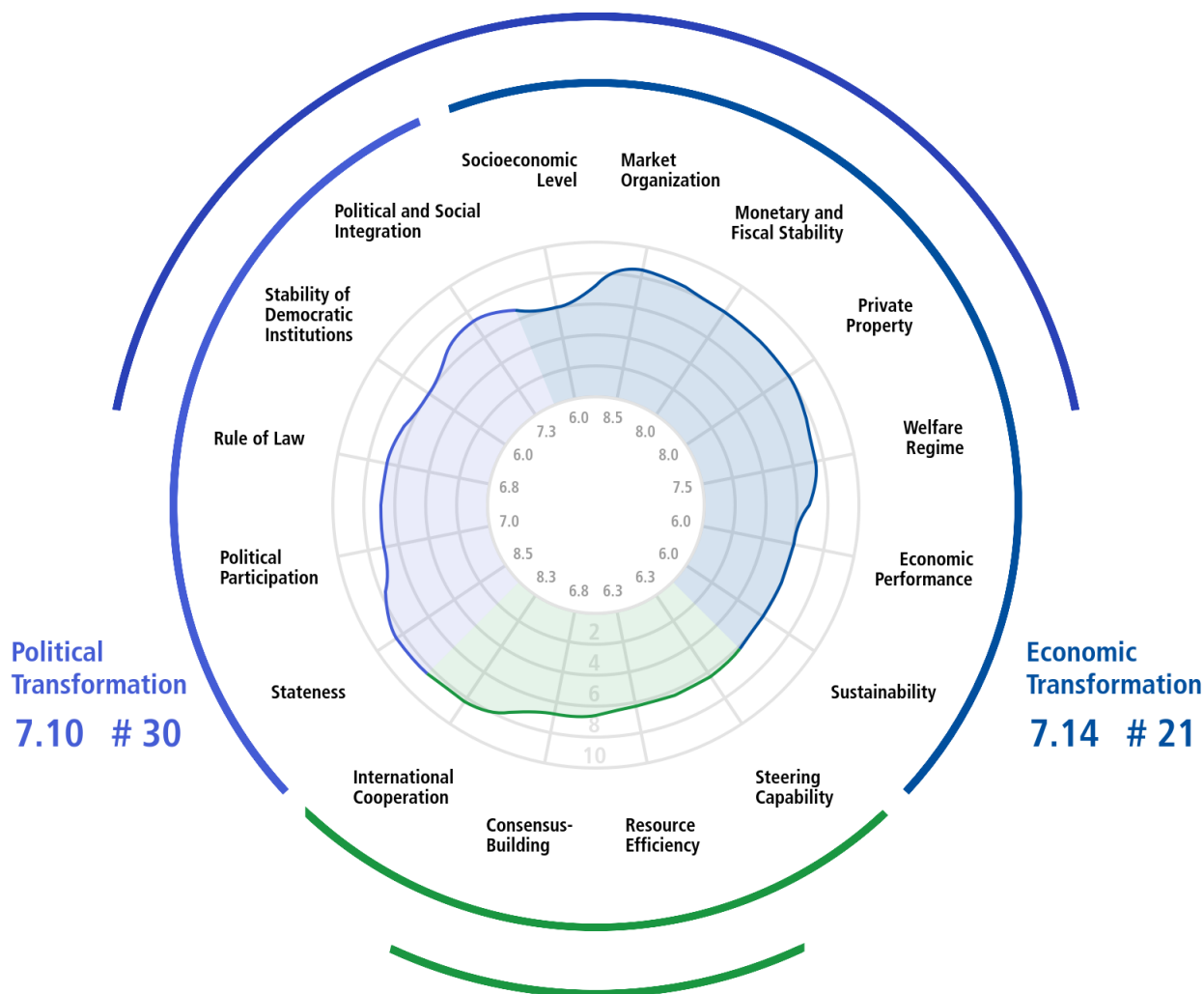


Montenegro

Status Index

7.12 # 22

on 1-10 scale out of 137



Governance Index

5.93 # 25

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	0.6	HDI	0.832	GDP p.c., PPP \$	26984
Pop. growth ¹	% p.a.	-0.5	HDI rank of 189	49	Gini Index	36.8
Life expectancy	years	73.8	UN Education Index	0.825	Poverty ³	% 6.3
Urban population	%	68.2	Gender inequality ²	0.119	Aid per capita \$	213.0

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Montenegro has experienced a turbulent period. Following governance by a single predominant party, the Democratic Party of Socialists (DPS), the country saw successive votes of no confidence for two consecutive governments in February 2022 and August 2022. This high level of political instability has had an adverse impact on consensus-building and has impeded progress on much-needed reforms. Societal tensions have been further exacerbated, leading to a rise in criminal charges related to inciting hatred based on ethnic and religious identity.

