with the General Secretariat of the Government and the Ministry of Finance.

The first draft of the Methodology for the preparation, implementation and monitoring of strategic documents has been prepared and submitted to the General Secretariat of the Government for verification. In parallel, a linkage analysis has been prepared to strengthen the practical connection between strategic planning documents and program budgeting. A new policy proposal template for the Medium-Term Budget Framework has also been developed, fully aligned with the required action plan template for the strategies. In order to improve the planning process, a tool for prioritizing and assessing requests for additional funding has been developed, which further strengthens the role of the General Secretariat of the Government in evaluating new policy proposals in terms of their compliance with strategic plans and the Government's Medium-Term Work Plan.

The drafts of the Medium-Term Budget Framework Manual and the Program Budget Manual have been revised, with recommendations for improvements developed. Minor changes to the manual will be implemented immediately, while more significant improvements will be implemented through updated instructions, following the adoption of amendments to the Law on Budget and Fiscal Responsibility. Following the adoption of the Law, amendments to bylaws, guidelines and methodologies will standardize the process, including effectively linking strategy objectives to program levels of the budget.

A roadmap for developing a national methodology for costing of strategies, with steps necessary for

its full implementation, was prepared in July 2025. Given that the introduction and implementation of such a methodology requires the creation of conditions in which it can be applied, the focus in 2025 was on a greater degree of integration of policy planning and budgeting.

The first version of the revised Methodology for Policy Planning, Development and Monitoring of Implementation of Strategic Documents was prepared in November, and the second in December 2025.

When it comes to activities related to connecting ISPI and MTBF with the strategic planning system and the medium-term work program of the Government for the purpose of data exchange between information systems, an analysis of ISPI was prepared in 2025 and new functionalities were defined with which the system should be updated. The challenge in this area is the fact that ISPI was not widely used in the state administration and it is necessary to introduce it as a platform through which to enter, monitor and report on the implementation of all valid strategic documents. The update is planned for the end of January 2026. An analysis of the possibilities and recommendations for integrating the two systems, as well as a technical specification to enable this integration, are planned for the period June-September 2026. Training on specific documents is planned for 2026, within the framework of the project "Optimizing Development Coordination: Improving Strategic Planning and Reporting through Improving the Information System", implemented by UNDP (main partners: General Secretariat of the Government, MoF, Ministry of European Affairs, Ministry of Public Administration).

2.1.3. Further development of program budgeting with a focus on improving the gender dimension

OPERATIONAL OBJECTIVE 1.3 Further development of program budgeting with a focus on improving the gender dimension					
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
Percentage of spending units that have gender-responsive policies integrated into their program budget	MF	0%	20%		20%

Further development of program budgeting is aimed at improving the gender dimension in the process of budget planning and execution. Although the amendments to the Law on Budget and Fiscal Responsibility have not yet been adopted, the draft Law is in the final stage of preparation. The proposed amendments introduce for the first time the concept of Gender Responsive Budgeting, which integrates a gender perspective into all phases of the budget cycle. This approach allows the allocation of budget funds to actively contribute to reducing gender inequality. The challenge in this area is the fact that the failure to adopt amendments to the Law postpones the obligation to introduce gender-responsive budgeting, including systematic reporting on its implementation.

A Methodology for categorizing budget programs and expenditures according to their impact on gender equality has been developed. Training for representatives of spending units was conducted in the second half of 2025, in parallel with the preparation of requests for budget allocations, in order

to identify the needs of spending units and apply the categorization methodology to current processes.

During the reporting period, trainings were conducted that contributed to strengthening the capacities of budget analysts and spending units in the field of gender-responsive budgeting. Through various thematic sessions, participants worked on improving their skills in developing gender analysis and assessing the impact of budget programs on gender equality, collecting and maintaining gender-disaggregated data, using gender statistics, defining gender-sensitive objectives and indicators, and monitoring and reporting on the implementation of gender-responsive budgeting. Within the framework of the training organized in February, special attention was paid to strengthening the capacities of spending units to develop an annual report on the implementation of a gender-responsive program budget, while the training conducted in July focused on the application of the methodology for categorizing programs as gender-sensitive. Both trainings were designed so that the topics interpenetrate each other and that budget analysts and budget users were worked on simultaneously, thus ensuring a common understanding and practical application of the gender perspective in the budget process.

The Ministry of Finance, in cooperation with the OSCE, successfully implemented a training of spending units dedicated to the preparation of an annual report on the implementation of a gender-responsive program budget in February 2025. The activity was carried out through a two-day program that included a theoretical and practical part, with an emphasis on interactive workshops, discussion and exchange of experiences among participants. The training was aimed at strengthening the capacities of officials who had already undergone training in July and September 2024 in the areas of gender analysis, collection of gender-disaggregated data, gender statistics, defining gender-sensitive objectives and indicators, and monitoring and reporting on a gender-responsive budget. The new thematic part focused on the practical application of acquired knowledge through work on current budget programs and activities marked as gender-sensitive, in order to ensure the quality preparation of a consolidated annual report on the impact of the budget on gender equality.

A consolidated report on the implementation of the gender-responsive budget of spending units is planned for 2026. As part of the preparation for the report, 23 officials from 22 ministries received training on the preparation of the consolidated report in the first quarter of 2025. The challenge is the lack of adequate and timely information from spending units, which makes data consolidation difficult, which is a key obstacle to the timely and complete preparation of the report.

During the reporting period, preparatory activities were carried out in cooperation with UNDP and OSCE, with the aim of developing a methodology and technical solution for marking gender-responsive activities in BMIS and ensuring compatibility with the SAP system. Following consultations held at the end of October 2025, it was agreed to include the IT officer of the Ministry of Finance in the process of exchanging views with the expert that UNDP plans to engage. Accordingly, on December 16, 2025, a call for the engagement of an international consultant for SDG budget tagging was published, while two more calls for local consultants were announced in parallel, including one expert from the OSCE with a focus on the gender component. These steps represent a key phase in the preparation of the tender for the development of the methodology and IT solution, thus ensuring the dynamics of the implementation of the activities and the prerequisites for the expert to start work during 2026. Bearing in mind that technical aspects between BMIS and SAP systems need to be harmonized, the completion of the activities will depend on the timely engagement of the expert and the implementation of the tender procedure.

In the context of further reform of monitoring and reporting on the program budget, the interface between BMIS and the budget execution system (SAP) has been integrated but integration testing of the web service is required for operationalization. The challenge is the lack of automated regression tests and insufficient testing under load conditions.

BMIS has been upgraded with additional options, which makes program budgeting easier. BMIS has also been improved in the segment of program budget implementation reports. The challenge is the need for continuous updating of BMIS due to new requirements.

A draft manual for the evaluation of gender-responsive programs and projects, including the gender dimension, has been developed.

A technical solution is currently being developed to amend the budget circular in BMIS in a way that would enable the submission of a signed gender-responsive budget statement that would be visible in BMIS.

2.1.4 Improving public investment management

OPERATIONAL OBJECTIVE 1.4		Improving public investment management			
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
Growth in the percentage of new mature projects in the capital budget ⁵	MF	10% ⁶	60%		70%

A proposal for amendments to the Law on Budget and Fiscal Responsibility has been prepared, which aims to strengthen the framework for public investment management.

On 30.12.2025. the Government of Montenegro adopted the Decision on the preparation of the capital budget and by the Conclusion tasked the Ministry of Finance to, when sending the budget circular for the preparation of the Capital Budget for 2027, in addition to the Decision with Methodological Guidelines for Project Assessment, also deliver the Public Investment Management Manual to spending units.

The innovated rules of procedure of the Public Investment Council are conditioned by the adoption of amendments to the Law on Budget and Fiscal Responsibility, which will recognize the Council by law and define its procedural role in managing public investments.

When it comes to improving the capacities of employees in local government units for calculating the costs of capital projects, it is planned to hold training for local government representatives during the first quarter of 2026 to better familiarize them with the new Decision on the preparation of the capital budget with a focus on the adopted Methodological Guidelines for Project Assessment for the

⁵ New projects that become an integral part of the Capital Budget for the first time and that have complete project documentation and for which property and legal relations have been resolved

⁶ Data from 2023 after the Program update

purpose of preparing the Capital Budget for 2027.

In order to promote the use of public-private partnerships, a Regional Conference on Public-Private Partnerships was held in 2025, supported by the “Smart Balkans” program. Challenges in promoting PPPs include the lack of funds for organizing workshops/panels on relevant topics, as well as complex legal procedures and insufficient knowledge of the process and interest on the part of the procurers/proponents of capital projects in order to more efficiently resolve the provision of public services and the construction of public infrastructure through PPP models.

In 2025, activities were carried out to develop a module for public investment management and establish a capital projects registry within the budget management system (BMIS). In this context, meetings were held with experts responsible for developing a technical specification, which will serve to develop a new software solution or improve the existing budget management application. After finalizing the specification, it is planned to launch the contracting process for the development of the Public Investment Management Module.

The Government adopted the Methodology for Cost-Benefit Analysis in accordance with PIMA recommendations at the session held on 30 December 2025, as an annex to the Decision on the Development of the Capital Budget.

The development of the Master Plan for Infrastructure Projects is in the final stage and is planned to be finalized in the first quarter of 2026.

2.1.5 Improving public debt management

OPERATIONAL OBJECTIVE 1.5		Improving public debt management			
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
Movement of average debt maturity (years)	MF	5,6 years	4,3 years		4,2 years
Weighted interest rate movement	MF	3,3% ⁷	3,9%		4,2%

In the previous period, a framework for improving public debt management was established, including the adoption of the Medium-Term Debt Management Strategy for the period 2025–2027, as well as the use of technical assistance from international institutions in previous phases. However, during 2025, no significant progress was made in strengthening the human resources capacity of the Public Debt Directorate. Although one position was filled at the end of the reporting period, the overall level of human resources remained at the same level. The main challenge in the

⁷ The data refers to 2023 and was added during the first half of 2025, during the update of the Program.

implementation of activities remains the limited level of human resources. During the reporting period, there was no increase in the number of employees, while changes in the staff structure, including the departure of one experienced employee, further strained the existing capacities of the Directorate. Limitations in terms of available human resources are reflected in the pace of implementation of planned activities in the area of capacity improvement.

In the previous period, key activities were implemented in the development of the public debt management system (DMIS) within BMIS, including data migration and testing of the functionality, or operability, of the system. During 2025, no significant progress was recorded in the further development of the system and its connection with SAP, and the implementation of activities remained at the level of the previous reporting period. The main challenge in the implementation of activities relates to limited human resources capacities, with the departure of the employee who was in charge of these tasks additionally affecting the dynamics of work on the system, including holding regular meetings with experts and continuing planned activities on integration with SAP.

2.1.6 Development of the EU's own resources system

OPERATIONAL OBJECTIVE 1.6		Development of the EU's own resources system			
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
Negotiations on Chapter 33 (Financial and budgetary provisions) have been provisionally closed	MF	Chapter 33 opened	Some progress has been made ⁸		Chapter 33 provisionally closed

In the context of building administrative capacity for the coordination and management of EU own resources, in the Ministry of Finance, within the Directorate for Coordination and Management of EU Own Resources, two out of the planned 4 employees were employed. In the Tax Administration, in accordance with the requirements of the Ministry of Finance and the obligations under Chapter 33, the necessary administrative capacity was provided through the amendment of job descriptions for two existing positions in the Department for Strategic Planning, Reporting and Risk Management. Although no new employment is envisaged, the act on internal organization and systematization is in the process of being adopted by the Government of Montenegro. In the Customs Administration, a New Rulebook on Internal Organization and Systematization of the Customs Administration was adopted, which systematizes the Department for the Management of Traditional Own Resources and by regional customs offices, with a total of 4 new positions related to the collection of traditional own resources, which will ensure capacity building and smooth management of traditional own resources. In the Ministry of Ecology, Sustainable Development and Northern Region Development (11) and MONSTAT (2) – planned employments were not implemented in the reporting period. In the mentioned institutions, capacity strengthening is planned through the formation of new organizational units and the employment of the necessary number of employees, which represents

⁸ The 2024 report notes limited progress. The 2025 EC report notes some progress.

the basis for the implementation of activities in the coming period.

In April 2025, a study visit to the institutions of the Czech Republic was carried out, within the framework of Bilateral Technical Assistance for representatives of the Customs Administration and the Ministry of Finance of Montenegro, and in the context of activities carried out under Chapter 33 - Financial and budgetary provisions. The aim of the visit was to improve knowledge and exchange experiences with relevant institutions of the Czech Republic, with a particular focus on the EU's own resources system, as well as preparation for future obligations arising from membership in the European Union. The challenge is to provide additional training in EU Member States.

A draft analysis of the current state of data availability on recycled plastic packaging and recommendations for establishing a calculation system is currently being prepared, which includes:

- legal aspects (compliance of the EPR (Extended Producer Responsibility) system with EU requirements),
- institutional aspects (competencies, data flow, reporting obligations),
- technical aspects (methodology, data sources, information system capacities),
- assessment of the possibility of establishing a reliable calculation system for non-recycled plastic packaging.

The analysis is a fundamental document for defining the national reporting system to the EU within the framework of the own resources mechanism from non-recycled plastics, which affects Montenegro's future financial obligations after membership. The challenges are collecting a complete and reliable database on recycled plastic packaging; harmonizing data between different institutions and sectors; integrating legal, technical and institutional aspects into a single analysis.

In order to establish a system for collecting and reporting data on non-recycled plastic, the preparation of the rulebook on the information system for extended producer/importer responsibility (EPR) is underway, which includes:

- plastics and plastic packaging,
- packaging waste management,
- method of data entry and management,
- reporting obligations of operators, producers and competent institutions,
- technical requirements and functionalities of the information system,
- batteries and accumulators (lead-acid, lithium),
- waste tires (automotive, planned for 2026),
- electrical and electronic equipment (EEE - refrigerators, TVs, mobile phones),
- end-of-life vehicles (cars, trucks),
- packaging (not only plastic: paper, glass, metal, wood),
- single-use plastics and fishing gear (plastic nets),
- textiles and clothing (in the EU, soon in Montenegro).

This activity is key to fulfilling the obligations related to the calculation of EU own resources based on non-recycled plastic, as it provides the source data needed for future reporting to the European Commission. Also, the Environmental Protection Agency is actively working on establishing a system for collecting, processing and reporting data on non-recycled plastic packaging. The Agency is responsible for verifying, summarizing and calculating data on recycled plastic packaging waste, which are the basis for calculating the quantities of non-recycled plastic. The central tool for data

collection is the 3R information system, which includes data on waste streams and reports from taxpayers. In order to fully implement the Extended Producer Responsibility (EPR) system and financial calculations in accordance with the Waste Management Law, a significant upgrade of the 3R system is planned. A tender for the upgrade of the system, in the total amount of EUR 400,000, was announced in mid-December 2025. These activities create key technical and institutional prerequisites for the future calculation of EU own resources based on non-recycled plastic.

The challenges in this area are as follows: defining the technical requirements of the system and data entry capacities; harmonizing the legal framework with existing legislation and EU directives; coordination between competent institutions (Ministry of Ecology, Sustainable Development and Northern Region Development, local units, operators); complexity of upgrading the information system and the need for integration of the EPR module; dependence on the successful implementation of the tender and the dynamics of the implementation of IT solutions; need for additional training of taxpayers and institutions to work in the new system; ensuring full reliability and quality of data on packaging waste.

The normative, institutional and technical prerequisites for the establishment of the own resources system in the area of traditional own resources have been largely established. The Customs Administration has made significant progress in establishing the traditional own resources system. A special department for the management of the traditional own resources has been established, amendments have been made to the Customs Law to strengthen the enforcement mechanisms, and numerous training and study visits have been carried out in EU Member States. The upgrade of the customs information system for managing A and B accounts has been established in a test environment and is in the verification phase. Additional capacity building is planned through the recruitment of eight new officers, which will enable the full operation of the system upon accession. The challenge is the need for further strengthening of human capacity (filling of planned posts); the need for continuous and specialised training, in particular for the EU OWNRES and WOMIS systems; the final phase of validation of the IT system by the EC.

The Tax Administration is in the preparatory phase of establishing a VAT-based own resources system. So far, basic coordination activities have been carried out within Chapter 33, but the calculation of the VAT base in accordance with EU rules requires the engagement of international expert support, in order to define the methodology for calculating the VAT base, as well as for the needs of upgrading the Tax Administration's information system. The challenge is the delay in engaging experts for calculating VAT own resources, the lack of a clearly defined calculation methodology, the inability to plan IT upgrades without a methodological basis, and limited internal analytical capacities.

When it comes to establishing procedures for the GNI-based own resources system, MONSTAT has ensured methodological compliance of GDP and GNI calculations with ESA 2010 standards. In September 2025, a comprehensive revision of national accounts was carried out, which improved the quality and reliability of time series data. At the same time, MONSTAT plays a key role in preparing statistical elements required for VAT own resources, especially in the part of calculating the tax gap and the weighted average tax rate. The challenges are limited human resources for work on national accounts and fiscal statistics, the need for continuous expert support in the area of ESA 2010 and EU reporting, and high dependence on coordination with the Tax Administration in the part of VAT.

The simulation of own resources data production represents the final and integrative phase of

Montenegro's preparation for the EU own resources system. Given that the key prerequisites (methodologies, IT systems and capacities) have not yet been fully established, the activity was not implemented as planned in 2025. The challenge in implementing this activity relates to the dependence on the previous completion of all activities in the areas of traditional own resources, VAT, GNI and plastics; the need for full functionality of information systems in all institutions; the need for coordinated work of several institutions and data harmonisation; the risk of cumulative delays in previous activities, especially in the VAT area.

In order to ensure accurate calculation, recording and reporting of EU own resources, the upgrade of the information systems of the competent institutions has been initiated. The Customs Administration has made significant progress through the development and implementation of the modules for maintaining accounts A and B within the Migrated Customs Information System. The upgrade has been established in a test environment and is in the verification phase. The Ministry of Finance has coordinated the preparation of functional requirements and technical documentation, while in the Tax Administration the upgrade of the IT system is still in the preparatory phase, given that it depends on the previous definition of the VAT base calculation methodology. Overall, the IT infrastructure for own resources is being gradually built, with a focus on interoperability, automated reporting and compliance with EU requirements. The challenge is the uneven pace of implementation across institutions, the dependence of the upgrade of the Tax Administration's IT system on the engagement of experts for VAT methodology, the need for additional testing and harmonization of the system with the requirements of the European Commission, the need for additional training of information system users.

