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The promotion of sustainable, responsible and inclusive business practices among SMEs in Montenegro

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Contents

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List of abbreviations

ALMM	active labour market measure
BFC	Business-Friendly Certification
BIT	bilateral investment treaty
CBM	Central Bank of Montenegro
CEFTA	Central European Free Trade Agreement
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainability Reporting Directive
CSDDD	Corporate Sustainability Due Diligence Directive
CTU	Confederation of Trade Unions of Montenegro
DBM	Development Bank of Montenegro
DWCP	Decent Work Country Programme
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EGD	European Green Deal
EFTA	European Free Trade Association
ERP	Economic Reform Programme
ESAP	Employment and Social Affairs Platform
ESG	Environmental, Social and Governance
EU	European Union
FDI	foreign direct investment
FG	focus group
FSC	Financial Stability Council
FTA	free trade agreement
GDP	Gross Domestic Product
GlobalG.A.P.	Global Good Agricultural Practices
GSTC	Global Sustainable Tourism Council
HACCP	Hazard Analysis and Critical Control Points
HRDD	human rights due diligence
ICT	Information and Communication Technology
ILO	International Labour Organization
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance

IPARD	Instrument for Pre-Accession Assistance in Rural Development
ISO	International Organization for Standardization
KII	key-informant interview
MAFWM	Ministry of Agriculture, Forestry and Water Management
MAPS	Methodology for Assessing Procurement Systems
MED	Ministry of Economic Development
MEF	Montenegrin Employers’ Federation
MFIC	Montenegrin Foreign Investors’ Council
MIA	Montenegro Investment Agency
MLESD	Ministry of Labour, Employment and Social Dialogue
MONSTAT	Statistical Office of Montenegro
MSMEs	micro, small and medium-sized enterprises
MOT	Ministry of Tourism
NSSD	National Strategy for Sustainable Development by 2030
OECD	Organisation for Economic Co-operation and Development
OSH	occupational safety and health
PPP	public-private partnership
RBC	Responsible Business Conduct
RCC	Regional Cooperation Council
RDA	regional development agency
SAA	Stabilisation and Association Agreement
SBFN	Sustainable Banking and Finance Network
SCC	Secretariat of the Competitiveness Council
SDGs	Sustainable Development Goals
SIGMA	Support for Improvement in Governance and Management
SMEs	small and medium-sized enterprises
UFTU	Union of Free Trade Unions of Montenegro
UNDP	United Nations Development Programme
UNGPs	UN Guiding Principles on Business and Human Rights
VET	vocational education and training
WB	World Bank
WB6	Western Balkans 6

Executive summary

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Responsible Business Conduct (RBC) has emerged as a critical pillar of long-term business resilience, competitiveness, and productivity growth. Globally, there is a growing expectation for businesses to contribute to decent work and sustainable development, guided by international principles and frameworks on RBC. For small and medium-sized enterprises (SMEs), this shift brings both opportunities and challenges in adapting responsible practices to their scale and resources.

In Montenegro, where SMEs[1] make up over 90 per cent of all businesses, this transition is unfolding against the backdrop of ongoing alignment with the EU acquis—the body of common rights and obligations that is binding on all EU Member States—and the requirements of evolving EU directives on sustainability and RBC, including new obligations for enterprises to assess and manage their environmental and social impact. While the case for responsible business practices is clear, many SMEs still face challenges such as limited awareness, capacity gaps, and insufficient access to support and expertise.

This study examines how SMEs in Montenegro are engaging with RBC and human rights due diligence (HRDD) for decent work, with the aim of identifying how institutional and policy frameworks can better support the adoption of sustainable, responsible and inclusive business practices. The research combines a desk review of relevant policy and legal frameworks with interviews and focus groups involving institutional stakeholders and enterprises, including women-led firms and SMEs employing members of vulnerable groups, while applying a sectoral and regional lens.

Montenegro has made notable progress in aligning legal and strategic frameworks with the EU acquis and signalling its commitment to RBC. However, SMEs remain in the early stages of putting these principles into practice. Common challenges include limited awareness of RBC and HRDD requirements, labour and skills shortages, lack of tailored guidance, constrained access to finance, and fragmented institutional support. While support mechanisms are expanding, they are still consolidating, and administrative burdens remain high.

At the same time, there is growing SME interest in sustainability and quality standards, particularly when linked to market access and finance. Stakeholders see clear opportunities to build on existing SME support schemes and improve coordination across institutions, business associations, and social partners—so that information, training, and advisory services on RBC become coherent, accessible, and relevant to SME needs. This provides a strong basis for targeted capacity-building and gradual alignment with emerging EU expectations.

The recommendations call for stronger policy coherence and integration of RBC principles into key strategies and programmes on SME development, competitiveness and investment promotion, supported by improved cross-institutional coordination, structured social dialogue and the institutionalization of a sustained training offer on RBC and HRDD for SMEs. They emphasize practical and targeted support for SMEs—including clearer guidance and tools that make the transition to the formal economy and compliance with standards simpler and more attractive. Effective implementation at sector level requires strengthening sectoral social dialogue and communication channels,

1. In the Montenegrin context, SMEs are defined in Montenegro's Accounting Act: small entities are those with up to 50 employees, annual revenue of up to €8 million and total assets of up to €4 million, while medium-sized entities are those with up to 250 employees, annual revenue of up to €40 million and total assets of up to €20 million.

developing concise sector-specific RBC guidelines and operationalizing the training offer through tailored sectoral modules for SMEs, as well as promoting awareness and peer learning. At enterprise level, SMEs are encouraged to align their practices progressively with the guidance of international labour standards and international frameworks on RBC, including the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration), and strengthen cooperation and dialogue between management and workers to foster more inclusive and resilient workplaces.

1. Introduction

1. Introduction

Businesses contribute to economic and social development through job creation, development of skills and technology, and the provision of goods and services. At the same time, business activities can have adverse impacts on people, the environment and society. Through RBC, enterprises can maximise positive contributions to decent work and sustainable development while preventing and addressing potential negative impacts.

For Montenegro—a country with very high human development (UNDP 2024)—this agenda is unfolding alongside steady alignment with the EU acquis, including Chapters 20 (Enterprise and Industrial Policy) and 23 (Judiciary and Fundamental Rights). With a population of around 620,000 and Gross Domestic Product (GDP) of approximately €6.96 billion in 2023 (Statistical Office of Montenegro (MONSTAT) 2024), Montenegro is one of the smallest yet most open economies in the Western Balkans: total trade in goods and services amounts to about 119 per cent of GDP, and SMEs account for an estimated three quarters of exports—30–40 per cent of which are destined for the EU—reflecting strong integration into EU value chains in wood processing, agri-food, tourism and ICT (European Bank for Reconstruction and Development (EBRD) 2020). SMEs are the backbone of the economy, representing 99.3 per cent of registered businesses and roughly three quarters of private-sector employment (OECD 2022).

This economic profile makes global shifts towards responsible conduct particularly salient. International frameworks on RBC—the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy—have informed national laws, policies and trade and investment agreements, and raised expectations from consumers and investors across supply chains. For Montenegro, deeper EU integration and market access translate these expectations into both a regulatory requirement and a strategic opportunity to enhance competitiveness, attract investment and promote inclusive growth.

Against this backdrop, most SMEs remain at an early stage of understanding and applying RBC. Awareness of the business case is limited, institutional support is fragmented, and many initiatives are donor-driven and lack sustainability or scale. In public discourse, Corporate Social Responsibility (CSR) and RBC are still often conflated, which hinders a consistent national approach to sustainability, compliance and EU alignment. Strengthening coordination, providing practical tools and capacity-building, and ensuring active engagement of workers' and employers' organizations through tripartite mechanisms are essential to embed RBC in practice and deliver tangible improvements in wages, working conditions and equality.

This study analyzes Montenegro's RBC ecosystem from three complementary angles: the legal and policy framework, the incentives environment (including access to finance, procurement and buyer requirements), and the support system for enterprises, especially SMEs. These dimensions are examined in an integrated manner across the broader international and regional RBC development context and stakeholder initiatives.

1.1. Key concepts

RBC reflects a shift from voluntary, philanthropic efforts towards business practices that align with international standards and contribute positively to sustainable economic and social development. It calls on companies to act responsibly by identifying and managing adverse risks associated with their operations, products or services, including in their supply chains and business relationships, while also contributing positively to job creation, development of skills and technology, and broader development objectives. The three main instruments have become reference points for responsible businesses, namely the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, the ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration), and the UN Guiding Principles on Business and Human Rights (UNGPs).

The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct are recommendations addressed by governments to multinational enterprises. They aim to encourage positive contributions enterprises can make to economic, environmental and social progress, and to minimize adverse impacts on matters covered by the Guidelines that may be associated with an enterprise's operations, products and services. The Guidelines cover all key areas of business responsibility, including human rights, labour rights, the environment, bribery, consumer interests, disclosure, science and technology, competition, and taxation. First adopted in 1976 and last revised in 2023, the Guidelines now include updated recommendations for RBC across key areas, such as climate change, biodiversity, technology, business integrity and supply chain due diligence, as well as updated implementation procedures for the National Contact Points for Responsible Business Conduct, a unique non-judicial grievance mechanism.

The ILO MNE Declaration is the only global instrument on RBC elaborated and adopted by governments, employers and workers from around the world. First adopted in 1977 and most recently amended in 2022, its principles address enterprises (multinational and national), governments of home and host countries, and employers' and workers' organizations, providing guidance in such areas as employment, training, conditions, industrial relations as well as general policies. The guidance of the MNE Declaration is founded substantially on principles contained in international labour standards. To stimulate the uptake of its principles by all parties, the ILO Governing Body has adopted operational tools, including tripartite-appointed national focal points, company–union dialogue, and the ILO Helpdesk for business on international labour standards.

The UN Guiding Principles on Business and Human Rights were unanimously adopted by the UN Human Rights Council in 2011 and focus on avoiding and addressing adverse business-related human rights impacts. They are founded on three pillars: 1) the State duty to protect against human rights abuses by third parties, including business enterprises; 2) the independent responsibility of business enterprises to respect human rights, which means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved; and 3) the need for those harmed by business-related activities to have access to effective remedy. The UN Working Group on Business and Human Rights (UN Working Group) is charged with promoting the UN Guiding Principles and their implementation.

Together, these frameworks set the global expectations for RBC and are aligned and complement each other. They are particularly relevant for Montenegro, as aligning national policies with these frameworks can attract responsible investment, strengthen labour rights, and promote inclusive and resilient economic growth. They help create an enabling environment for sustainable enterprises, including SMEs, which adopt responsible business practices and can become competitive and resilient.

A central element of RBC is Human Rights Due Diligence (HRDD), a process through which enterprises identify, prevent, and mitigate their actual and potential adverse impacts on human rights, and account for how they address such impacts. HRDD was set out in UNGPs as part of the policies and processes for enterprises to meet their responsibility to respect human rights, and later integrated into the OECD Guidelines and the MNE Declaration. The UNGPs emphasize that human rights refer to internationally recognized human rights understood, at a minimum, as those expressed in the International Bill of Human Rights and the ILO's fundamental principles and rights at work. They underline that to gauge human rights risks, enterprises should draw on internal and/or independent external human rights expertise, and involve meaningful consultation with potentially affected groups and other relevant stakeholders, as appropriate to the size of the business enterprise and the nature and context of the operation. The ILO MNE Declaration highlights that workers' organizations should be included, as appropriate. It also states that, for the purpose of achieving the aim of the MNE Declaration, the process of meaningful consultation should take account of the central role of freedom of association and collective bargaining, as well as industrial relations and social dialogue as an ongoing process.

Over recent years, HRDD has been increasingly incorporated into binding legislative frameworks, including at the EU level. In this context, SMEs in Montenegro that are increasingly integrated into EU and regional value chains are likely to be affected by rising expectations related to RBC and HRDD.

▶ 1.2. Objectives

This study pursues two overarching objectives: first, to identify the current legal, policy, and institutional frameworks relevant to RBC and HRDD for decent work in Montenegro; and second, to explore key challenges, gaps, and opportunities for fostering responsible and inclusive business practices among SMEs.

More specifically, the study examines the extent to which RBC is integrated into national strategies, legislation, and trade or investment agreements. It maps key stakeholders and support mechanisms involved in SME development and the promotion of responsible business, and evaluates SME awareness and understanding of RBC and HRDD principles. The study also explores structural, operational and internal capacity barriers to SMEs adopting responsible business practices, with attention to regional, sectoral and enterprise-size differences. In addition, it aims to present the business case for RBC, document examples of good practice, and develop actionable recommendations at the policy, institutional, and enterprise levels.

▶ 1.3. Methodology

The study used a two-phase design with triangulation across sources. Phase I comprised a desk review of secondary data including laws, policies, programmes, and literature on SME development, decent work, and sustainable business practices in Montenegro, as well as a stakeholder mapping of key ecosystem actors relevant to RBC.

Phase II comprised qualitative fieldwork: 13 key-informant interviews (KII) and three focus groups with representatives of public institutions, employer and business organizations, trade unions, and the financial sector. In parallel, enterprise-level interviews and focus-group discussions were conducted with 16 SMEs to assess awareness, challenges, and opportunities, and to identify good practices and actionable recommendations. The enterprise sample was designed to reflect sectoral and regional diversity and different firm sizes. The sample spans 10 sectors, including some that are high-risk—manufacturing, agriculture, tourism, and construction—and includes firms from the Central, Southern, and Northern regions. Within the sample, seven out of 16 SMEs reported cross-border linkages, of which four are connected to EU markets, and a further two SMEs plan to start exporting within the next two years. The inclusion of women-led and women-owned businesses was ensured, as was that of enterprises employing workers from vulnerable groups.

Where relevant, findings are disaggregated by region, sector, and enterprise size to reflect Montenegro's economic diversity.

2. Policy, legal and institutional framework

2. Policy, legal and institutional framework

As Montenegro advances its EU integration and deepens engagement with international frameworks, RBC—together with HRDD processes—will need to be systematically integrated across policy, regulatory and market contexts in which enterprises operate. This chapter examines the extent to which RBC expectations and HRDD obligations are currently reflected in national policies, legislation and international commitments, and considers their implications for SMEs.

2.1. International and regional commitments

Montenegro's commitment to RBC is reflected in its international obligations and national policy frameworks. As a signatory of the United Nations 2030 Agenda for Sustainable Development, the country has committed to achieving the Sustainable Development Goals (SDGs), including Goal 8, which promotes inclusive and sustainable economic growth, full and productive employment, and decent work for all.

Montenegro has also been a member of the International Labour Organization (ILO) since 2006 and supports the implementation of the ILO Decent Work Agenda through its labour market and social policies. Progress on labour rights, employment, and working conditions will be discussed further in the following sections.

2.1.1. EU alignment and regional frameworks

2.1.1.1. Alignment with the EU acquis

The **Stabilisation and Association Agreement (SAA),** signed in 2007 and in force since 2010, forms the legal foundation of Montenegro's relationship with the EU (European Union 2010). The SAA provides the basis for Montenegro's gradual alignment with the EU acquis, including norms related to labour rights, sustainability, and corporate responsibility. This alignment is primarily advanced through **Chapters 20 and 23**, but also through other thematically relevant chapters.