Frequent violations of the constitution by political actors have not been properly handled because of a dysfunctional Constitutional Court, which lost the required quorum for decision-making in September 2022. The inability of the political elite to agree on pending appointments to the Constitutional Court, as well as to other judicial and prosecutorial institutions, has drawn sharp criticism from the EU.

Local elections in 2021 and 2022 confirmed a decrease in support for the formerly governing DPS. However, comprehensive electoral reform stalled. The lack of trust in the elections and inadequate regulations were most vividly reflected in the small municipality of Šavnik's inability to elect a local assembly, despite nine attempts to complete the electoral process in 2022.

The "Europe Now" reform program was a crucial policy development in the socioeconomic field. This program entailed reductions in payroll taxes and contributions, increases in wages, the implementation of new social benefits, and the launch of a public investment program. However, the program has been criticized due to its populist nature and associated inflationary risks, along with its lack of sufficient accompanying analysis. For instance, it led to a reduction in local government revenues, which then had to be counterbalanced by hastily introduced legislative changes. The inflation rate rose significantly, especially after the start of the Russian invasion of Ukraine, reaching over 17% by the end of 2022. Nevertheless, certain macroeconomic indicators showed improvement, and the GDP rebounded after a period of decline during the COVID-19 pandemic.

Although a nominally green party (URA) has led the Dritan Abazović government, no significant environmental reforms have been introduced. Structural constraints, reflected in geographic, gender and age-related disparities and mismatches in the labor market, accompanied by political uncertainties and a correspondingly high turnover rate in the public administration, have undermined governance capabilities. The state's coordination of EU integration efforts has been inconsistent, with these matters being handled by the Office at the Center of Government and, as of April 2022, by the Ministry of European Affairs. The frequent reorganizations of the public administration, combined with the cyberattacks in 2022, have had a negative impact on overall management and service delivery.

New high-profile investigations into suspected corruption and organized crime were launched following the appointment of the new chief special prosecutor, Vladimir Novović. These cases included allegations of organized crime links involving the former president of the Supreme Court, one special prosecutor and the president of the Commercial Court. The latter two were still actively serving in their positions at the time of their arrest. However, it remains unclear whether the fight against corruption and organized crime is sustainable.

Following the Russian invasion of Ukraine, Montenegro maintained its alignment with the EU's foreign policy. The negative effects of the war on tourism in the country were partially alleviated by stronger domestic demand, partly attributable to the large influx of refugees from Ukraine.

History and Characteristics of Transformation

The tradition of Montenegro's independent statehood dates back several centuries. In 1878, the Congress of Berlin recognized Montenegro as an independent state. However, it ceased to exist when the country joined Serbia in 1918. The event continues to be a polarizing issue today – in 2018, the parliament of Montenegro declared all decisions of the 1918 Podgorica Assembly, which determined the country's union with Serbia, to be null and void.

After World War II, the Yugoslav monarchy underwent a transformation into a socialist federal state, with Montenegro as one of its constituent republics until 1992. While Bosnia and Herzegovina and Croatia experienced wars in the early 1990s, Montenegro remained in a common state with Serbia following a 1992 referendum. Although the constitution called for equal representation between Montenegro and Serbia in federal institutions, Serbia effectively controlled the state. The transition to democracy was complicated by the war and sanctions imposed due to the involvement of Yugoslav authorities in the civil wars in Bosnia and Herzegovina and Croatia. Both Montenegro and Serbia were governed by semi-authoritarian regimes led by reformed communist parties that adopted nationalist rhetoric.

The breakup of the Democratic Party of Socialists (DPS) in 1997, following a conflict between Milo Đukanović and Momir Bulatović, was a key turning point in Montenegro's history. Đukanović distanced himself from the regime in Serbia, while Bulatović and his new Socialist People's Party remained loyal to Milošević. The Montenegrin government sought independence, whereas the opposition parties supported maintaining a common state. In the 2006 referendum, 55.5% voted in favor of independence, leading Montenegro to join the United Nations and other major international organizations. Montenegro became a member of NATO in June 2017. As of January 2023, Montenegro had opened all EU negotiation chapters, with only three of them provisionally closed.

Behind the relatively successful international recognition of Montenegro's political commitment to Euro-Atlantic integration, its society has been grappling with a number of issues. These include the slow speed of change in its political system, ineffective public institutions, a culture of legal impunity for individuals politically linked to the ruling parties, discriminatory practices in the labor market and in public procurement, and challenges concerning legal security and the alignment of judicial practices with international standards.

The 2020 parliamentary election brought a change of government in Montenegro after 30 years of rule by DPS and its partners. This political shift was largely attributed to "identity issues" and was partially driven by the protest movement created by the Serbian Orthodox Church (SOC) in response to the adoption of the law on religious organizations in late 2019. The 2019 anti-corruption protests also played a role, along with the low levels of public trust in key national institutions. However, the long-awaited governmental change did not lead to qualitative improvements in the functioning of key institutions. Nor did it contribute to a break with entrenched political clientelism and corruption. Instead, the political transition led to a highly unstable political situation. This is best reflected in the fact that in 2022, two governments were toppled by successful no-confidence votes within a period of just over six months.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state monopoly on the use of force extends to the entire territory of the country. There are no militias or guerrillas in Montenegro.