The Ministry of Finance has initiated and partially implemented changes to the regulatory framework in order to align with the EU acquis in the area of own resources. In the area of traditional own resources, a proposal for amendments to the Customs Law has been prepared, which provides the Customs Administration with an expanded legal basis for the enforced collection of customs debt, including collection from movable and immovable property. In the area of own resources based on non-recycled plastic, amendments to relevant legal and subordinate legislation have been prepared, which enable the introduction of a new system of calculation, collection and reporting. Regulatory changes are being implemented in phases, in line with progress in institutional and technical preparations. Challenges relate to the need for further harmonization of sectoral regulations with the EU acquis, the dependence of certain normative solutions on technical and IT solutions that are still under development, and coordination with a larger number of institutions and sectors.

2.1.7 Improving official statistics

OPERATIONAL OBJECTIVE 1.7.		Improving official statistics			
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
Chapter 17 negotiations are temporarily closed	CBCG MF	Negotiation chapter 17 opened	Limited progress and moderate		Chapter 17 is provisionally

			readiness for membership ⁹		closed
Chapter 18 negotiations are temporarily closed	Monstat	Negotiation chapter 18 opened	Moderate readiness and some progress ¹⁰		Chapter 17 is provisionally closed

At the end of March 2025, amendments to the Law on Statistics and the System of Official Statistics were adopted. The adoption of amendments to the Law on Official Statistics and the System of Official Statistics of Montenegro by the Parliament enables the transfer of competences from the Ministry of Finance to Monstat, as well as a closer definition of the competences of producers of state finance statistics by updating the Cooperation Agreement. A working group was formed to update the Cooperation Agreement, which was signed on 31.10.2025., which created the conditions for the implementation of the activities defined by the Agreement.

In order to ensure the prerequisites for fulfilling the final criteria for the closure of Chapter 18 - Statistics, the Statistical Office conducted a major (benchmark) revision of national accounts statistics in 2025, covering the period 2006-2023. The revision is the result of new data sources, methodological improvements and the application of the new classification of individual consumption according to the purpose of COICOP 2018. The new data sources include data from the 2023 Population, Households and Dwellings Census, the 2024 Agricultural Census and administrative data sources. In order to improve the accuracy and consistency of national accounts, methodological improvements were achieved in the calculation of the consumption category of non-profit institutions serving households, imputed rents and exhaustiveness adjustments. Annual and quarterly data on the main aggregates of national accounts, in accordance with the results of the revision, were submitted to Eurostat for the complete time series starting from 2006. The number of variables submitted with the "free for publication" label has increased significantly, which represent progress compared to previous transmissions and improved the availability of national accounts data in Eurostat databases. The Central Bank, within its competence, has additionally produced and submitted via the eDAMIS portal, ESA tables relating to financial accounts (tables 6 and 7) for the period 2006-2024. The data have been produced for all sectors of the economy, with the emphasis that the general government sector is produced on the basis of mirror statistics. The general government sector data will subsequently be replaced by GFS/EDP statistics produced by the three institutions on the basis of the Agreement on Cooperation in the Field of National Accounts Statistics of the General Government Sector and Related Statistics. Taking into account limited capacities, the main challenges in this area relate to the production of missing time series data from the field of sector accounts and supply and use tables and input-output tables. An additional challenge is the need to conduct an extraordinary revision of national accounts data in order to implement the results from the area of government finance statistics, in order to ensure full compliance with the methodological requirements of ESA 2010 and relevant EU standards.

During 2025, a number of significant improvements were implemented in the field of information security, with the aim of strengthening data protection and the security of the digital environment. Key activities included system modernization, the introduction of advanced security solutions and strengthening access controls. The information system for data collection and processing was also

⁹ The 2024 and 2025 reports note some progress
¹⁰ EC reports for 2024 and 2025.

upgraded, which now operates according to the latest standards and enables more reliable, faster and safer work, using several modern methods of electronic data collection. Independent security testing of online services was conducted to confirm that they are resistant to the most common forms of digital threats. Continuous, 24-hour monitoring of the computer network was established through the Security Operations Centre (SOC) service. In addition, a new antivirus solution originating from a NATO member country was purchased, in accordance with recommendations. The latest versions of the antivirus system were installed, security policies were configured in accordance with best practices, a new generation of protective network devices was installed, as well as improved mechanisms for managing Internet traffic, which further strengthens network and communication security. These improvements have significantly increased the level of protection, reliability and resilience of the information system.

The process of digitization and digital transformation of statistical production, while simultaneously improving the information technology system, is directly linked to the implementation of the IPA III project "Digital transformation of the IT system of the Statistical Office of Montenegro (MONSTAT). Within the framework of the aforementioned project, a set of activities has been defined, the implementation of which will ensure a comprehensive digital transformation of statistical production, as well as the improvement of the existing IT system. The European Commission and the Government of Montenegro signed the Financing Agreement within the IPA National Programme for 2024 on 28 December 2024, which created formal preconditions for launching the tender procedure. During 2025, the tender procedure was not completed nor were the conditions for signing the contract created, due to an additional request from the EU Delegation for the implementation of a feasibility study. The completion of the study, as well as the continuation of the tender procedure, are expected during 2026. Considering that the deadline for the implementation of the project is planned for a period of two years, the implementation of activities aimed at achieving the digital transformation of statistical production can be expected during 2028.

In the context of further improving the capacity for the production of government finance statistics in accordance with the ESA 2010 methodology and the Government Finance Statistics Manual (GFSM) while establishing and improving data collection procedures, the Cooperation Agreement signed on 31.10.2025 was finalized, thus creating the conditions for the implementation of the activities defined in the Agreement, including the establishment of the Committee for the Management of the Implementation of the ESA Methodology in the Field of Government Finance Statistics and the EDP Procedure. In accordance with the Cooperation Agreement in the Field of General Government National Accounts Statistics and Related Statistics, the Central Bank hired new employees to respond to the new tasks arising from the Agreement.

In 2025, the production of GFS, or general government sector accounts, was established through cooperation between the institutions that are signatories to the Agreement on Cooperation in the Field of Statistics of the General Government Sector National Accounts and Related Statistics (Monstat, MF and CBCG). A time series of data from 2013-2024 was produced and sent to Eurostat, annually and quarterly, in accordance with the ESA 2010 transmission program. Within the framework of the IPA 2022 project, four missions have been held so far with an expert aiding in the development of a model intended for further improvement, expansion of coverage and establishment of a system of regular production of the aforementioned statistics. The project working group, composed of representatives of all three institutions, continuously cooperates to ensure the appropriate quality of the activities performed and the transparency of the applied methodology. The

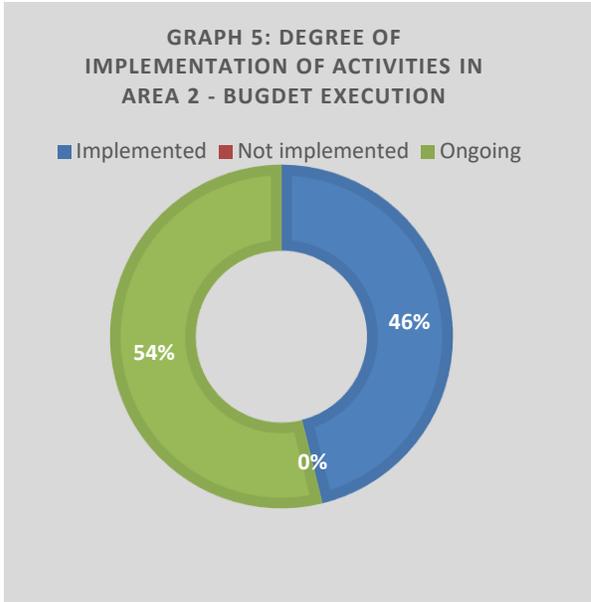
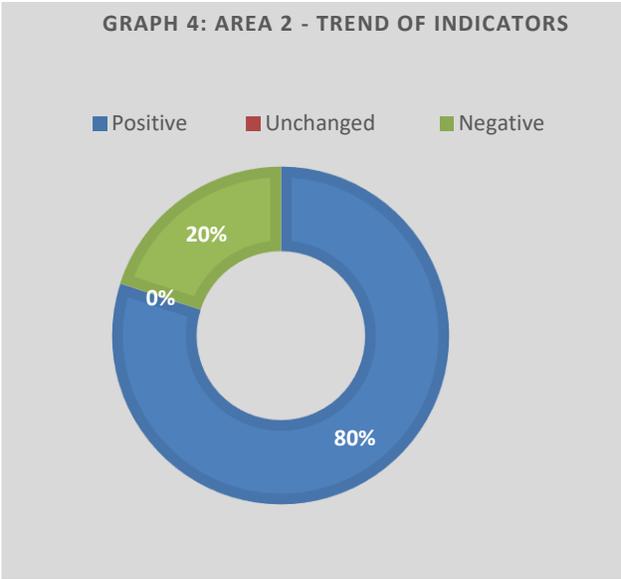
challenges in this area are the lack of long-term expert assistance and the production of a historical time series from 2006-2012.

During 2025, the production of EDP statistics was established through cooperation between the institutions that are signatories to the Agreement on Cooperation in the Field of Statistics of the National Accounts of the General Government Sector and Related Statistics (Monstat, MF and CBCG). A time series of data from 2021-2024 was produced and submitted to Eurostat. Within the framework of the IPA 2022 project, four missions have been held so far with an expert providing expert assistance in the development of models intended for further improvement, expansion of coverage and establishment of a system of regular production of the aforementioned statistics, as well as reporting to Eurostat. The challenges are the lack of long-term expert assistance and the production of a historical time series from 2006-2012.

2.2. BUDGET EXECUTION

The budget execution area is focused on improving tax administration and revenue collection, as well as on more efficient and effective expenditure allocation through strengthening the system of state aid control, public procurement and public sector payroll accounting, in line with EU standards and best international practices, with the aim of ensuring fiscal sustainability. Towards the achievement of operational objectives in the area of "Budget Execution", a positive trend is evident in the set performance indicators. Performance monitoring in Area 2 is carried out through 10 key indicators, the trend of which is shown in Figure 4. Figure 5 shows the level of implementation of 28 activities within Area 2 in the function of achieving operational objectives.

The positive trend indicates that 80% of the performance indicators recorded an improvement compared to the previous reporting year. In this context, the values of most of the performance indicators are moving towards the target values set for 2026, as the year of completion of the Programme implementation. The improvement of the indicators was significantly influenced by the progress in work on certain negotiation chapters of the Stabilisation and Association Process with the EU, especially in chapters 16 – Taxation and 29 – Customs Union. At the same time, 20% of the performance indicators recorded a negative trend. This decline is primarily the result of the increase in tax debt, which is one of the monitored indicators, as well as the decrease in the share of transparent procedures in the total number of public procurement procedures carried out. As for activities, 54% of the planned activities were completed in accordance with the planned dynamics, and 46% are ongoing.



Review of achieved performance/successes by operational objectives in Area 1

OO 2.1 - Improving efficiency in revenue collection

- Good progress made in negotiating chapters 16 and 29.
- Digital transformation of the Tax Administration implemented through the implementation of Integrated Revenue Management System (IRMS) to strengthen the tax base and improve services to taxpayers.
- Reduced administrative barriers for the economy through the upgrade of the information system

OO 2.2 - Improving the public procurement system

- Improved public procurement system by increasing the average number of bidders
- Increased effectiveness of the appeals procedure in the public procurement process, by reducing the number of decisions on appeals received in a given year

OO 2.3 - Alignment of the legislative framework and administrative capacities in the field of state aid with the EU acquis

- significant progress in aligning the legislative framework in the field of state aid with the acquis communautaire under Chapter 8

OO 2.4 - Implementation of the Centralized Wage Calculation System (COZ) in all entities whose employees' salaries are financed from the Budget of Montenegro

- The percentage of institutions that calculate their salaries in the COZ system has increased to 92%.

Challenges in achieving performance against operational objectives in Area 2

OO 2.1 - Improving efficiency in revenue collection

- Insufficiently developed legal framework for the use of eID as a unique tax identifier for individuals, which makes it difficult to uniquely identify taxpayers and fully interoperability of information systems.

- Technical and operational limitations in data exchange, including the use of unique identification number (JMB) in payment and banking systems, unavailability of international test environments and non-functionality of key common systems (CCN/CSI, GSB).

- Challenges in implementing new information systems, especially in the stabilization phase of IRMS

- Lack of clearly defined security policies and procedures, especially in the area of information security management and international cooperation in taxation.

- Limited human and institutional capacities, including delays in hiring, the need for work reorganization, insufficient training of users and the expected retirement of employees.

- Challenges in planning and implementing educational activities, due to frequent changes in regulations and changing socio-economic circumstances.

- Delays in the implementation of analytical and regulatory activities, such as administrative burden measurement studies and the adoption of secondary legislation.

OO 2.2 - Improving the public procurement system

- Insufficient strengthening of administrative capacities

OO 2.3 - Alignment of the legislative framework and administrative capacities in the field of state aid with the EU acquis

- Adjusting the dynamics of adopting bylaws, especially in the part concerning amendments to the Law on Protection of Competition.

- Harmonization of state aid registers with the new legislative framework and the need for additional capacity strengthening of state aid providers for the proper and timely implementation of new obligations.

OO 2.4 - Implementation of the Centralized Wage Calculation System (COZ) in all entities whose employees' salaries are financed from the Budget of Montenegro

- Inaccessibility of the COZ system to users who are outside the gov.me domain, due to the protection measures implemented by the Ministry of Public Administration.

2.2.1 Improving efficiency in revenue collection

OPERATIONAL OBJECTIVE 2.1		Improving efficiency in revenue collection			
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
Degree of alignment of legislation with the EU acquis in Chapter 16 - Taxation	MF Tax Administration	Chapter 16 opened	Good progress achieved and membership readiness between moderate and good ¹¹		Full legislative alignment according to the EC 2026 Report for Chapter 16
Degree of harmonisation of legislation with the EU acquis in Chapter 29 - Customs Union	MF Customs Administration	Chapter 29 opened	Good progress achieved and moderate readiness for membership ¹²		Full legislative alignment according to the EC 2026 Report for Chapter 29
The level of implementation of information systems in the field of taxation and preparations for integration into the EIS	Tax Administration	Information systems are not implemented and prepared for integration	IRMS implemented ¹³ Implemented test environment with AEOI modules (FATCA, EU-DAC2 and OECD-CRS)		Full integration and implementation of the information system
The level of development and application of information systems in the area of customs	Customs Administration	New CIS implemented and upgrade started (2023)	Upgraded customs information system ¹⁴		Developed, fully integrated and implemented information systems
Annual tax debt reduction (in %)	Tax Administration MF	Total tax debt reduced by at least 2% ¹⁵	Growth 13,81%		Total tax debt reduced by at least 10%

¹¹ In 2024, the report notes moderate readiness and limited progress. The EC report for 2025 notes good progress and achieved readiness for membership between moderate and good.

¹² In 2024, the Report notes some progress. The EC Report for 2025 notes good progress and moderate readiness for membership

¹³ Implemented as of December 31, 2025 and put into production on January 12, 2026.

¹⁴ In the development of the AES/ICS2 and EMCS IT systems, the evaluation of received bids is underway.

¹⁵ Data from 2023.

When it comes to harmonizing the legal framework with European regulations in Chapter 16, 2 laws were adopted in 2025:

- Law on Amendments to the Law on Excise Duties, published in the "Official Gazette of Montenegro" No. 160/25.
- Law on Amendments to the Law on Tax Administration, published in the "Official Gazette of Montenegro" No. 160/25.

In 2025, a total of 8 legislative acts harmonized with EU legislation in Chapter 29 were adopted:

- The Law on Ratification of the Convention on a Common Transit Procedure was published in the "Official Gazette of Montenegro" - International Treaties No. 10/25.
- The Law on Ratification of the Convention on the Simplification of Formalities in Trade in Goods was published in the "Official Gazette of Montenegro" - International Treaties No. 9/25.
- Law on the ratification of Amendment 23, Amendment 24, Amendment 25, Amendment 26, Amendment 27, Amendment 28, Amendment 28 bis, Amendment 29, Amendment 30, Amendment 31, Amendment 32, Amendment 33, Amendment 34, Amendment 35, Amendment 36, Amendment 37, Amendment 38 and Amendment 39 of the Customs Convention on the International Transport of Goods under Cover of MDP Documents (TIR Carnets) (TIR Convention, 1975) - "Official Gazette of Montenegro - International Agreements", No. 8/2025.
- Law on Amendments to the Customs Law – " Official Gazette of Montenegro No. 160/25.
- Law on Amendments to the Law on Customs Service – " Official Gazette of Montenegro No. 160/25
- Regulation on the conditions and procedure for exercising the right to exemption from import duties ("Official Gazette of Montenegro", No. 31/25) –
- Regulation on the detailed manner of destruction of goods, sale of goods and transfer of goods to the state ("Official Gazette of Montenegro", No. 162/25) -
- Regulation on amendments to the Regulation on the detailed manner of implementation of customs procedures and customs formalities ("Official Gazette of Montenegro", No. 104/25).

Within the framework of the Tax Administration Reform Project (RARP), the Integrated Revenue Management System (IRMS) was implemented, which also includes the creation of a modern portal for taxpayers on which a range of electronic services is available. In this way, digital transformation of services to taxpayers is carried out, and the need for submitting documentation in paper format and visiting tax authority counters is reduced to a minimum. By introducing the new portal, taxpayers can electronically perform the following:

- registration of business entities or taxpayers for all forms of tax registration,
- registration/deregistration of persons for mandatory social insurance,
- submission of tax returns and other documents arising in the tax procedure in accordance with positive legal regulations,
- changing registration data recorded in the Tax Administration system,
- insight into taxpayer analytical cards,

- submission of requests for the issuance of files held by the Tax Administration, etc.

In addition to the above, within the Revenue Administration Reform Project (RARP) project, it is planned to implement a modern software centre for communication with taxpayers via a call centre, which will modernize the telephone centre for taxpayer support.

The challenges in this area relate primarily to the lack of a legal framework that defines eID as a unique identifier of natural persons, regardless of the fact that this data is found as a personal identifier on the certificate placed on the new ID card and is matched with the JMB in the Central Population Register. This is important for the reasons of adequate identification of natural persons who are recognized as taxpayers by positive legal regulations, as well as enabling matching of data with registers under the jurisdiction of other state administration bodies, local self-government and other persons with a legal interest in accessing data of natural persons as taxpayers, i.e. interoperability of the IRMS system. The Tax Administration has defined as a temporary solution, until the final resolution of this challenge, that all internal services use the JMB as search or matching data, and that publicly published services and the reporting system use the PIB generated in the IRMS for natural persons as taxpayers.