Chapter 23 – Judiciary and fundamental rights underpins Montenegro's alignment with EU standards on rule-of-law, anti-discrimination and access to justice. The European Commission's 2023 and 2024 reports record only "limited progress", citing weak judicial independence, inconsistent enforcement of equality legislation and inadequate institutional capacity. For Montenegro's SMEs this chapter is pivotal: predictable courts and clear case law lower transaction costs; robust equality bodies and reversed burdens of proof oblige firms to maintain non-discrimination policies, transparent pay structures and verifiable recruitment records; and effective grievance mechanisms increasingly serve as proof of compliance for EU buyers.

Slow court proceedings and understaffed inspectorates, however, leave SMEs facing higher up-front compliance costs, reputational risk if grievances go unresolved, and scepticism from EU partners about the reliability of national documentation. Closing these gaps is thus essential, not only for meeting EU accession benchmarks, but also for embedding RBC and safeguarding SME access to European value chains.

Montenegro's **Agency for Peaceful Resolution of Labour Disputes** provides mediation/conciliation as a state-based, non-judicial remedy for workplace disputes, offering faster and lower-cost resolution compared to litigation. Referrals are accessible to workers and employers, and settlements, when reached, close disputes without court proceedings. This alternative dispute resolution channel complements courts and inspectorates by encouraging early correction and dialogue.

Chapter 20 – Enterprise and industrial policy aims to enhance competitiveness, promote innovation, and support enterprise development, including SMEs. While Montenegro has achieved a high level of formal alignment with EU legislation, full implementation remains a work in progress. From an RBC perspective, Chapter 20 signals a transition to a more value-driven model of enterprise development. For Montenegrin SMEs, this implies several emerging expectations:

- **Integration of Environment, Social and Governance (ESG) standards**: SMEs are increasingly expected to embed ESG principles into business operations—not only as a reputational safeguard, but as a precondition for accessing European supply chains, financial markets, and public procurement. This trend aligns with the EU Green Deal, the 2021 Industrial Strategy (European Commission 2021), and the increasing use of sustainability-linked indicators in EU funding instruments such as the Instrument for Pre-Accession Assistance III (IPA III) (European Commission, n.d.).
- **Shift from compliance to conduct**: EU industrial policy now links competitiveness with sustainable business practices. Aligning with technical norms alone will no longer suffice: SMEs will need to demonstrate responsible sourcing, decent working conditions, and climate risk mitigation to remain eligible for public support and market integration.
- **Conditionality in public funding**: EU and national enterprise support schemes, especially under IPA III, the Economic and Investment Plan for the Western Balkans, and the European Green Agenda, are progressively tied to sustainability metrics (European Commission 2020). For example, access to subsidies, digitalization grants, or export incentives may include requirements to demonstrate alignment with ESG principles, and in some cases to outline due diligence processes. While formal proof of HRDD is not yet a requirement for SMEs in Montenegro, the trend in EU-funded programmes suggests such conditionality is likely to strengthen over time.

A more enabling business environment would involve fewer administrative barriers and more predictable regulatory changes, thereby facilitating daily operations for enterprises. At the same time, the availability and diversification of funding sources would increase, including improved access to various EU programmes and instruments. SMEs would be increasingly supported towards enhanced competitiveness, innovation, and adoption of modern technologies, backed by stronger EU financial assistance.

Special emphasis is placed on fostering youth entrepreneurship, support for start-ups, persons with disabilities and women, as well as investment in energy efficiency, environmental protection, and the implementation of quality management systems and international standards.

In addition to these two flagship chapters, **Chapter 19 – Social policy and employment** is directly linked to labour market regulation, social dialogue, and working conditions, a key component of RBC. **Chapter 5 – Public procurement** governs the transparency, competition, and integrity of procurement procedures in line with EU rules. For SMEs, proper implementation of the provisions outlined in this chapter is critical to ensure non-discriminatory access to public tenders, simplified participation conditions, and fair evaluation practices (European Commission 2023). From an RBC perspective, this chapter is linked to the inclusion of environmental and social criteria (e.g., green procurement, ethical sourcing, labour standards) in public contracts. Although Montenegro provisionally closed this chapter in June 2025, practical enforcement remains uneven. The *Methodology for Assessing Procurement Systems (MAPS II)* assessment**,** conducted shortly before closure, identified persistent implementation gaps—such as insufficient use of e-procurement tools and limited institutional capacity—which indirectly affect SME access to, and participation in, procurement procedures (World Bank 2024).

2.1.1.2. EU green transition frameworks

The *European Green Deal* (EGD) defines the EU's climate, circular economy and just transition goals, while the *Green Agenda for the Western Balkans* adapts these to the regional level. Montenegro has committed to aligning national policies with these frameworks through the EU accession process, which influences sectoral priorities, financing, and enterprise practices—particularly in energy- and resource-intensive value chains.

Although focused on environmental goals, the EGD is closely linked to RBC, including labour and human rights. For SMEs, this alignment creates incentives and expectations around energy efficiency, resource use, and basic environmental data, often required in finance, procurement and supply-chain processes.

2.1.1.3. Implications of key EU corporate sustainability instruments

Two landmark EU instruments—the **Corporate Sustainability Reporting Directive** (CSRD), which standardizes sustainability reporting, and the **Corporate Sustainability Due Diligence Directive** (CSDDD), which embeds human-rights and environmental due diligence across value chains—are being taken forward within the European Commission's Omnibus package. Together, they are expected to influence the regulatory and operational environment for Montenegrin enterprises, including SMEs integrated into EU value chains, by progressively raising expectations on transparency, ESG reporting and due diligence practices.

In parallel, other EU measures extend due diligence obligations to specific risk areas and product groups. The **EU Regulation on deforestation-free products** introduces mandatory due diligence for operators placing certain commodities and derived products on the EU market, with particular relevance for Montenegro's forestry and wood-processing sectors. Likewise, the forthcoming **EU Regulation on prohibiting products made with forced labour** will require the withdrawal from the EU market of goods where forced labour risks cannot be adequately ruled out along the value chain.

Together these directives and regulations represent a significant shift from voluntary CSR frameworks towards mandatory sustainability compliance. For Montenegrin SMEs, this shift brings increased expectations from upstream business partners regarding documentation and transparency, heightened reputational and market risks in cases of non-alignment, and a growing need for institutional and technical support, such as training, sustainability advisory services, and guidance on RBC and HRDD. To respond effectively, Montenegro will need to develop a coherent national approach that ensures policy alignment, legislative harmonization, and targeted support mechanisms for SMEs. Without such interventions, smaller enterprises may risk facing exclusion from EU-based value chains and public procurement opportunities, or encounter barriers when placing products on the EU market.

2.1.2. RBC elements in Montenegro's trade and investment agreements

Several of Montenegro's trade arrangements already include elements directly relevant to RBC, particularly clauses on labour rights and environmental protection. These provisions establish obligations and expectations for enterprises that are consistent with international standards and support the gradual alignment with EU requirements.

Montenegro has concluded over 20 bilateral investment treaties (BITs), most of which follow a standard model focused primarily on investor protection—namely, fair and equitable treatment, protection from expropriation, non-discrimination, free transfer of funds, and investor–state dispute settlement mechanisms. While these treaties generally do not contain explicit provisions related to labour rights or environmental protection, they typically require investors to comply with the domestic legal framework of the host country. In the case of Montenegro, this includes national legislation on labour, occupational safety and health (OSH), and environmental standards. As such, BITs do not directly impose RBC obligations, but they create a legal environment in which compliance with domestic RBC-relevant regulations is a baseline expectation (UNCTAD, n.d.). For SMEs operating under or affected by BIT-related investment flows, this interplay between domestic regulation and international investment protection may influence both incentives and constraints related to RBC for decent work implementation.

Montenegro has been a party to the **Central European Free Trade Agreement (CEFTA)** since 2006, participating in a framework aimed at facilitating trade in goods and services, improving regulatory transparency and fostering sustainable trade through instruments like Additional Protocol 5. While CEFTA promotes principles of sustainable trade and regional cooperation, it does not include binding commitments related to labour rights, human rights, or broader RBC principles. These areas remain largely addressed through voluntary initiatives and soft-law instruments within the CEFTA framework (Central European Free Trade Agreement (CEFTA) 2006).

▶ Box 1. Trade and Labour Provisions in the EFTA–Montenegro FTA

The **Free Trade Agreement between Montenegro and the EFTA** member states (Iceland, Liechtenstein, Norway and Switzerland), in force since 2011, contains a dedicated chapter on labour and environmental standards. It commits the parties to respect and implement effectively the ILO Core Conventions on freedom of association and collective bargaining, elimination of forced labour, abolition of child labour, and elimination of discrimination in employment and occupation. The agreement also prohibits lowering labour or environmental standards for competitive advantage (European Free Trade Association and Montenegro, 2011).

For SME exporters, treaty provisions that forbid lowering labour or environmental protections help safeguard a level playing field. Indirect effects arise through buyer practices and procurement criteria and are likely to differ by sector: in manufacturing value chains (e.g. wood processing, agri-food), foreign buyers may request proportionate evidence of compliance with domestic labour and environmental rules (such as employment contracts and wage/social security records, basic OSH documentation, and relevant environmental permits), often relying on national documentation rather than third-party audits. Given the absence of systematic evaluations for Montenegro, these effects are expected to occur on an ad hoc basis via contractual requirements.

2.1.3. Implications for SMEs

For SMEs, these international commitments and EU alignment processes are expected to be operationalized mainly through three channels: (i) compliance with domestic labour laws and regulations; (ii) social and environmental criteria in public procurement and access-to-finance procedures set by public authorities and financial institutions; and (iii) contractual requirements and evidence requests from EU-based buyers and business partners. The international standards and EU alignment processes therefore provide a clear direction for SMEs on the minimum RBC practices and policies they are expected to have in place, including OSH management systems, employment and pay records, non-discrimination policies, simple grievance channels, and, where relevant, concise environmental data linked to finance, procurement and buyer requests. In EU-linked value chains, SMEs can expect more frequent checks, with national documentation generally serving as an efficient basis for demonstrating compliance.

▶ 2.2. National policies and programmes

2.2.1. Enterprise policy and competitiveness

At the national level, the overarching strategic document guiding Montenegro's economic direction is the **Economic Reform Programme 2025–2027** (ERP) (Government of Montenegro 2025b), developed in line with EU guidance and through public consultations involving social partners and other stakeholders. It functions both as a key framework for macroeconomic planning and EU convergence and, together with *Montenegro's Reform Agenda 2024–2027*, as a central instrument for advancing green and digital transitions and strengthening private sector competitiveness. The ERP emphasizes smart, sustainable and inclusive growth and sets cross-cutting priorities such as improving the business environment, strengthening public and corporate governance, and reducing the informal economy, in line with EU economic governance and the objectives of the European Green Deal. These measures are expected to increase transparency and efficiency and create more predictable and responsible business conditions, including better enforcement of labour, social and tax obligations.

With respect to SMEs, the ERP sets out targeted measures to enhance competitiveness, facilitate access to finance and streamline the regulatory and administrative environment. These reforms aim to improve access to existing and new financing instruments for SMEs, simplify procedures and modernize tax and customs administration, while supporting innovation and the uptake of green and digital technologies. By promoting the green energy transition, decarbonization, renewable energy and energy efficiency, as well as gradual shifts towards circular business models, the ERP encourages enterprises to reduce negative environmental impacts in their operations and value chains. Measures to increase formal employment, strengthen social protection and labour inspection, and support skills development and activation contribute to better application of labour standards and the promotion of decent work. Governance-related reforms—including the reform of state-owned enterprises, enhanced fiscal and tax governance, and efforts to increase transparency and accountability—are designed to strengthen integrity and predictability in the business environment. Together, these measures create more favourable conditions for SMEs to embed RBC in their business operations, including by improving working conditions and fostering respect for labour standards.

The **Business Agenda 2025**, spearheaded by the Montenegrin Employers' Federation (MEF), sets out 10 strategic priorities for enhancing Montenegro's competitiveness and resilience, with the integration of ESG principles and socially responsible business positioned as central to long-term sustainability (MEF 2025). These priorities are operationalized through targeted recommendations—ranging from improving access to finance and strengthening social dialogue to accelerating the green transition and fostering a culture of responsible and ethical conduct. The Agenda has direct relevance for the uptake of RBC among SMEs, particularly through calls for simplified reporting, enhanced institutional coordination, and the promotion of sustainability.

Further strategic orientation is provided by the **Strategy for the Development of Micro, Small and Medium Enterprises 2023–2026**, a government policy framework led by the Ministry of Economic Development and implemented through annual plans with defined indicators and institutional responsibilities. Prepared via an inter-institutional working group bringing together key ministries and agencies (Finance, statistical office, tax/customs administration, business registry, employment agency, and the Development Bank of Montenegro (DBM)[2]), alongside the Chamber of Economy and the MEF, and subjected to a public consultation, the Strategy explicitly targets SMEs through a suite of measures, several directly relevant to RBC. These include: (i) simplifying and digitizing compliance (e.g., full e-registration of companies and modernized e-services for tax and customs), thereby reducing administrative burden and increasing transparency; (ii) programme lines for SME upgrading in digitalization and the circular/green economy that build capabilities for resource-efficient, low-impact operations; and (iii) strengthening the institutional support network and value-chain/cluster linkages to prepare firms for export markets and buyer requirements. Collectively, these measures provide practical guidance and instruments that enable SMEs to operationalize responsible practices progressively in line with EU-oriented competitiveness and green-transition objectives (Government of Montenegro 2023b).

For SMEs, this translates into simpler compliance, targeted upgrading (digital and green), strengthened support networks and clearer governance expectations aligned with EU market requirements.

2.2.2. Gender equality and women's economic empowerment

Through labour market and social policy reforms set out in the ERP—including measures to increase formal employment, strengthen active labour market policies and expand social protection—the Government aims to promote more and better jobs, reduce poverty and social exclusion and narrow gender gaps in the labour market.

These reforms are complemented by Montenegro's **National Strategy for Gender Equality 2025–2029** and its **Action Plan 2025–2026**, which provide the overarching framework for preventing gender-based discrimination and advancing equal opportunities, including enhanced participation of women in economic life. The Strategy also promotes gender mainstreaming across institutions and policies, with measures aimed at reducing labour-market inequalities and improving conditions that affect women's access to, and retention in, employment.

The **Strategy for the Development of Women's Entrepreneurship 2025–2028**, with an *Action Plan for 2025–2026*, is Montenegro's third consecutive national strategy on women's entrepreneurship and provides a dedicated framework for strengthening the role of women in business. Its strategic objectives focus on improving the business environment and entrepreneurial ecosystem for women's entrepreneurship, supporting the transition of women-led businesses towards more sustainable, green and digital business models, and strengthening business associations, networking and internationalization among women entrepreneurs. Between 2015 and 2024, Montenegro recorded an almost

2. Successor to the Investment and Development Fund, operations launched under the new name in 2025.

threefold increase in the number of women-owned micro, small and medium-sized enterprises (MSMEs), largely driven by targeted policy measures promoting women's entrepreneurship within broader SME development, gender-equality and employment strategies (Government of Montenegro 2025f).

In practical terms, for SMEs, this means stronger support for inclusive hiring and equal opportunities, with better access to training, finance and networks consistent with RBC.

