

# Montenegro 2014



**Total: 62.16**

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## Quick facts

Population:	0.62 million
Unemployment rate:	19.47 %
GDP:	4.46 billion \$
GDP growth rate:	1.13 %
GDP per capita:	7150 \$

## Political Freedom

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### Free and Fair Elections : 7.14

The parliament is elected every four and the president every five years. Filip Vujanovic won his third consecutive presidential mandate with 51,2% of the votes. Although the last elections were generally seen as free and fair, the number of allegations regarding illegal practices by the governing Democratic Party of Socialists (DPS) increase from year to year. Although some of these allegations are backed by recordings of party meetings, there was no indictment filed by the state prosecutor as of yet.

Opposition parties and international organizations have drawn attention to irregularities that allegedly occurred during campaigning and election day. The complaints alluded to widespread voter intimidation, misuse of public funds and vote-buying. The response of the responsible state institutions to these allegations has been lackluster.

### Absence of Unconstitutional Veto Players : 5.83

Montenegro features no traditional unconstitutional veto players. However, various interest groups wield considerable soft powers in Montenegro. Like in most countries in the region, those groups are able to interfere with security, media, judiciary and legislation.

The military of Montenegro is under civilian control. The government has successfully proceeded with reforms on the intelligence and defense sectors. In 2014, Podgorica has accepted a request from Brussels to apply EU sanctions against Russia, further distancing itself from Moscow. As a

consequence, the NATO Alliance has agreed to open intensified and focused talks with Montenegro, and agreed that Foreign Ministers will assess Montenegro's progress no later than by the end of 2015.

## **Freedom of Press : 6.1**

The press in Montenegro is partly free. The government steers the advertisement market and thus the main source of income for newspapers. Investigative journalism trying to show the many facets of political decision making processes frequently faces challenges. As in Serbia the ownership structure is not transparent. Last year's figure dropped from 6,4 to 6,1 as the number of violent cases against media representatives has risen. It is however to be expected that in the course of EU accession the small Balkan country will have to deal with these deficiencies.

## **Rule of Law**

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### **Independence of the Judiciary : 4.58**

FNF, together with the Fraser Institute, consider Montenegro as the Balkan country least intrusive into her judiciary. Transparency International's Global Corruption Barometer 2013 did not provide data on the citizens' perception of corruption in the Montenegrin judiciary. An opinion poll conducted by the Centre for Democracy and Human Rights in 2013, however, showed that 37% citizens thought the judiciary was trustworthy (down from 41% in 2012). This was better than the political parties' rating (23% trust) but not than the president's or the government's one (average 36%). In July 2013, the parliament - in line with recommendations of the Council of Europe - amended the constitution, reducing political influence on the appointment of prosecutors. Obstruction of justice, e.g. undue interference in the work of judiciary, was included into the criminal code as an offense. On the other hand, criteria for election of 6 out of 10 members of the judicial council remained unclear, which enabled political influence. The EU demands of its respective candidate countries the establishment of a 'fair, fully merit-based and transparent system of promotion for judges and prosecutors'. A disproportionate outreach of presidential clemency and of the amnesty granted by the parliament in August 2013 were also worrisome, indicating at political interference into justice, which might lead to impunity, especially for corruption and organised crime.

### **Corruption : 4.4**

In 2013, according to Transparency International, Montenegro advanced considerably in curbing corruption. The country has bettered its score in the Corruption Perceptions Index by three points (2013: 44 points, up from 41 in 2012) and now shares with Macedonia rank 67 of 177 evaluated countries. The European Union, however, was more critical in their evaluation. The European Commission's Progress Report 2013 acknowledged progress in the field of parliamentary control of corruption-vulnerable sectors and lauded the increase in investigations of corrupt public servants. But the report complained that much of the 2011-12 Anti-Corruption Action Plan was not implemented yet and had to be included into the revisited 2013-14 plan. The Commission recommended strengthening the state electoral and state audit commissions, both financially and in terms of human resources. Further suggestions related to better implementation of laws and by-

laws, as well as more independence and pro-activity by, and more cooperation between, the bodies that deal with corruption. Many outside observers noticed that the public debate on corruption had gradually taken bitter forms, becoming sort of a covert political war (between and inside political parties or coalitions). There were occasional media attacks, denigration, defamation, or illegal tapping or photographing of the perceived opponents (done by both pro- and anti-government CSOs). However, amid this nasty media war, the government often failed to protect the vulnerable ones, i.e. the whistle-blowing parts of civil society. Institutions often broke the law on access to information, or circumvented it, thus hindering the access of pro-transparency activists to information.