When it comes to the development of software modules for the exchange of information for the purpose of providing international administrative assistance, in the reporting period the Tax Administration implemented a test environment on which the AEOI software was deployed, with modules for the needs of domestic reporting by financial institutions and international cooperation in the field of taxation, in the part related to the registration of financial institutions, integration with the IRMS system registries, the Central Population Register (under the jurisdiction of the Ministry of Internal Affairs of Montenegro), the Register of Credit Institutions (under the jurisdiction of the Central Bank of Montenegro), and the Registers of Qualified Trust Service Providers registered in Montenegro. The testing of the registration process of financial institutions, as well as the process of submitting FATCA and CRS reports, was successfully completed. In December 2025, the Tax Administration engaged expert consultants to write policies and procedures related to the management of information security systems and information, which is a prerequisite for obtaining a positive assessment by the OECD in terms of compliance with the legal framework and international standards for the exchange of information. Challenges in this area relate to the unavailability of the IDES (USA) and CTS (OECD) test environments, as well as integration into the CCN/CSI common communication network through which information is exchanged at the level of EU member states. Another challenge is the current lack of clearly defined policies and procedures for managing the security of information systems and information security, or managing the business processes of international cooperation in the field of taxation.

By launching the IRMS into production, the Tax Administration has created the prerequisites for the implementation of the VAT information exchange system and adequate integration with VIES. A new VAT number has been introduced that allows for uniqueness and is formatted in accordance with international standards, which is a prerequisite for adequate exchange of information from the VAT register with the registers of the VIES system. The procedure for hiring a professional consultant to monitor the process of implementing integration with VIES has been initiated. After hiring a professional consultant, the Tax Administration will be able to adequately define the Activity Plan and possible challenges.

With the implementation and launch of the New Computerised Transit System (NCTS) at the international level (phase 5 and phase 6 opt out), a key activity has been implemented under Chapter 29, and in relation to the benchmark relating to IT systems, i.e. Montenegro has become part of the Common European Transit Area as of 1 November 2025. This is of great importance for the economy, as the system enables a significantly faster flow of goods, reduces administrative costs and provides much greater predictability of deliveries. The implementation and launch of the NCTS phase 6 opt in is expected in 2026, which represents a great simplification for businesses, as it allows the submission of a combined declaration, i.e. both transit and entry summary declarations at the same time.

On November 29, 2025, tender procedures were launched for the implementation of the projects: "Upgrade/Development of the Customs Information System to a fully functional EU Automated Export System (AES) and Import Control System (ICS2)", as well as for the project "Upgrade of the National Excise Application to a fully functional Excise Movement Monitoring and Control System" (EMCS)" (to be implemented from the EU IPA 2024 pre-accession support funds). The commissions for opening of the submitted tender offers began their work in December 2025, and the signing of the contract and the start of project implementation are expected in 2026.

During 2025, the Customs Administration continued to implement its activities to fulfil the obligations under the Trade Facilitation Program Action Plan, and general provisions on tariff classification, binding information on tariff classification, binding information on the origin of goods, implementation of customs procedures for cross-border movement of goods, customs transit procedure (NCTS), simplified procedures, authorized economic operators (AEO), customs value, rules of origin, protection of intellectual property, restrictive measures, prohibitions and restrictions, security and collection of customs debt were published on the UC website and the eCarina, TARICG, NCTS, AEO, INFO PORTAL portals. The Customs Administration continuously approves simplifications for economic operators regarding the approval of AEO status, simplifications based on invoices, recording in the declarant's business books, centralized customs clearance and self-assessment (a total of 50 approvals), as well as binding classification information (16) and binding origin information (10). During 2025, four economic operators received the status of Authorized Economic Operator (AEO) and 15 simplified procedures were approved. The challenge is the fact that the Customs Administration did not implement the Study on Measuring the Average Time of Release of Goods in 2025, which will provide a real insight into how the reduction of administrative barriers is implemented in practice. It is planned to implement this measure during 2026, which will comply with the dynamics envisaged by the Action Plan for PFM 2022-2026.

The Customs Administration continuously implements activities and measures aimed at uniform treatment, by organizing trainings for the economy, as well as providing instructions and explanations that are published on the portals <https://ecarina.me/> and <https://www.gov.me/upravacarina>. During 2025, the Customs Administration published 13 notifications on the portals <https://ecarina.me/> and <https://www.gov.me/upravacarina>. When it comes to the segment of education for the economy, a total of 7 trainings were carried out in the reporting period, with the support of the following projects: NCTS, CDS - Customs Decision System and Upgrading of CIS in the part of achieving paperless operations. When it comes to the distribution of information and education on the same basis, and for the purpose of uniform treatment for customs officers, a total of 9 trainings were carried out.

During 2025, the Tax Administration organized and implemented a large number of activities aimed

at educating taxpayers, strengthening the principles of transparency and openness, and improving the proactivity of the tax authority, with the aim of encouraging voluntary tax discipline.

In this regard, the following activities were carried out in the reporting period:

- Considering that a large number of amendments to tax regulations¹⁶ began to be implemented as of January 1, 2025, Tax Administration officials participated as lecturers at a seminar organized by the Institute of Certified Public Accountants of Montenegro (ISRCCG), which was attended by over 200 accountants, and during which the novelties in tax regulations were presented in detail. Also, four webinars organized by the Institute were held, at which the novelties in tax regulations were presented, as well as practical examples of the tax treatment of individual business situations encountered by taxpayers (so-called Tax Practice). A seminar organized by the Centre for Labour and Business Law was also held, at which Tax Administration officials as lecturers presented the amendments to the aforementioned tax regulations. Also, the Tax Administration published detailed information and notifications related to the deadlines for submitting tax returns on its website, as well as the publication of answers to the most frequently asked questions. Regional units are continuously provided with information on amendments to tax regulations.

- Tax Administration officials participated in the Symposium, Congress and New Year's Conference, organized by the Institute of Certified Public Accountants of Montenegro. on a panel dedicated to the analysis of tax legislation in the context of accelerated economic growth that requires technological transformation.

- In preparation for the summer tourist season, the Tax Administration published an Information Guide for Persons Starting Their Activities, as well as a Tax Calendar, with an overview of clearly defined obligations and deadlines for settling tax obligations.

- In the reporting period, activities were implemented within the new season of the project "Education of Primary and Secondary School Students on Taxes and the Tax System of Montenegro", and meetings were organized with final year students in several Montenegrin cities. Also, a lecture was held for students of the Faculty of Economics on the topic of the tax system in Montenegro, and a student internship was organized for students of postgraduate studies at the Faculty of Law.

- It is important to point out that during the third quarter of 2025, intensive work began on the implementation of the module for taxpayer services within the framework of the RARP project, and the project team worked on the development of innovative functionalities of the Tax Administration website, as well as on the introduction of a modernized switchboard in the Call Centre, while in the fourth quarter of 2025, the Department worked on the preparation of educational activities aimed at promoting and preparing taxpayers for the transition to the new IRMS information system and portal developed within the project.

The Tax Administration organizes educational activities depending on the current needs, recognized both internally and by the taxpayers themselves. Changes in tax regulations and other socio-economic circumstances that occur during the financial year, which affect the level of voluntary tax discipline, pose a challenge and make it difficult to specifically plan educational activities, so they are implemented in close coordination with professional associations depending on each recognized

¹⁶ Law on Personal Income Tax, Law on Contributions for Mandatory Social Insurance, Law on Pension and Disability Insurance and Law on Labor, with by-laws.

need and challenge faced by taxpayers.

When it comes to conducting inspection, procedures based on risk analysis and information received from third parties, the Tax Administration carried out activities in 2025 in the area of selecting subjects for inspection based on risk assessment. The following significantly contributed to the above:

- adoption of the General Inspection Plan for 2025, which is based on the assessment of tax significance and risk assessment of taxpayers;
- electronic fiscalization - based on the analysis of data on taxpayers' reported turnover (data from the Central Portal for Control and Management), targeted inspections of taxpayers are carried out;
- reform in the area of analysing requests for refund/redirection of VAT credits and eliminating unnecessary controls on submitted requests for refund/redirection of VAT credits, i.e. conducting inspection inspections of taxpayers for whom the greatest effect in detecting undeclared taxes is expected.

The General Plan of Inspection Controls for 2025 plans that tax inspectors of the Sector for Inspection Operations - Inspection Control Department - Inspection Control Group for the Central, Coastal and Northern Regions will carry out 1,398 full and 6,432 partial controls in the reporting period. In the indicated period, tax inspectors carried out 510 full controls, which represents 36.48% of the planned number of controls, and 4,348 partial controls, which represents 67.59% of the planned number of partial controls. Of the total number of full controls carried out (510), 110 controls or 21.56% relate to controls based on initiatives submitted by the competent authorities (Police Directorate, special state prosecution - SDT), while the remaining controls carried out (400 or 78.44%) were carried out based on risk assessments. Corrections based on the above controls amount to €14,131,672.88. In the inspection supervision procedure (inspection supervision groups for the Central, Coastal and Northern regions), in the period January - December 2025, corrections were determined by tax forms in the total amount of €38,150,717.72. The financial effects based on the determined corrections amount to €29,775,032.11, of which €7,138,182.18 was collected in the inspection supervision procedure, while corrections related to loss reduction were determined in the amount of €5,848,114.79. For irregularities determined in the inspection supervision procedure, tax inspectors issued 868 misdemeanour orders in the amount of €3,110,527.90 and submitted 172 requests to initiate misdemeanour proceedings.

In the reporting period, 3,839 partial controls were carried out to combat the grey economy. Based on the identified irregularities, 868 misdemeanour orders were issued with a total of fines of €3,110,527.90.

The Group for Risk Analysis, Selection of Cases for Inspection and Reporting received 1,476 requests for refund/redirection of VAT credits in 2025 in the amount of €93,726,712.62. Inspectors analysed 1,472 requests and based on them it was decided that 866 requests would be subject to inspection supervision (in the amount of €60,087,910.97) would be subject to inspection supervision, and that 606 requests with a low level of risk (in the amount of €36,472,369.79) would be forwarded to the competent regional units, which would decide on the requests in question without prior inspection supervision. In the reporting period, tax inspectors of the inspection supervision groups for the Central, Coastal and Northern regions, based on submitted requests for refund/redirection of VAT credits, carried out 309 controls (292 - complete and 17 partial controls). The share of completed full

controls on requests for refund/redirection of VAT credits (292) in the total number of completed full controls (510) is 57.25%. Based on the above controls, the inspection procedure established a correction of VAT credits in the total amount of €7,042,625.45, while the validity of VAT credits was determined in the amount of €42,593,598.56. The share of unfounded VAT credits in the total requested VAT credits (€49,636,224.01) is - 14.18%.

Furthermore, in the Sector for Large Taxpayers - Department for Inspection Supervision of the Tax Inspectorate, in the reporting period, tax inspectors carried out 53 controls, namely 30 controls based on risk assessment (57%). In the reporting period, tax inspectors of the Department for Inspection Supervision of the Tax Inspectorate determined corrections by tax forms in the total amount of €33,247,892.00. The financial effects based on the determined corrections amount to €32,185,401.00, of which €1,314,160.00 was collected in the inspection supervision procedure, while corrections related to loss reduction were determined in the amount of €29,202,711.00.

Also, in the reporting period, tax inspectors of the Sector for Large Taxpayers - Department for Inspection Supervision, based on submitted requests for refund/redirection of VAT credits, carried out 25 controls (24 - full and 1 partial control). All controls on requests for refund/redirection of VAT credits were carried out based on risk assessment. The share of completed full controls on requests for refund/redirection of VAT credits (24) in the total number of completed full controls (33) is 73%, while the share of partial controls on this basis in the total number of completed partial controls (20) is 5%. Based on the above controls, in the inspection supervision procedure, a correction of VAT credits in the total amount of €804,349.33 was determined, while the validity of VAT credits was determined in the amount of €20,737,892.51.

According to the above results of the work of the tax inspection, it can be concluded that the introduction of risk analysis when selecting subjects for inspection is of exceptional importance both for the effective use of tax inspection resources and for the efficient collection of budget revenues. This is especially because in the period January - December 2025, during the supervision process, corrections were determined for all tax forms in the total amount of €71,398,609.72, of which the net financial effects amounted to €61,960,433.11.

A significant risk in this area is the critical age structure of tax inspectors and vacant positions in accordance with the current Rulebook on Internal Organization and Systematization of the Tax Administration.

In the context of the need to reduce administrative barriers through automation of the communication process with taxpayers, the implementation of the RARP project includes the procurement of an integrated information system IRMS, which also includes the development of a modern portal for taxpayers where a range of electronic services are available. In this way, digital transformation of services to taxpayers is carried out, and the need for delivery of documentation in paper format and visits to tax authority counters is reduced to a minimum.

By introducing the new portal, taxpayers can electronically perform:

- registration of business entities, as well as all forms of tax registration,
- registration/deregistration of persons for mandatory social insurance,
- submission of tax returns and other legally prescribed documents (financial statements, etc.),
- changing registration data recorded in the Tax Administration system,
- insight into taxpayer analytical cards,

- submission of requests for the issuance of files held by the Tax Administration, etc.

The project also plans to implement a modern software centre for communication with taxpayers via a call centre, which will modernize the telephone centre for taxpayer support.

The new IRMS information system with a portal for taxpayers, developed through the RARP project, was put into production on January 12, 2026, in accordance with the innovative project implementation plan. In the first phase of production, due to the stabilization of the information system, technical challenges related to the operation of individual functionalities on the portal are expected, which will be resolved by the contractor in order to ensure full functionality of the system.

In the previous year, activities aimed at improving the HRM policy in the Tax Administration and the Customs Administration were implemented.

In accordance with the Personnel Plan for 2024, a total of 17 employees were employed in the Customs Administration in 2025, of which 14 were for an indefinite period, as well as 3 employees for a fixed term of 6 months. The proposal for the Personnel Plan from March 2025, to which the Customs Administration received the consent of the Ministry of Finance on 11.03.2025., was not adopted in that period because, by the Conclusion of the Government of Montenegro, the state administration bodies were obliged to draft a new systematization act after the amendments to the Law on Civil Servants and State Employees entered into force, and then submit drafts of the Personnel Plan. The Government of Montenegro adopted the new Rulebook on the internal organization and systematization of jobs of the Customs Administration on 09.10.2025., and by the Conclusion of the Government of Montenegro of 04.12.2025. The Customs Administration's Personnel Plan for 2025 was adopted. In accordance with the Personnel Plan, the Customs Administration initiated a procedure to fill positions for a total of 33 employees, of which the Human Resources Administration published advertisements for 31 employees, which are ongoing.

The Tax Administration has implemented the 2024 Personnel Plan - 36 employees have started working in the Tax Administration. After the adoption of the Tax Administration Personnel Plan for 2025, the advertising procedures for filling 60 positions and 10 interns have begun.

The Rulebook on Amendments to the Rulebook on Internal Organization and Systematization of the Tax Administration has been prepared, which was adopted at the session of the Government of Montenegro held on 06.03.2025. The amendments to the Rulebook established the Sector for Determining and Collecting Unreported Income of Natural Persons, so that the Tax Administration, in accordance with the competencies prescribed by the Regulation on the Organization and Method of Operation of the State Administration, which relate to the determination of tax liabilities, as well as amendments to the Law on Personal Income Tax, could perform the tasks of determining and collecting and managing the debt of unreported income of natural persons. The reasons for establishing the Sector are to improve the efficiency of the tax system and prevent abuses resulting in the possession of property that cannot be justified by the legal income of a natural person, or the need to prevent abuses in cases where the value of the property of a natural person is not justified by its source or originates from an "invisible" source. Activities to fill vacancies in the Sector are underway. The Rulebook on Amendments to the Rulebook on Internal Organization and Systematization of the Tax Administration has been prepared, which was adopted at the session of the Government of Montenegro held on 09.10.2025. The amendments to the Rulebook have been harmonized with the Law on Amendments to the Law on Civil Servants and Employees.

The Tax Administration Training Plan for 2025 was implemented. During the year, 132 trainings were implemented in Montenegro (internal and trainings in cooperation with other authorities and institutions), as well as 33 trainings abroad.

Within the framework of the Tax Administration Reform Project (RARP), activities were implemented to develop a human resources module in the new information system, which provides for modernized management and monitoring of data related to the area of human resources and automation of most business processes.

The challenges for strengthening personnel management relate to amendments to the Law on Civil Servants and State Employees and the harmonization of the systematization acts in accordance with the adopted Law; the procedure and dynamics of the implementation of advertisements largely depend on the Human Resources Administration; the new organization of the Tax Administration due to the implementation of the new information system, as well as the willingness of employees to accept changes. Another challenge is filling vacant positions in accordance with the needs of more efficient performance of business processes in the coming period, because, due to the shift in the retirement age (from 67 to 66 years), the employment of 23 employees in the Tax Administration will end in 2026.

2.2.2 Improving the public procurement system

OPERATIONAL OBJECTIVE 2.2		Improving the public procurement system			
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
Average number of bidders in the procurement process	MF	2.82	2.9		3.00
Share of transparent procedures in the total number of public procurement procedures conducted	MF	89% ¹⁷	88%		95
Percentage of decisions made on appeals received in a given year	Commission for the Protection of Rights in Public Procurement Procedures	93%	94,45%		95%

With the assistance of SIGMA/OECD, a new Program and method of professional training and development in the field of public procurement were adopted in July 2025. The program has been improved, with a focus on specialist training and support for continuous improvement, although its full implementation and evaluation still represent a challenge. The new Strategy for Improving Public

¹⁷ Data from 2023 after program update

Procurement Policy and PPP in Montenegro for the period 2026-2030, as well as the accompanying Action Plan for 2026-2027, envisage the development and adoption of a new Program of Professional Training and Development, which will include: basic training, specialist training, a recertification system and training of trainers. This activity from the AP Strategy is planned to start in the first and end in the second quarter of 2026. Challenges: Provision of technical assistance.

Activities related to the adoption of secondary legislation and technical literature for the efficient implementation of the electronic public procurement system were implemented. During 2025, the following were adopted: Instructions for the technical completion of the Declaration of the Economic Operator, both for contracting authorities and bidders; Instructions for creating Form 2 for simple procurements for contracting authorities; Instructions for reporting agreements; Instructions for reporting conflicts of interest; Instructions for bidders for submitting requests for monitoring simple procurements.