2.2.3. Formalization framework

The ERP identifies the informal economy as a major structural challenge, given its impact on fiscal sustainability, fair competition and working conditions. Efforts to reduce informality help extend labour and social protection and improve legal compliance, thereby supporting the gradual uptake of RBC among enterprises. By bringing more SMEs into the formal economy, these reforms can strengthen institutions' ability to monitor working conditions and promote decent work.

Building on this and the procurement considerations outlined in section 2.1.1.1 Alignment with the EU acquis, Montenegro's broader compliance architecture pivots on formalization—led by the **Programme for the Suppression of the Informal Economy 2024–2026** (Government of Montenegro 2023a). Implemented by the Ministry of Finance, the Programme is a central lever for RBC-relevant formalization nationwide. It is accompanied by an Action Plan with five operational objectives—from simplifying tax administration and reducing burdens, through support for fair entrepreneurship and digitalization of public services, to reducing the social acceptability of informality—each with assigned indicators and institutions. The Programme estimates that informality within the formal sector accounts for 20.6 per cent of GDP (2022), underscoring the materiality of this risk for SMEs, and under Operational Objective 3 prioritizes conversion of undeclared work into formal employment with a focus on youth, women, and green jobs, which directly intersects with labour-rights risk management and HRDD in value chains.[3]

2.2.4. Sustainability and finance

The **National Strategy for Sustainable Development by 2030 (NSSD)** (Government of Montenegro 2016) is Montenegro's main policy framework for implementing the 2030 Agenda and the SDGs, integrating sustainability across economic, social, and environmental domains. Adopted in 2016 following broad stakeholder consultations, it outlines a long-term vision for transitioning to a green economy and improving quality of life. The strategy recognizes the private sector as a key driver of sustainable development—particularly through green innovation, resource efficiency, and inclusive employment—and emphasizes building enterprise capacity in the circular economy, energy efficiency, and CSR. It also embeds priorities such as decent work, gender equality, and social inclusion, closely aligned with responsible business principles.

SMEs are identified as central to the sustainability transition and are encouraged to contribute to the realization of national development objectives. Key policy directions include support for sustainable entrepreneurship, resource-efficient practices, green finance instruments, and improved enterprise risk management. The strategy also highlights the need to strengthen managerial capacities and promote RBC to support broader employment and inclusion goals.

Montenegro's Financial Stability Council (FSC) has adopted the **Financial Sector Roadmap towards Sustainable Finance (2025–2028)**—a national framework developed using Sustainable Banking and Finance Network (SBFN) methodology and aligned with EU and international sustainable finance

3. For SME-level exposure, see section 3.2.4 Formalization and compliance infrastructure.

standards. Although it does not constitute legal transposition, the Roadmap elevates ESG to a system-level priority, requiring supervisors and regulators to integrate ESG into banking governance, risk management, and disclosure. It also promotes coordinated guidance, shared data systems, and joint capacity-building for regulators, financial institutions, and enterprises (Central Bank 2025). For SMEs, this means growing expectations from financiers to provide concise, credible data on labour, OSH, and environmental aspects—supported by the tools and advisory services developed under the Roadmap.

2.2.5. Implications for SMEs

Montenegro's policy mix—ERP, the MSME Strategy, the Business Agenda, the formalization programme, NSSD and the Sustainable Finance Roadmap—creates an enabling environment for promoting RBC. For SMEs, this means simpler and more digital compliance processes, clearer governance expectations, targeted upgrading in green and digital capabilities, and progressively more frequent, decision-useful checks from buyers, procurers and financiers that can be satisfied with credible national documentation.

▶ 2.3. Labour and employment framework

Montenegro's labour and employment framework is largely aligned with international labour standards and EU Chapter 23 requirements. It provides a comprehensive legal and policy base for promoting RBC for decent work. For SMEs, the framework outlines both compliance expectations and opportunities for support, especially in areas related to formal employment, OSH, non-discrimination, skills development, and social dialogue.

The Labour Act governs employment relationships, including contracts, wages, working hours, leave entitlements, and OSH. Montenegro has ratified all 10 fundamental ILO Conventions, affirming its commitment to decent work. Key policies such as the *National Employment Strategy 2021–2025* and *Active Labour Market Measures* (ALMMs) aim to boost employment, reduce informality, and promote inclusion (Government of Montenegro 2021a; European Commission 2024). The *Decent Work Country Programme (DWCP) 2024–2027* and the *UNDP Country Programme 2023–2027* further reinforce this agenda, especially through support for vulnerable groups and promotion of formalization and skills for green and digital transitions.

For SMEs, compliance with labour legislation can demonstrate alignment with RBC principles. This includes keeping employment contracts and payslips, registering workers for social protection, and respecting working time and leave standards. ALMMs offer financial incentives, training support, and hiring subsidies, but clearer guidance and simplified procedures would improve uptake by smaller firms. Ensuring access to these instruments helps SMEs bridge skills gaps and transition to formal employment models, reducing transaction costs and uncertainty.

OSH obligations, as outlined in the Safety and Health at Work Act, require employers to conduct risk assessments, train workers, and ensure consultation. SMEs can meet expectations by maintaining basic OSH records, providing protective equipment, and consulting employees on workplace risks. Trade unions have emphasized the importance of worker participation in OSH committees and the need to strengthen labour inspection and advisory services to close the gap between legal standards and practice.

Montenegro's equality framework prohibits discrimination on grounds such as gender, disability, age, ethnicity, and nationality. Laws on gender equality, employment of persons with disabilities, and equal treatment of foreign workers establish rights and remedies. Financial incentives and support mechanisms help SMEs meet quota obligations and adapt workplaces. Basic practices—non-discriminatory hiring, equal pay, inclusive policies, and establishment of grievance mechanisms—can support SMEs in demonstrating responsible conduct with minimal costs.

Social dialogue is anchored in the tripartite Social Council, composed of representatives from government, employers, and trade unions, and plays a central advisory role on labour and socioeconomic policy. However, SME involvement remains limited, partly due to representativeness thresholds and capacity constraints. The *General Collective Agreement (2022)* improved clarity on wage premiums and capped overtime at 250 hours annually, enhancing predictability for both employers and workers (Montenegro 2022). A *Draft Law on Strikes* aims to clarify procedures and improve legal certainty around collective action (MLESD 2025a). Complementing these mechanisms, the Ombudsman and the whistleblower protection framework offer accessible, low-cost avenues for addressing worker complaints and preventing escalation—reinforcing a culture of accountability and responsible conduct, particularly relevant for SMEs seeking to manage risks and demonstrate due diligence.

Montenegro's labour framework prohibits child labour and forced labour. The **Labour Act** sets the minimum age for employment at 15 and prohibits employment of persons under 15, as well as those who are 15 and still in compulsory education. It also allows employment of persons under 18 only with written parental/guardian consent and a medical finding, and only if the work is not harmful or otherwise prohibited. Forced or compulsory labour and severe labour exploitation are addressed through the Criminal Code, including offences on trafficking in human beings and slavery-like practices (Criminal Code, Arts. 444–446). These legal safeguards are operationalized through policy frameworks, notably the **Strategy for Combating Trafficking in Persons 2025–2028** and the **Strategy for the Development of the Social and Child Protection System 2025–2028**. For SMEs, this translates into proportionate due diligence steps such as age verification and record-keeping, ensuring any youth work complies with legal safeguards, and screening contractors to reduce risks of labour exploitation in operations and supply chains.

Reforms in vocational education and training (VET), including dual education schemes and micro-qualifications, create structured opportunities for SMEs to engage in skills development. Public incentives moderate costs, while firms are expected to provide safe, supportive learning environments. Participation in these schemes enables SMEs to align workforce development with decent work principles, while also benefiting from tailored training and talent pipelines.

Overall, Montenegro's employment and labour framework provides a strong legal and institutional basis for RBC. For SMEs, the challenge lies not in the absence of rules, but in translating them into proportionate, practical steps. Strengthening institutional guidance, advisory support, and simplified procedures would help SMEs engage more effectively with national instruments and align their operations with international RBC expectations.

2.4. Business-related legislation in Montenegro: entry points for RBC for decent work

In addition to labour laws and regulations, Montenegro's broader business legislation includes several instruments that, while not explicitly designed for RBC, provide regulatory entry points for embedding RBC for decent work into corporate practice.

Article 11 of the **Public Procurement Act** requires compliance with applicable labour, social and environmental regulations, including international conventions ratified by Montenegro (Montenegro 2023). This can serve as the legal basis for green and socially responsible public procurement. Independent assessments find that, while the legal alignment is largely in place, data on green/social procurement are not systematically collected and institutional capacity remains limited (OECD 2025; World Bank 2024). On the incentives side, the national **e-procurement** platform improves transparency and SME access by standardizing documents and procedures; however, the extent to which public procurement operates in practice as a market signal for SMEs depends on the consistent use of clear social and environmental criteria and proportionate verification (including acceptance of credible local records), which available assessments indicate are still used only to a limited extent. For SMEs, clarity around sustainability-related requirements and accompanying support measures is still evolving, and recognition of responsible practices in tendering therefore remains uneven.

The new **Business Organizations Act**[4] establishes clear rules for company formation, governance, restructuring and closing a business, thereby strengthening legal certainty and protecting economic freedoms (Montenegro 2025). The new Law introduces more modern and higher-quality solutions based on EU company law. The governance provisions—such as the duties of management and supervisory bodies (oversight, conflict-of-interest safeguards, confidentiality/non-compete protections) and record-keeping/disclosure requirements—can provide important building blocks for risk-based due diligence systems. By aligning with EU standards and emphasizing efficiency, accountability and transparency, the new Law can create a more predictable environment for SMEs and help reduce compliance uncertainty for domestic and foreign investors.

4. OG 90/2025; entered into force on 6 August 2025 and applicable from 1 January 2026.

3. Stakeholder mapping

3. Stakeholder mapping

The implementation of RBC for decent work among SMEs in Montenegro depends on a clear understanding of the institutional and business environment, and the active involvement of multiple key actors. Stakeholder mapping identifies institutions, organizations, and networks shaping RBC and HRDD uptake, analysing their mandates, initiatives, and readiness to support this agenda. The mapping highlights institutional gaps and synergies, forming a basis for targeted recommendations and stronger SME engagement in RBC.

3.1. Institutional landscape and stakeholder roles

At the core of Montenegro's RBC governance architecture is a set of policy-making institutions whose mandates interlock from rule-setting to sector deployment.

3.1.1. Policy-making and rule-setting actors

As the policy and legislative anchor for labour standards, the **Ministry of Labour, Employment and Social Dialogue (MLESD)** embeds RBC across labour law, industrial relations and social dialogue. It drafts and amends labour legislation, shapes the enforcement architecture, and convenes tripartite dialogue to ensure decent-work principles are reflected in binding rules and collective arrangements. MLESD also oversees both the **Labour Inspectorate** and the **OSH Inspectorate**—the frontline guarantors of decent work—translating law into practice through oversight, guidance, inspection and remediation, including grievance pathways. Their ability to reach SMEs and the informal economy is pivotal to closing the gap between standards on paper and workplace behaviour, thereby operationalizing RBC.

Through its role interfacing with SMEs and cascading enterprise policy locally, the **Ministry of Economic Development (MED)** is positioned to embed RBC horizontally—via competitiveness instruments that nudge firms towards compliance, transparency and practical sustainability. The Ministry's flagship *Programme for the Enhancement of Competitiveness* channels grants and incentives in cooperation with national and municipal actors (Government of Montenegro 2025e). The MED's current engagement is closest to RBC in two horizontal areas: reducing informality and mainstreaming general sustainability through the Programme's sustainability-oriented measures, which support resource efficiency and environmental improvements in SMEs (KII_MED). In addition, dedicated programme lines aimed at SME inclusion and productivity (e.g., targeted support for women- and youth-led enterprises, capability building and small investment vouchers) reinforce equitable access to market. MED also contributes through its role in the Competitiveness Council, leveraging public–private dialogue to align expectations and remove practical barriers for SMEs. Building on this, MED could progressively mainstream RBC signals into programme design (eligibility/scoring and proportionate monitoring) and issue simple SME guidance—keeping its contribution squarely within mandate while complementing labour and sector authorities in the wider RBC architecture.

The **Ministry of Finance (MOF)** provides the fiscal and financial signals—shaping tax relief, subsidies and potential sustainability-linked incentives that can reward compliant behaviour and lower the cost of adoption for SMEs.

The Competitiveness Council (with a dedicated Secretariat (SCC)) is the Government's primary public–private dialogue forum on the business environment. Established by Government decision, it has 25 members and is chaired by the Minister of Economic Development. The Council brings together line ministries, public bodies and leading private-sector organizations to align expectations, coordinate and prioritize reforms, and translate policy into practical measures for businesses, especially SMEs (KII_SCC).

3.1.2. Sectoral policymakers

Sector line ministries provide a sector-specific lens and have direct influence over SMEs. In Montenegro, the Ministries of Tourism and Agriculture are particularly important given their close interfaces with enterprises and the potential to translate sector priorities into practical and proportionate responsible conduct measures.

Under the *Tourism Development Strategy 2022–2025*, the **Ministry of Tourism (MOT)** steers the sector towards planned, balanced and green growth, with explicit linkages to women's economic empowerment and local development; however, explicit promotion of RBC remains limited. Its current focus is on greening the sector—resource efficiency, energy efficiency and environmental performance—while working with the Ministry of the Interior on prevention of labour and sexual exploitation in tourism (e.g., training hospitality staff to identify trafficking risks). In parallel, there is scope to further embed RBC within sector policies and programme requirements, for example, through SME-oriented tools and training, capacity building for local actors, and mechanisms to incorporate RBC clauses in investment agreements and recognition schemes (KII_MOT). Establishing basic RBC indicators and coordination mechanisms with labour and sustainability counterparts could help align tourism development with sectoral decent-work and environmental goals.

Through the Instrument for Pre-Accession Assistance in Rural Development (IPARD) and national grant schemes, the **Ministry of Agriculture, Forestry and Water Management (MAFWM)** maintains a close operational interface with farms and agri-enterprises. While its core mandate is economic (viability, productivity, market access), it contributes to RBC in targeted, mandate-consistent ways: (i) environmental safeguards that reduce local pollution risks and protect shared resources (e.g., support for organic practices, sustainable pasture use, basic waste/wastewater handling), and (ii) fair market tools that promote transparent, quality-assured production (e.g., co-financing of certification/audits for recognised quality and food-safety schemes, support for cooperatives and value-chain upgrading) (MAFWM 2024; Government of Montenegro 2025a). These interventions embed RBC principles of sustainability, equity and integrity across Montenegro's agri-food system.

3.1.3. Finance and investment actors

The Central Bank of Montenegro (CBM), while not an SME policymaker, indirectly influences enterprise behaviour by guiding financial institutions towards ESG-aware risk management and responsible lending—practices that can reward compliance and de-risk supply chains. As the financial-sector supervisor, CBM plays a strategic role in aligning Montenegro's regulatory framework with EU standards. Beyond supervision, CBM also contributes to shaping a sound, ESG-conscious financial climate that supports long-term sustainability and resilience across the economy.

The **Montenegrin Foreign Investors' Council (MFIC)** is a high-influence business association whose members account for roughly 23 per cent of GDP and about 6,000 jobs. Its flagship *White Book* issues evidence-based recommendations to improve the business environment (KII_MFIC). Membership is limited to companies with foreign capital, and MFIC engages public institutions via the Government's Council for Competitiveness and diplomatic channels. RBC is gaining traction in MFIC's agenda, as reflected in its ESG focus through the White Book and the Green Economy Transition (ESG) Committee. However, it does not currently engage with domestic SMEs, limiting the diffusion of RBC standards across supply chains. Given its convening power and growing focus on ESG, MFIC could serve as a strategic partner in promoting responsible business practices more broadly.