Since 2014, a conflict between rival organized criminal groups has undermined security in the country, although the number of attempted killings in public places within Montenegro has decreased recently. However, this war has remained active, with killings taking place throughout Europe.

There have been alleged attempts by organized crime groups to infiltrate the criminal justice system. The recent affairs alleging the involvement of the former president of the Supreme Court (2007 – 2020) in organized crime activities reiterated these concerns. While the rival gangs have certainly made efforts to exert corrupt influence over official institutions and undermine the official monopoly on the use of force, their actual reach is difficult to determine. In the review period, the government has made efforts to decrease the influence of these groups.

Montenegro is constitutionally defined as a civic state, in which state identity is based on shared citizenship. According to the law on minority rights and freedoms, ethnic minorities receive certain privileges, such as reserved parliamentary seats and funds for national councils.

Population censuses have become a highly political issue. After 2020, some political parties and NGOs demanded the removal of questions on national identity from the census. Nonetheless, the 2022 law on the population census maintained those questions as optional rather than mandatory items.

Since the 2006 independence referendum, the legitimacy of the nation-state has occasionally been questioned by the parties that in 2006 favored the preservation of the state union with Serbia. However, none of the major political players have resorted to formally reconsidering the status of Montenegro as an independent country.

Question
Score

Monopoly on the
use of force

10



1

State identity

8



1

The Law on Montenegrin Citizenship is restrictive, particularly concerning dual citizenship. However, the parties that won the 2020 elections and the emerging leaders of the Europe Now party are increasingly in favor of loosening the rules on dual citizenship, especially considering the close ties with neighboring countries, particularly Serbia.

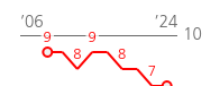
The state is largely secular. However, political parties try to include religious issues in their political programs.

Religious issues became highly politicized after the DPS-dominated government passed the Law on Religious Organizations in 2019. This law stated that all property of religious organizations acquired before 1918 and with unknown origins should be transferred to the state. In 2020, the new parliamentary majority made amendments to the law using a fast-track procedure that lacked proper public debate, removing provisions that were opposed by the Serbian Orthodox Church (SOC). The SOC was deeply involved in the 2020 parliamentary elections, actively urging voters not to support the ruling parties. Zdravko Krivokapić, who formed the first government after the fall of the DPS, openly declared that his main political objective was to amend the Law on Religious Organizations. These matters continue to be a top priority for Dritan Abazović's government due to efforts to establish the so-called Fundamental Agreement with the SOC.

The signing of this agreement further exacerbated religious tensions in politics. Abazović ignored calls by Human Rights Action, a prominent NGO, to amend the text of the agreement and remove problematic provisions, such as granting the SOC the right to exercise public authority, without clarifying its scope. Montenegrin law does not normally grant such rights to religious organizations. Human Rights Action also criticized provisions stipulating that Montenegrin authorities cannot take security measures without the prior approval of the relevant church authorities, except in exceptional cases to protect the lives and health of people. The agreement recognizes the legal continuity of the SOC in the country – a fact widely disputed by some historians and activists, as well as the DPS and its partners, who argue that the Orthodox Church in Montenegro was independent of the SOC prior to unification with Serbia. The government ignored these and other suggestions and approved the agreement, losing the support of a parliamentary majority that included indirect support from the DPS. In its 2022 Annual Report, the European Union also criticized the agreement for increasing political tensions. The political parties, especially the Democratic Front and the Democrats, have continued to cultivate close relations with the SOC, especially during pre-election campaigns.

No interference of religious dogmas

7



1

All necessary administrative structures operate throughout Montenegro, but the modernization of public services has been slow. The introduction of the electronic ID in 2020 was supposed to improve service delivery, as the ID can be activated and used to access electronic services. Nonetheless, the process of activating the ID is not very user-friendly, and the digitalization of services further hampered their accessibility. The digitalization of services for businesses is developing somewhat faster. Public procurement procedures were simplified with the launch of the e-procurement portal in 2020. However, the functioning of those portals as well as the public administration's general digital infrastructure was severely affected by cyberattacks during the review period. Their effects continued to be evident even as of January 2023. The attacks showcased the deficiency of cybersecurity safeguards. The attacks also affected the functioning of the public procurement portal. Due to this issue, along with the insufficiency of funds allocated for it, Montenegro suffered a shortage of some medicines that was resolved only late in the year, hampering the provision of general health care services in the country.