When it comes to the implementation of the Rulebook on the method of implementing simple procurements in order to strengthen control over this type of procurement, the Ministry of Finance is monitoring simple public procurement procedures, i.e. the control mechanism, introduced in 2024, for procurements below the thresholds. From 1 January to 15 December 2025, a total of 223 requests for monitoring simple procurements were submitted to the Directorate for Public Investment Management and Public Procurement Policy, of which 103 requests were submitted in the period July-December 2025. The Ministry, within its competence, monitors the public procurement system through annual and semi-annual reporting, and the reports contain relevant statistics regarding the implementation of the Rulebook on the method of implementing simple procurements, both in the monitoring of simple procurements and for the limitation on the use of direct procurements (values up to 8,000 euros) which amounts to a maximum of 100,000 euros for contracting authorities whose Public Procurement Plan amounts to up to 1,000,000 euros, or 300,000 euros for contracting authorities whose Public Procurement Plan amounts to over 1,000,000 euros.

The number of registered economic entities in the electronic public procurement system is constantly increasing. Compared to the end of December 2024, when the system had a total of 13,306 users, with a total of 6,474 registered bidders, of which 4,543 were active, at the end of December 2025, a total of 7,720 were registered, while 5,248 bidders were actively registered.

On the topic of using the electronic public procurement system, and in particular the electronic Declaration of the economic operator, two one-day training sessions were held for 180 users each, and a training session was held at the Chamber of Commerce of Montenegro, attended by around 100 representatives of economic entities and contracting authorities. In addition, two training sessions were also organized for contracting authorities and economic entities on specific professional topics related to public procurement, which were attended by more than 300 participants. The challenge is the lack of a computer room so that users could be trained directly and through practical work in the use of CEJN (Montenegrin electronic public procurement).

Although the prerequisites have been created, the connection of the e-procurement system with the criminal records of the Ministry of Justice is not yet operational due to delays in the launch of the Government Service Bus. The finalization of the activities is expected in the second quarter of 2026.

In order to improve the monitoring system by developing analytical reports, CEJN is constantly improving with new analytical reports, there are currently 30 of them, while, depending on the identified needs, new ones are constantly being introduced.

In order to strengthen the human resources capacity, the Commission for the Protection of Rights in Public Procurement Procedures has filled four civil servant positions and a Secretary of the Commission has been appointed. Challenges: In 2026, it is planned to fill at least 5 systematized positions, for which funds have been provided in the Budget of Montenegro for 2026. The implementation depends on the approval of the Ministry of Finance to the Commission's Human Resources Plan.

The Commission's electronic platform for managing complaints in public procurement procedures was developed and implemented at the end of December 2025. The platform is linked to the electronic public procurement system and the website of the Commission for the Protection of Rights, which will lead to improved efficiency and effectiveness of the Commission's work, increased transparency, and ensuring greater consistency in decision-making.

2.2.3 Alignment of the legislative framework and administrative capacities in the field of state aid with the EU acquis

OPERATIONAL OBJECTIVE 2.3		Alignment of the legislative framework and administrative capacities in the field of state aid with the EU acquis			
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
Degree of fulfilment of criteria related to state aid in Chapter 8	MF	Chapter 8 is opened	Some progress achieved and moderate readiness for membership ¹⁸		Full compliance with the criteria relating to state aid Chapter 8

In the reporting period, significant progress was made in aligning the legislative framework in the field of state aid with the acquis communautaire under Chapter 8. In July 2025, a new Law on State Aid Control was adopted, which is fully aligned with the relevant regulations and standards of the European Union. In accordance with the Law, the obligation to adopt nine by-laws was foreseen within one year from the date of entry into force of the Law. By the end of 2025, six by-laws had been adopted, which largely completed the normative framework necessary for its implementation. The remaining two by-laws are planned for adoption in the first quarter of 2026, while one by-law has already received a positive opinion from the Secretariat for Legislation, but its publication depends on the entry into force of amendments to the Law on Protection of Competition, due to their mutual normative connection. The main challenge in the implementation of activities relates to harmonizing the dynamics of adopting by-laws, especially in the part concerning amendments to the Law on Protection of Competition, on which the formal entry into force of one of the prepared by-laws

¹⁸ The report for 2024 notes the lack of progress. 2025 Commission report: some progress made and moderate readiness for membership

depends.

In order to improve administrative capacities through the organization of trainings, in order to strengthen inter-institutional cooperation, 4 trainings were organized in cooperation with the Judicial and Prosecutorial Training Centre (15 judges and prosecutors); 4 trainings with state aid providers (ministries, municipalities, public enterprises); 3 trainings with regional competition authorities; lectures at the Faculty of Economics for students studying state aid and competition; lectures at the Faculty of Political Science for students studying international relations and EU integration; Competition Day at the Faculty of Law; expert articles on the topic of state aid and competition in daily newspapers.

In the reporting period, progress was made in improving the functionality of the state aid register, with the aim of ensuring transparent and comprehensive recording of granted state aid in accordance with the *acquis communautaire*. The new Law on State Aid Control introduced the obligation of state aid providers to enter data on granted state aid into the appropriate registers without delay. In addition, the Rulebook on the detailed method of data entry and access to the registers of granted state aid was adopted, which defines in detail the entry procedures, data content and rights of access to the registers. This created the prerequisites for improving data quality, more efficient monitoring of the granting of state aid and strengthening administrative capacities in this area. The implementation in 2025 can be presented through the regular Annual Report on Granted State Aid, which is adopted at the end of the second quarter of the current year, and which will contain the percentage of data entered in the state aid registers. The challenge is the harmonisation of state aid registers with the new legislative framework and the need for additional strengthening of the capacities of state aid providers for the correct and timely implementation of new obligations.

2.2.4 Implementation of the COZ system in all entities whose employees' salaries are financed from the Budget of Montenegro

OPERATIONAL OBJECTIVE 2.4		Implementation of the COZ system in all entities whose employees' salaries are financed from the Budget of Montenegro			
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
Percentage of institutions that apply Centralized Wage Calculation System (COZ)	MF	Less than 20% of institutions implemented COZ (in a test environment for pilot institutions)	92%		100% of institutions apply COZ

The migration of employees' personal data from the existing to the new COZ system, the implementation of training for employees and the adaptation of the information system to all the specificities of new users continued. In relation to the total planned number of entities (445), the existing number of entities makes up 92% of the total number that are subject to inclusion in the

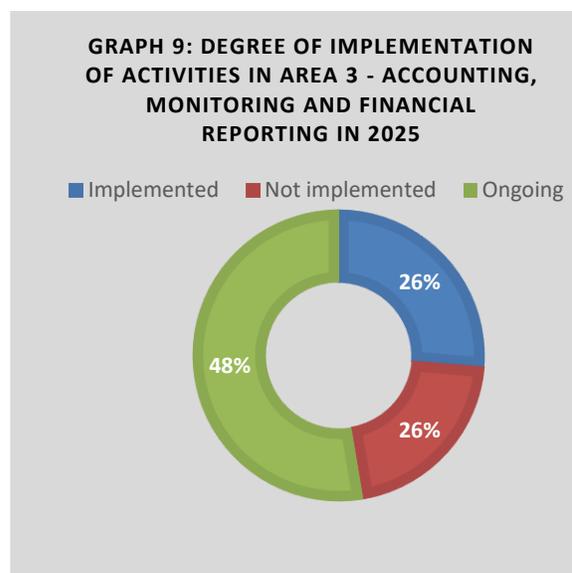
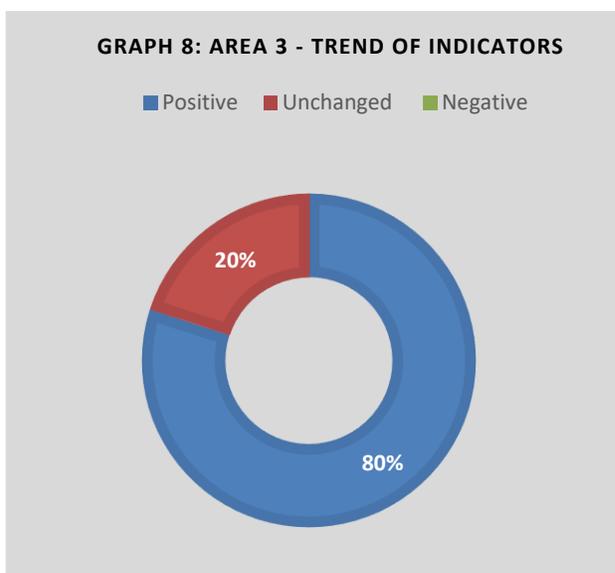
system. If we look at the number of employees for whom wages are calculated through COZ, 63.6% of the total goal was achieved. The previous year represents an extremely significant and successful period in the development of the Centralized Wage Calculation System, considering that the number of entities included in the system increased from 159 to 409, which represents an increase of about 157%, while the number of employees included in the calculation of wages increased from 16,591 to 34,246, i.e. it increased by more than 106%. The challenge is the unavailability of the system to users outside the gov.me domain, due to protection measures implemented by the Ministry of Public Administration.

Existing subjects of the System that have a certain degree of data confidentiality, such as the Ministry of Internal Affairs and certain organizational units of the prosecutor's office and courts, have not expressed a need or request for specific data classification techniques. The implementation of this functionality at this stage is primarily dependent on the needs expressed by the Ministry of Defence, which is subject to inclusion in the system during the first half of 2026.

The module, or rather the functionality for entering and calculating other personal income, is in operational use and the "expansion" to new entities is being implemented in accordance with the dynamics of including new entities, as well as the needs and requirements of the entities themselves. In addition to the 10 entities using the module, the introduction of educational institutions has included 250 new entities that enter allowances, which makes a total of 260 entities using the function of entering and calculating allowances. In relation to the total number of entities in the system at the end of 2025, this represents a share of 63.6%.

2.3. ACCOUNTING, MONITORING AND FINANCIAL REPORTING

This area includes further strengthening transparency, accountability and efficiency in public financial management, through the transition to accrual accounting, improving the management of non-financial state assets and the cadastre, as well as improving reporting on budget execution and the use of EU funds. A positive trend is evident towards achieving operational objectives in the area of "Accounting, Monitoring and Financial Reporting" - 80% of the set performance indicators are progressing, while 20% remained at the level of the previous period. Performance monitoring in Area 3 is carried out through five indicators. The graph below shows the dynamics of indicators and the level of implementation of 23 activities in the function of achieving operational objectives. Performance indicators for most operational objectives are moving towards the target values defined for 2026, as the year of completion of the implementation of the PFM Program. The improvement of results was contributed by the development of by-laws for the implementation of the Law on Accounting in the Public Sector, as well as activities to upgrade the BMIS system. In terms of implementation of activities, 26% of planned activities have been completed in accordance with the planned dynamics, 48% are ongoing and in accordance with the planned deadlines, while 26% of activities have not been implemented. One of the key reasons for the delay is the undefined scope of the public sector, which has slowed down the development of the bylaw on the register of public sector entities.



Review of achieved performance/successes by operational objectives in Area 3

OO 3.1 - Transition to accrual accounting	- The legal framework for the implementation of the Law on Accounting in the Public Sector has been strengthened
OO 3.2 - Improving the management of non-financial state assets and cadastre	- Created prerequisites for the development of an information system for recording non-financial state property - Improved transparency and efficiency by improving the cadastral information system
OO 3.3 - Improving reporting on budget execution	- Increased transparency and clarity of reporting on budget execution within BMIS with the introduction of a gender dimension
OO 3.4 - Management and reporting on the use of EU funds	- Mapped state of existing IT solutions regarding monitoring and evaluation of EU funds

Challenges in achieving performance against operational objectives in Area 3

OO 3.1 - Transition to accrual accounting	- Normative and regulatory challenge: Delay in adopting the bylaw for the implementation of the Law on Accounting in the Public Sector relating to the register of public sector entities, for which the harmonisation of the public sector coverage is pending - Administrative challenges: Delay in implementing the public call and engaging consultants for upgrading the IT system to support accrual accounting. - Insufficient information from spending units/municipalities on the needs for the development of accounting capacities.
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00 3.2 - Improving the management of non-financial state assets and cadastre	<ul style="list-style-type: none"> - Limited administrative and financial capacities of the Real Estate Administration. - Limitations of the Real Estate Administration information infrastructure (hardware, software and data centre).
00 3.3 - Improving reporting on budget execution	<ul style="list-style-type: none"> - Insufficient control of data entry by spending units and the need to improve the graphical interface for visual display in reporting. - Large volume of data and the need for further automation of processing to reduce manual work when preparing final statements/reporting
00 3.4 - Management and reporting on the use of EU funds	<ul style="list-style-type: none"> - Changes to the EU acquis, such as the draft Regulation for the programming period 2028-2034, bring significant innovations, especially in terms of establishing structures and preparing future programs, and its final version conditions further activities of editing and reporting on the use of EU funds.

2.3.1 Transition to accrual accounting

OPERATIONAL OBJECTIVE 3.1		Transition to accrual accounting			
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
The degree of application of accrual accounting in the public sector	MF	Accrual accounting in the public sector is not in use	The basis for the application of accrual accounting in the public sector was created by the publication in the "Official Gazette of Montenegro" of four by-laws 19		Full application of accrual accounting

The following by-laws have been prepared and published in the "Official Gazette of Montenegro" that will be the basis for the implementation of the Law on Accounting in the Public Sector: the Rulebook on the methodology of accounting, recognition and valuation of assets, liabilities, net assets, income, receipts, expenses and disbursements of public sector entities ("Official Gazette of Montenegro, No. 61/24), the Rulebook on the content of business books and auxiliary records of public sector entities ("Official Gazette of Montenegro, No. 35/24) and the Rulebook on the manner, content and deadlines for submitting financial reports in the public sector ("Official Gazette of Montenegro", No. 63/24) and

¹⁹ Preparation of the Analysis of the Status of Local Self-Government Units for the Implementation of the Law and preparation of the Terms of Reference for the Accounting Information System have begun; Data processing for the preparation of the Analysis on the number of accountants who need to be trained and certified in the coming period is in the final phase.

the Rulebook on the manner of conducting training and taking exams for obtaining a certificate of accountant in the public sector ("Official Gazette of Montenegro", No. 20/22). All planned by-laws have been adopted, except for the by-law relating to the register of public sector entities, for which the harmonisation of the scope of the public sector is pending. The challenge for publishing the bylaw on the central and municipal register of public sector entities is harmonizing the coverage of the public sector.

For the purpose of preparing an analysis of the state of local self-government units for the implementation of the Law on Accounting in Public Sector, the Ministry of Finance requested expert support from a UNDP consultant. The analysis is underway and an initial report has been prepared by the consultant. Due to delays in the implementation of the project between the Ministry of Finance and UNDP, the engagement of the consultant for the above needs was also delayed.

For the purpose of preparation of the Terms of Reference for the Accounting Information System in accordance with the new accounting regulations, the Ministry of Finance engaged external consultants and an initial report was prepared at the end of 2025. Given that the consultants were engaged within the framework of a project implemented by UNDP, there was a delay in the implementation of the project, the public call and the engagement of consultants.

The upgrade of the IT system to support accrual accounting will begin when the activity related to the development of the Terms of Reference is implemented. The preparation of the test environment is planned for 2026.

For the purpose of preparing an analysis of the number of accountants that need to be trained and certified in the coming period, the Ministry of Finance has requested data from all local government units and budget users. The processing of the relevant data is in the final phase. The challenge in implementing this activity relates to the fact that certain budget users and local government units have not submitted data on their needs, or the data submitted is unclear for analysis, and in this regard, additional coordination is necessary.

In relation to the certification of accountants in the public sector in accordance with the Regulation on the method of conducting training and taking exams for obtaining a certificate of accountant in the public sector, all planned trainings in 2025 have been implemented. Training is ongoing, which means that trainings have not been completed in full for all accountants in the public sector. In 2025, trainings were implemented for 40 accountants.

2.3.2 Improving the management of non-financial state assets and cadastre

OPERATIONAL OBJECTIVE 3.2		Improving the management of non-financial state assets and cadastre			
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026

Percentage of implementation of IT systems for recording non-financial state assets	Ministry of Spatial Planning, Urbanism and State Property State Property Administration	The IT system for recording non-financial state assets has not been established (0%)	The IT system for recording non-financial state assets has not been established ²⁰		70% implementation of IT systems for recording state property
Degree of improvement of the cadastral information system	Ministry of Spatial Planning, Urbanism and State Property Real Estate Administration	The procedure for improving data quality has not been established; the strategic document for the development of the cadastral information system has not been adopted	Real Estate Administration Information System Development Plan Created DMS Service Improved ²¹		The cadastral information system was improved and at least one new e-service was established

The procurement process for establishing a functional IT solution for state property management has been completed, and a contract is expected to be signed in order to begin developing the new software solution. The challenge will be implementation and system connectivity/cooperation with other institutions.

Given that the new software solution is being developed, the amendments to the Law on State Property and relevant by-laws with a focus on the one-time submission of data on already acquired property have not yet been started.

Once the software is developed, the completion of the property register of all consumer units at the central level will begin with an assessment, based on a unified method, of the state property inventory in the cadastre, as well as training of state property officials in the field of property register management and the establishment of a control function for assessing data quality (the Real Estate Register will be linked to the Real Estate Administration software, which will represent the data quality control function in the Register itself).

The improvement of the cadastral information system directly relies on the development of the Real Estate Administration Information System Development Plan, which was adopted on December 15, 2025. The plan describes and defines the development phases, as well as the methodology and action plan, which created the conditions for concrete improvement. The greatest progress was made in the implementation and improvement of the DMS service (Document management system), which unified all documents of all regional units on the server, grouping them, which enabled easier search and work with data. The use of all services, via coded networks, was enabled for the Ministry of Internal Affairs, the Special State Prosecutor's Office (SDT) and the Police Administration - Financial Intelligence Sector (FIU), which were tested during 2025. On November 10, 2025, the E-payment system was introduced, which enabled electronic payment of administrative fees and fees for Real

²⁰ The tender procedure is over and the contract is to be signed

²¹ Document management system. Open systems for use via encrypted networks. E-payment system introduced. Conditions created for the introduction of the Service for electronic download of real estate lists/ownership lists

Estate Administration services via the eplacanje.gov.me portal. Users using this service are exempt from paying administrative fees. The challenge will be administrative and financial capacity.