## Protection of Human Rights : 6.77

Last year witnessed divergent trends. The government made efforts to better protect some minorities and vulnerable groups. In 2013, LGBT pride rallies were held in Budva and Podgorica, while in June 2014 those were “postponed” due to security reasons, namely attacks and death threats against leading LGBT activists. One of them had to emigrate. Homophobia is very strong and hateful among religious authorities. However, freedom of religion is among the better protected rights and liberties. Bad conditions in prisons have improved at least for women and juveniles. But, recent extensive trainings of public officers on human rights topics are yet to deliver. A few cases suspected of having had been extrajudicial killings are further investigated with little result. Aside of journalists, protection of NGO activists has worsened, as demonstrated by government’s failure to prevent or sanction the dirty media war between NGO supporters and NGO critics of Government, in which not least ethical standards of journalism but the right of privacy was seriously breached. There is still a widespread discrimination in employment on gender or on political basis. As for the latter, the “party-state” is almost omnipresent, along with cronyism, nepotism and tribalism. EU has urged its candidate country Montenegro to better protect the disabled and other vulnerable groups (notably in courts) or some ethnic minorities (in particular Roma, Ashkali and Egyptians). New laws and an action plan drafted in summer 2013 are expected to improve the protection of children, about two thirds of whom are still beaten at home. Even though impunity for war crimes is quite rare, lustration for pre-1989 human rights abuses is still a non-issue. Similar goes for the restitution of the post-1945 nationalized property, which resumes very slowly.

## Economic Freedom

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### Security of Property Rights : 5.73

Legally, private property rights are well protected. Relatively satisfactory levels of security, low business costs of crime combined with fairly liberalized regulations, are good basis for protection of property rights. However, Montenegro struggles with the implementation of rule of law through its judiciary system. It is slow, subject to political manipulation and only moderately independent from government. Also there was significant drop in the latest Economic Freedom of the World report regarding the Reliability of Police sub-score illustrating the effects of the political pressures and corruption.

Although corruption levels are not perceived to be extraordinarily high, developments on the ground see it as significant obstacle in judiciary processes. The 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 in several directions. Major reforms are needed in the judiciary system to make it more efficient and fair. Also, political will is needed to make police and judiciary truly independent from the state and parties.

## **Size of Government: Expenditures, Taxes, and Enterprises : 6.76**

Government consumption and influence was a major burden for the private sector. In recent years, the situation did change to the better, pushing the government expenditures from 51.6% of GDP in 2008 to 44.2% of GDP in 2013. Government revenues decreased in line with expenses. Deficit decreased from the record of 5.7% GDP in 2009 to 2.3% in 2013.

Aiming to eliminate the budget deficit, the government increased corporate income tax and introduced new personal income tax rates at 9% and 15% for higher earners (although this higher tax rate was introduced just as a temporary measure). With these trends, Montenegro regained fiscal sustainability. Still, important issues are government owned enterprises in heavy industry, tourism and other important economic areas. These use unknown amount of subsidies to cover their losses.

The tax system is not too invasive but the government plans to increase revenues to close the budget deficit. The latest change is rise of the corporate income tax to 15%.

## **Regulation of Credit, Labour, and Business : 6.54**

Montenegro has relatively liberalized its business environment. Since the currency in the country is the Euro, the credit market is completely liberalized. The labor market is also very flexible, when compared to other countries in the region. Hiring and working hour regulations are very favorable to business and dismissal costs do not pose a substantial burden. However, there is space for some improvements in firing regulations and the application of collective bargaining.

Business regulations are a mixture of generally good laws, some very rigid laws and overall complicated procedures and bad implementation. Starting a business is very easy, and tax compliance costs are relatively tolerable. But administrative procedures are complicated and non-transparent, with significant bureaucracy and corruption costs. Licensing still provides high protection to a number of occupations. In the future, priority should be given to administration modernization, red tape dismantling and e-government development.

## **Freedom to Trade Internationally : 8.31**

Trade freedom is at the high levels in Montenegro. It is supported by Central Europe Free Trade Agreement with the region and the Stability and Accession Agreement with the EU. Trade relations with Serbia, Montenegro's single most important trade partner are especially important. A strong supporter of trade is the use of the common European currency, although Montenegro is neither EU member state nor member of the euro-zone, but adopted the currency unilaterally. Tariffs are relatively low, though a bit higher than in the region, but this is annulated with relatively more liberal regulation barriers. Along the way to EU accession, it is expected for trade freedom in Montenegro to increase in the following years.