The **Montenegro Investment Agency (MIA)** acts primarily as a bridge between investors and the state—facilitating policy development, providing permits and guiding institutional processes—rather than as a direct interface for SMEs or a matchmaker between investors and SMEs (KII_MIA). Its distinctive function is the appraisal of investment proposals and coordination of support across relevant public bodies. While not directly SME-oriented, MIA could play a more strategic role in promoting RBC by encouraging linkages between large investors and local SMEs through inclusive supply chain practices, as the promotion of good business practices within investment facilitation policies and processes remains limited.

3.1.4. Social partners and business associations

As the cross-sector employers' representative, the **MEF** is a system-level actor for RBC and HRDD: it convenes firms, articulates private-sector positions through tripartite social dialogue and public consultations, and translates foreign market expectations, including those of the EU, into workable measures for local SMEs. Through agenda-setting (e.g., the Business Agenda 2025), the MEF helps align enterprise policy, skills and productivity programmes with RBC principles; it co-designs and rolls out guidance, awareness and training, and gathers feedback from local suppliers on how buyer requirements are affecting them. In partnership with ministries and financial institutions, the MEF can support the integration of practical RBC criteria into support schemes, procurement and finance (e.g., basic OSH management, transparent employment practices, simple HRDD checklists), and contribute to enterprise capacity building, monitoring and supporting companies in resolving workplace concerns and providing access to effective remedies.

Montenegro's two representative trade union confederations, the **Confederation of Trade Unions (CTU)** and the **Union of Free Trade Unions (UFTU),** anchor accountability by negotiating and monitoring collective arrangements, facilitating consultation and ensuring accessible grievance mechanisms and access to effective remedies. This presence helps identify SME-typical risks (informality, excessive hours, seasonal and subcontracted work) and direct them towards prevention and resolution. In collaboration with the MEF and public authorities, this triad translates policy signals into workplace practice and feeds evidence back into policy adjustment, including on OSH, fair wages, non-discrimination, social protection and other areas. The CTU and UFTU are strategic partners in implementing HRDD by supporting enterprises in identifying, assessing, and addressing labour rights risks in their operations and supply chains. Their early inclusion in the design of SME support measures would enhance legitimacy and ensure a worker-centred approach.

Business associations—such as the SME Association, ICT Cortex, the Wood Processing Association and others—can be instrumental in promoting RBC across SME networks, including at the sectoral level. Through guidance, templates, training and peer learning, they can help translate public measures into practical support for firms, complementing the role of employers' organizations in policy dialogue and implementation.

3.1.5. Regional/local intermediaries

Operating as a territorial development intermediary for the northern municipalities, the **Regional Development Agency (RDA) for Bjelasica, Komovi and Prokletije** provides practical, field-based support to SMEs—particularly in rural tourism and agri-based microbusinesses. Often the first point of contact for start-ups and household producers, it helps translate regulatory requirements, navigate eligibility, and connect clients to grant and advisory schemes. This bridging role positions the Agency as a natural conduit for introducing RBC tailored to micro producers and rural tourism households. Given its close, hands-on cooperation with enterprises and granular understanding of their challenges, the Agency is well-placed to transmit new practices directly and serve as a channel for further uptake; to date, however, its work has focused primarily on financial and developmental support (KII_RDA).

At the local level, **municipalities** are the closest public interface for SMEs—facilitating registration and permits, providing advisory and small-grant support, and convening local dialogue with utility and inspection services. Their comparative advantage lies in proximity: they can translate national requirements into practical checklists, signpost firms to inspectorates and support schemes, and embed simple RBC expectations into local programmes and procurement. Both interviewed municipalities (Nikšić and Bijelo Polje) operate various SME support measures (economic-development grants, fee reductions, advisory), but RBC is not embedded—eligibility/scoring does not reference labour standards, and uptake is not tracked. Local administrations largely await central guidance (line ministries/regulators) and primarily respond to enterprise requests rather than initiating RBC-oriented reforms, although there are some exceptions demonstrating initiative (see 3.2.2 Advisory services and soft infrastructure).

3.1.6. Enabling institutions and ecosystem partners

Other relevant actors include the **Employment Agency** (activation, intermediation and training services for job-seekers and SMEs), the **DBM** (SME finance), **civil society organizations** (community voice, awareness and watchdog functions), and **business centres/incubators** (advisory, mentoring and market linkages), which together form the local ecosystem that can translate policy into practice and, over time, support the uptake of RBC and HRDD.

▶ 3.2. Initiatives, services and support mechanisms for SMEs

Montenegro's ecosystem of SME support includes a wide array of initiatives, services, and instruments which, while not originally designed to promote RBC for decent work, offer considerable potential to do so. This section provides a comprehensive analysis of such initiatives, grouped by type and assessed for their relevance, strengths, and limitations in relation to RBC promotion.

3.2.1. Strategic platforms and policy alignment

The establishment of the **Council for Just Transition** marks a key step in Montenegro's alignment with the *EU Green Deal*. Chaired by the Minister of Energy and Mining, the Council[5] includes relevant government, municipal, and corporate representatives, with a mandate to coordinate planning and implementation, oversee the national just transition plan, and propose legal and institutional improvements (Government of Montenegro 2025c). The Council's current composition lacks trade union representation, limiting its alignment with the "just" dimension of transition. Including trade unions as full members would strengthen safeguards for workers and support integration of retraining, social dialogue, and RBC into transition planning.

The **ESG Adria Summit**, organized by Sustineri Partners and Porto Montenegro in partnership with the Government, contributes to normalizing ESG terminology and performance tracking in Montenegro's policy space. In 2025, it gathered 700+ participants—government officials, business leaders, international organizations and financial institutions—positioning it as a platform for awareness-raising, agenda-setting and fostering partnerships around sustainability (Government of Montenegro 2025d). Nevertheless, its programming currently lacks explicit focus on the social dimension of sustainability. Bringing the ILO and its tripartite constituents into the design and delivery of future editions would help embed decent work and the social dimension of ESG more firmly in the Summit's agenda and outputs.

Additionally, Montenegro's membership of **the Global Sustainable Tourism Council (GSTC)** introduces alignment with globally recognized ESG indicators in the tourism sector. However, implementation is largely focused on environmental aspects.

3.2.2. Advisory services and soft infrastructure

Advisory programmes and non-financial support structures play a key role in helping SMEs in Montenegro integrate RBC for decent work into their operations. One of the most prominent initiatives is the **EBRD's Advice for Small Businesses**, which has supported over 700 SMEs in Montenegro to date across a broad range of sectors, including tourism/property and agribusiness (EBRD 2021; n.d.). Its regional **"Go Digital"** component includes digital transformation services that integrate governance improvements, transparency tools, and ethical business planning, supporting the operationalization of RBC among participating firms.

At the national level, the **MEF** promotes CSR through dedicated training programmes and by hosting the annual **CSR Excellence Award**, which recognizes companies—including SMEs—for good practices aligned with environmental, social, and labour standards, and develops practical guides for enterprises on elements of RBC, including non-discrimination and equal treatment at work, worker participation and social dialogue, gender equality and work–life balance, as well as managing workplace health and safety (FG_MEF).

The **SCC** has established a practical and scalable platform through its **Women-Owned Business Mark**—a registry of 233 certified firms—supported by 12 memoranda of understanding with financial institutions and a public-procurement signal that promotes the inclusion of women-owned enterprises (KII_SCC). The initiative also facilitates access to financial and non-financial incentives for women entrepreneurs by enabling public and private institutions to identify systematically and support

5. Established by Government decision on 27 June 2025, the Council includes the Ministers of Finance, Labour and Social Dialogue, European Affairs, Ecology/Sustainable Development and Public Works; the heads of the Electricity Company of Montenegro, Nikšić Joint Stock Company, and Pljevlja Coal Mine; and the Mayor of Pljevlja Municipality.

women-owned businesses. In parallel, the Council focuses on gender pay-gap reduction, formalization, and access to finance.

At the local level, the Municipality of Bijelo Polje has shifted from a purely administrative interface to an advisory, dialogue-based model anchored in the **Business-Friendly Certification** (BFC) approach. The municipality runs regular satisfaction surveys with firms and convenes the **Economic Development Council** as a standing forum where businesses identify operational constraints and signal "grey-zone" risks (undeclared work, unregistered operators) (KII_BP_MUN). This soft infrastructure creates a structured listening and problem-solving channel that is directly relevant to RBC, particularly around early identification of decent work deficits and compliance gaps.

Complementing this, RDA North operates as a field-based enabler, providing mentoring to first-time rural tourism entrants and guiding selected households towards the Good Travel Seal—a market-recognized certification that blends environmental and social criteria with community stewardship and cultural-heritage safeguards (KII_RDA).

3.2.3. Financial and incentive-based mechanisms

Several financial mechanisms have emerged that could be relevant to promoting RBC for decent work:

The **Women Entrepreneurs (WE) Finance Code**, launched by the **CBM** in November 2024 as part of a broader national effort to promote gender-inclusive finance and governance, complements existing tools such as the CBM's Finance portal and supports the collection of gender-disaggregated data on SME access to finance, with a focus on addressing structural barriers faced by women-led businesses. The initiative aims to transform how financial institutions and regulators collect sex-disaggregated data, identify gender gaps, and design inclusive lending practices tailored to women-led MSMEs (MINA 2025).

The **Programme for the Enhancement of Competitiveness** is the **MED's** primary financial instrument. Recent cycles have prioritized manufacturing, included a dedicated window for women's entrepreneurship on more favourable terms, and introduced a new sustainability line—a first step towards integrating environmental performance in SMEs (KII_MED). In practice, this sustainability window functions as an incentive by lowering the cost of proportionate compliance upgrades (e.g., resource efficiency, basic management systems) that buyers and procurers increasingly expect. However, eligibility and scoring do not yet consistently embed the social dimension of RBC.

At the municipal level, **Bijelo Polje** runs targeted grants for women and young entrepreneurs. These schemes require business registration and worker enrolment as entry conditions and award additional points for job creation, effectively operating as a micro-level formalization lever (KII_BP_MUN). The design is aligned with RBC objectives in spirit—tying public funds to the creation of formal and decent employment opportunities.

3.2.4. Formalization and compliance infrastructure

Informality remains a structural constraint for SMEs, affecting 45.5 per cent of small firms and 50.6 per cent of medium-sized firms (World Bank 2023). Undeclared work is most widespread in trade (about 38 per cent), hospitality (around 19 per cent), agriculture (about 18 per cent) and construction (some 11 per cent). By virtue of this sector mix, exposure is higher in coastal municipalities and in the North (Employment and Social Affairs Platform (ESAP) 2018).[6]

6. For the national policy framework, see section 2.1. National policies and international commitments.

In this context, the **"Be Responsible—Zero Grey Economy"** platform was launched as a joint Government–UNDP civic reporting campaign *(Government of Montenegro press releases; UNDP partnership noted).* It enables citizens to report non-issuance of fiscal receipts anonymously, undeclared work and consumer rights violations via a web portal, mobile app and dedicated call centres of the Tax Administration and the Inspection Authority. Reports are forwarded to the competent inspectorates, which carry out checks and, where violations are confirmed, impose fines on the offending businesses/actors. A portion of the fines imposed because of inspection actions triggered by citizen reports is allocated to local community projects chosen by public vote (Government of Montenegro 2014).

In parallel, the Government has introduced measures that lower entry and compliance costs for SMEs: rollout of real-time e-fiscalization; fully online company registration via the eFirma portal with simplified steps and low fees; expanded e-services for tax and social-security contributions; and standardized guidance/templates and helpdesks. To strengthen enforcement, Montenegro's Tax Administration and Inspectorate have improved coordination, including joint inspections and EU-backed capacity-building programmes targeting sectors with high levels of informality such as construction, tourism, and retail (Council of Europe 2021).

Together, enforcement and enabling measures strengthen the incentive environment by reducing the costs of compliance and increasing the certainty and consequences of non-compliance, encouraging SMEs to operate formally and responsibly. Broader uptake of RBC practices—such as formal employment contracts and regular payroll and social-security contributions—narrows the compliance gap, improves SMEs' readiness for public procurement and access to finance, and thereby reinforces formalization.

3.3. Key features of the RBC context

This assessment triangulates desk research and official statistics with primary qualitative evidence from stakeholder and SME interviews/focus groups to understand the realities on the ground, gaps in coordination and enforcement bottlenecks, decent work challenges and opportunities, as well as sector- and region-specific entry points for the adoption of RBC and conducting HRDD for decent work among SMEs.

3.3.1. Institutional environment and cooperation for RBC

The stakeholder research depicts a diverse yet fragmented institutional landscape for RBC in Montenegro. Many institutions and organizations address SME development, but relatively few are strategically or operationally positioned to advance RBC in a coordinated, systematic way. Ministries and agencies central to SME policy, particularly the MLESD and the MED, are highly relevant to RBC and have taken initial steps on horizontal priorities (e.g., informality, sustainability), yet a shared framework to mainstream RBC is still emerging. According to the MLESD, the ongoing labour law reform is entering its finalization phase, with accompanying by-laws to follow—shifting the focus from rulemaking to enforcement (KII_MLESD). In parallel, the MFIC's reading of the business environment underscores structural constraints: human capital remains a weak spot, signalling skills gaps that directly limit SMEs' ability to align their business practices with the principles of international labour standards, while "informal economy & inspections" scores among the lowest pillars, indicating persistent formalization and enforcement gaps that erode due diligence, fair competition and worker protections (MFIC 2024).

The delivery bottleneck is ultimately organizational. Interviews repeatedly describe a system in which municipalities look upward for decisions, line ministries pass issues horizontally, and employment-related matters are centralized in the MLESD (KII_BP_MUN; KII_NK_MUN). Against this backdrop, coordination structures relevant to RBC are gradually taking shape, reflecting growing awareness of the need for more integrated institutional responses. While these efforts remain at an early stage, stakeholders highlight the potential for stronger horizontal linkages and more systematic alignment between labour, economic development and SME support agendas (consolidation of stakeholder interview findings). Further institutional dialogue and policy coherence could help translate emerging priorities into operational pathways that support RBC in a more consistent and coordinated manner.

3.3.1.1. Inspection and compliance in labour and OSH

Labour and OSH inspectorates confirm a high baseline of non-compliance: over 80 per cent of enterprises have at least one violation and construction remains a year-round high-risk sector with frequent OSH deficits. Most recent inspection evidence reinforces this picture. In 2024, the Labour Inspectorate recorded 2,521 violations, most commonly involving work without an employment contract or registration for mandatory social insurance, the employment of foreign nationals without valid work and residence permits, missing written decisions on working-time schedules, shift assignments and weekly rest, as well as delayed wage payments and the absence of payslips. Cases of illegal employment of minors were also registered. In parallel, OSH Inspectorate documented 3,236 violations, mainly due to untested equipment, lack of safety training or medical exams, missing OSH documentation, insufficient protective equipment, and absent risk assessments or emergency procedures (KII_INSP; (MLESD 2025b). Permit delays for foreign workers—averaging in excess of 20 days—often lead to premature work starts, increasing legal and OSH risks. In 2024, 1,285 workers were found working illegally, mainly in the summer tourism season (KII_INSP). Inspectors lack authority to enter private dwellings, limiting enforcement in residential settings. Access to data is restricted to basic tax records, while a unified risk registry is still in development. Capacity and coverage gaps further hinder effectiveness.[7]

Although inspection planning is based on sector-specific risk profiles—construction being a permanent priority—most interventions still stem from citizen complaints, with planned oversight following thereafter (KII_INSP; KII_MLESD). A *Coordination Body for Inspection Oversight*, chaired by the Deputy Prime Minister, has been established to enable joint operations across labour, sanitary, tourism, and market inspectorates, especially during peak seasons. Cooperation with trade unions is described as constructive, involving joint outreach and meetings (KII_INSP).