The majority of parents were dissatisfied with the quality of distance learning during the pandemic. The basic conditions in a number of schools are too poor to allow for a high-quality learning environment. The winter school break in 2022/2023 was extended due to an unresolved heating issue, while in 2022, one primary school in Podgorica was demolished for safety reasons. As of the end of the review period, construction of a new school had not yet begun, causing protests and dissatisfaction among children and parents.

The most recent data on access to basic services (Multiple Indicator Cluster Survey 2018) indicated that 99.1% of households use basic water services, and 96% of Montenegrin households have access to basic sanitation.

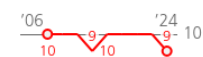
2 | Political Participation

Universal suffrage by secret ballot is guaranteed. The registration of voters, candidates and parties follows proper procedures, but the process lacks transparency in several respects. One significant issue is the electoral roll, which is believed to contain numerous inconsistencies. While polling stations generally ensure a secure and secret ballot, they are not always accessible to individuals with disabilities. In the 2022 local elections, the Union of Youth with Disabilities noted that 70% of polling stations in Podgorica were inaccessible.

Although most elections are not openly contested after their completion, they suffer from shortcomings in terms of fairness, primarily due to the misuse of public resources and institutions for electoral purposes. All candidates have access to the media. Since 2021, Serbian companies have come to own the majority of relevant national television stations, which tends to bias the overall tone of some of them in favor of pro-Serbian parties. According to the 2022 European Commission report on

Basic administration

9



1

Free and fair elections

6



1

Montenegro, no progress has been made on OSCE/ODIHR recommendations for comprehensive reform of the legal and institutional framework for elections following the 2020 parliamentary elections.

The review period was also marked by the unconstitutional postponement of local elections in 14 municipalities beyond the constitutional four-year term for local assemblies. However, due to the poor functioning of the Constitutional Court, the decision to postpone elections through amendments to the Law on Local Self-Government in May 2022 was declared unconstitutional only in July. Elections in all 14 municipalities were held in line with the amendments in October, as previously envisaged, despite the fact that the plan was declared to be unconstitutional.

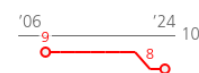
In August 2022, the parliament introduced legislation that provided for the establishment of the new municipality of Zeta, which was previously part of Podgorica, the capital. Passed only two months prior to local elections, the move was seen as electoral engineering. The Constitutional Court has yet to decide on the constitutionality of the decision.

Local elections in 14 municipalities confirmed the declining electoral popularity of the DPS, which lost power in an additional five municipalities. However, nine attempts to complete the elections in the municipality of Šavnik failed; voting was suspended when election board members claimed that some voters had obtained local residency only to vote for the DPS, despite neither living nor working in Šavnik. This case highlighted numerous shortcomings in the election process, including the incomplete legal framework and the weakness of law enforcement institutions and the political culture.

Democratically elected political representatives have the effective power to govern. Nevertheless, various interest groups and religious organizations have gained substantial influence in the recent period. On the one hand, the Serbian Orthodox Church (SOC) in Montenegro remains one of the most influential and popular social actors, especially since the end of 2019. On the other hand, the recent cases of alleged involvement in organized crime by the former president of the Supreme Court, employees of the Police Administration and the National Security Agency, the special prosecutor, and the president of the Commercial Court have reinforced concerns about connections between organized crime and the country's official power structures.

Effective power to govern

8



The right to public assembly is a constitutional right in Montenegro. The laws on public assemblies, NGOs, political parties and other entities further protect and regulate the freedom of association. Foreign NGOs are able to operate in Montenegro.

Authorities have the prerogative to temporarily restrict the freedom of assembly to prevent disorder or the execution of a criminal offense, or to prevent threats to the health, morality or security of people or property.

The trend of frequent protests continued throughout the review period. The largest protests were linked to the deepening of social and political divisions. However, protests led by various professional associations and trade unions focused on socioeconomic issues, as well as gatherings driven by environmental concerns, also occurred. These protests were mostly tolerated. However, Institute Alternative highlighted a growing trend in the share of assemblies held without prior notification, starting at the beginning of 2020. More than 75% of the demonstrations held in 2020 and the first five months of 2021 were conducted without advance notification. This hindered the police from creating timely policing strategies.

Occasionally, the protests turned violent. During the celebration of Statehood Day on July 13, 2022, opposing groups of pro-Serbian and Montenegrin protesters clashed, and the police had to intervene. In December 2022, protesters who opposed the controversial amendments to the Law on the President clashed with the police and damaged the parliament's building.

In the review period, two Pride parades were held, with the largest attendance to date, according to the organizers. Both events proceeded without any incidents. Before the 2022 Pride parade, the SOC organized a religious gathering in support of what church figures referred to as the preservation of marriage and family. The SOC-organized event received criticism, particularly due to the presence of government officials (including the vice prime minister and health minister) and several parliamentarians.

