Montenegro Moves to Introduce EU-Style Foreign Investment Screening Regime

On July 30, 2026, the Government of Montenegro adopted the Proposal for the Establishment of an Effective Foreign Direct Investment ("FDI") Screening Mechanism in Montenegro ("Proposal"), prepared by the Ministry of Economic Development ("Ministry").

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As the frontrunner among European Union ("EU") candidate countries, and with the ambition of concluding accession negotiations in the near term, Montenegro will be required to operate an FDI screening mechanism that meets EU standards from the day of accession. The EU recently strengthened those standards by adopting a revised FDI screening framework in June 2026. The drafters of the Montenegrin Proposal, therefore, aligned it with the EU's new FDI framework and principles.

The Proposal would establish, for the first time, a dedicated and comprehensive framework for regulating foreign investment. At present, Montenegro does not have a unified FDI screening regime. The Foreign Investments Act currently contains only a few provisions governing investments in companies that produce and trade weapons and military equipment.

The Proposal will be subject to public consultations before a draft act is prepared and published. The framework may therefore change as it develops. Nevertheless, the key features of the proposed regime are set out below.

The New EU FDI Screening Framework
The EU Framework for FDI screening has recently been updated, which means that the Montenegrin Proposal must be considered in light of the new rules. Regulation (EU) 2026/1386 entered into force on July 16, 2026, and will apply from January 17, 2028, replacing the 2019 framework. While the previous regime focused on cooperation and information-sharing and allowed Member States to decide whether to screen investments at all, the new Regulation requires every Member State to operate a screening regime and to cover a common minimum scope of sensitive sectors, technologies, and infrastructure.

Scope of the Montenegrin FDI Screening Regime
The screening mechanism would apply to investments involving the acquisition of control, significant influence, or at least 10% of ownership or voting rights in an undertaking operating in a strategically sensitive sector, where the investor is from a non-EU country. The regime would also extend to undertakings in Montenegro or in the EU that investors from third countries control.
The strategically sensitive sectors, to which the screening mechanism would apply include: energy infrastructure, water management, transport and logistics, digital infrastructure, financial infrastructure, healthcare, electronic communications and media, access to sensitive personal data of citizens, AI and other critical technologies, the defence industry, critical raw materials, land adjacent to critical infrastructure, as well as and agricultural land and food production. A more detailed and exhaustive list of the sectors falling within these categories would be provided in an annex to the future legislation.

Competent Authorities
The authority responsible for conducting the screening procedure would be the Ministry, which would also act as a national contact point for cooperation with the EU. In carrying out its functions, the Ministry would be assisted by a Foreign Investment Review Council ("Council").

The final decision on whether an investment may proceed would rest with the Government of Montenegro, acting upon a proposal from the Ministry and after obtaining the Council's prior opinion.

The Screening Procedure
The proposed regime would impose a prior authorization requirement, requiring investors to notify the competent authorities and obtain

approval before completing or implementing any transaction that falls within the scope of the screening regime. Under the Proposal, investors would submit the notification after signing the transaction documents but before completing the investment. It would include information on the investor's beneficial owners, the source of funds, the business plan, and other circumstances relevant to assessing the investment risk.

The competent authorities would conduct an initial screening within 45 days. If the screening identifies no risks to national security or public order, the authorities would approve the investment. If the screening identifies potential risks, the authorities would proceed with an in-depth review.

Following the review, three outcomes would be possible: unconditional approval, approval subject to conditions and mitigation measures, or prohibition of the investment.

Non-Compliance and Corrective Measures
Failure to submit the required notification or completion of a transaction without obtaining prior authorization would constitute an infringement and could result in monetary penalties imposed by the Ministry, the amount of which has not yet been specified. Additionally, the Ministry could also impose corrective measures, including requiring a subsequent notification, restricting management rights, or requiring the investment to be unwound.

Investors would have the right to challenge the authorities' decisions before the Administrative Court. Judicial review would extend to the lawfulness of the screening procedure, the application and interpretation of the substantive legal provisions, and the adequacy of the reasoning supporting the decision.

Alignment of the Montenegrin Proposal with EU Law
The Proposal is a close reading of the EU model in several respects. The 45-day review period and, more tellingly, the extension of the regime to investments made through Montenegrin or EU undertakings controlled by third-country investors correspond to the architecture of the new Regulation.

However, the regime defines its sectoral scope principally by reference to infrastructure and categories of national sensitivity, while its precise scope will depend on the annexes to the future law. Dual-use items and military goods appear only obliquely, through references to the defense industry. At the same time, it does not expressly identify semiconductors or quantum technologies—sectors that the EU has now removed from national discretion—and it omits electoral infrastructure altogether. By contrast, the regime captures artificial intelligence through a broader reference to critical and emerging technologies, but it does not specifically list electoral or voting infrastructure. Conversely, it expressly includes agricultural land and food production, even though the EU leaves those sectors to the discretion of each Member State.

The detailed annex to the future legislation will be important in determining the regime's precise scope. The proposed 10% voting-rights threshold is also a national design choice, as the EU Regulation does not prescribe a uniform percentage threshold and leaves this to Member States.

> The EU acquis can feel like a moving target, with new laws and policy changes constantly coming out of Brussels. For candidate countries, keeping a close eye on these developments is essential to understand what may be required next and to keep domestic rules aligned with evolving EU standards. - Anne MacGregor, Partner at Gecić Law.

Conclusion
The adoption of the Proposal represents a significant step in the development of Montenegro's foreign investment regulatory framework and would establish the country's first dedicated FDI screening regime. While the Proposal provides a broad framework for the future regulation of foreign investments, its precise scope and practical implications will become clearer following the public consultation and the adoption of the final legislation and accompanying implementing regulations. The proposed regime is expected to be developed in alignment with the EU approach to FDI screening, including the relevant EU legal framework and principles.

Montenegro is not the only country in the region considering the introduction or further development of a foreign investment screening regime; other Western Balkan countries, including North Macedonia, have introduced similar proposals. This suggests a gradual alignment of regional regulatory frameworks with the EU approach to foreign investment screening.