Forward-looking measures include draft amendments to allow access to private residences under safeguards, enhanced enforcement tools, digital risk-management systems, and awareness campaigns. These are accompanied by plans to strengthen inspection capacity through training, staffing, and technical resources. If adopted and adequately resourced, these reforms could strengthen risk-based oversight and help SMEs improve compliance and adopt responsible business practices (KII_INSP; KII_MLESD).

7. A total of 24 labour inspectors cover roughly 59,000 businesses nationwide; the OSH inspectorate accounts for just 10 officers; the South is especially underserved; vehicle fleets are over 15 years old; low salaries and minimal career progression dampen recruitment and retention; several vacancies attracted no applicants—particularly along the coast—and new inspectors often start without formal training or mentorship, learning primarily by shadowing peers (KII_INSP).

3.3.2. Prevalence of micro enterprises

The enterprise base in Montenegro is overwhelmingly micro (over 90 per cent MSMEs), and—as several interviewees warned—"*policy frameworks that speak only to SMEs risk excluding the actual majority of actors*" (KII_RDA; KII_CBM; KII_MAFWM). Over the course of this study, it became clear that micro-enterprises—often outside the reach of tripartite social dialogue and rarely unionized—are a critical part of the economy, especially in rural value chains and village tourism. Stakeholders repeatedly noted that the outcomes of tripartite decisions (labour law, tax enforcement rules, inspection practices, and public incentives) fall most directly on these micro actors, with women in rural entrepreneurship additionally exposed to structural barriers for business ownership and formalization (KII_RDA; KII_MOT). This insight does not change the scope of the study, but it does set a way forward for future action: proportionate compliance requirements, sectoral/territorial representation mechanisms (associations, cooperatives/clusters), and targeted support that reflect the market's real structure. The gender lens reinforces this point: the Women-Owned Business Mark registry is composed predominantly of micro-enterprises (over 90 per cent), underscoring the need to tailor RBC to micro-firm realities and delivery channels they actually use (KII_SCC).

3.3.3. Investment climate in transition

Montenegro's investment climate continues to face structural challenges that undermine both investor confidence and the country's ability to attract productive, sustainable foreign direct investment (FDI). Stakeholder feedback points to persistent concerns around the lack of a predictable, transparent, and consistently enforced regulatory environment (KII_MFIC).

The latest MFIC data further illustrates this trend. The share of productive FDI has declined from around 50 per cent in 2018 to just 20 per cent in 2024, reflecting mounting unease over ad hoc policy changes, regulatory opacity, and uneven rule enforcement (Muleskovic 2025). The 2023 MFIC Index stands at 6.41 out of 10, with low scores on key indicators such as rule of law, permits and licences, and tax inspections, alongside negative trends in public procurement and digitalization (MFIC 2024). These systemic issues not only affect investor sentiment but also raise transaction costs for SMEs, which often lack the capacity to navigate complex or unpredictable procedures.

To address these challenges, closer alignment between investment policy and SME development strategies is essential. This includes strengthening inter-institutional coordination, improving transparency and aftercare, and closing persistent data gaps—particularly regarding the sectoral structure of FDI, which remains absent from policy-grade statistics (Muleskovic 2025).

At the same time, targeted reforms offer an opportunity to embed RBC principles into emerging investment promotion tools. Investment facilitation mechanisms—especially for strategic projects—can serve as vehicles to signal and operationalize RBC expectations.

The MIA currently appraises strategic projects through a feasibility assessment template defined by the *Rulebook on Feasibility Analysis under the Public-Private Partnership (PPP) Act* (KII_MIA). The key RBC entry point within this process appears in the "Environmental Impact" section, which includes considerations related to community health and safety, labour issues, human rights, vulnerable groups, land acquisition, and cultural heritage. However, these checks are part of broader environmental and social due diligence. Currently, the MIA has not institutionalized the use of standard decent work clauses in project contracts, beyond baseline requirements prescribed by PPP legislation. Nor does it operate a mechanism to monitor labour and social outcomes systematically across its investment portfolio.

While the MIA—like the MFIC—has historically focused on the investor–state interface rather than direct SME engagement, its emerging strategic pipeline features initiatives with stronger SME linkages and clearer sustainability ambitions. A prominent example is **Station M**, a new innovation and MSME hub in Podgorica, which aims to support the digital–green transformation of the local economy and entrepreneurial ecosystem.

Further momentum comes from the recent *Montenegro Investment Conference "Smart Growth, Green Future"*, where 14 partnership memoranda were signed for sustainable and green infrastructure projects (BGEN 2025). These include initiatives in renewable energy, logistics, agri-food and innovation value chains—sectors that hold substantial potential for SME integration. This signals that future investment flows are likely to open more entry points for RBC-relevant practices, particularly through green transformation, responsible supply chain development, and innovation-driven partnerships.

At the regional level, RBC-compatible investment frameworks are also advancing. The *Western Balkans Green Bond Standard*, spearheaded by the Regional Cooperation Council (RCC), introduces a whitelist aligned with a shared green taxonomy, providing a basis for identifying genuinely sustainable investments.[8] This standard is expected to influence how green projects are appraised and financed across the region—including in Montenegro—further reinforcing convergence between investment criteria and responsible business principles. While the Western Balkans 6 (WB6) Green Bond Standard is primarily environmental, it requires that financed projects respect minimum social and governance safeguards (in addition to the "do no significant harm" principle). However, it does not establish a dedicated set of "social" eligibility criteria or a separate social whitelist. Social considerations are addressed mainly through safeguards rather than through project categories.

3.3.4. Financial sector alignment

Financial-sector interviews point to a gradual but consequential alignment with international standards. The CBM has adopted *Guidelines on the management of ESG risks*, anchored in the *Decision on minimum standards for risk management* and modelled on the European Banking Authority framework, entering into force on 1 January 2027. The approach is phased: environmental risk management is prioritized initially, while the Guidelines also provide early direction for social and governance risks. For large corporates, the Guidelines explicitly reference the *OECD Guidelines for Multinational Enterprises*, the *UN Guiding Principles on Business* and *Human Rights* and the *ILO Declaration on Fundamental Principles and Rights at Work* as benchmarks for S and G risk assessment, and banks will be expected to collect client-level ESG data, apply qualitative methods where needed and document gaps or corrective actions as they build capacity (KII_CBM).

Currently, existing capital-risk relief for SMEs is not linked to ESG or RBC, and CBM's liquidity instruments are not designed to incentivize RBC-aligned lending. Nor does the CBM currently monitor whether commercial banks integrate RBC considerations into credit decisions or client due diligence.

Given Montenegro's context of labour shortages, a predominantly micro-enterprise economy, and persistent informality, the CBM underscores the importance of proportionality—ensuring that tools and expectations remain simple and accessible enough for micro-enterprises (KII_CBM).

8. For Montenegro, the whitelist was prepared by the CBM in alignment with the RCC taxonomy framework and incorporated as an annex to the WB6 Regional Green Bond Standard, which was endorsed on 16 October 2025 under the Berlin Process.

4. Awareness, challenges and opportunities for SMEs

▶ 4. Awareness, challenges and opportunities for SMEs

While the previous section examined systemic and institutional findings that shape the environment for RBC, this section turns to SMEs themselves—capturing how they perceive, interpret and implement RBC in practice.

▶ 4.1. SME perceptions of the business environment

Before looking at SMEs' perceptions of, and experiences with, RBC, it is important to note a few structural features of the business environment that shape how RBC can be implemented.

Across interviews, more than 90 per cent of SMEs pointed to shortages of **skilled labour** as the main feature shaping their operations, with visible effects on business development and the upgrading of workplace practices, including in the area of responsible business. Employers across sectors also observed a marked shift of workers from the private to the public sector over the past three years. As several managers noted, *"the state is our biggest competitor"* (FG_MEF; KII_ASME; SME_Retail_07). With too few people and limited specialized skills, firms prioritize production and sales over internal management, often outsourcing both worker recruitment (SME_Tourism_11) and OSH functions (SME_Log_02). Interviewees see this as a pragmatic way to access expertise and keep documentation in order; however, without an internal focal point to schedule training sessions, monitor Personal Protective Equipment (PPE) use and record incidents, outsourcing risks reducing OSH to paper-compliance rather than lived practice.

Labour scarcity is not framed by SMEs merely as a headcount problem but as an acute skills gap that is likely to intensify. As one participant put it, *"The real problem isn't just finding workers—it's finding people with the right skills. The mismatch is already here, and most haven't realised how serious the longterm consequences will be." (SME_Tourism*_11). Moreover, when recruiting foreign workers, employers report that language barriers and onboarding gaps slow daily operations and require more intensive supervision (SME_Log_02; SME_Tourism_11). Firms highlight challenges such as limited training, communication difficulties, and emphasize the need for clear procedures, language-accessible induction, and predictable dispute-resolution mechanisms (FG_MEF).

Businesses frequently pointed to **complex administrative procedures** and paperwork that absorb management time and can introduce delays at critical moments in the business cycle. As one manager put it, "*When the CEO has to take the entire day to deposit takings or obtain a certificate, there is no time left for anything else*" (SME_Manuf_05). Seasonal and procedural bottlenecks compound this: "*I tried to employ workers during the summer season, but it was a collective holiday for the state administration, so I had to wait over a month, which cost me too much time and money*" (SME_Const_12). Inspectors confirm this recurring pattern where some employers start new hires before permits are issued—not to evade rules, but to avoid stoppages while paperwork is pending—creating structural compliance risk (KII_INSP).

Additionally, frequent shifts in ministerial competences have left SMEs unsure where to apply for support, leading to missed grant windows (SME_Wood_14). Wood-processing Cluster representatives report no effective coordination or municipal contact—despite sitting on a forestry strategy group—and called for more proactive outreach and clearer points of contact, noting that results have lagged expectations. As one interviewee put it, "*there are many measures, but results are thin*." (FG_BU).

Finance and the enabling environment. Employers view the banking system as a barrier to growth: banks are seen as risk-averse, prioritizing consumer lending (cars, travel) over productive investment and insisting on real-estate collateral, which restricts finance for asset-light firms. Combined with administrative hurdles, this creates a bottleneck for younger, ambitious SMEs (FG_MEF; SME_Wood_14). Businesses also perceive that state support is skewed towards larger enterprises, which are better positioned to meet complex requirements and standards (SME_Serv_06; SME_Manuf_07; SME_Wood_14; FG_MEF). In this context, SMEs often question why they should adopt RBC if there is little support tailored to smaller companies or few visible benefits for them.

FDI benefits not reaching SMEs. Employers reported no clear spillovers from recent waves of foreign direct investment in terms of technology transfer, skills development or improved market access. They noted that most FDI has been concentrated in elite tourism and real estate, with limited investment in productive sectors that would typically generate supplier upgrading, new capabilities or export linkages (SME_Manuf_05; FG_MEF). This is in line with the MFIC reporting a decline in productive investment, linked to concerns over predictability and ad hoc legislation.

▶ 4.2. Challenges to RBC adoption in SMEs

Building on these perceptions, several specific challenges to RBC implementation among SMEs have emerged.

4.2.1. Insufficient awareness and understanding

Across interviewed SMEs, awareness of RBC is uneven and frequently inconsistent. Many respondents equate RBC primarily with CSR initiatives or environmental stewardship, while fewer articulate RBC as a holistic approach that encompasses HRDD and responsible governance across the value chain. Several managers framed "responsibility" as compliance with domestic legislation; others recognized that RBC entails a proactive approach to prevent and mitigate adverse impacts on workers, communities, and the environment in line with international RBC frameworks (e.g., the ILO MNE Declaration) and emerging legislation (e.g. EU due diligence legislation).

Most interviewees reported encountering RBC concepts indirectly—through client or buyer requirements, interactions with public institutions (e.g., labour inspection), and relationships with larger suppliers—rather than via tailored SME guidance. As a result, practical understanding of "what RBC looks like" remains uneven: while some enterprises can point to established practices (e.g., formalized OSH procedures, worker dialogue mechanisms, responsible procurement), others expressed uncertainty about how to translate high-level principles into day-to-day operations and value-chain due diligence. This pattern underscores the need for clear, SME-appropriate guidance, capacity building and incentives that align with the ILO's approach and guidance on RBC for decent work and Montenegro's ongoing alignment with EU legislation and initiatives on RBC.

A more proactive approach is most evident among firms exposed to foreign clients. By contrast, SMEs with no experience with investors or foreign clients more often describe RBC as ad hoc philanthropy or isolated environmental actions, rather than an enterprise-wide system with policies, processes and measurable outcomes.

Several SMEs equate RBC with substantial new spending, which deters uptake. Interview data indicate this is a misconception: many entry-level practices can be implemented with little or no additional cost by reorganizing existing processes and tools. As one medium-sized company observed: "*We can afford implementing responsible practices, but many firms simply don't have the financial room to do the same—even when they want to"* (SME_ICT_01). This perception underscores the need to demystify RBC and highlight low-/no-cost measures—formalizing wage and hours records, basic OSH housekeeping, simple non-discrimination and grievance procedures, and using existing communication channels for worker voice.

Familiarity with HRDD is partial and uneven. Most interviewed SMEs recognise HRDD-related ideas (e.g., "identify risks," "prevent harm"), but the formal concept and its stepwise process (identify–prevent/mitigate–track–communicate–remediate) remain unclear. In practice, risk identification and mitigation are conducted within the enterprise's own operations (e.g., basic OSH checks, contract and payroll controls) rather than across the value chain. SMEs do not assess suppliers or business partners for labour and human rights risks, and clients rarely request HRDD evidence (SME_Wood_14; SME_Manuf_15; SME_Manuf_16). An exception arises in construction: when engaging subcontractors, firms reported requests to demonstrate compliance with OSH requirements and provide related documentation (SME_Const_12; SME_Const_13).

Where measures exist, they are reactive and compliance-driven—triggered by legal obligations or specific customer files—rather than embedded in a proactive HRDD system. Worker consultation is limited and informal (e.g., direct supervisor conversations), with few examples of structured participation in risk identification or remediation (SME_ICT_01; SME_Serv_06). Overall, SMEs exhibit elements of HRDD without the architecture: ad hoc actions to manage immediate operational risks, but little extension to the supply chain or transparent tracking and communication.