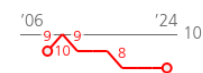
Censorship is prohibited, freedom of expression is guaranteed, and defamation has been decriminalized by law.

In 2021, according to the most recent report from the Agency for Electronic Media, Montenegro had 79 electronic media outlets (55 radio broadcasters and 24 TV broadcasters). After Dnevne Novine ceased printing in December 2021, three Montenegrin daily newspapers were left on the market. The implementation of new registration rules for online media has significantly decreased the number of outlets, lowering it from 104 in 2021 to 65 publications by mid-June 2022, as reported by the Media Trade Union.

The Montenegrin media landscape remains highly politically polarized, and self-regulation is still lacking. The review period saw a rise in the incidence of threats and attacks on journalists. According to the media trade union, nearly 50 instances of attacks on, threats against or the obstruction of journalists or media workers were

Association /
assembly rights

8



1

Freedom of
expression

6



1

reported between 2020 and 2022. There has been some improvement in the handling of new cases of this kind, although significant progress has yet to be made in resolving several major cases related to media freedom, such as the 2004 murder of Dan Duško Jovanović, a daily newspaper editor.

Amendments to the Criminal Code at the end of 2021 increased journalists' protection in the performance of their duties by prescribing harsher penalties for criminal acts threatening security, aggravated homicide, aggravated assault or coercion in connection with journalistic work. The first record of qualifying attacks on journalists in accordance with these amendments was established in 2022. Additionally, stricter punishment was introduced for obstructing or preventing the publication of information of public importance through the media.

Professional journalists nevertheless face a challenging environment. In accordance with the 2020 amendments to the Media Act, the government established the Pluralism Fund for the Media. This fund initiated the collection of data on advertising by public bodies in the media. Nevertheless, the majority of public institutions failed to fulfill their legal requirement to disclose the funds allocated for media advertising.

Montenegro has a law on access to information. However, in 2017, new grounds for limiting access to information, covering business and tax secrets, were included in this law without adequate safeguards or clarification of these terms. The Krivokapić government prepared amendments to address these shortcomings, which increased the scope of proactive publication of information and limited the grounds on which access could be denied. However, these amendments were later withdrawn by the Abazović government without clear justification.

3 | Rule of Law

Power is divided between the legislative, executive and judicial branches. Montenegro is represented by the president, while the Constitutional Court ensures the protection of constitutionality and legality. The military and security services are under democratic and civilian control.

Judiciary reform has reached a standstill. Crucial positions within the judiciary, such as the president of the Supreme Court and the supreme state prosecutor, were still only temporarily filled by the end of the review period. The Constitutional Court has lacked a quorum since mid-September 2022, a gap that has significantly disrupted the system of checks and balances. The Constitutional Court is responsible for reviewing the constitutionality of decisions and handling constitutional appeals. This disruption has had real-world consequences, as exemplified by the inability to finalize the results of the elections held in Podgorica on October 23, 2022, due to pending and unresolved constitutional appeals.

Separation of powers

6

'06 _____ '24 10



1

The mechanisms through which the parliament controls the government include the vote of confidence procedure, a prime minister question hour, interpellation, and consultative and oversight hearings. In December 2020, the amendments to the Rules of Procedure introduced more rights for the parliamentary opposition. They stipulate that at least three parliamentary committees will be chaired by opposition legislators. The amendments further introduced a special sitting at which a minister responds to parliamentarians' questions concerning a specific topic, which is selected on a rotating basis by legislators from the ranks of the opposition and the majority.

The government proposes and enforces laws and conducts foreign policy. However, since the power shift in 2020, the share of laws proposed by parliamentarians has significantly increased, sometimes equaling the share of laws introduced by the government. This development has introduced new challenges, as there are no public participation procedures or impact assessments for the bills proposed by members of parliament.

The ministers are subject to frequent interpellations, and the government has undergone two successful no-confidence votes, indicating an increased role for parliament. However, this role is more the result of current political volatility than a sign of lasting change.

Judicial reform has long been stagnant. The loss of the quorum in the Constitutional Court in September 2022, following the retirement of a judge, was a particularly serious setback, as no qualified parliamentary majority could be found to fill the four vacant seats. This situation was sharply criticized by the EU, which warned it might freeze the country's accession negotiations if a political consensus was not reached by early 2023.

Chief Special Prosecutor Milivoje Katnić, who was appointed to head the Special Prosecution Office in 2015, was dismissed by the Prosecutorial Council in early 2022. His successor, Vladimir Novović, soon initiated several high-profile cases alleging that the country's courts and prosecutorial services had been infiltrated by organized crime and other interest groups. Public opinion polls indicated that the change in the prosecutor's office increased confidence in the institution. However, as the review period closed, most of the key positions in the judiciary remained vacant or had been filled on an acting basis. In addition to the vacancies in the Constitutional Court, gaps include the posts of president of the Supreme Court, chief prosecutor and three non-lay members of the Judicial Council, whom the parliament has failed to appoint since 2018.

