

Montenegro 2015



Total: 61.21

Political Freedom

Free and Fair Elections : 7.14

There were no parliamentary or presidential elections in Montenegro this year, but only local ones in 15 out of 23 of its municipalities. Generally, the elections in Montenegro are considered to be free, although the opposition accuses the governing Democratic Party of Socialists (DPS – in power since 1991, successor of the former Communist Party) of misuse of power, corruption and vote buying – which is hard to be proved, but was met by the state institutions by a lackluster. The local elections ended in considerable success for the DPS and its coalition partners, especially in the capital Podgorica, and in predominantly ethnic-Albanian city of Ulcinj.

Absence of Unconstitutional Veto Players : 5.83

There are no unconstitutional veto players in Montenegro. However, close relations between politicians and their friends from business sector, as well as some religious groups, especially Serbian Orthodox Church, can influence the government decisions. Despite the fact that some serious scandals involving high-ranking officials occurred, prosecution of them remained a problem. At the end of 2014 government adopted the Law on the Prevention of Corruption in order to determine jurisdiction of a new anticorruption agency scheduled to open in 2016 and improve the protection of whistleblowers. Security forces in Montenegro are under effective civilian control.

Freedom of Press : 6.1

The situation of press freedom in Montenegro has not improved since last year's Freedom Barometer assessment. There are number of reasons for the sad fact. Critical journalists are still prosecuted, self-censorship is widespread and new ownership structures do not contribute to progress in investigative reporting. With regard to low salaries and a lot of competition, journalists think twice before embarking on a critical story about the small country's long term ruler Milo Djukanović. The latter himself spoke about the "Media Mafia", successfully putting the blame on the journalists who were not refraining from commenting about nepotism in this future EU member state. After a newspaper had reprinted articles revealing the president's family involvement in cigarette smuggling, it was brought to court and sentenced to pay 15.500 euro, as Reporters

without Borders commented.

Rule of Law

Independence of the Judiciary : 4.09

In spite of the progress noted in October 2014 by the European Commission - such as implementation of the earlier judicial reforms, appointment of the Supreme State Prosecutor and of the President of the Supreme Court according to an enhanced procedure, or a sharp decrease in the number of presidential pardons as compared to 2012 – effects on the overall performance of the system of justice are yet to be felt. Legal proceedings are still lengthy, in spite of some progress. Changes are also needed in the misdemeanor justice, itself still not fully transferred to courts. Education and health conditions in prisons need improvement. European Council has demanded a more active prosecution of the 1990s` war crimes, despite the fact that Montenegro had performed better in this field than other participants in post-Yugoslav conflicts.

Corruption : 4.2

During the past year the perception of corruption increased, due to Transparency International and its local partner MANS. Montenegro is now ranked 76 (of 175 countries), with a score 42. Corruption is present in the highest echelons of government, as well as on the ground. Freedom House noted that many laws, e.g. in political party financing or public procurement, albeit tailored over EU standards, lacked proper implementation. A report by MANS as of February 2015 even concluded that some recent changes of laws – as such - had facilitated rather than prevented organized crime. Let aside their biased application. Citizens encounter corruption on many steps in everyday life, but also increasingly report it to NGOs, such as in health care, public sector employment, customs, or local government administration. In the Progress Report on Montenegro in 2014, European Commission pointed out at many shortcomings in the anti-corruption combat, e.g. lack of deterrent for illicit party financing, superficial monitoring of the conflict of interest, or poor protection of whistleblowers in practice. According to the EC, “construction and land planning, education, healthcare and public procurement continue to be particularly vulnerable to corruption”.

Protection of Human Rights : 6.78

Divergent trends as of 2013/14 have continued into 2014/15, with overall human rights situation deteriorating. The biggest setbacks were in the freedom of opinion and expression and the legal protection of civil society organizations. While academic freedom at universities was well maintained, authorities failed to protect NGO-based researchers from unethical counter-campaigns that severely breached their privacy. Court proceedings regarding the abduction and murder of a newspaper editor in 2004 lacked an effective ruling, amid new attacks on journalists and media houses. The new law on the legal status of religious communities is in the procedure in parliament amid confrontations over a number of its provisions. Women are underrepresented in political life (with only 17%, instead of legally mandated 30% of them among MPs), discriminated in employment and discouraged of high education. Domestic violence, sex trafficking and forced labour remain as serious problems. Anti-trafficking strategy 2012-2018 is bearing some results. According to a US State Department report as of mid-2015, Montenegro has recently achieved

notable results in fighting human trafficking. After glimpses of hope in 2013, the position of LGBTs has again worsened, especially at the local level. In May 2015, police in Nikšić has once again banned the Pride Rally. For the first time in two decades, Montenegrin gay activists claimed that they felt safer in neighbouring Serbia's capital Belgrade than back home in Podgorica.