Grievance mechanisms are widely perceived as ineffective or purely formal, especially in cases of harassment (mobbing), which rarely result in meaningful remedy (FG_TU). By contrast, SMEs tend to view existing arrangements as sufficient in practice. Most interviewed SMEs report having a channel through which workers can raise concerns, typically via in-house HR or legal staff; but often communication is directed straight to the owner/director (SME_Agri_03; SME_Manuf_05). These arrangements are largely informal with limited anonymity: among interviewed companies, only two had anonymous reporting options (SME_10; SME_11), and only one maintained a dedicated complaints email address (SME_04). When asked about formal protections—such as non-retaliation clauses or clear safeguards for complainants—most firms struggled to articulate what these would entail or saw them as unnecessary, further highlighting the gap between informal trust-based approaches and rights-compatible grievance systems.

Managers generally perceive a high level of trust because issues are addressed and resolved: "*We operate as a family, no need for other channels so far*" (SME_Retail_10), yet the absence of a codified process with clear steps, timelines, and roles, combined with direct reporting to the owner, may limit confidentiality and weaken safeguards against potential retaliation, effectively turning grievance handling into a personal rather than an institutional process. Workers are informed about channels mainly during onboarding and through day-to-day supervisor interactions; tracking is ad hoc (emails or manager notes) rather than maintained in a simple register. The issues raised most frequently concern wages, leave/holiday entitlement, and overtime, followed by OSH matters and, occasionally, interpersonal conduct.

Taken together, these patterns suggest that awareness of grievance mechanisms as a core element of RBC and decent work remains limited, with many actors still viewing them as optional or purely formal processes rather than essential tools for prevention and remedy. SMEs could strengthen effectiveness by formalizing the procedure in writing with clear steps, introducing confidentiality and non-retaliation guarantees, offering multiple access points (including an anonymous option), setting timelines for acknowledgement and resolution, and maintaining a simple log of cases to identify recurring issues and help guide preventive action.

4.2.2. Limited guidance, information and support for SMEs

Clarity and information gap. SMEs describe a fundamental clarity gap regarding what is expected under RBC. As one interviewee put it: "*We do not know what is required, whom to ask, or where to get information" (SME*_Retail_10). This uncertainty is reinforced by a loosely regulated market in practice, limited access to practical education/training, and the absence of simple, authoritative information channels. Several SMEs emphasized they struggle to keep up with changing expectations and documentation norms: "*Change seems to be the only constant, yet no one informs us what changed and how to comply*" (SME_Tourism_11). Many firms look to employer organizations and government as the natural hubs for consolidated guidance and timely communication on RBC and decent work—signalling a need for clearer, more visible information pathways rather than a lack of intent.

These barriers are widely acknowledged not only by businesses but also by institutional stakeholders, who note that small enterprises often lack access to clear, centralized guidance or sector-specific support (KII_RDA; KII_INSP; FG_BU; KII_RDA). This information gap reinforces the perception that compliance is complex and inaccessible and underlines the need for more systematic, advisory-first communication (FG_BU; KII_RDA).

Regulatory navigation compounds these constraints. There is no sector-by-sector guide spelling out required standards; many entrepreneurs enter "unknowingly", with little foresight about what inspections will expect (FG_BU; SME_Wood_14). There is no centralized advisory service available pre-start-up, and regional/municipal business centres are widely viewed as underperforming. In this context, SMEs proposed establishing sector-specific information platforms that provide up-to-date obligations, practical checklists, and templates—crucial given the rapid pace of change in legislation and standards—so firms can understand exactly what is required and how to comply in a timely fashion (SME_Tourism_11).

A vivid example of how unclear rules translate into operational strain is e-fiscalization in agri and rural tourism: for many small operators with low digital literacy, realtime compliance remains an ongoing challenge (KII_RDA; KII_MAFWM).

Recognizing these informational gaps, the OSH inspectorate applies a preventive and educational approach towards small employers, especially those unfamiliar with legal obligations. In low-risk contexts, first visits are typically advisory rather than punitive, reflecting an understanding that full OSH documentation can be costly and difficult for smaller firms. According to interviewees, over 90 per cent of employers correct identified violations by the first deadline (KII_INSP). These patterns suggest that non-compliance often stems not from deliberate avoidance, but from genuine lack of awareness, information and limited capacity to navigate complex requirements.

4.2.3. Internal capacity constraints

Owners and managers report that they focus on day-to-day operations and market survival, making it difficult to devote bandwidth to reporting, training, or introducing new standards. As one respondent summed it up: "*In such an environment, responsible business is often seen as a cost rather than an investment in the future*" (SME_Serv_06).

Across SMEs, there is no dedicated focal point for RBC; responsibilities are dispersed across HR, accounting and line managers, which leads to gaps in ownership, inconsistent application of procedures, and limited follow-through (SME_Manuf_07; SME_Tourism_12). High staff turnover and multitasking also undermine continuity. Training, when provided, is typically one-off and compliance-oriented rather than embedded into short, periodic refreshers tied to real tasks (SME_Tourism_11). Leadership incentives and Key Performance Indicators (KPIs) seldom reflect responsible practice outcomes. Performance targets focus on sales and output, with little recognition for preventive actions (e.g., reporting, timely grievance resolution, training completion) (SME_Constr_13; SME_Retail_10; SME_Manuf_16). As a result, managers lack clear incentives and indicators to dedicate time to RBC tasks, even when they personally support the agenda: *"We focus on sales and output; responsible business practices sound great, and we'd gladly implement them if we had the time and resources."* (SME_Manuf_07). This combination of pressures indicates that RBC is still not fully recognized as a core management function in SMEs, but rather as an additional task that competes with immediate survival priorities.

4.2.4. Constraints in social dialogue and worker voice

Interviews with social partners and enforcement bodies highlight a persistent gap between the legal framework and day-to-day practice. While stakeholders broadly agree that legislation mirrors international standards, especially in labour-intensive sectors such as retail, tourism and construction, workers still face short-term or consecutive contracts, unpredictable schedules, unpaid overtime and contested access to sick leave.

In many small and medium-sized enterprises, there are no trade unions or elected workers' representatives, which in practice means there are no stable, formal channels for social dialogue at the enterprise level. According to trade unions, in case of workplace grievances many workers default to union legal teams as their only trusted option, while limited jurisprudential support further discourages reporting and reinforces a culture of silence (FG_TU). SME workers highlighted recurring challenges—wages, leave and overtime—which persist because cases are handled informally and not recorded, making it hard to spot patterns and prevent repeated problems (FG_TU). They emphasized the need for simple, visible, and anonymous ways to raise concerns; timely, written feedback; and explicit non-retaliation guarantees.

Debates around working time, including the "non-working Sunday" in retail, illustrate how policy volatility complicates predictable decent work arrangements, as employers' organizations call for its abolition while trade unions support it, and uneven application risks competitive imbalances and sends mixed signals on weekly rest, overtime and work–life balance.

These tensions point to deeper challenges in social dialogue. Trade unions report cases of employer interference in freedom of association and collective bargaining, including "yellow unions" and pressure around strikes. At the same time, the current structure and functioning of the Social Council do not fully reflect the realities of a predominantly SME economy: many small firms are outside the coverage of sectoral collective agreements and rarely participate in tripartite dialogue. The Council's role is perceived as largely advisory, even though the ministry notes that, in practice, no draft labour legislation proceeds with a negative Council opinion.

Looking ahead, emerging technologies and new forms of work introduce additional decent work risks. Trade unions identify artificial intelligence and platform-based business models as sources of anxiety over job security, employment status, OSH responsibilities and access to social protection. As these models expand, there is a need for targeted, proportionate regulatory adjustments to ensure that new forms of work meet decent work and RBC standards.

Both employers and trade unions recognize that EU alignment can increase the uptake of RBC, enhance reputation and market access, as well as guarantee stronger worker protection. However, they also warn that without effective enforcement, trusted grievance channels and realistic expectations for SMEs, higher standards may be experienced as additional paperwork rather than meaningful improvement in working conditions.

4.2.5. Limited incentives and mixed signals for RBC

Perceptions of selective and inconsistent enforcement emerged as a significant obstacle to both formalization and the uptake of RBC. Registered businesses report that they face more frequent inspections and heavier administrative demands, while informal competitors face limited deterrence—creating a perception that remaining unregistered can be more rational than operating formally (FG_MEF; KII_RDA; KII_BP_MUN). This sentiment is strengthened by the high administrative and financial costs of business closure: when performance declines, winding down a company can be more burdensome than continuing informally. As one employer put it, "*€1 to enter, €1,000 to exit*" (SME_Manuf_05). In this context, many SMEs question why they should adopt RBC if there is little support tailored to smaller companies or visible benefits for them.

Unclear buyer expectations and uneven readiness for RBC. While a growing share of EU linked SMEs report some degree of buyer pull, others noted that they have not yet received any formal compliance requests. The specific types of documentation requested so far have included OSH records and compliance packs (SME_ICT_01; SME_Log_02). One firm reported signing a client code of conduct (SME_Serv_06), while none was asked to submit RBC reports or undergo social audits. In wood processing—an export-exposed sector—awareness is inconsistent because firms have limited information about buyer expectations and EU requirements. Many currently sell into regional (Western Balkans) markets, where interviewees reported fewer formal requests for RBC evidence, making external signals less visible until firms engage EU-linked chains (FG_BA; SME_Wood_14).

At the same time, SMEs preparing to start exporting indicate they are aware of EU market requirements and are taking preparatory steps—including investments in product/process certification, compliance documentation and basic management systems. These upfront efforts and domestic administrative frictions (permits, inspections, unpredictability) increase the complexity and time required to implement RBC practices (SME_Agri_03). Taken together, these dynamics create weak and often confusing signals for SMEs, reducing the perceived benefits of investing in RBC and slowing down its practical uptake.

4.2.6. Regional and gender gaps

Regional disparities shape how far SMEs can engage with RBC in practice. Most institutions with mandates relevant to RBC—ministries, regulatory agencies, development bodies and international organizations—are concentrated in Podgorica and the central region. While this centralization can facilitate coordination, it limits the visibility, outreach and engagement of SMEs in the North, where firms are often less formalized and less exposed to sustainability or social compliance standards.

The northern region remains structurally vulnerable, with higher poverty risk, much lower business density and an enterprise base that is mostly micro, often operating informally. Gaps in infrastructure, services, institutional capacity and digital literacy, combined with property and land registration issues, create practical barriers to formalization, access to support schemes and adoption of RBC-related initiatives. These conditions position the North as a logical pilot region for targeted efforts on formalization, green transition and sustainable entrepreneurship.

Along the coast, an economy dominated by tourism and marked seasonality creates a different pattern of RBC risks: undeclared work, OSH challenges and pressure on working-time and contract stability. At the same time, the involvement and impact of social partners in local policymaking remain limited, which constrains the diffusion of responsible business practices at the local level.

Gender dynamics cut across multiple aspects of RBC implementation. Trade unions highlight barriers to women's progression within firms, including opaque criteria for advancement and pay and informal gatekeeping—"*It is very difficult for women to reach leadership positions. Even when it seems likely or justified, informal lobbying often forms to prevent it*" (FG_TU). In rural tourism and agri-linked services, women frequently manage businesses without formal ownership, limiting access to permits and public support; the Tourism Ministry reports that only three of 28 registered rural-tourism households are women-owned and that land-linked registration rules tend to reinforce male-titled assets (KII_MOT). The MAFWM explains that registration follows land ownership under existing regulations; because over 90 per cent of titled landholders are men, women who run day-to-day operations often lack standing to register or access support, effectively narrowing their pathways to permits, grants and formalization (KII_MAFWM). This calls for integrating gender considerations into RBC efforts, ensuring that women's participation and access to support are actively promoted across sectors (KII_MOT; KII_RDA).

▶ 4.3. Sectoral aspects

The analysis indicates varying RBC readiness across sectors:

Tourism and hospitality. High potential for spreading responsible business practices, but challenged by seasonal work and informality, as reported consistently throughout interviews with stakeholders (KII_MLESD, KII_MAFWM, KII_RDA, FG_MEF, FG_TU), while sustainability and eco-labels rarely include labour criteria (KII_MOT). SMEs call for a sectoral platform to enable peer-to-peer exchange and provide consolidated, up-to-date guidance amid frequent regulatory changes in tourism—offering simple checklists, template policies, and seasonal workforce toolkits (SME_Tourism_11; SME_Tourism_12).

Construction remains marked by OSH hazards, migrant-worker vulnerabilities, and persistent pockets of informality—requiring continuous, year-round inspection attention (KII_INSP). The sector depends on foreign workers whose competencies do not fully align with on-site needs (FG_MEF; SME_Const_12): *"We lose weeks on basic training and safety briefings."* (SME_Constr_12). On the other hand, migrant workers face particular barriers to organizing and asserting even basic rights, as many are not in a position to unionize. In contexts where informality intersects with high-risk occupations, occupational safety failures and under-reporting of violations become significantly more likely (FG_TU).

Agriculture and food processing. Characterized by family-run businesses and a high level of informality (KII_RDA, KII_MAFWM), these activities typically operate with seasonal hiring and high turnover: *"We scale up for harvest and then wind down; turnover is constant and training never fully catches up."* (SME_Agri_03). There is limited institutional exposure to RBC standards, but export-oriented

SMEs may resort to certification and progressively implement HRDD as market requirements evolve (KII_BP_MUN). IPARD functions as a compliance lever while national measures are lighter-touch (KII_MAFWM). A forward-looking development in agriculture is the transition from the **Farm Accountancy Data Network (FADN)** to the **Farm Sustainability Data Network (FSDN)** by 2029, which will add a sociological component to monitoring and, for the first time, track formalization status, the existence of contracts, the origin of workers (domestic/foreign), gender and education.

Wood processing. A capital- and equipment-intensive manufacturing branch located in the North, with export exposure but uneven RBC awareness at the firm level. Undeclared work persists in parts of the chain. SMEs perceive inspections as sanction-first in some cases which discourages formalization, although inspectorates report a preventive approach for small employers (KII_INSP). Firms report information and coordination gaps—no sector-specific guides or early-stage business support, and weak municipal support—and frequent shifts in ministerial competencies that created uncertainty over grant windows[9] (SME_Wood_14; FG_BU). Buyers rarely request proof of responsible practices, and market pull for HRDD is weak as export markets are largely Western Balkans-based. Priority needs are grants for safety equipment, targeted advisory services and market linkages, and pre-inspection guidance (FG_BU).

ICT. Beyond traditional sectors, ICT emerges as a forward-looking area with strong potential for RBC integration, especially through digital governance, remote work, and gender-balanced teams. Strong market pulls and global talent competition have normalized formal contracts, safe office conditions, continuous training and people-centred retention packages, with hybrid/remote work now standard (SME_ICT_01). Compliance feels embedded rather than imposed, yet retention remains the binding constraint (FG_BU). The sector also benefits from an effective industry platform—ICT Cortex—which provides a supportive backbone for sector development and the diffusion of responsible practices.

Overall, a current gap is the absence of sector-specific services for SMEs; however, the new Decent Work Programme for Montenegro sets a target to establish at least two sectoral support services (ILO 2024).

▶ 4.4. Support landscape for SMEs: gaps and practical entry points

Building on the barriers identified in the previous section, this subchapter maps out the existing support ecosystem and identifies actionable entry points for strengthening SME capacity to implement RBC.

SMEs report limited awareness of public or donor-backed programmes that specifically focus on RBC and HRDD for decent work. Most have not been formally invited to join such initiatives and, where ad hoc support was accessed—for instance, a chamber event or a donor workshop—firms describe it as too general to guide day-to-day operations (SME_Agri_03; SME_Retail_07). Interviewees repeatedly underline that SMEs are the engine of the economy, yet in practice support is perceived to be focused on large systems, leaving smaller firms on the margins. There is a sense of episodic assistance tied to shifting priorities rather than a predictable pathway of support that SMEs can plan around (SME_Tech_04; SME_Serv_08; SME_Tourism_11).