Recent cases initiated by the special prosecutors allege that organized crime has exerted significant influence over the judiciary in recent years. This prompted the government to consider the introduction of a system of large-scale checks on currently serving judges. As of January 2023, these plans remained only at the level of the initial analysis.

Independent
judiciary

6

'06 '24 10



1

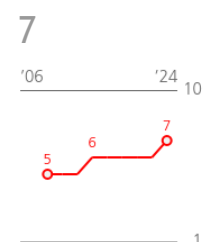
Judicial and prosecutorial councils are bodies tasked with appointing judges and prosecutors. They consist of lay members (judges or prosecutors), one government representative, and non-lay members known as reputable lawyers elected by parliament (by a simple majority for the Prosecutorial Council and a qualified majority for the Judicial Council). The system for appointing judges and prosecutors includes clear eligibility criteria and mandatory training for newcomers. Judges and prosecutors appointed for the first time are also assessed by means of a written test and interview. However, appointment procedures are often criticized in practice, particularly for the arbitrariness of the interviews. Performance evaluation of judges and prosecutors is also problematic as it fails to consider the complexity of individual circumstances. Overall, the number of disciplinary procedures initiated against judges and prosecutors is negligible. Concerns arise from cases alleging that the special prosecutor, the former president of the Supreme Court and the president of the Commercial Court had organized crime ties. As of the end of the review period, these cases were still in their early phases. Nonetheless, they raise concerns about the extent of corruption within the system. The European Commission also regularly notes in its reports that the judiciary remains vulnerable to political interference. Efficiency levels are also unsatisfactory; as of 2021, there were 118,568 pending cases before the Montenegrin courts.

The appointment of Vladimir Novović as the new chief special prosecutor in March 2022 led to changes in the public's perception of the prosecution services. An OSCE survey conducted in September 2022 indicated that more than 40% of respondents believed that the work of the State Prosecution Service had improved over the previous year, while 60% considered the service to be generally efficient.

Following Novović's appointment, high-profile cases shook both courts and prosecution throughout 2022. The allegations concerned the involvement in organized crime and corruption of Vesna Medenica, the Supreme Court president from 2007 to 2020, as well as the criminal connections of the special prosecutor and president of the Commercial Court. The cases, although in the initial phase, suggest the susceptibility of the judiciary to undue interference.

The special prosecution service also launched a case against Rade Milošević, a senior official of the URA party (the same party as Prime Minister Dritan Abazović), who served as director of the Customs and Revenue Administration. Milošević was suspected of creating a criminal organization for cigarette smuggling. Previously, he had participated in the alleged confiscation and destruction of illegally stored cigarettes from the country's main port of Bar. Upon his arrest, the Special State Prosecution alleged that only 10% of the confiscated cigarettes were destroyed, while the rest were to be smuggled. Several employees of the Revenue and Customs Administration were also arrested for their alleged involvement in those activities.

Prosecution of
office abuse



Despite pledges to enhance the legal framework to combat illicit enrichment, this goal was not achieved during the review period. Draft amendments on the issue were submitted to parliament in December 2022, but they faced severe criticism from civil society due to their limited scope, and the European Commission also warned of implementation shortcomings.

The legislative and institutional framework for human rights largely aligns with EU legislation. However, the institutional framework has undergone frequent reorganizations due to political instability. In April 2022, the Ministry of Human and Minority Rights assumed some responsibilities from the former Ministry of Justice and Human Rights, resulting in a significant turnover of managerial staff. Certain units, including the Directorate for Equality and Protection of People with Disabilities, were abolished.

Allegations that the police have engaged in torture and maltreatment of detainees have persisted. The 2021 Report on Human Rights Practices by the U.S. State Department notes concerns that authorities have made little progress in addressing the issue of police mistreatment.

Misogynist hate speech, particularly targeting female politicians, was particularly pronounced during the review period, and the incidence of domestic violence continued to increase. The Women Rights Center, a non-governmental organization (NGO) that offers services and shelter to victims of gender-based violence, warned that in 2021, 80% more women requested protection than in 2019. Additionally, the European Commission, in its 2022 report, has issued a warning regarding the rising number of femicides.

After Montenegro adopted a law on same-sex unions in 2020, two women became the first couple to marry under this law in March 2021. However, the government has been urged to enhance the implementation of its own strategy in order to secure a better quality of life for LGBTIQ individuals.

The National Security Agency (NSA) has played a controversial role with regard to the right to privacy. In 2021, former agency director Dejan Perunicic and one former agent were indicted for abuse of office, illegal wiretapping and surveillance. These actions were carried out from January to September 2020, targeting several opposition leaders, the metropolitan of the Serbian Orthodox Church and two journalists critical of the former government. On the other hand, the 2022 Freedom in the World report noted that the new government has not attempted to silence dissenting voices by ordering the arrest of social media users who post critical or satirical content.

