

Montenegro 2013



Total: 62.55

Quick facts

| | |
|--------------------|-----------------|
| Population: | 0.62 million |
| Population growth: | -0.56 % |
| Unemployment rate: | 13 % |
| GDP: | 7461 billion \$ |
| GDP growth rate: | 0 % |
| GDP per capita: | 12200 \$ |

Political Freedom

Free and Fair Elections : 7.14

The elections in Montenegro are generally free and fair. That being said, the governing Democratic Party of Socialists (DPS), which has remained in power since the first democratic elections in 1990, faces serious allegations of electoral fraud and misuse of the public resources for the financing of its electoral campaign. These allegations have not yet been sufficiently dealt with.

The Parliament is elected every four years and the President of the republic every five years. The representation of national minorities is fair and based on a free vote. The media coverage of the election campaign is extensive, giving to the voters a wide range of different opinions. There is still worryingly unbalanced reporting on the governments activities, especially during the election campaign, which is ground for some concern.

Absence of Unconstitutional Veto Players : 5.83

Powerful interest and business groups have soft powers in Montenegro. They are able to influence police, media, judiciary and legislation. Organised crime, politics and economy form a non-transparent network of interests which is likely to be dissolved by Montenegro's latest efforts to join EU.

Freedom of Press : 6.4

The press in Montenegro is partly free. Due to the strong entanglement between politics and the economy, investigative reporting on political scandals is nearly impossible due to widespread self-censorship. The ownership structure of the media is not transparent. Since press finances itself mostly through advertisements from state institutions, it is highly dependent on cooperation. Journalists are poorly paid.

Rule of Law

Independence of the Judiciary : 4.92

Independence of the judiciary is clearly stipulated in the country's constitution, however due to the composition of the judicial council (6 out of 10 members are elected either directly or indirectly by the executive) it remains exposed to political influence. According to a CEDEM survey, as of 2011 Montenegrin citizens had less confidence in the judiciary than any other branch of government. In 2010, 42% of citizens believed that corruption was "highly present" in the judiciary, according to a CEDEM poll. More positively, the prosecution of war criminals has been carried out much more effectively and transparently than in the other countries of the region

Corruption : 4.4

Corruption is deeply rooted in this small country and its level is a serious problem. Misuse of public resources for political party ends is widespread. Although that was recently made illegal, many by-laws in the field are missing. Corruption thrives among the highest echelons of government, as well as at the local level, in the police force, judiciary and administration. Conflict of interest and cronyism mostly go unchecked. Too few corruption cases are discovered and prosecuted. The Department for Anti-Corruption Initiatives is more of a governmental tool than an independent regulatory body. Montenegro did adopt a new anti-corruption strategy in mid-2011, but its implementation has so far been limited to trainings of public officials. The training itself is a step in the right direction, focusing on issues of conflict of interest, free access to information, corruption in police, judiciary, urban planning and management or public finance, protection of whistle-blowers and witnesses and confiscation of the illicitly acquired property. In the CPI 2012, Montenegro was ranked 75 of 176.

Protection of Human Rights : 6.33

Montenegro boasts very low levels of disappearances and kidnappings. This is not the case regarding extrajudicial killings, whereby suspicious cases are painstakingly investigated. Security forces recently underwent extensive trainings on human rights sensibilities, yet their awareness is still insufficient. Ill-treatment in custody is still common. Freedom of labor associations is relatively well protected, yet their output is meager; working conditions are still bad and there is still discrimination in the workplace. Political parties control employment, not least in the public sector. Nepotism, clanship or tribalism is common in various areas of life. The number of women at senior management positions is low and overall women are paid less than their male counterparts. The

treatment of minorities (the Roma case being especially striking) is very bad. The disabled are insufficiently protected. Government officials send divergent signals regarding LGBT equality, while society is prevalently (and quite often violently) homophobic. Most political parties practice zealotry and political divisiveness, including at the local level, while religious figures often join or even champion hate speech. On the other hand, government institutions respect freedom of religion, gathering, association, thought or expression relatively well. During 2013, the first Gay Pride Rally was held with clear government support and strong police protection, amid counter homophobic riots.

Economic Freedom

Security of Property Rights : 6.06

Legally, private property rights are well protected and not infringed upon by regulation. High levels of security, relatively low business costs combined with fairly liberalised regulation, are good basis for protection of property rights. However, Montenegro struggles with implementation of the rule of law through the judiciary system. It is slow, subject to political manipulation and only moderately independent from government.

Even though corruption is not highly perceived, it is a significant obstacle in judiciary processes. Overall integrity of the legal system is vague and uncertain. To provide more security for private property and better enforcement of contracts, the government has to act two-fold. Major reforms are needed in the judiciary system to make it more efficient and fair, and; political will is needed to make judiciary truly independent from state and party influence.

Size of Government: Expenditures, Taxes, and Enterprises : 6.7

Government consumption and ever present influence was a major burden for the private sector. In recent years the situation did change for the better, dropping the general government expenditures from 51.6% of GDP in 2008 to 41.6% in 2012. Government revenues decreased in line with expenses, with the deficit decreasing from the record of 5.7% GDP in 2009 to 3.6% in 2012. However, while aiming to eliminate budget deficit, the government increased corporate income tax to 15% and introduced new personal income tax rates at 6% and 15% for higher earners. With these trends, Montenegro regained fiscal sustainability with opportunity for the government to decrease expenses significantly, but also increased taxes to fill fiscal holes.

Other important issues are government owned enterprises in heavy industry, tourism and other economic areas. This drives non-transparent amounts of subsidies to cover losses. The tax system is not too invasive, but government plans to increase revenues to minimise the budget deficit. The latest change is the rise of corporate income tax to 15%.

Regulation of Credit, Labour, and Business : 6.47

Montenegro has a relatively liberalised business environment. Since currency in the country is the Euro, the credit market is completely liberalised. The labor market is also relatively flexible. Hiring

and working hours regulation are very favorable to business and dismissal costs are not a big burden. Still there is a space for significant improvements in firing regulation and application of collective bargaining.

Business regulation is a mix of generally good laws, rigid laws, poor implementation and overall complicated procedures. Starting a business is very easy and tax compliance costs are relatively tolerable. Administrative procedures are somewhat complicated and non-transparent, with significant bureaucracy and corruption adding to the cost. Modernizing and simplifying administration should be the top priority, while more can also be done to liberalise several occupations that are highly protected by licensing.

Freedom to Trade Internationally : 8.3

Trade freedom is at a high level in Montenegro. It is supported by CEFTA agreement with region. Especially important is free trade and easy travel arrangements with the major trading partner, Serbia. Also, SAA agreement gives a framework for liberalised trade with the EU. Use of the Euro also supports trade. Tariffs are relatively low, though higher than in the region, but this is annulated with relatively more liberal regulation barriers. Along the way to EU accession, it is expected that trade freedom in Montenegro will increase in the following years.