The Real Estate Administration has implemented all planned activities related to connecting notaries with the cadastre for submitting electronic documents, and the continuation of the implementation depends on notaries and the activities of the Notary Chamber. Namely, E-services have been enabled through the use of the platform, the Law on State Survey and Real Estate Cadastre has been amended, which defined the use of the E-counter and the submission of documents. Meetings have been organized with the Notary Chamber and the Ministry of Justice (amendment of the legislative framework and procurement of software, which will be aligned with the Administration's software, which would enable the submission of documents and work on the platform). The challenges are the information infrastructure of the Real Estate Administration (hardware, software, data centre) on which work is being done and where the received data is stored.

On December 27, 2025, the Parliament of Montenegro adopted the Law on Amendments to the Law on State Survey and Real Estate Cadastre, which enabled the introduction of the E-counter institute.

For all interested institutions that, in accordance with the regulations, have expressed the need to download documentation/data from the jurisdiction of the Real Estate Administration, in accordance with the regulations, this service is in use. These are the Ministry of Internal Affairs, the Special State Prosecutor's Office and the FIU, which use all e-services of the Administration via encrypted networks. The improvement of the DMS service (Document management system) has enabled easier search and work with data. Other institutions that have expressed the need to access data from the E-Cadastre, such as the Ministry of Social Welfare, Family Care and Demography, the Statistical Office - Monstat, the Agency for the Prevention of Corruption, etc., have also been provided with access.

All external or internal users of the e-services have been trained. Training will also be provided for future users, as well as daily explanations and assistance in work.

The development plan for the information system of the Real Estate Administration was completed on December 15, 2025. Further corrections, refinements and corrections are possible in the first half of 2026.

2.3.3 Improvement of reporting on budget execution

OPERATIONAL OBJECTIVE 3.3		Improvement of reporting on budget execution			
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
Increasing transparency and improved visualization of budget statements – Budget for citizens	MF	There is no budget for citizens	BMIS in the process of upgrading ²²		Budget for citizens published on the website of the Ministry of Finance

²² which will enable the preparation of annual and periodic reports/budgets for citizens, including gender indicators

After the BMIS was previously improved in the segment of program budget implementation reports, during 2025 the focus was on preparing technical specifications for further upgrades. Work was done to improve the quality of information entered on objectives and indicators, in order to ensure greater accuracy of budget performance reports. Key challenges include control of data entry by spending units and the need to improve the graphical interface for visual display.

Annual and periodic reports on budget execution in accordance with the program classification are prepared within the Budget Management Information System – BMIS continuously. The Annual Report on the Implementation of the Program Budget for 2024 was prepared through BMIS. The system now also enables the generation of reports that include gender indicators, which directly contributes to transparency and the preparation of the "Budget for Citizens". The main challenge remains the large volume of data and the need for further automation of processing, in order to reduce manual work when preparing final statements.

2.3.4 Management and reporting on the use of EU funds

OPERATIONAL OBJECTIVE 3.4		Management and reporting on the use of EU funds			
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
The level of development of a unified Information System for project management and monitoring – MIS (Management Information System)	MF	The information system has not been established	An analysis of existing IT solutions has been prepared ²³		MIS establishment started

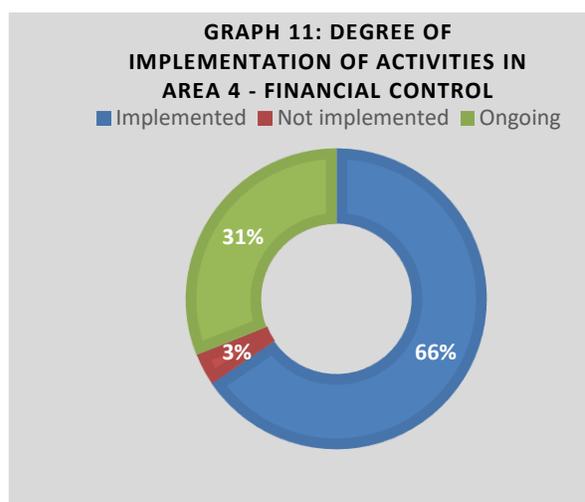
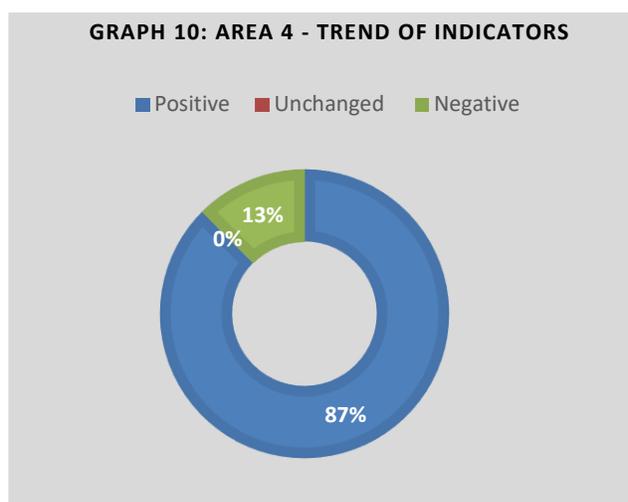
Within the framework of the technical support project "PPF for NIPAC", an analysis of existing IT solutions for the purpose of monitoring and evaluation of EU funds was prepared, with recommendations for further improvement ("Report on currently available IT solutions for the purpose of monitoring and evaluation of EU assistance (including planned development) and recommendations for further development"), which represents the starting point for the development of the Technical Specification. In addition, in July 2025, the European Commission published a draft Regulation for the period 2028+ ("COM_2025_552_1 Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for Regional Development and the Cohesion Fund as part of the National and Regional Partnership Plan"), the provisions of which are relevant for further steps, i.e. for the Technical Specification itself. Bearing in mind that the draft Regulation for the 2028-2034 programming period brings significant innovations, especially in terms of establishing structures and preparing future programs, and taking into account that in July 2025 the European Commission published the draft Regulation, which is currently in the process of being harmonized at the level of EU member states, a challenge has been recognized in terms of planned activities until the finalization of the Regulation, since the key prerequisite for the

²³ Regarding monitoring and evaluation of EU funds, with recommendations for further improvement

development of the Technical Specification and the system itself is the final version of the Regulation.

2.4. EFFICIENT FINANCIAL CONTROL

The aim of this area is to establish and improve an efficient system of financial control, internal and external audit, as well as to strengthen mechanisms for preventing and detecting fraud, in order to ensure the lawful, transparent and accountable management of public and EU funds. The most significant achievement in this area is the closure of Chapter 32 - Financial Control, which confirms progress in harmonization with European standards and strengthening the institutional framework. This result was largely achieved thanks to progress within Area 4 of the PFM Program, which in 2025 is characterized by a pronounced positive trend - 87% of the set performance indicators recorded progress. Performance monitoring in Area 4 is implemented through eight indicators, while the graph below shows their dynamic, as well as the degree of implementation of 31 planned activities in the function of achieving the defined operational objectives. The following contributed to the improvement of the system and the achievement of the above results: an increase in the percentage of ministries that delegate authorities in the field of financial management and internal controls; an increase in the share of internal audit recommendations aimed at strengthening the internal control system; a higher percentage of cases of irregularities reported to OLAF; reducing the number of reports of irregularities and suspected fraud returned to implementing agencies for additional verification and correction; and intensifying the supervision of budget inspection.



Review of achieved performance/successes by operational objectives in Area 4	
OO 4.1. - Improving Public Internal Financial Control (PIFC)	<ul style="list-style-type: none"> - Increased level of delegation of authority for financial management and internal controls - Improved internal controls through a higher percentage of internal audit recommendations
OO 4.2. - Strengthening the impact of external audit on the	<ul style="list-style-type: none"> - Increased level of implementation of the strategic framework of external audit - Increased percentage of control over implementation of SAI

management of public and EU funds

recommendations to 69%

OO 4.3 - Increasing the efficiency of the AFCOS system in order to protect the EU's financial interests

- More efficient control of irregularities through a higher number of reports of irregularities to OLAF and a higher number of reports of suspected fraud.

OO 4.5 - Improving transparency and efficiency in the use of public funds through the development of a normative framework and strengthening the capacity of budget inspection

- More efficient and effective inspection supervision through an increased % of regular field activities carried out compared to the plan

Challenges in achieving performance against operational objectives in Area 4

OO 4.1. - Improving Public Internal Financial Control (PIFC)

- Implementing the delegation of authority in accordance with the Government's conclusion, developing the RASCI matrix and establishing monitoring of key performance indicators (KPIs).

OO 4.2. - Strengthening the impact of external audit on the management of public and EU funds

- Lack of a competency framework in implementing the SAI strategy, as well as audit planning
- Insufficient audit capacity to conduct performance audits

OO 4.3 - Increasing the efficiency of the AFCOS system in order to protect the EU's financial interests

- Delay in finalizing and implementing the new legal framework due to the delay in adopting amendments to the Law on Budget and Fiscal Responsibility

OO 4.5 - Improving transparency and efficiency in the use of public funds through the development of a normative framework and strengthening the capacity of budget inspection

- Further strengthening of the budget inspection's human resources capacity

2.4.1 Improving Public Internal Financial Control (PIFC)

OPERATIONAL OBJECTIVE 4.1		Improving Public Internal Financial Control (PIFC)			
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
% of ministries that delegate authority for financial management and internal controls	MF	8,3%	56%		80%

% of internal audit recommendations related to improving internal controls and achieving value for money	MF	28,60%	38,34%		40%
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The Analysis of Managerial Accountability in State Administration was prepared and a roadmap for implementation was developed, and the Information on Managerial Accountability in Public Administration was prepared, which was adopted at the Government session on October 16, 2025. The main challenges relate to the implementation of the conclusions adopted by the Government after the adoption of the Information, which relate to the delegation of authority in accordance with the Law on Management, Internal Control and Internal Audit in the Public Sector, the development of the RASCI matrix, as well as the monitoring of key performance indicators (KPIs).

By the end of 2025, key documents in this area have been adopted: The Law on Management, Internal Control and Internal Audit in the Public Sector, the Rulebook on the detailed manner of management, leadership and implementation of internal control in public sector entities, and the Rulebook on the methodology of internal audit work, the manner and deadlines for storing internal audit documentation in the public sector. Drafts of the Rulebook on annual reporting for management and internal control, as well as for internal audit, have been prepared. The Methodology for self-assessment of internal control and the Rulebook on a special professional development program have also been prepared. The previously mentioned by-laws are more demanding and, along with the adoption of the new law, represent the most significant part of the obligations in the process of amending the new regulatory framework for management and internal control. In the coming period, the following will be adopted:

- Regulation on the establishment of internal audit in the public sector,
- Regulation on the certification program for internal auditors,
- Regulation on the review of the quality of management and internal control in the public sector,
- Regulation on the review of quality for internal audit,
- Regulation on the method of keeping and content of registers for management, internal control and internal audit.

The change in the regulatory framework for management and internal control in the second half of 2025 made it impossible to implement it by the end of the year, and therefore reviewing the quality of management and internal control for 2025 was not meaningful.

When it comes to conducting training for managers and employees on managerial accountability, delegation of authority, internal reporting and other topics in the field of management and internal control, during 2025, within the framework of the Training Program for the acquisition and improvement of knowledge, skills and abilities in the field of management and internal control in the public sector, 11 training sessions were held, attended by 173 employees. The training sessions were held on the topics: Reporting in the public sector, Risk management, Detection and action on notifications of suspicions of irregularities and fraud and Managerial accountability. Also, two conferences were held on the topic: Managerial accountability and delegation of authority, in:

- April 2025, within the project "Support to the Coordination, Monitoring and Reporting of the Public Administration Reform Strategy and the Public Finance Management Program 2022-

- 2026", implemented by the Centre for Excellence in Finance (CEF) from Ljubljana and
- September 2025, within the IPA project EU4PFM.

In 2025, two workshops were held for employees of companies in which the state has a majority ownership stake, within the project "Support to the Coordination, Monitoring and Reporting of the Public Administration Reform Strategy and the Public Finance Management Program 2022-2026", implemented by the Centre for Excellence in Finance (CEF) from Ljubljana, on the topics:

- The Impact of corporate governance on the performance of State-Owned Enterprises and
- Risk management in State-Owned Enterprises.

Continuous strengthening of the capacities of CHU employees to monitor and improve management, internal control and internal audit in the public sector continued. During 2025, CHU employees attended the following trainings/workshops:

- in April 2025, attending a workshop on the topic: Effective Communication Skills,
- in June 2025, attending the two-day CEF/CIPFA Conference "Trust in Public Finance, Perception vs. Practice."
- in June 2025, participating in the organization and attending the joint meetings of the Internal Audit in Practice Working Group and the Challenges Working Group of the Central Harmonization Unit of the Public Expenditure Management - Peer-to-Peer Learning (PEMPAL) Network in Budva, Montenegro,
- in June 2025, a study visit to the Ministry of Finance of Croatia was organized,
- in July 2025, attending a workshop on the topic: Facilitation that makes a difference: Key techniques and approaches (CEF),
- in September 2025, attending a two-day workshop on the topic "Implementation of the Global Internal Audit Standards for Internal Auditors" organized with the support of CEF.
- in September 2025, attendance at the two-day workshop: "Strengthening PIFC as a key condition for the success of the Reform Agenda: The Role of Central Harmonization Units",
- in October 2025, attendance at the joint meetings of the Internal Audit in Practice Working Group and the Central Harmonization Unit Challenges Working Group of the Public Expenditure Management - Peer-to-Peer Learning (PEMPAL) Network in Chisinau, Moldova,
- in December 2025, attendance at the Conference on a Practical Approach to PIFC Implementation organized by the Ministry of Finance of the Netherlands,
- in December 2025, attendance at the Fifth Annual Meeting of the Regional Quality Management Centre (RQMC) organized by RESPA.

The Consolidated Report on Management and Internal Controls in the Public Sector of Montenegro for 2024 was adopted, with an assessment of the situation, as well as recommendations for improvement in the area of management and internal control.

During 2025, the sixth round of the localized Public Sector Internal Auditor Training Program began for 23 candidates and by the end of 2025, the following activities were implemented: a public call for certification of public sector internal auditors was published, a list of candidates who meet the requirements for attending the Public Sector Internal Auditor Training Program was established, the material for implementing the Training Program was updated, and lectures and theoretical knowledge testing were held for all four subjects within the Program.

The Directorate for Central Harmonization and Development of Internal Controls of the Ministry of

Finance, in cooperation with the Human Resources Administration, undertook a significant number of activities during 2025 with the aim of successfully implementing the Program for Continuous Professional Development of Internal Auditors for 2025. Based on the analysis of training needs, priority topics for this Program were determined, target groups for attending training were determined, a training calendar was defined, and a total of 24 workshops for internal auditors at the central and local levels were held during the reporting period on the following topics:

- Application of the new Global Internal Audit Standards with a detailed presentation of Domain III-Corporate Governance of the Internal Audit Function with a focus on performing an external assessment of the quality of internal audit work;
- Performing IT audits, cyber security audits and using Microsoft office packages when performing audit tasks;
- Direct management of the internal audit function in accordance with the Global Internal Audit Standards - Domain IV and Domain V with a focus on achieving better communication between internal auditors and stakeholders;
- Audit of public procurement processes through a detailed presentation of the new Global Internal Audit Standards - Domain V - providing internal audit services with a focus on achieving the performance of public sector entities;
- Providing consulting services with a focus on the reporting phase and monitoring the implementation of internal audit recommendations; and
- Adopting a strategic plan for the development of the internal audit function and preparing an annual plan based on a documented risk assessment.

Each of the above trainings was attended by at least 50 internal auditors deployed in public sector entities in Montenegro.

As part of the Program for Continuous Professional Development of Certified Internal Auditors in the Public Sector, eight workshops were held in 2025 (for four groups of internal auditors) on the topics of "Performing IT audits, cybersecurity audits and using Microsoft office packages when performing audit tasks" and "Implementation of the new Global Internal Audit Standards with a detailed presentation of domain III-Corporate governance of the internal audit function with a focus on performing external quality assessments of internal audit work." During 2026, further strengthening of the capacity of the internal audit function for conducting IT audits and external quality assessments of internal audit work is planned.

In October 2025, a new Rulebook on Internal Audit Methodology, Manner and Deadlines for Management of Internal Audit Documentation in the Public Sector ("Official Gazette of Montenegro", No. 120/2025) was adopted, which prescribes in detail the methodology for the work of internal auditors in the public sector of Montenegro. This methodology has been prepared in accordance with the requirements of the new Global Internal Auditing Standards.

During 2025, as part of the Program for Continuous Professional Development of Certified Internal Auditors in the Public Sector, 12 workshops were held (for four groups of internal auditors) on the topics of "Implementation of the new Global Internal Audit Standards with a detailed presentation of Domain III - Corporate governance of the internal audit function with a focus on conducting an external assessment of the quality of internal audit work", "Direct management of the internal audit function in accordance with the Global Internal Audit Standards - Domain IV and Domain V with a focus on achieving better communication between internal auditors and stakeholders" and "Audit of

public procurement processes through a detailed presentation of the new Global Internal Audit Standards - Domain V - provision of internal audit services with a focus on achieving the performance of public sector entities." In addition, in September 2025, in cooperation with CEF, a two-day workshop was organized on the topic of "Implementation of the Global Internal Audit Standards for Internal Auditors", which was attended by more than 50 internal auditors from the public sector of Montenegro.

2.4.2 Strengthening the impact of external audit on the management of public and EU funds

OPERATIONAL OBJECTIVE 4.2		Strengthening the impact of external audit on the management of public and EU funds			
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
Percentage of control over the implementation of SAI recommendations	SAI	30%	63.39%		50%
Percentage of realization of activities planned in the Strategic Development Plan	SAI	61,53%	58%		75%
Percentage of implementation of activities planned in audit strategies	Audit Authority	80%	90%		90%

In May 2025, the State Audit Institution (SAI) adopted the Communication Strategy of the State Audit Institution for the period 2025-2028. The Operational Plan for 2026 is planned to be adopted in the first quarter of 2026. The challenge in implementation is the lack of adequate human resources focused on communication policies.

Preparatory activities were carried out to develop the SAI Human Resources Management Strategy for the period 2026-2029. An analysis of the implementation of the State Audit Institution's Human Resources Management Strategy for the period 2021-2025 was prepared, an analysis of best practices in the implementation of human resources management policies in supreme audit institutions in the region and at the EU level was carried out, and a Matrix for determining the content containing an overview of goals and sub-goals was defined. The challenge in this area is the lack of a competency framework.