The Roma minority in the country remains particularly disadvantaged and faces significant discrimination, as some of the affirmative measures for other minorities do not apply to this group – most notably, the lower census figures required to enter the national parliament. The Ombudsman's office has noted a trend of appeals alleging political discrimination, especially in areas of health care and education.

Civil rights

8

'06 8 '24 10

1

4 | Stability of Democratic Institutions

The constitutional and legal framework of Montenegro allows for a high level of independence and balance among the three branches of government.

The absence of parties holding a solid or absolute parliamentary majority has led to the dismantling of the power monopolies previously held by the Democratic Party of Socialists. However, ideological divergence among the new ruling majorities after 2020 has increased political polarization and hampered decision-making. An atmosphere of confrontation has manifested itself in protests, a boycott of institutions and political obstruction, weakening democratic institutions. This is best illustrated by the inability to reach a consensus on the appointment of the president of the Supreme Court, the supreme state prosecutor, three non-lay members of the Judicial Council, and candidates to fill the vacancies at the Constitutional Court.

Especially in 2022, several actions undermined checks and balances. These included the extension of the mandate of local councilors by postponing local elections in 14 municipalities, going beyond the constitutionally defined four-year mandate. Additionally, the parliamentary session was convened by bypassing the presiding member of parliament and adopting amendments to the Law on the President of Montenegro. These amendments undermined the constitutional powers of the institution with regard to appointing ambassadors and nominating the prime minister-designate. Because the Constitutional Court was not functioning, most of these issues were not reviewed, except for the extension of the local councilors' mandate. However, this had little practical effect since the elections proceeded as planned. Furthermore, the presence of a president and prime minister from different parties, which occurred for the first time in the country's history after 2020, brought its own challenges, as the president vetoed the government's attempts to appoint ambassadors in a significant number of countries.

Despite attempts to adopt laws on the parliament and government, the parties have failed to pass provisions that could better define relations between the executive and legislative branches and the structure of the government. With the country entering unprecedented political territory, the lack of provisions regulating certain aspects of the relationship between the different branches of power became more evident than ever.

The public administration has undergone frequent reorganizations, with frequent turnover at the managerial level. This has had a negative impact on its overall performance.

Performance of democratic institutions



The failure to conduct local elections in Šavnik by preventing certain individuals from voting is the clearest indication of the lack of a shared understanding of democratic institutions within the country. This has had a negative impact on the commitment to democratic institutions exhibited by a variety of actors, including political parties and other institutions like the police, the Ministry of Interior and the prosecution services. Election board members have alleged that some voters who neither lived nor worked in Šavnik obtained residency solely to vote for the Democratic Party of Socialists (DPS), and the board subsequently hindered these individuals' ability to vote. While the results of local elections in other municipalities and the 2020 parliamentary elections were universally accepted, the establishment of new local power structures in the capital city of Podgorica experienced delays due to the Constitutional Court's inability to convene a quorum to examine the constitutional appeals of a minor party that failed to meet the census requirements.

Although members of parliament do not openly question the legitimacy of most democratic institutions, recent legislative activity has not been conducive to the stabilization of democratic institutions. For example, the deputies of the parties that won the 2020 elections passed amendments to the Law on the President with the aim of depriving officeholders of the final say on the nomination of prime minister-designates and ambassadors. The amendments were not effectively applied, but they provoked protests and criticism from the EU. The controversial laws that postponed elections and created a new municipality without a proper feasibility study also originated in parliament. Such behavior by legislators called into question some basic constitutional principles. However, the main civil society organizations drew attention to these abuses and continued to expose them.

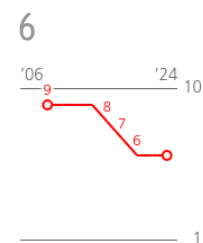
Montenegro has a professional army, subject to democratic oversight.

5 | Political and Social Integration

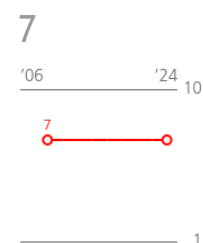
Montenegro's party system is relatively stable but is highly polarized and fragmented. At the end of 2022, there were 69 political subjects operating in a country of just over 600,000 people. Electoral volatility increased in 2020 when the Democratic Party of Socialists lost power after three decades of rule. This trend has largely continued in subsequent local elections. The 2022 local elections also marked the establishment of a new party, Europe Now, which made significant gains, particularly in Podgorica. In early 2023, Europe Now will lead the coalition formed there. Europe Now is a catch-all party that could disrupt the country's usual political cleavages and further increase electoral volatility. Political cleavages are otherwise drawn largely along ethnic lines.