9. Wood processing was not among the MED's priority sectors for support in 2024.

In the context of EU alignment, SMEs are not well informed about forthcoming requirements related to RBC or HRDD. The dominant expectation is an increase in obligations and documentation, and the prevailing fear is administrative overload that will absorb scarce management time. Business owners and managers emphasize that if compliance translates into another stack of forms, they will "*spend more time at a desk than on the shop floor*" (SME_Manuf_05). As a result, they favour hands-on mentorship and short, highly practical training sessions, backed by simplified tools and templates and occasional peer-learning opportunities that show how compliance is implemented in practice.

Dialogue platforms exist only sporadically. Most SMEs are unaware of existing initiatives, networks, or platforms dedicated to responsible business or labour issues. Some have occasionally joined broader economic or digitalization workshops; what is missing is a sustained stream of SME-oriented support focused specifically on RBC, with content tailored to firm size and sector (SME_Serv_06). A frequently cited positive exception is the outreach by employer associations that curate relevant opportunities and provide timely information. Interviewees note that this reduces isolation and connects small teams to the broader national shift towards responsible business (SME_Manuf_05; SME_Serv_06; SME_Serv_08).

Looking ahead, SMEs consistently prioritize support that is proportionate to their capacity constraints. Above all, they ask for short, sector-specific training sessions and mentored, on-the-job sessions that help managers and supervisors apply existing rules in practice. Simple, ready-to-use tools (policy templates, checklists, registers) are welcome as reinforcement—especially for firms that still have gaps—but they come after training. A single advisory point—a responsive helpdesk—to resolve concrete questions remains critical. Firms also call for sectoral information hubs that track frequent changes in legislation and standards and translate those changes into brief updates with actionable next steps. On the incentive side, interviewees point to the value of small, well-targeted financial measures—such as tax credits or vouchers for OSH upgrades, HRDD pilots, or grievance mechanisms—and of shared services from employer associations or chambers, including pooled audits, template libraries, and practical mentorship.

The gaps described above translate directly into entry points for strengthening the support architecture around SMEs: proportionate guidance, ready-to-use tools, micro incentives, and peer-based learning that make RBC feasible at a small scale.

▶ 4.5. Emerging opportunity areas as perceived by SMEs

Interviews point to a clear appetite for solutions that are practical and not overly burdensome: they value formats that make compliance practical on a small scale. Across sectors, respondents pointed to a set of opportunity areas where modest changes could unlock adoption of RBC for decent work without adding a disproportionate burden.

Practical, training-first support. Many firms emphasized that since they already maintain written rules and policies in line with legal requirements, what they lack is the practical know-how to translate those rules into everyday routines, monitoring logs and evidence. Their immediate priority is training and on-the-job coaching, not more paperwork (SME_Tech_04; SME_Trade_09; SME_Wood_14; SME_Manuf_15). Short, sector-specific training sessions and mentored, on-the-job sessions were most frequently cited as helpful formats, particularly when they translate requirements into simple routines and records.

Ready-to-use tools and plain-language materials. Interviewees described value in concise templates (policies, checklists, registers) and plain-language explanations. These were seen as time-savers when editable and accompanied by examples of completed documents.

Single point of contact for clarifications. Firms repeatedly mentioned the usefulness of a responsive contact point to resolve "grey areas" quickly. Whether hosted by public bodies or business associations, the appeal lies in timely, written answers that reduce interpretation costs for small teams (SME_Manuf_05; SME_Serv_08).

Sectoral e-platforms. Enterprises highlighted the need for sector-specific guidance as a first step—clear signposts on what applies, where to find it, and whom to contact—followed by digital sectoral networks for rapid information exchange, quick updates on new legislation and standards, and sharing of practical solutions, including seasonal workforce toolkits (e.g., fair scheduling, onboarding of temporary/foreign workers, and OSH protocols) (SME_Tourism_11; SME_Tourism_12).

Peer learning and practical examples. Respondents valued seeing "how it looks in practice." Short, sector-focused sessions built around practical examples and follow-up after implementation were perceived as accelerating uptake and preventing paper-only compliance (SME_Manuf_07; SME_Trade_09).

5. Business case for SMEs to adopt responsible business practices for decent work

5. Business case for SMEs to adopt responsible business practices for decent work

Some of the interviewees showed clear awareness that responsible business practices can improve operations, business continuity, and buyers' trust. "*Responsible business is an investment in people and the community. If our team works in a healthy environment and if we offer clients solutions that encourage sustainable business, we simultaneously build reputation and stability for the company and for society*." (SME_Serv_06). This statement captures the business rationale of RBC for SMEs: better working conditions help maintain workforce continuity (less absenteeism and turnover), which boosts productivity; and consistently fair and transparent practices make it easier to respond to client expectations, enhancing competitiveness and reputation. The same practices that protect people internally also reduce external risks and signal reliability to buyers.

Responsible business is an investment in people and the community. If our team works in a healthy environment and if we offer clients solutions that encourage sustainable business, we simultaneously build reputation and stability for the company and for society.

Productivity. In interviews, SMEs reported that their biggest constraint was time, followed by financial pressures. As interviewees noted, managers juggle operations, client work, and compliance—often amid administrative inefficiencies outside the firm—leaving limited capacity to introduce new practices. In this context, RBC should not be considered as an additional burden but a way to protect time and stabilize costs: when risks and routines are explicit, fewer issues escalate into ad hoc crises that pull managers away from the core business. Furthermore, low-/no-cost measures, such as establishing clear records, basic OSH housekeeping and controls, simple grievance routes and scheduling systems can improve workflow coordination and reduce costly disruptions (e.g., unexpected reassignments, shift gaps, escalation to senior management), which would in turn contribute to productivity improvements. In practice, this shifts time and attention back to core activities—production, service delivery, client work—while meeting buyer expectations.

Adopting RBC results in benefits for both enterprises and their workers, where productivity gains are delivered through **better compliance and workforce stability**. Policies and management systems that ensure decent working conditions including fair wages and working hours are associated with fewer accidents, lower absenteeism, and reduced turnover—cutting replacement, onboarding, and downtime costs while preserving know-how on the shop floor. Interview evidence shows that recurring unexcused absences disrupt workflows and trigger costly last-minute rescheduling (SME_Log_02).

Complementary skills development and training not only support workers' professional development but also raise labour productivity at the enterprise level by improving quality, performance and efficiency. For example, a small accounting firm covers the costs of professional certification exams for accountants and enables staff to attend specialized training sessions and seminars, recognizing that higher individual proficiency and multi-skilling lift overall productivity, resulting in shorter service times, fewer rework incidents and better coverage during absences (SME_Serv_06).

As noted earlier, a prevailing practice in many SMEs is that workers take concerns directly to the owner or managers. While this feels fast, it absorbs senior time, creates decision bottlenecks, and leaves little opportunity for learning—so the same issues could recur. Introducing a simple, codified grievance system (clear intake channels, a first-line contact at supervisor level, short target timelines, an escalation path, and a basic log) shifts routine case handling away from the owner, speeds resolution, and enables pattern analysis (e.g., OSH issues). The net effect is fewer disruptions and rework, lower absenteeism from unresolved problems, and more leadership bandwidth for production, service delivery, and clients—a direct productivity gain from adopting RBC-aligned management practices.

Competitiveness. Buyers, especially foreign partners, increasingly require evidence of responsible business practices and basic due diligence measures. Being able to respond quickly and credibly preserves opportunities and reduces transaction costs. Having in place business policies and processes aligned with the principles of international labour standards enables SMEs to respond and address contractual requirements, preserving opportunities, building buyer trust and reducing the risk of disputes and compliance delays. As a result, responsible business practices help SMEs stay prepared, meet requirements smoothly, and gain a competitive market edge. Interviewed SMEs also reported that adopting responsible business practices can serve as a gateway to finance and programmes. In particular, some highlighted that having certifications, such as Hazard Analysis and Critical Control Points (HACCP) and the International Organization for Standardization (ISO), provided an advantage when applying for funding, with the upfront effort saving time during the application (SME_Trade_09; SME_Agri_03).

Talent attraction and retention. Adopting responsible business practices which ensure good working conditions can help Montenegrin SMEs attract, motivate and retain talent, especially amid labour-shortage concerns. Implementing responsible business practices that ensure safe, fair, and supportive working conditions strengthens the firm's ability to recruit talent and reduces staff turnover. Employees are more likely to stay when their work environment is inclusive, respectful, and aligned with their expectations, which also increases engagement and productivity. Lower turnover and absenteeism translate into reduced recruitment and training costs, retention of institutional knowledge, and smoother day-to-day operations. Beyond operational benefits, firms that demonstrate commitment to decent work enhance their reputation as employers of choice, which can attract higher-quality candidates and create a competitive advantage in both local and international markets. This theme was particularly salient among firms citing labour shortages.

Strengthened risk management and business resilience. For SMEs, RBC provides a path for managing risks effectively: routine scanning of legal, labour, and environmental risks; assigning clear responsibilities and timelines; keeping basic records of actions; and ensuring business continuity and mitigation of incidents. The result is fewer compliance surprises, faster problem-solving and lower disruption costs. Just as importantly, RBC systems help anticipate and manage evolving requirements linked to EU accession—from buyer due-diligence expectations to documentation on working hours, wages, OSH management and supply-chain practices. SMEs that maintain clean records, run basic risk assessments and keep grievance/repair logs are better positioned for tenders and supplier pre-qualification, face fewer penalties or rework after inspections, and can respond more credibly to buyer questionnaires. While interviewed firms had not yet fully implemented such systems, managers consistently indicated that these practices would improve predictability and reduce variability in day-to-day operations—benefits that matter as compliance and transparency become minimum entry conditions.

Innovation and market differentiation. As SMEs strengthen their internal processes around RBC—through clearer documentation, improved risk assessment, and more structured human resources management—they may identify opportunities to gradually improve work organization, operational efficiency and product or service design. This may include simplifying production processes, improving reliability through better planning and supervision, and using resources more efficiently, and developing or adapting products and services to be more sustainable. Product-level innovation can enhance market differentiation and may generate additional value in procurement, financing, and buyer relationships where sustainability criteria are increasingly applied. Together, such adjustments can help reduce operational costs, lower exposure to disruption, and support clearer positioning in markets that value traceability, predictability, and alignment with responsible business standards. While these improvements may initially arise as by-products of RBC efforts, they can evolve into strategic advantages that contribute to long-term resilience and competitiveness.

Access to finance and investment. Financial institutions and investors increasingly integrate ESG/RBC considerations into credit and investment decisions. SMEs that can demonstrate basic RBC and HRDD practices—documented policies, payroll and hours records, OSH checks, grievance logs, supplier screening, and incident follow-up—present lower non-financial risk and more readily meet eligibility and disclosure requirements. In practice, this can improve access to sustainability-linked loans and grants, targeted guarantee schemes and green credit lines, and may yield better terms in supply-chain finance. Notably, during interviews, SMEs responded most positively to this “finance access” angle compared with other benefits, indicating that clearer links between RBC and funding opportunities can be a strong motivator for uptake.

6. Examples of how Montenegrin SMEs are applying RBC in practice

6. Examples of how Montenegrin SMEs are applying RBC in practice

This chapter highlights how SMEs in Montenegro[10] contribute to decent work through promotion of non-discrimination and equal opportunity, safe and healthy working conditions, respect for family responsibilities and work–life balance, and fair recruitment and training. It explains the operational reasons for adopting these measures and shows how they strengthen organizational performance, workforce stability and resilience. Finally, it illustrates how these examples align with the guidance of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO MNE Declaration).

6.1. Broadening entry routes into ICT through equal opportunity and work-linked training

The ILO MNE Declaration calls on enterprises to promote equal opportunities for women and men, prevent discrimination, and support skills development, including through training and lifelong learning. In a fast-growing digital economy where skills gaps and a narrow recruitment pool persist, responsible practices that create entry routes for girls and women both broaden the talent base and advance decent work.

Coinis is a medium-sized ICT enterprise in Montenegro, employing around 90 people, which has prioritized equal opportunity and skills development to address persistent skills gaps in the digital sector. As Coinis management recognizes: "*The biggest obstacle to progress in Montenegro is the shortage of work-ready talent and inadequate communication skills; unless we build those capabilities, the whole ecosystem slows down.*"

Coinis participates in initiatives that promote women's entry into ICT—marking International Girls in ICT Day, joining Women in Tech workshops, and taking part in speed-mentoring formats that demystify tech roles and connect participants with practitioners. Building on this outreach, the company powers the Developers' Lab platform, which provides free, practitioner-led training in programming and artificial intelligence. While open to all, the platform is used deliberately to create targeted entry routes for women, including new weekend training sessions that accommodate students and career-changers. To date, more than 500 participants have undergone training, courses frequently attract triple-digit application numbers, and an online learning platform is planned to expand access further (Developers' Lab 2025). Training is free of charge and includes job-readiness components

10. The examples are drawn from different sectors and ownership profiles to reflect the diversity of SME contexts. Each case is based on interviews and company information shared with consent and reflects practices as of the time of discussion. Inclusion here does not imply endorsement.

Education in IT should be accessible to everyone, and Developers' Lab is working to provide high-quality training that helps people build their careers in the IT sector.

such as CV writing and interview preparation, easing the transition into work. As Developers' Lab puts it: "*Education in IT should be accessible to everyone, and Developers' Lab is working to provide high-quality training that helps people build their careers in the IT sector.*"

The innovative approach combines open, no-cost training delivered by practitioners with mentoring by women professionals and realistic job previews—making ICT pathways more accessible to women, students, and first-time job-seekers. Collaboration with universities and sector associations further supports the normalization of skills-based recruitment across the ecosystem.

A memorandum with the Ministry of Education and cooperation with the University of Montenegro and the University of Donja Gorica enable alignment of course content, coordinated outreach to prospective female candidates, and pathways from training to internships. Through engagement with sector bodies—including ICT Cortex and its Cortex Academy, and Women4Cyber Montenegro—Coinis contributes to a sector-wide ecosystem that normalizes fair, skills-based entry routes and amplifies non-discrimination messages. Women employees and team leaders volunteer as mentors, and collaborative inputs help keep session themes and internship tasks relevant and inclusive. A designated focal point offers a confidential channel for concerns related to equal opportunity and respectful conduct.

Together, these steps contribute to several specific SDG goals, including SDG target **4.4** on increasing the number of youth and adults with relevant skills for employment in decent jobs, **4.5** on eliminating gender disparities in education and training, **5.1** on ending all forms of discrimination against women and girls, and **8.5** and **8.6** on achieving full and productive employment and decent work for all women and men and substantially reducing the share of youth not in employment, education or training by creating fair, skills-based entry routes into ICT.

For the business, the results include a broader and easier-to-reach talent pool for junior roles, shorter recruitment cycles and lower advertising and agency spend, more predictable onboarding and retention due to mentor links and realistic job previews, and reduced skills-mismatch risk because course and internship content mirror real team tasks. Clear messaging on equal opportunity and cooperation with universities and sector associations also facilitates external RBC reviews by buyers and financiers.