In December 2024, the State Audit Institution adopted the Medium-Term Performance Audit Plan of the State Audit Institution for the period 2025 - 2029, while the Medium-Term Plan for Financial Audits and Regularity Audits in the State Audit Institution for the period 2023 - 2027 was implemented at a level of 80%, through the Annual Audit Plan for 2025.

In the context of strengthening the capacity of employees to conduct performance audits, the State Audit Institution held a planned training for the entry-level performance audit in December 2025. In

2026, the State Audit Institution plans to implement training for the advanced level of performance audit. Challenges are posed by insufficient audit capacity to conduct performance audits.

A draft Law on the Audit of EU Funds has been prepared, aligned with audit standards and future EU requirements, and will be submitted for opinion to the Secretariat for Legislation in February 2026. The delay in the adoption of the Law is caused by the need to define the job titles and coefficients for auditors' salaries. Namely, it was originally planned that the job titles and coefficients for the salaries of employees of the Audit Authority would be transferred from the current Law on the Audit of EU Funds and defined by the Law on Salaries in the Public Sector instead. Given the fact that the adoption of that Law was postponed, this also affected the delay in the amendments to the Law on the Audit of EU Funds. After finding another solution, the procedure was initiated.

Regarding the training of auditors on the closure of the IPA II programme and the news regarding the IPA III programming period, the Twinning Light project for IPARD through which they will be implemented started on 1 September 2025, and is expected to be completed in April 2026.

The Strategic Plan of the Audit Authority 2026 - 2029 was prepared with the assistance of experts from the EU4PFM project. The plan was adopted on 02.10.2025.

2.4.3 Increasing the efficiency of the AFCOS system in order to protect the EU's financial interests

OPERATIONAL OBJECTIVE 4.3		Increasing the efficiency of the AFCOS system in order to protect the EU's financial interests			
Indicator	Source of verification	Initial value ²⁴	Value in 2025	Trend	Target value in 2026
Percentage of cases of irregularities and suspected fraud reported to OLAF within 1-3 months from the date of the PACA	MF	20%	25%		50%
% of reports of irregularities and suspected fraud returned to implementing agencies for review and correction	MF	35%	16.67%		manje od 20%

The Proposal for Amendments to the Law on Budget and Fiscal Responsibility in the area of protection of financial interests has been prepared and submitted to the State Budget Directorate for further action.

Amendments to the Criminal Code of Montenegro to align with the PIF Directive were adopted in July 2025 and are aligned with the PIF Directive.

The guidelines for managing irregularities were updated in accordance with the new Anti-Fraud

²⁴ Data used from 2023, which was added when updating the program, as there was no data for 2021

Strategy, and after comments from all relevant institutions, corrections were made and a final version was drafted, which was sent to the NAO for signature.

A draft Communication Strategy has been prepared and its adoption is expected within the planned timeframe (IV quarter 2026).

The training needs analysis for AFCOS system staff in Montenegro was developed in June 2025 (with a training plan for the period 2025-2028), in cooperation with a CEF expert.

AFCOS officials held two training sessions in November 2025, in cooperation with the Human Resources Administration, on the topics: risk management and policy for combating irregularities, fraud and misappropriation in the EU funds management system and the implementation of an electronic system for reporting irregularities and the most common irregularities in the implementation of service, procurement and works contracts.

The Anti-Fraud and Irregularities Management Strategy for the Protection of the EU's Financial Interests for the Period 2025-2028, with the accompanying Action Plan, was prepared and adopted in July 2025.

2.4.4 Improving transparency and efficiency in the use of public funds through the development of a normative framework and strengthening the capacity of budget inspection

OPERATIONAL OBJECTIVE 4.5		Improving transparency and efficiency in the use of public funds through the development of a normative framework and strengthening the capacity of budget inspection			
Indicator	Source of verification	Initial value	Value in 2025	Trend	Target value in 2026
Percentage of regular field inspections carried out in relation to the annual inspection plan	MF	0% (2023)	30%		50%

The Law on Budget Inspection was adopted, which represents the legal basis for the efficient functioning of the budget inspection, providing clear competencies and responsibilities of inspectors in implementing the control of budgetary funds.

When it comes to the development of the Annual Supervision and Risk Plan, as well as the Budget Inspection Methodology, consultants from the EU4ME project were engaged to produce the aforementioned documents.

The administrative capacities of the budget inspection were significantly strengthened by increasing the number of inspectors to three, which enabled a more even distribution of tasks and more efficient coverage of tasks.

The development of budget inspection staff has been further improved through the active participation of inspectors in specialized trainings, workshops, seminars and conferences. Namely,

at the Faculty of Government and European Studies, all inspectors have successfully completed training in the field of inspection supervision in accordance with the Law on Inspection Supervision and the Law on Administrative Procedure. Also, inspectors regularly attend all trainings related to inspection supervision and related topics, and trainings, workshops and seminars will be continuously organized and attended in order to maintain a high level of expertise and ensure constant compliance with current regulations.

III RECOMMENDATIONS

Recommendations for the coming period for each of the PFM areas are given below.

Area 1: Fiscal Framework and Budget Planning

- Adopt amendments to the Law on Budget and Fiscal Responsibility, which will determine the adoption of a number of by-laws relevant to both Area 1 of the PFM Program and Area 4.
- Work on further harmonization of annual budgets and the medium-term fiscal framework.
- Intensify activities to establish the Fiscal Council as soon as possible.
- Continue to improve the knowledge and skills of MoF employees through targeted training and work on models for macroeconomic projections.
- Establish an efficient system for integrating medium-term plans/strategies with the medium-term budget framework and program budget.
- Continuously improve the process of recognizing gender goals and indicators within budget documents.
- Begin the process of marking the budget in relation to the SDGs.
- Continuously work on improving administrative capacity in all institutions involved in the EU own resources planning process, in the area of public debt management, public investment, as well as in the area of public finance statistics for the full implementation of ESA 2010.
- Accelerate remaining activities on the closure of chapters 17, 18 and 33.

Area 2: Budget Execution

- Accelerate activities on educating taxpayers/citizens on the use of IRMS, data migration and other activities on the full implementation of IRMS. In particular, as soon as possible, eliminate technical challenges related to the operation of individual functionalities on the portal, which will be eliminated by the contractor in order to ensure full functionality of the system.
- Accelerate activities on the development of by-laws that would clearly define the VAT number.
- Increase the number of tax inspectors for more efficient revenue collection.
- Provide a sufficient number of trained new staff who will further accelerate the completion of the process of digitizing customs procedures and reducing the time goods are held at the border.

- Work on further increasing awareness of the importance of the electronic public procurement system among relevant institutions.
- Accelerate remaining activities on the closure of chapters 16, 29 and 8.
- Continue strengthening administrative capacities in the area of public procurement and state aid.
- Increase the % of institutions included in the COZ to 100% and ensure their access to the system.

Area 3: Accounting, monitoring and financial reporting

- Urgently define the scope of the public sector, in order to adopt a bylaw as soon as possible and ensure full implementation of the ZRJS.
- Better linking of all institutions and inclusion of more IT experts.
- Continue to implement special trainings for the implementation of the new regulations for accrual accounting.
- Continuous training of officials in the field of state property, in the field of property registry management, as well as the collection and exchange of international experiences.
- Continue further work on improving the BMIS in order to improve the quality of entered information and improve the accuracy and completeness of budget performance reports.
- Strengthen activities to improve the visualization of budget execution.
- Accelerate activities to close Chapter 22.

Area 4: Effective financial control

- Further strengthen the promotion of delegation of decision-making authority and resource management.
- Further strengthen the capacity of the audit staff in the area of performance auditing.
- Accelerate public procurement of an information system for managing the audit process.
- Further strengthen the capacity of the budget inspection.

IV BUDGET

The funds spent from the budget for the implementation of activities under the PFM Program were implemented in accordance with the Action Plan and the Law on the Budget for 2025, as well as in accordance with project activities on projects predominantly financed from EU funds, which are implemented by the World Bank, CEF, EU4PFM/GOPA, IPA FWC, EUIF, as well as through the support of the IMF, UNDP, OSCE, SIGMA, etc.

In this sense, at least 6.2 million euros were spent for the implementation of the Action Plan in 2025.

Observed by areas, the estimate of the funds spent from the previously mentioned sources is as

follows:

Area 1 - Fiscal framework and budget planning, at least around 1.1 million euros in 2025.

Area 2 - Budget execution, at least around 4.0 million euros.

Area 3 - Accounting, monitoring and financial reporting, at least around 0.7 million euros

Area 4 - Efficient financial control, at least around 0.44 million euros.

V ACTION PLAN

AREA I – FISCAL FRAMEWORK AND BUDGET PLANNING

OPERATIONAL OBJECTIVE 1.1		Enhancing macroeconomic analysis and fiscal policy								
Activities		Result indicator	Responsible institutions	Start	End	Status of realisation	New deadline	Funds	Funds used	Source of funding
1.1.1.	Drafting procedures/regulations for the functioning of the Fiscal Council	Drafted and adopted regulations	MINISTRY OF FINANCE FISCAL COUNCIL	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress		No additional funds needed		Budget Donation
1.1.2.	Developing a methodology for fiscal risks in the state-owned enterprise sector	Methodology developed	MINISTRY OF FINANCE	I Q 2025	III Q 2025	Partially implemented /Implementation in progress 65-70%	I Q 2026	20.000 €		Budget IMF donation - Strengthening oversight of the state-owned enterprises
1.1.3.	Preparing a Fiscal Risks Statement for state-owned enterprises, as part of Macroeconomic and Fiscal Policy Guidelines	Guidelines updated with a dedicated chapter on fiscal risks	MINISTRY OF FINANCE	I Q 2025	II Q 2026	Implemented 100%		10.000 €		Budget IMF donation - Strengthening oversight of the state-owned enterprises

1.1.4.	Training of employees in the Directorate for Macroeconomic and Fiscal Analysis and Projections on macroeconomic modelling, financial programming and impact assessment	Number of analyses conducted	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 75%		40.000 €		Budget UNDP "Strengthening Fiscal Governance in the Western Balkans 2023-2026"
OPERATIONAL OBJECTIVE 1.2		Improving medium-term budget planning								
Activities		Result indicator	Responsible institutions	Start	End	Status of realisation	New deadline	Funds	Funds used	Source of funding
1.2.1.	Amendments to the Law on budget and fiscal responsibility and adoption of bylaws to improve institutional responsibilities, coordination process and content of MTBF	Adopted amendments to the law and implementing bylaws ²⁵	MINISTRY OF FINANCE	I Q 2025	IV Q 2025	Not implemented	II Q 2026	No additional funds needed		Budget
1.2.2.	Establishing the MTBF planning function/ increasing the number of spending units with established planning and program budgeting function	Number of spending units with MTBF and program budgeting functions increased by 10%		I Q 2025	IV Q 2026	Partially implemented /Implementation in progress		No additional funds needed		Budget Donation

²⁵ Improvements in the institutional competence, coordination process and content of the MTBF

		compared to the previous year	MINISTRY OF FINANCE							
1.2.3.	Developing a methodology/regulation for determining costs of strategies	Methodology/regulation established	GENERAL SECRETARIAT OF THE GOVERNMENT	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 10%		15,000 €		Donation IPA EU4PFM
1.2.4.	Improving Methodology for preparing strategic documents, linking them with the program budget	Enhanced Methodology with clear linkage between strategic documents and program budget		I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 70%		No additional funds needed		Budget IPA EU4PFM
1.2.5.	Connecting ISPI and MTBF with the Government's strategic planning system and medium-term work programme to facilitate data exchange	Data exchange between information systems enabled		III Q 2025	IV Q 2026	Partially implemented /Implementation in progress 20%		100.000 €		Budget
OPERATIONAL OBJECTIVE 1.3		Further development of programme budgeting with a focus on gender mainstreaming								
Activities	Result indicator	Responsible institutions	Start	End	Status of realisation	New deadline	Funds	Funds used	Source of funding	

1.3.1.	Amendments to the LBFR to introduce gender-responsive budgeting	Adopted amendments to the Law and bylaws for gender responsive budgeting	MINISTRY OF FINANCE	I Q 2025	II Q 2025	Not implemented	II Q 2026	No additional funds needed		Budget Donation
1.3.2.	Developing guidelines for categorizing programs as gender-sensitive	Guidelines developed and available to spending units through BMIS	MINISTRY OF FINANCE	I Q 2025	I Q 2026	Implemented				
1.3.3.	Implementing categorization of programs as gender sensitive in accordance with the guidelines for categorization of programs	% spending units completing categorization in accordance with the guidelines	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Implemented		Technical support provided by donors		
1.3.4.	Training budget analysts (central level) on gender-responsive budgeting	% of trained budget analysts	MINISTRY OF FINANCE	IQ2025	II Q 2026	Implemented		No additional funds from the budget needed		
								Technical support provided by donors		

1.3.5	Training ministries' staff on gender-responsive budgeting	% Ministries trained	MINISTRY OF FINANCE AND BUDGET USERS	I Q 2025	I Q 2026	Implemented		No additional funds from the budget needed Technical support provided by donors		Budget Donation
1.3.6	Training spending units on preparing report on the implementation of gender-responsive programs	% spending units that submitted gender-responsive budget reports	MINISTRY OF FINANCE AND BUDGET USERS	I Q 2025	IV Q 2025	Implemented		No additional funds from the budget needed Technical support provided by donors		Budget Donation
1.3.7	Compiling a consolidated report on gender-responsive budget execution	Consolidated report on gender-responsive budget execution prepared and published	MINISTRY OF FINANCE, GENERAL SECRETARIAT OF THE GOVERNMENT, MINISTRY FOR HUMAN AND MINORITY RIGHTS,	IV Q 2025	II Q 2026	Partially implemented /Implementation in progress		No additional funds from the budget needed Technical support provided by donors		Budget Donation

			MONSTAT AND OTHER BUDGET USERS						
1.3.8	Preparing a methodology for development of the technical solution for marking gender-responsive activities in BMIS and ensuring compatibility with the SAP system ²⁶ , in order to monitor expenditures for gender-responsive budget	Methodology developed	MINISTRY OF FINANCE	I Q 2025	I Q 2026	Partially implemented /Implementation in progress		50.000 €	Budget Donation
1.3.9.	Developing procedures for tracking and reporting on program budgeting	Interface between BMIS and budget execution system (SAP) operational	MINISTRY OF FINANCE	I Q 2025	II Q 2026	Partially implemented /Implementation in progress	No additional funds from the budget needed Technical support provided by donors		Budget Donation
1.3.10.	Upgrading BMIS with a new program budgeting structure and improved	BMIS upgraded	MINISTRY OF FINANCE	I Q 2025	II Q 2026	Implemented		450.000 €	Budget

²⁶ In order to monitor the exact amount of budget spent on interventions in the field of gender equality through the SAP treasury management system (budget execution)

	information on performance									
1.3.1 1.	Developing a performance evaluation manual for programs and projects, including gender aspects	Manual developed	MINISTRY OF FINANCE	I Q 2025	IV Q 2025	Implemented		No additional funds from the budget needed Technical support provided by donors		Budget Donation
1.3.1 2.	Modifying the budget circular in BMIS to allow submission of a signed gender-responsive budget statement visible in BMIS	Budget circular modified	MINISTRY OF FINANCE	I Q 2025	I Q 2026	Partially implemented /Implementation in progress		No additional funds needed		Budget
OPERATIONAL OBJECTIVE 1.4		Improving public investment management								
Activities		Result indicator	Responsible institutions	Start	End	Status of realization	New deadline	Funds	Funds used	Source of funding
1.4.1.	Strengthening legal and regulatory framework for public investment management	Adopted amendments to the Law on Budget and Fiscal Responsibility	MINISTRY OF FINANCE	I Q 2025	II Q 2025	Not implemented	II Q 2026	No additional funds needed		Budget

1.4.2.	Developing updated by-laws on public investments	Updated Rules of Procedure for the Council, Decision on Capital Budget preparation and Capital Budgeting Manual, in line with amendments to the Law	MINISTRY OF FINANCE	III Q 2025	II Q 2026	Partially implemented /Implementation in progress 80%		15.0000 €		Budget IPA EU4PFM
1.4.3.	Enhancing the capacity of local government units for capital project cost assessment	Number of local government officials trained for capital projects costs assessment	MINISTRY OF FINANCE	III Q 2025	IV Q 2026	Partially implemented /Implementation in progress 10%		100,000 €		Budget Donation
1.4.4.	Promoting the use of Public-Private Partnerships (PPPs)	Minimum two panels/discussions on PPPs per calendar year Amended bylaws in the field of PPP	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 50%		100.000 €		Budget UNDP/TAIEX /SIGMA

1.4.5.	Developing a module for public investment management and establishing a capital project registry within BMIS	Module for public investment management developed and functioning Capital projects registry published	MINISTRY OF FINANCE	I Q 2025	II Q 2026	Partially implemented /Implementation in progress 30%	IV Q 2026	30.000 €		Budget IPA EU4PFM
1.4.6.	Developing methodology for cost-benefit analysis in accordance with PIMA recommendations	Developed methodology for cost-benefit analysis in accordance with PIMA recommendations Amended Law and bylaws for the mandatory ex-post evaluation for all major projects	MINISTRY OF FINANCE	I Q 2025	II Q 2026	Implemented		50.000 €		Budget IPA EU4PFM
1.4.7.	Developing a Master Plan for infrastructure projects	Master Plan for infrastructure	MINISTRY OF FINANCE	II Q 2025	IV Q 2026	Partially implemented /Implementation		50.000 €		Budget Donation

		e projects developed				tion in progress 80%				
OPERATIONAL OBJECTIVE 1.5		Improving public debt management								
Activities		Result indicator	Responsible institutions	Start	End	Status of realization	New deadline	Funds	Funds used	Source of funding
1.5.1.	Strengthening the capacity of the debt management unit	Number of employees in the unit increased by 30% Percentage of trained staff increased by 30%	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 20-25%		100.000€		Budget
1.5.2.	Developing a public debt management system (DMIS) and integrating it with SAP	Operational debt management system interoperable with the SAP	MINISTRY OF FINANCE	I Q 2025	II Q 2026	Partially implemented /Implementation in progress 30-40%	IV Q 2026	60,000€		Budget
OPERATIONAL OBJECTIVE 1.6		Developing the EU Own Resources System								
Activities		Result indicator	Responsible institutions	Start	End	Status of realisation	New deadline	Funds	Used funds	Source of funding