Economic Freedom

Security of Property Rights : 5.3

The protection of private property rights is present, but could be on a much higher level. Montenegro struggles with the implementation of rule of law through its judiciary system due to slow judicial processes which can be subject to political manipulation because of the still existing interdependence between the government and the judiciary. Reliability of the police is not satisfactory, which increases business costs of crime. Corruption can prove to be a significant obstacle in judiciary processes, which in addition, makes the overall integrity of the legal system uncertain. Enforcing contracts is a very long lasting process, proving to be a real obstacle in protecting one's right in front of a court. The process of property restitution is slow, due to administrative constraints and the lack of political will, and processes are long lasting, which may have its finale in front of the Court of Human Rights in Strasbourg. Displaced persons during the break up of former Yugoslavia (mostly from Bosnia, and most recently, Kosovo) residing in Montenegro are facing discrimination in access to land.

Size of Government: Expenditures, Taxes, and Enterprises : 6.47

Government consumption is a major burden for the private sector. The high public deficit recorded in previous years has worsened the state of public finance. The level of public debt doubled 2008/2014, from 28% to 58% of GDP, increasingly calling for fiscal consolidation. It is even more important when a new medium-term cost is taken into account: due to demographic changes, the increasing transfers to pensions and healthcare. Another very important issue is the project of a highway from the city of Bar to the border with Serbia. The deal was struck with the Chinese ExIm Bank and the company CBRC. Although the project is envisaged to be beneficial for the economy, the large investment will prove as a heavy burden on public finances (current estimated price is 25% of GDP). The project will be financed by means of a loan that is indexed in dollars, which puts Montenegro in currency risk that would be costly to hedge. The state is still involved in many smaller companies however it has left the KAP aluminum plant, which was privatized. Another important notion is the private minority shareholder in the national energy company, which manages it. The tax system consists of flat corporate tax set at 9%, while VAT levels are 0% (only for medicine), 7% and 19%. Personal income is taxed slightly progressive, subject to 9% tax for income under 720 euros monthly, and 13% for higher earnings. However, high social contributions, reaching approximately one third of the gross wage, lead to high overall labour tax wedge of 39%.

Regulation of Credit, Labour, and Business : 6.82

Montenegro has a relatively liberal business environment. Since the currency in the country is the Euro, the credit market is completely liberalized. Labour code allows flexibility in working hours, but creates obstacle in the field of firing redundancy workers due to mandatory trade union notification, while dismissal costs and long notification period can be burdensome. Centralized collective bargaining is also present in some industries, and prevalent in the public sector. Business regulations are a mixture of liberal and rigid laws, coupled with some complicated procedures followed by bad implementation. Starting a business is very easy, and tax compliance costs are relatively tolerable, although followed by complicated and time consuming procedures. On the other hand, administrative procedures are complicated and non-transparent, with significant bureaucracy costs and opportunities for corrupt activities – obtaining a construction permit costs are extremely high, with a high number of long lasting procedures. Licensing professions still provides protection to a number of occupations.

Freedom to Trade Internationally : 8.48

Being a small open economy, international cooperation and free trade is important to development of Montenegro. Generally, tariffs are low (average most favoured nation tariff stands at 4.3%) and were slightly decreased after Montenegro's recent World Trade Organization (WTO) membership in 2012. The most important trade partners are the EU countries, and countries from the region - most notably Serbia, Bosnia and Croatia. This highlights the importance of the Stabilization and Association Agreement concluded with the EU, which came into force in 2010, and Central European Free Trade Agreement (CEFTA) signed by Montenegro in 2007. Montenegro, although it is neither an EU member state nor a Eurozone member, unilaterally adopted the euro, which enhances international trade by eliminating currency risks and other currency exchange costs. The bureaucracy required for export and import leads to complicated standardization requirements for import goods, which serve as non-tariff trade barriers. Bad transportation infrastructure, including roads, ports and most dominantly railroads, limits the scope of trade and increases cost. Further trade liberalization is expected to increase with the continuation of the EU-accession process in the following years.