This case study demonstrates how Coinis is translating some of the principles of the ILO MNE Declaration into concrete actions, particularly in the field of equal opportunity, non-discrimination, training and skills development (MNE Declaration principles 16, 30, 38-40).

6.2. Health, well-being and work–life balance in professional services

The ILO MNE Declaration places strong emphasis on good working conditions, including the provision of a safe and healthy work environment and the prevention and remediation of discrimination in all its forms. In deadline-intensive services such as accounting, unmanaged workload and income insecurity can create workplace risks that negatively affect workers' health and the quality of work.

Illness should never be an additional source of financial insecurity.

Economic Team, a small women-led firm in Podgorica, applies a proportionate, prevention-first approach that combines health protection with family-friendly flexibility. Regular medical check-ups and targeted support during key life events (for example, financing epidural anaesthesia at childbirth) signal that well-being is an operational priority. Moreover, wages are not reduced during sick leave even though the law permits reductions of up to 30 per cent—and, as the owner-manager stresses, *"Illness should never be an additional source of financial insecurity."* This policy removes financial insecurity, discourages presenteeism and helps prevent discriminatory outcomes for pregnant workers and new parents.

Working time is organized around statutory filing cycles and client deadlines, with day-to-day adjustments made through trust-based planning. Staff flag constraints early and tasks are redistributed to avoid excessive workload. A recurring weekly team meeting provides a structured forum to review deadlines, risks and well-being, agree any schedule changes and follow up on health- or family-related needs. The approach is externally visible through recognition such as the MEF's "Care for Employees" award in 2023, confirming that health, fairness and flexibility are treated as core operating principles rather than slogans.

This practice is innovative because it converts typical SME constraints—small teams and deadline spikes—into a simple prevention model: protect income during sickness, front-load health measures, and use consultation to keep workloads safe and family needs accommodated.

In doing so, it contributes to several specific SDG goals, including SDG target **3.8** on universal health coverage and financial risk protection in relation to health, **5.1** on ending all forms of discrimination against women and girls, **5.4** on recognizing and valuing unpaid care and domestic work through appropriate policies, **8.5** on achieving full and productive employment, and decent work for all women and men, and **8.8** on protecting labour rights and promoting safe and secure working environments for all workers.

For the business, the advantages include steadier delivery with fewer errors during peak periods, reduced absenteeism and less working while ill, higher retention and easier attraction of experienced accountants who value predictable support, and stronger client confidence due to consistent service quality.

This case study demonstrates how the Economic Team is translating some of the principles of the MNE Declaration into action, particularly in the areas of occupational safety and health, conditions of work and life, equality of opportunity and treatment and consultation with workers (MNE Declaration principles 30, 41, 44, 63).

▶ 6.3. Fair recruitment and safe seasonal work in agri-food

Agriculture and food processing carry elevated RBC risks due to the use of seasonal labour, dispersed worksites, exposure to biological and chemical agents, and strict food-safety obligations. The ILO MNE Declaration calls for fair recruitment, formal and transparent terms of employment and establishment of effective OSH management systems.

Naše Voće, a small producer-processor with a year-round core workforce and seasonal increases during harvest and processing, bases its practice on clear, verifiable routines. All workers, including seasonal pickers, are hired under written contracts with defined shifts and transparent pay records. From day one, workers receive OSH and hygiene induction, personal protective equipment is mandatory, and supervisors conduct checks both in the orchards and on the processing line. Production follows HACCP principles with defined critical control points such as pasteurization. Any deviation triggers corrective action—equipment servicing, hygiene adjustments or refresher training—to prevent injuries and incidents.

The enterprise participates in IPARD, indicating robust operating and labour standards, and is preparing for GlobalG.A.P. certification[11], which naturally builds on existing procedures and will further support market access, traceability, on-farm OSH and worker welfare. Relationships with retail chains are governed by individual agreements with transparent payment terms, reinforcing predictability and timely wage payments. Worker voice is immediate and practical: daily briefings and logbooks capture concerns and actions, and staff can raise issues directly with line leads or the CEO, ensuring that new seasonal workers receive the support they need.

This business model also aligns with several specific SDG goals, including SDG target **2.3** on increasing the agricultural productivity and incomes of small-scale food producers, **2.4** on sustainable and resilient food production systems, **8.5** on full and productive employment and decent work for all, and **8.8** on protecting labour rights and promoting safe and secure working environments for all workers.

For the business, the advantages include fewer incidents and less downtime during harvest and processing, more reliable output and quality, higher seasonal return rates due to formal terms and clear records, and smoother programme and buyer audits linked to documented HACCP and OSH routines.

This case study demonstrates how Naše Voće is translating some of the principles of the MNE Declaration into action, particularly in the areas of fair recruitment, prevention of forced and child labour, occupational safety and health, and training (MNE Declaration principles 25, 27, 30, 38–39, 44).

6.4. OSH and working time in distribution

In smaller trading firms, distribution activities tend to concentrate risks in driving, scheduling and handling tasks linked to moving the company's own goods. The ILO MNE Declaration underscores decent working and living conditions, including working time and occupational safety and health.

In this context, an illustrative example is Škorpion—a women-led distributor from southern Montenegro employing around 100 people—where good practice rests on clear policies and procedures, proportionate OSH measures and practical training. The firm focuses on safe distribution operations and predictable working time because delays, handling incidents and fatigue risks directly affect service reliability, costs and staff retention.

The company ensures formal employment for all categories of workers, with explicit provisions on overtime and daily and weekly rest. Drivers and warehouse staff receive induction and periodic training in safe driving and handling—covering loading and unloading, load securing and the use of pallet trucks—and personal protective equipment is mandatory. Vehicles undergo brief pre- and post-trip inspections with concise checklists, enabling early detection of risks and prompt corrective

11. GlobalG.A.P. certification—an international private standard for Good Agricultural Practices that, through independent audits and optional add-ons, verifies food safety, traceability, environmental and resource management, and key aspects of worker health, safety and social compliance.

action. Worker health and well-being are supported through route planning that respects realistic drive and rest cycles, seasonal rotations and restorative breaks; similar attention is paid to warehouse and fieldwork. Risks are identified through vehicle checks and working-time monitoring, with corrective measures ranging from refresher training and equipment servicing to route changes. Work processes and facilities are organized to minimize manual handling and reduce fatigue-related risks.

This practice contributes to several specific SDG goals, including SDG target **3.6** on reducing road traffic injuries, **8.5** on achieving full and productive employment and decent work for all women and men, and **8.8** on protecting labour rights and promoting safe and secure working environments for all workers.

For the business, the advantages include fewer incidents and delays, more consistent on-time delivery performance and lower unplanned costs from damage or downtime. Clear working-time rules help retain staff and reduce recruitment and training costs, while proportionate documentation—training lists and vehicle and shift logs—strengthens the firm's reputation for safe, reliable distribution.

This case study demonstrates how Škorpion is translating some of the principles of the MNE Declaration into action, particularly in the areas of occupational safety and health, conditions of work and life, training and skills development (MNE Declaration principles 38, 40, 44).

▶ 6.5. Cross-cutting observations

Across all four examples, RBC measures are proportionate to firm size and the risk profile of the activity. Each enterprise calibrated routines to its operations showing that operational risks and crisis pressure points often trigger the most effective, durable practices. Worker participation is practical and continuous: through mentoring, daily supervision, debriefs and open communication, their views and inputs continually inform design, implementation and adjustment of measures—shaping content, flagging operational issues and guiding improvements so that practices remain relevant, workable and inclusive.

Earlier sections identified low awareness and limited information among SMEs as a barrier to adopting RBC. The initiatives pioneered by these employers can be replicated and scaled through employers' organizations and business associations to raise awareness and show what right-sized practice looks like in real operations, including the business benefits. Such peer-to-peer diffusion helps SMEs adopt measures more quickly and consistently. As one SME put it: *"We know RBC is the right way to go, but as a small firm it's hard to see near-term benefits that justify investing our time and resources."* (SME_Manuf_07).

We know RBC is the right way to go.

Together, these practices give concrete effect to the ILO MNE Declaration's guidance on non-discrimination and equal opportunity, skills development and work-linked learning, and conditions of work and life, including working time and OSH.

7. Way forward for the promotion of RBC in Montenegro

▶ 7. Way forward for the promotion of RBC in Montenegro

These recommendations are grounded in the Decent Work Agenda and aligned with international standards on RBC, including the ILO MNE Declaration. They reflect a balanced approach to promoting formalization, enterprise sustainability and decent work, while recognizing the diversity of SME capacities. Developed through tripartite-informed analysis, the measures aim to foster practical, proportionate and inclusive progress, building on what already exists, while creating space for continuous improvement through social dialogue and cooperation.

▶ 7.1. Policy level

Enhancing policy coherence on RBC and strengthening institutional support for SMEs

Strengthening RBC requires coordinated action across government institutions and tripartite partners to ensure a whole-of-government approach. This includes building the capacity of relevant ministries, public agencies, employers' and workers' organizations to develop, implement and monitor RBC-related policies in a coherent manner. This includes, among other activities: (i) embedding clear references to RBC and decent work in relevant policy frameworks and public support schemes, thereby aligning labour, trade, investment, and enterprise policies to reinforce the labour dimension of RBC; and (ii) translating these commitments into very practical measures for enterprises—such as simple written guidance, checklists, as well as transparent incentives for responsible practices in public calls and support programmes. In parallel, institutional support functions should be reinforced, including through strengthened labour inspection and the establishment of a practical help desk or contact point where SMEs and social partners can obtain information, advice and referral on RBC-related requirements and support measures.

Supporting the transition to the formal economy through balanced enforcement and incentives

The transition to the formal economy should be promoted through measures that make compliance easier and more attractive for SMEs. This entails, on the one hand, effective and risk-based enforcement to address undeclared work and non-compliance, and, on the other, improved access to support programmes, advisory services and financial incentives for enterprises that comply with standards and invest in decent work. Such a balanced approach can reduce unfair competition, expand social and labour protection coverage, and create a more level playing field for responsible SMEs.

Strengthening social dialogue at national and regional level

Social dialogue should be further strengthened as a core driver of RBC and decent work. This involves reinforcing tripartite dialogue at national level on RBC-related reforms and support measures as well as promoting structured bipartite and tripartite dialogue at regional levels. Stronger and more inclusive social dialogue can help identify practical priorities, tailor guidance and support tools to the needs of SMEs and ensure that measures to promote RBC are grounded in workplace realities.

Institutionalizing sustained training on RBC and HRDD for SMEs

To help SMEs align their business operations with the principles of international labour standards, particularly in the context of growing attention from international buyers, investors, and consumers, including those from the EU, the Government, in close cooperation with social partners, should institutionalize a sustained, nationwide training offer on RBC, HRDD and decent work. The objective is to ensure that every enterprise can access a practical training module that is proportionate to its size and risk profile. Delivery should build on the outreach and experience of employers' and workers' organizations, with the Government and relevant line ministries leading on overall coordination, quality assurance and promotion in the context of EU accession.

7.2. Sectoral guidance

Enabling sectoral dialogue and communication channels

Social dialogue and structured communication at the sectoral level should be strengthened so that government, employers' and workers' organizations can jointly identify decent work challenges and opportunities and develop strategies to address them. Sectoral working groups or dialogue platforms in key SME-intensive sectors can provide a space to address RBC issues and monitor progress.

Issuing clear sector-specific guidelines on RBC

Short, sector-specific guidelines on RBC should be developed for priority sectors, translating general expectations on RBC and HRDD into concrete, practical messages for SMEs. Among other elements, guidelines could set out: (i) the main legal obligations relevant for the sector; (ii) typical labour, human-rights and environmental risks; and (iii) simple tools such as checklists that small enterprises can use immediately.

Promoting awareness and peer learning at sector level

To support sustained change, awareness-raising and peer learning should be promoted through sector-level campaigns, information sessions and peer-exchange formats. Showcasing good practices, enabling SMEs to learn from each other and providing opportunities for joint reflection can help integrate RBC within sectors and make RBC more visible and achievable for smaller enterprises.

Developing tailored sectoral training for SMEs

Based on these guidelines, tailored training modules should be designed and delivered for SMEs in each priority sector. Training should focus on practical steps that enterprises can take to manage risks in their operations and value chains, including how to identify salient risks, engage workers and business partners and document basic due diligence processes in a proportionate way.

7.3. Enterprise-level recommendations

Aligning business practices with international labour standards and the ILO MNE Declaration

SMEs should progressively align their practices with international labour standards and the principles of the ILO MNE Declaration. This involves taking gradual, practical steps to identify and manage key labour and human-rights risks, documenting how these are addressed, and drawing on guidance and support from resources such as the ILO Helpdesk for Business to improve practices and promote decent work in line with international standards.

Strengthening workplace cooperation and dialogue

SMEs should strengthen cooperation and dialogue between management and workers, worker representatives or trade unions where available, as a core element of RBC. This can include regular meetings, OSH committees and simple, accessible channels for raising concerns, complaints and grievances. Early discussion and resolution of issues related to working conditions and responsible business can help prevent problems and support a more inclusive and resilient business environment.

Engaging in training on responsible business

SMEs should make full use of available training opportunities and materials on RBC, HRDD and decent work. Management and workers can use this training to improve workplace practices by enhancing risk management, strengthening labour standards, and improving communication and grievance mechanisms.

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Annexes

Annexes

Annex 1: List of interviewed stakeholders

	Stakeholders interviewed
1	Ministry of Labour, Employment and Social Dialogue
2	Labour and OSH Inspectorates
3	Ministry of Economic Development
4	Ministry of Agriculture, Forestry and Water Management
5	Ministry of Tourism
6	Central Bank of Montenegro
7	Montenegrin Foreign Investors' Council
8	Municipality of Bijelo Polje
9	Municipality of Nikšić
10	Secretariat to the Competitiveness Council
11	Regional Development Agency
12	Montenegrin Employers' Federation
13	Trade Unions
14	Business Associations
15	SME Association
16	Montenegrin Investment Agency

Annex 2: List of SMEs

	ID	Sector	Size	Region	Role	Participant gender	Owner gender
1	SME_ICT_01	ICT	Medium	Central	Well-being manager	F	M
2	SME_Log_02	Logistics	Small	Central	Operations manager	F	F (50%)
3	SME_Agri_03	Agriculture	Small	Central	CEO	M	M
4	SME_Tech_04	Hardware equipment	Small	Central	CEO	M	M
5	SME_Manuf_05	Manuf/Retail	Small	Central	Owner/CEO	M	M
6	SME_Serv_06	Services	Small	Central	Owner/CEO	F	F
7	SME_Manuf_07	Manuf/Retail	Small	Central	Owner/CEO	M	M
8	SME_Serv_08	Services	Small	South	Owner/CEO	M	M
9	SME_Trade_09	Commerce/Trade	Medium	South	CEO	F	M
10	SME_Retail_10	Retail	Small	South	Owner/CEO	M	M
11	SME_Tourism_11	Tourism	Small	South	CEO	F	M
12	SME_Tourism_12	Tourism/ Construction/ Agriculture	Medium	South	CEO	F	M
13	SME_Constr_13	Construction	Small	South	CEO	M	F
14	SME_Wood_14	Wood processing	Medium	North	CEO	M	M
15	SME_Manuf_15	Manuf/Retail	Small	North	Owner/CEO	M	M
16	SME_Manuf_16	Manuf/Retail	Small	North	Owner/CEO	M	M

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