1.6.1.	Strengthening administrative capacity for coordinating and managing EU own resources	Enhanced administrative capacity for coordination and establishment of the own resources system	MINISTRY OF FINANCE CUSTOMS ADMINISTRATION TAX ADMINISTRATION MINISTRY OF ECOLOGY, SUSTAINABLE DEVELOPMENT AND DEVELOPMENT OF NORTHERN REGIONS	I Q 2025	II Q 2026	Partially implemented /Implementation in progress 33%		No additional funds from the budget needed Technical support provided by donors		Budget
1.6.2	Training and capacity building for coordination and management of own resources	Number of training sessions conducted (≥2)	MINISTRY OF FINANCE RELEVANT INSTITUTIONS	I Q 2025	II Q 2026	Partially implemented /Implementation in progress 40%		No additional funds needed		Budget

1.6.3.	Analysis of the current state of availability of data on recycled plastic packaging and recommendations for establishing a calculation system	Analysis of the current state completed, along with a document containing recommendations for the calculation system	MINISTRY OF FINANCE MINISTRY OF ECOLOGY, SUSTAINABLE DEVELOPMENT AND DEVELOPMENT OF NORTHERN REGIONS	I Q 2025	IV Q 2025	Partially implemented /Implementation in progress 40-50%		15,000€		Budget
1.6.4	Establishment of a system for collecting and reporting data on non-recycled plastic	Procedures for collecting information and reporting on non-recycled plastic established	MINISTRY OF ECOLOGY, SUSTAINABLE DEVELOPMENT AND DEVELOPMENT OF NORTHERN REGIONS	I Q 2025	II Q 2026	Partially implemented /Implementation in progress 60-70%		No additional funds needed		Budget
1.6.5.	Establishment of procedures for setting up a system of own resources in the part of traditional own resources	Established procedures for calculation, planning, and reporting on the system of own resources	MINISTRY OF FINANCE	I Q 2025	II Q 2026	Partially implemented /Implementation in progress 75-80%		No additional funds needed		Budget
1.6.6.	Establishment of procedures for setting up a system			I Q 2025	II Q 2026	Partially implemented /Implementation		No additional funds needed		Budget

	of own resources based on VAT					tion in progress 20-25%				
1.6.7.	Establishment of procedures for setting up a system of own resources based on GNI (Gross National Income)			I Q 2025	II Q 2026	Partially implemented /Implementation in progress 65-70%		No additional funds needed		Budget
1.6.8.	Simulation of the production of data on own resources	Successful completion/execution of the simulation on own resources for the relevant year	MINISTRY OF FINANCE RELEVANT INSTITUTIONS	I Q 2026	IV Q 2026	Not due for implementation		No additional funds needed		Budget
1.6.9.	Upgrade of the IT systems of the relevant institutions for the purpose of proper calculation and reporting of EU own resources	IT systems developed	MINISTRY OF FINANCE CUSTOMS ADMINISTRATION TAX ADMINISTRATION	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 65-70%		100.000 €		Budget
1.6.10.	Prepared amendments to the regulatory framework in	Proposal for amendments to the regulatory	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress		No additional funds needed		Budget

	accordance with EU legislation	framework prepared			60-65%					
OPERATIONAL OBJECTIVE 1.7.		Further development of official statistics								
	Activities	Result indicator	Responsible institutions	Start	End	Status of realisation	New deadline	Funds	Funds used	Source of funding
1.7.1.	Strengthening the official statistics production system through amendments to the Law on Statistics	The Statistics Law revised, and accordingly, the trilateral cooperation agreement (Monstat, Ministry of Finance, and the Central Bank of Montenegro) revised as well	MONSTAT MINISTRY OF FINANCE CBCG	I Q 2025	IV Q 2025	Implemented		No additional funds needed		Budget
1.7.2.	Production and transmission of data required by the benchmark for closing Chapter 18	Transmission of the ESA 2010 TP tables 1, 3, 5, 10, 15-16 completed	MONSTAT MINISTRY OF FINANCE CBCG	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 70%		40.000 €		Budget Donation IPA 2022 MB
1.7.3.	Development of infrastructure for the process of digitalization and digital	A national and transmission dissemination database	MONSTAT	I Q 2025	IV Q 2026	Partially implemented /Implementation		110.000 €		Budget Donation

	transformation of statistical production, along with the improvement of IT systems	built in accordance with the SDMX format for producers of official statistics	MINISTRY OF FINANCE CBCG			tion in progress 15%				IPA 2024 national
1.7.4.	Enhancement of capacity for the production of government finance statistics in accordance with the ESA 2010 methodology and the Government Finance Statistics Manual (GFSM), along with the establishment and improvement of data collection procedures	A minimum of 10 officials trained in all organizational units within the official statistics system for the production of government finance statistics	MONSTAT MINISTRY OF FINANCE CBCG	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 50%		450.000 €		Budget
1.7.5.	Establishment of a system for the production of Government Finance Statistics (GFS) and sectoral accounts	Produced sets of government finance statistics data in accordance with ESA 2010 and the GFS manual	MONSTAT MINISTRY OF FINANCE CBCG	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 40%		No additional funds needed		/

1.7.6.	Establishment of a fiscal reporting system for the purposes of the excessive deficit procedure (EDP reporting)	Working teams (Monstat, Ministry of Finance, Central Bank of Montenegro) have been formed for the coordination and compilation of EDP statistics EDP and related tables have been produced and transmitted	MONSTAT MINISTRY OF FINANCE CBCG	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 40%		43.000 €		Budget Donation IPA 2022 MB, statistical project SP 1.1. GFS and EDP
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AREA II – BUDGET EXECUTION

OPERATIONAL OBJECTIVE 2.1		Improvement of efficiency in revenue collection								
Activities		Result indicator	Responsible institutions	Start	End	Status of realization	New deadline	Funds	Funds used	Source of funding
2.1.1.	Amendment of relevant laws to align with EU directives under Chapter 16	At least 527 laws adopted	MINISTRY OF FINANCE TAX ADMINISTRATION	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 40%		No additional funds needed		/
2.1.2.	Adoption of regulations aligned with EU legislation under Chapter 29	At least 728 regulations adopted	MINISTRY OF FINANCE CUSTOMS ADMINISTRATION	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 85%		No additional funds needed		/
2.1.3.	Development of an integrated revenue management system	All application modules for the IRMS system implemented	TAX ADMINISTRATION	I Q 2025	IV Q 2025	Implemented		10.000.000€		Budget World Bank project – Reform of the Tax

²⁷ Law on Amendments to the Law on Value Added Tax; Law on Amendments to the Law on Excise Duties; Law on Amendments to the Law on Corporate Income Tax; Law on Amendments to the Law on Tax Administration; Law on Ratification of the Multilateral Agreement of Competent Authorities on the Exchange of Reports by Country.

²⁸ Draft Law on Ratification of the Convention on a Common Transit Procedure, Draft Law on Ratification of the Convention on Facilitation of Trade in Goods, Draft Law on Ratification of the TIR Convention, Regulation on Exemption from Payment of Customs Duty, Regulation on Handling of Customs Goods, Regulation on Free Customs Shops, Regulation on Amendments to the Regulation on the Detailed Method of Implementing Customs Procedures and Customs Formalities

										Administration
2.1.4.	Implementation of software modules for information exchange to provide international administrative assistance in accordance with EU directives (EOIR, AEOI, SEOI)	All modules for AEOI-EOIR-SEOI ²⁹ implemented	MINISTRY OF FINANCE TAX ADMINISTRATION	II Q 2025	IV Q 2026	Partially implemented /Implementation in progress 70%		900.000 € ³⁰		Budget
2.1.5.	Implementation of VAT information exchange system and integration with VIES	Tax Administration system ready for integration	TAX ADMINISTRATION	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress		2.000.000 €		Budget Donation

²⁹ Automatic exchange of financial information under the Common Reporting Standard (AEOI-CRS-OECD; EU-DAC2); Exchange of rulings on taxation of multinational enterprises (AEOI - ETR OECD; EU DAC 3); Automatic exchange of information on income of multinational enterprises (AEOI-CbCR -OECD; EU DAC 4); Automatic exchange of information on avoidance of CRS reporting in cross-border arrangements and non-transparent Offshore structures (AEOI-MDR OECD; EU DAC 6); Automatic exchange of information on income generated through digital platforms (AEOI-DPI OECD; EU DAC 7); Automatic exchange of information on income from transactions in crypto-assets (AEOI-CARF OECD; EU DAC 8); Exchange of information on request (EOIR); Spontaneous exchange of information (SEOI)

³⁰ The amount relates to the procurement and implementation of the commercial software solution (COTS- Commercial off-the-shelf) including annual payment obligation for licence and maintenance of the software modules for the exchange of information (In 2025 4 AEOI modules CRS-ETR-CbCR-FATCA, in 2026 additional modules MDR-CARF-EOIR-SEOI)

		with the VIES system				10%				
2.1.6.	Implementation of NCTS (Phase 5) at the international level	NCTS (Phase 5) implemented and operational	CUSTOMS ADMINISTRATION	I Q 2025	I Q 2026	Implemented		300.000 €		Budget
2.1.7.	Implementation of NCTS (Phase 6)	NCTS (Phase 6) implemented and operational	CUSTOMS ADMINISTRATION	IV Q 2025	IV Q 2026	Partially implemented /Implementation in progress 80%		600.000 €		Instrument for growth/RA
2.1.8.	Development of IT systems needed for interconnection and electronic data exchange with the EU: AES, ICS2, and EMCS	Developed customs IT systems for interconnection and electronic data exchange	CUSTOMS ADMINISTRATION	IV Q 2025	IV Q 2026	Partially implemented /Implementation in progress 5%		4.000.000 €		Budget IPA projects Support to the Customs Administration for the establishment of AES, ICS2 i EMCS
2.1.9.	Reduction of administrative barriers in cross-border trade through the implementation of	Reduction of average customs clearance time by 15% ³¹	MINISTRY OF FINANCE CUSTOMS ADMINISTRATION FOOD SAFETY,	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 80%		50.000 € Budget 2.600.000 € IPA projects		Budget IPA projects

³¹ The average customs clearance time in road transport is 15 hours and 32 minutes in 2022.

	trade facilitation measures		VETERINARY AND PHYTOSANITARY ADMINISTRATION						
2.1.10.	Improvement of voluntary tax compliance through taxpayer education programs and distribution of tax information from the central level to regional units, ensuring consistent procedures	At least 75% of tax returns submitted on time in relation to the total number of submitted tax returns	TAX ADMINISTRATION CUSTOMS ADMINISTRATION PROFESSIONAL ASSOCIATIONS ³² MUNICIPALITIES	I Q 2025	IV Q 2026	Implemented All activities planned for 2025 have been implemented		No additional funds needed	/
2.1.11.	Implementation of inspection control procedures based on risk analysis and information obtained from third parties	10% annual increase in risk-based controls relative to the total number of controls performed ³³	TAX ADMINISTRATION	I Q 2025	IV Q 2026	Implemented All activities planned for 2025 have been implemented		No additional funds needed	/

³² Chamber of Commerce of Montenegro, Union of Employers of Montenegro, Institute of Certified Accountants of Montenegro, Institute of Accountants and Auditors of Montenegro, Association of Managers of Montenegro

³³ The analysis of the annual reports for 2023, submitted by the inspection supervision groups for the Central, Coastal and Northern regions, determined that out of the total number of planned controls by the Group for Risk Analysis, Selection of Control Subjects and Reporting (1,710), 60 controls or 3.50% were implemented. Out of the

2.1.12.	Reduction of administrative barriers through the automation of communication processes with taxpayers	Platform for electronic communication with taxpayers operational	TAX ADMINISTRATION	IV Q 2025	IV Q 2026	Implemented All activities planned for 2025 have been implemented		18.800.000 €		World Bank Project »Reform of the Tax Administration« (RARP)
2.1.13.	Improvement of human resource policies in the Tax Administration and Customs Administration	Human resource plan for 2027 implemented at 75% Adoption of internal organization and job systematization regulation (Improved institutional systematization and job descriptions) Annual training plan for 2027 implemented at least 80%	TAX ADMINISTRATION CUSTOMS ADMINISTRATION MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress Customs Administration: 50% Tax Administration: Personnel Plan Implemented 75% Annual Training Plan Implemented 83%		No additional funds needed		/
OPERATIONAL OBJECTIVE 2.2		Improvement of the public procurement system								

total number of controls performed, 46 controls were found to have irregularities (76.60%), while 14 controls were without irregularities. Corrections based on planned controls amount to €3,077,592.63, while corrections based on loss reduction amount to €239,492.02.

Activities		Result indicator	Responsible institutions	Start	End	Status of realization	New deadline	Funds	Funds used	Source of funding
2.2.1.	Development of a new training program for public procurement, targeting both contracting authorities and suppliers for different target groups	Adoption of the public procurement training program 500 officials trained in public procurement	MINISTRY OF FINANCE	II Q 2025	IV Q 2026	Partially implemented /Implementation in progress 40%		8.000 €		Budget SIGMA
2.2.2.	Adoption of secondary legislation and technical documentation for the efficient implementation of the electronic public procurement system	Adoption of at least two acts	MINISTRY OF FINANCE	I Q 2025	IV Q 2025	Implemented		No additional funds needed		/
2.2.3.	Implementation of regulations on the execution of simple procurements to strengthen control over this type of procurement	Reduction of the share of direct procurement value in the total annual public procurement value to 2%	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Implemented All activities planned for 2025 have been implemented		No additional funds needed		/

2.2.4.	Increase in the number of economic entities registered in the e-procurement system	10% annual growth in the number of active economic entities in the e-procurement system	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Implemented All activities planned for 2025 have been implemented		No additional funds needed		/
2.2.5.	Training of users for the e-procurement system	5% annual increase in the number of economic entities trained to use the e-procurement system	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 50%		No additional funds needed		/
2.2.6.	Establishment of interoperability between e-procurement and related IT systems and registers	Interface between e-procurement and the Ministry of Justice's criminal records operational	MINISTRY OF FINANCE MINISTARSTVO PRAVDE	I Q 2025	IV Q 2025	Partially implemented /Implementation in progress 75%	II Q 2026	15.000€		Budget
2.2.7.	Improvement of the monitoring system through the development of analytical reports	At least 10 new types of analytical reports developed	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Implemented All activities planned for 2025 have been implemented		20.000 €		Budget Donation IPA FWC SEA 2023 - Lot 6 Implementation of

										additional functionalities in the e-procurement system
2.2.8.	Strengthening the capacity of the Commission for the Protection of Rights in Public Procurement Procedures	At least 10 positions filled within the Commission's expert service	COMMISSION FOR THE PROTECTION OF RIGHTS IN PUBLIC PROCUREMENT PROCEDURES	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 50%		188.684,11 €		Budget
2.2.9.	Development and implementation of an electronic platform for managing complaints in public procurement procedures	Developed and implemented electronic platform for managing complaint cases in public procurement procedures	COMMISSION FOR THE PROTECTION OF RIGHTS IN PUBLIC PROCUREMENT PROCEDURES	II Q 2025	IV Q 2026	Implemented		50.000 €		Budget
OPERATIONAL OBJECTIVE 2.3		Alignment of the legislative framework and administrative capacities in the field of state aid with the EU acquis								
Activities		Result indicator	Responsible institutions	Start	End	Status of realization	New deadline	Funds	Funds used	Source of funding
2.3.1.	Alignment of legislation in the area of state aid under Chapter 8	Adoption of the law and at least 6 by-laws	MINISTRY OF FINANCE AGENCY FOR PROTECTION	II Q 2025	IV Q 2026	Partially implemented /Implementation		6.000 – 8.000 €		Budget

			OF COMPETITION			tion in progress 70%				
2.3.2.	Improvement of administrative capacities through training organization to strengthen inter-institutional cooperation	At least 70 public sector officials trained At least 50 state aid providers have appointed a contact person for state aid	AGENCY FOR PROTECTION OF COMPETITION	I Q 2025	IV Q 2026	Implemented All activities planned for 2025 have been implemented		35.000 €		Budget
2.3.3.	Increased functionality of the state aid registry through the entry of data on granted state aid	At least 70% of state aid providers have entered data into the registry	AGENCY FOR PROTECTION OF COMPETITION	II Q 2025	IV Q 2026	No data The implementation in 2025 can be shown through the regular Annual Report on Allocated State Aid, which is going to be adopted at the end of the second quarter of the current year,		No additional funds needed		Budget

						and which will show the % of data entered in the state aid registers.				
OPERATIONAL OBJECTIVE 2.4		Implementation of the COZ System in all entities whose employees' salaries are financed from the Budget of Montenegro								
Activities		Result indicator	Responsible institutions	Start	End	Status of realization	New deadline	Funds	Funds used	Source of funding
2.4.1.	Migration of employees' personal data from existing systems to the new system for COZ, conducting training for employees, and adapting the information system to the specifics of new users	Full migration of employees' personal data from existing systems to the new COZ system At least 50 training sessions conducted Information system adapted to the specifics of new users	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 92% of subjects included		450.000 €		Budget
2.4.2.	Upgrade of the payroll software solution for institutions and organizational	Payroll software solution upgraded for institutions and	MINISTRY OF FINANCE	I Q 2026	IV Q 2026	Not due for implementation		100.000€		Budget

	units with classified data	organizational units that use data classified at certain levels of confidentiality								
2.4.3.	Upgrade of the payroll software solution module to cover all personal income payments from the Montenegrin Budget	Payroll module for all personal income payments tested, launched in production, and all identified issues resolved, operational functionality ensured for all end users	MINISTRY OF FINANCE	I Q 2025	I Q 2025	Implemented		See 2.4.1.		Budget

AREA III - ACCOUNTING, MONITORING, AND FINANCIAL REPORTING

OPERATIONAL OBJECTIVE 3.1		Transition to accrual accounting								
Activities		Result indicator	Responsible institutions	Start	End	Status of realization	New deadline	Funds	Funds used	Source of funding
3.1.1.	Adoption of by-laws for implementing the Law on Accounting in the Public Sector	By-laws adopted for implementing the Law on Accounting in the Public Sector (at least 5 by-laws)	MINISTRY OF FINANCE	I Q 2025	I Q 2025	Partially implemented /Implementation in progress 80%	IV Q 2026	No additional funds needed		/
3.1.2.	Analysis of the situation in local government units for applying the Law on Accounting in the Public Sector	Analysis completed with conclusions and recommendations for local government units on implementing the Law on Accounting in the Public Sector	MINISTRY OF FINANCE	I Q 2025	I Q 2025	Partially implemented /Implementation in progress 50%	I Q 2026	30.000 €		Donation UNDP

3.1.3	Preparation of a Terms of Reference for the accounting information system in line with the new accounting regulations	ToR completed	MINISTRY OF FINANCE	I Q 2025	II Q 2025	Partially implemented /Implementation in progress 30%	I Q 2026	100.000-400.000 €		Budget Donation UNDP
3.1.4.	Upgrading the IT system to support accrual accounting	Accounting information system functional for accrual-based booking	MINISTRY OF FINANCE	II Q 2025	IV Q 2026	Not implemented		1.500.000 €		Budget
3.1.5.	Preparation of the testing environment			III Q 2026	III Q 2026	Not due for implementation				
3.1.6.	Preparation of analysis on the number of accountants to be trained and certified in the upcoming period	Analysis on the number of accountants to be trained and certified completed	MINISTRY OF FINANCE	I Q 2025	II Q 2025	Partially implemented /Implementation in progress 80%	I Q 2026	No additional funds needed		/
3.1.7.	Certifying accountants in the public sector in accordance with the Regulation on the Method of Training and Examination for Certification of Accountants in the Public Sector	At least 60 certified accountants in the public sector who have completed the training	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Implemented All activities planned for 2025 have been implemented		100.000 €		Budget
OPERATIONAL OBJECTIVE 3.2		Improvement of non-financial state property management and cadastre								

Activities		Result indicator	Responsible institutions	Start	End	Status of realization	New deadline	Funds	Funds used	Source of funding
3.2.1.	Establishment of a functional IT solution for state property management	Information system established and operational	STATE PROPERTY ADMINISTRATION	I Q 2026	IV Q 2026	Not due for implementation		500.000 €		Budget
3.2.2.	Amendments and supplements to the Law on State Property and relevant by-laws, focusing on the regulation of one-time submission of data on already acquired property, as well as maintaining this data up-to-date regarding transfer and disposal	Amendments and supplements to the Law on State Property and relevant by-laws adopted	MINISTRY OF SPATIAL PLANNING, URBANISM AND STATE PROPERTY STATE PROPERTY ADMINISTRATION	I Q 2025	IV Q 2026	Not implemented		No additional funds needed		/
3.2.3.	Completion of the asset registry for all consuming units at the central level with evaluation based on a unified method and inventory of state property in the cadastre	50% of users utilizing the IT system for state property management	STATE PROPERTY ADMINISTRATION	I Q 2026	IV Q 2026	Not due for implementation		500,000 €		Budget

3.2.4.	Training of staff for state property management, specifically on managing the asset registry	At least 400 trained staff members	STATE PROPERTY ADMINISTRATION	II Q 2025	IV Q 2026	Not implemented		30.000 €		Budget
3.2.5.	Establishment of a control function for data quality evaluation	Control function established	STATE PROPERTY ADMINISTRATION	I Q 2025	IV Q 2026	Not implemented		10.000 €		Budget
3.2.6	Amendments and supplements to the Law on State Property and relevant by-laws, focusing on developing methodology for mass valuation of state property	Amendments and supplements to the Law on State Property and relevant by-laws adopted; Methodology for mass valuation of state property developed	THE MINISTRY OF SPATIAL PLANNING, URBANISM, AND STATE PROPERTY REAL ESTATE ADMINISTRATION STATE PROPERTY ADMINISTRATION	I Q 2025	IV Q 2026	Not implemented		50.000 €		Budget

3.2.7	Improvement of the cadastral information system by developing a platform for direct access by authorities to the cadastral information system	Improved information system; Platform for direct access by authorities to the cadastral information system established and operational	THE MINISTRY OF SPATIAL PLANNING, URBANISM, AND STATE PROPERTY REAL ESTATE ADMINISTRA TION	I Q 2025	IV Q 2026	Partially implemented /Implementa tion in progress 30%		1.000.000 €		Budget Donation
3.2.8	Establishment of new e-services (connecting notaries with the cadastre for electronic document submission)	All notary offices use e-services	THE MINISTRY OF SPATIAL PLANNING, URBANISM, AND STATE PROPERTY REAL ESTATE ADMINISTRA TION	I Q 2025	II Q 2026	Partially implemented /Implementa tion in progress 70%		100.000 €		Budget Donation

3.2.9	Amendments to the regulatory framework ³⁴ to define imperative rules for the submission of electronic documents by notaries	Legislative framework amended and adopted for submitting electronic documentation	THE MINISTRY OF SPATIAL PLANNING, URBANISM, AND STATE PROPERTY REAL ESTATE ADMINISTR ATION	I Q 2025	IV Q 2025	Implemented		No additional funds needed		/
3.2.10	Provision of e-services for retrieving documentation/data from the Real Estate Administration jurisdiction by relevant institutions in accordance with the regulations	At least 20 institutions utilizing e-services	THE MINISTRY OF SPATIAL PLANNING, URBANISM, AND STATE PROPERTY REAL ESTATE ADMINISTR ATION	I Q 2025	IV Q 2026	Implemented		100.000 €		Budget Donation

³⁴ Law on State Survey and Real Estate Cadaster and Law on Notaries

3.2.1 1	Training for external and internal users of desktop and web applications/e-services	At least 20 user training sessions for e-services	THE MINISTRY OF SPATIAL PLANNING, URBANISM, AND STATE PROPERTY REAL ESTATE ADMINISTRA TION	I Q 2025	IV Q 2026	Continuous implementati on		80.000 €		Budget
3.2.1 2	Development of a strategic document for the development of the information system for the Real Estate Administration	Strategic document adopted	THE MINISTRY OF SPATIAL PLANNING, URBANISM, AND STATE PROPERTY REAL ESTATE ADMINISTRA TION	I Q 2025	II Q 2026	Implemented		50.000 €		Budget
OPERATIONAL OBJECTIVE 3.3		Improvement of Budget Execution Reporting								
Activities	Results indicator	Responsible institutions	Start	End	Status of realization	New deadline	Funds	Funds used	Source of funding	

3.3.1	Upgrade BMIS to improve annual and periodic budget execution reports	Prepared assessment of needs and technical specifications for IT solution to upgrade BMIS BMIS upgraded	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress		34.000 €		Budget Donation
3.3.2.	Annual and periodic reports on budget execution in accordance with the program classification are produced within the Budget Management Information System (BMIS)	Semi-annual and annual reports on budget performance produced, including gender indicators	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress				IPA EU4PFM
OPERATIONAL OBJECTIVE 3.4		Management and reporting on the use of EU funds								
Activities	Result indicator	Responsible institutions	Start	End	Status of realization	New deadline	Funds	Funds used	Source of funding	

3.4.1	Needs analysis and preparation of technical specifications for MIS	Technical specification completed	MINISTRY OF FINANCE MINISTRY OF EUROPEAN AFFAIRS	I Q 2025	IV Q 2025	Partially implemented /Implementation in progress 40%	III Q 2026	50.000 €		Donation ³⁵
3.4.2	Conducting procurement for the implementation of MIS	Public procurement procedure completed and MIS development started	MINISTRY OF FINANCE MINISTRY OF EUROPEAN AFFAIRS	II Q 2026	IV Q 2026 ³⁶	Not due for implementation		3,500,000 €		Budget Donation ³⁷

³⁵ The project from which the funds will be allocated will be specified later.

³⁶ The start date of the implementation of the aforementioned activity is conditioned by the dynamics of the tender procedure (activity 3.4.2.) and the date of EU membership.

³⁷ Project under EUIF 2025-2027

AREA IV – EFFICIENT FINANCIAL CONTROL

OPERATIONAL OBJECTIVE 4.1		Improvement of Internal Financial Control in the Public Sector (PIFC)								
Activities		Result indicator	Responsible institutions	Start	End	Status of realisation	New deadline	Funds	Funds used	Source of funding
4.1.1.	Preparation of the analysis of managerial accountability in public administration and development of a roadmap for implementation	Prepared analysis with recommendations for improving managerial accountability Developed roadmap for the implementation of the concept of managerial accountability	MINISTRY OF FINANCE	I Q 2025	III Q 2025	Implemented		20.000 €		EU 4 PFM in Montenegro
4.1.2	Amendment of regulatory framework on management and internal controls (Law, regulations, guidelines)	Adopted Law on management, internal control and internal audit and relevant secondary legislation		II Q 2025	II Q 2026	Partially implemented /Implementation in progress 75-80%		30.000 €		Budget, EU 4 PFM in Montenegro Donation
4.1.3	Implementation of the quality assessment process for management and	Prepared quality assessment reports and				Not implemented		No additional funds needed		

	internal controls in selected institutions and, if needed, update of the established legislation in this area	provided recommendations for improvement for at least 5 budget users		I Q 2025	IV Q2026				/
4.1.4	Conducting training for managers and employees on managerial accountability, delegation of authority, internal reporting and other topics in the area of management and internal control	At least 3 conducted trainings At least 50 trained managers and employees		II Q 2025	IV Q 2026	Implemented		25.000 €	Budget EU 4 PFM in Montenegro „Support to coordination, monitoring and reporting on PAR and PFM“ – CEF
4.1.5	Strengthening the capacities of managers and employees in the areas of management and internal control in state-owned enterprises	At least 2 training sessions conducted for managers and employees in state-owned enterprises	MINISTRY OF FINANCE	II Q 2025	IV Q 2026	Implemented		20.000 €	Budget Donation „Support to coordination, monitoring and reporting on PAR and PFM“ – CEF
4.1.6	Strengthening the capacity of employees in the CHU for monitoring	At least five trainings conducted for employees in	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Implemented		15.000 €	Budget Donation

	and improving management, internal control, and internal audit in the public sector (training, on-the-job support, exchange of experiences from EU member states)	CHU for monitoring and improving management and internal controls, and internal audit								„Support to coordination, monitoring and reporting on PAR and PFM“ – CEF
4.1.7	Assessment of the state in the area of management and internal control and providing recommendations for improvement through Consolidated report on management and internal control	A Consolidated annual report on management and internal controls in the public sector has been prepared, and recommendations have been provided for further improvement in these areas	MINISTRY OF FINANCE	I Q 2025	II Q 2025	Implemented		No additional funds needed		/
4.1.8	Implementation and execution of the Training Program for internal auditors in the public sector	A public call announced, a list of candidates determined, training materials updated, and both theoretical	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Implemented		60.000 €		Budget

		and practical training conducted								
4.1.9	Implementation of the continuous professional development program for internal auditors	Priority topics for the continuous professional development of internal auditors have been identified, target groups for training participation have been determined, a training calendar has been defined, and trainings conducted with the participation of at least 50 internal auditors	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Implemented		20.000 €		Budget
4.1.10	Conducting external quality assessments for budget users at the central and local levels	At least five external quality assessments of the work of internal audit	MINISTRY OF FINANCE	II Q 2026	IV Q 2026	Not due for implementation		30.000 €		Project EU 4 PFM in Montenegro

		units conducted								
4.1.11	Strengthening the capacity of internal audit function for budget users, including for conducting IT audits and external quality assessments of the work of internal audit units	At least two trainings conducted for conducting IT audits and for carrying out external quality assessments of the work of internal audit	MINISTRY OF FINANCE	III Q 2025	IV Q 2026	Partially implemented /Implementation in progress 50%		10.000 €		Budget Project EU 4 PFM in Montenegro -
4.1.12	Updating the Rulebook on the methodology for the work of internal audit in the public sector	The Rulebook on the methodology for the work of internal audits in the public sector updated in accordance with the requirements of the new Global Internal Audit Standards	MINISTRY OF FINANCE	I Q 2025	II Q 2025	Implemented		10.000 €		Budget Donation
4.1.13	Strengthening the capacity of internal auditors in applying the new Global	At least two training sessions held on the topic 'Application of the new	MINISTRY OF FINANCE	I Q 2025	III Q 2026	Implemented		5.000 €		Budget Donation

	Internal Audit Standards	Global Internal Audit Standards' for at least 60 internal auditors								
OPERATIONAL OBJECTIVE 4.2		Strengthening the Impact of External Audit on the Management of Public and EU Funds								
Activities		Result indicator	Responsible institutions	Start	End	Status of realization	New deadline	Funds	Funds used	Source of funding
4.2.1.	Development of a Communication Strategy for SAI for the period 2025 - 2028	Developed Communication Strategy for SAI for the period 2025 - 2029	STATE AUDIT INSTIUTION	I Q 2025	I Q 2026	Partially implemented /Implementation in progress 80%		20.000 €		Project EU 4 PFM
4.2.2	Development of a Human Resources Management Strategy for SAI for the period 2026 - 2029	Developed Human Resources Management Strategy for SAI for the period 2026 - 2029	STATE AUDIT INSTIUTION	II Q 2025	I Q 2026	Partially implemented /Implementation in progress 75%		15.000 €		Project EU 4 PFM
4.2.3	Development and Implementation of Mid-Term Audit Plans for SAI	Mid-term financial and compliance audit plan of the State Audit Institution (SAI) for the period 2023-	STATE AUDIT INSTIUTION	I Q 2025	IV Q 2026	Implemented		30.000 €		Budget Donation

		2027 implemented at a minimum of 50% Mid-term performance audit plan of the State Audit Institution (SAI) for the period 2025-2029 developed							
4.2.4	Strengthening the capacity of employees for conducting performance audits	At least two training sessions held for conducting performance audits	STATE AUDIT INSTIUTION	IV Q 2025	II Q 2026	Implemented		15.000 €	Project EU 4 PFM in Montenegro
4.2.5	Harmonization of the Law on the Audit of EU Funds and secondary legislation with auditing standards and future EU requirements	At least 3 legal acts harmonized with national and EU regulations	MINISTRY OF FINANCE AUDIT AUTHORITY	III Q 2025	I Q 2026	Not implemented	III Q 2026	No additional funds needed	/
4.2.6	Training of auditors on closing the IPA II program and changes related to	At least 15 auditors trained At least 5	AUDIT AUTHORITY	II Q 2025	IV Q 2026	Partially implemented /Implementa		200.000€	Budget Project TWL

	the IPA III programming period	training sessions conducted				tion in progress 60%				for Agri funds
4.2.7	Development of the Strategic Plan for the Audit Authority 2026-2029	The Strategic Plan for the Audit Authority 2026-2029 has been developed	AUDIT AUTHORITY	II Q 2025	III Q 2025	Implemented		15.000€		Project EU 4 PFM
OPERATIONAL OBJECTIVE 4.3		Enhancing the efficiency of the AFCOS system in order to protect the financial interests of the EU								
Activities		Result indicator	Responsible institutions	Start	End	Status of realization	New deadline	Funds	Funds used	Source of funding
4.3.1	Amendment of the Law on Budget and Fiscal Responsibility and the adoption of bylaws	Amended the Law on Budget and Fiscal Responsibility in the part related to the management of IPA funds	MINISTRY OF FINANCE	I Q 2025	IV Q 2025	Partially implemented /Implementation in progress 50%	2026	No additional funds needed		/
4.3.2	Alignment of the Criminal Code of Montenegro with the PIF Directive based on a GAP analysis	A GAP analysis has been conducted, and the Criminal Code is aligned with	MINISTRY OF FINANCE	I Q 2025	IV Q 2025	Implemented		20.000 €		The project "Further Improvement of the Functioning of the Montenegrin AFCOS System for the Efficient

		the PIF Directive								Protection of the EU Financial Interests."
4.3.3	Development of procedures for managing irregularities	Guidelines for managing irregularities developed	MINISTRY OF FINANCE	I Q 2025	I Q 2025	Partially implemented /Implementation in progress 90%	I Q 2026	10.000 €		The project "Further Improvement of the Functioning of the Montenegrin AFCOS System for the Efficient Protection of the EU Financial Interests."
4.3.4	Development and adoption of the Communication Plan	The communication plan and communication procedures between the AFCOS system bodies and the public have been adopted	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Partially implemented /Implementation in progress 50%		25.000€		The project "Further Improvement of the Functioning of the Montenegrin AFCOS System for the Efficient Protection of the EU Financial Interests."

4.3.5	Analysis of training needs and development of a training plan	The analysis of training needs for IPA officials has been completed, and a training plan and training catalogue for AFCOS system officials have been developed	MINISTRY OF FINANCE	I Q 2025	I Q 2025	Implemented		5.000€		Donation
4.3.6	Training on risk management, anti-fraud and irregularity prevention policies, and the application of the electronic system for reporting irregularities (IMS) for bodies using pre-accession funds	At least 50 officials from the AFCOS system trained in irregularity management	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Implemented		15.000€		Budget donation
4.3.7	Development of a Strategy for Combating Fraud and Managing Irregularities to Protect the Financial Interests of the EU for the period 2025-2028, along with an	Adopted Strategy for Combating Fraud and Managing Irregularities to Protect the Financial	MINISTRY OF FINANCE	I Q 2025	II Q 2025	Implemented		50.000€		The project "Further Improvement of the Functioning of the Montenegrin AFCOS System for

	accompanying Action Plan	Interests of the EU								the Efficient Protection of the EU Financial Interests."
OPERATIONAL OBJECTIVE 4.4		Improving transparency and efficiency in the use of public funds through the development of a regulatory framework and strengthening the capacity of the budget inspection								
Activities		Result indicator	Responsible institution	Start	End	Status of realization	New deadline	Funds	Funds used	Source of funding
4.4.1.	Development of the regulatory and methodological framework	Law on Budget Inspection adopted	MINISTRY OF FINANCE	I Q 2025	I Q 2025	Implemented		No additional funds needed		/
4.4.2	Development of the methodological framework for the work of inspectors	The methodology for the work of budget inspectors has been adopted	MINISTRY OF FINANCE	III Q 2025	IV Q 2025	Partially implemented /Implementation in progress 75%	II Q 2026	30.000€		Project EU 4 PFM in Montenegro
4.4.3	Strengthening the human resource capacity of the budget inspection	The number of inspectors increased to a minimum of 3 budget inspectors	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Implemented		110.000 €		Budget
4.4.4	Development of the budget inspection staff	Budget inspectors successfully participated in at least 2	MINISTRY OF FINANCE	I Q 2025	IV Q 2026	Implemented		10.000€		Donation Budget

		specialized training workshops, seminars, or conferences, both domestically and internationally								
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