Patronage and partisan employment remain common. The Alternative Institute's corruption risk assessment of public sector recruitment procedures found that regulations and their application throughout the public sector remain vulnerable to undue influence and corruption.

Commitment to democratic institutions



Party system



A significant number of interest groups represent conflicting social interests. Apart from the prominent civil society organizations (CSOs) that concentrate on areas such as the rule of law, good governance and human rights, the majority of CSOs functioning at the community level have limited resources.

The Serbian Orthodox Church remains an influential opinion-maker in the country. It has been involved in electoral campaigns, particularly since 2020, and its interference in politics has become increasingly pronounced. In October 2022, before the country's Pride parade, it organized an event that it used to propagate anti-LGBTIQ messages.

There are two representative trade unions at the state level. They are nationally recognized social partners and members of the tripartite Social Council, together with the Union of Employers of Montenegro and the government. The business community is represented by a number of business associations, including the Chamber of Commerce and the Union of Employers, while foreign companies are represented by the Foreign Investors Council and the American Chamber of Commerce.

In December 2022, a new general collective agreement was reached within the Social Council. The agreement was praised for not reducing workers' rights. Various interest groups, especially public sector employees, have started voicing demands to the government. As a result, ad hoc concessions have been made to these groups, leading to an increase in the public sector wage bill.

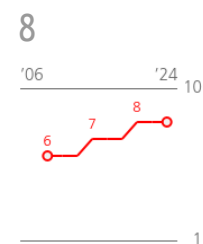
Although levels of approval of democratic norms and procedures are high, polls persistently reveal discontent with the country's democratic performance and a decline in trust in political institutions.

Montenegro's citizens prefer the democratic political system over expert-led, authoritarian and military government, according to a December 2021 report by the Center for Democracy and Human Rights (CEDEM). Specifically, 78.9% rate the democratic political system as good. However, the authoritarian political system enjoys the support of almost 20% of the citizens, while 11.3% support a military-led form of government. In contrast, the majority of citizens view a military or authoritarian regime as a bad model of state management.

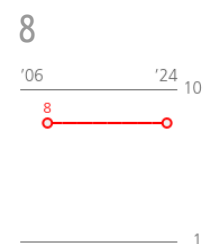
Grassroots activism has recently increased, especially in the area of the environment, where self-organized groups are highly active.

The CEDEM survey of December 2021 revealed relatively low levels of interpersonal trust – fewer than one-fifth of citizens believe that most people can be trusted (19%), while more than half (53%) have a cautious view of other people. These levels of interpersonal trust come against a backdrop of declining trust in institutions, distrust among political actors and increasing social polarization.

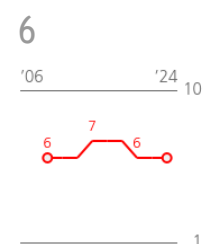
Interest groups



Approval of democracy



Social capital



Volunteerism is not well developed in Montenegro. Several amendments to the law on volunteerism have been introduced in parliament since 2019, but the latest one was withdrawn in November 2021. Consequently, volunteering still suffers from overly bureaucratic procedures and the law in place does not recognize volunteering as a distinct form of employment, which would represent progress in this domain.

II. Economic Transformation

6 | Level of Socioeconomic Development

According to the 2022 Human Development Report, Montenegro remains in the category of countries with very high human development for the sixth year in a row. Montenegro has an HDI score of 0.832, which ranks 49th out of 189 countries and territories. This represents a slight improvement compared to its 2020 HDI score (0.826) and rank (52nd).

On the Gender Inequality Index (GII), which measures gender inequalities in areas such as reproductive health, empowerment and participation in the labor market, Montenegro was ranked at 32nd place out of 170 countries in 2021 – lower than in 2020, when the country was at 26th place. The report noted that women held only 24.7% of the country's parliamentary seats. The loss to human development due to inequality amounted to 9.1 in 2021, a slight decrease from 9.4 in 2020.

The at-risk-of-poverty rate decreased from 24.5% in 2019 to 21.2%, according to Montenegro's Administration for Statistics. The rural population, the unemployed and children are all at a higher risk of poverty than other groups.

Levels of income inequality in the Western Balkans are also exceptionally high. According to a study commissioned by the UNICEF Montenegro Office, the top 20% of income earners in the country earn 6.7 times more than the bottom 20%.

Despite attempts to introduce an information system that would enable tracking of the various benefits received by citizens and help target those in need, the system – called the Social Card – has exhibited numerous functional flaws and has fallen short of reaching its main objective.

Question
Score

Socioeconomic
barriers

6

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Economic indicators		2019	2020	2021	2022
GDP	\$ M	5542.1	4770.0	5861.4	6096.0
GDP growth	%	4.1	-15.3	13.0	6.1
Inflation (CPI)	%	0.4	-0.3	2.4	13.0
Unemployment	%	15.1	17.9	16.9	15.4
Foreign direct investment	% of GDP	7.5	11.1	11.8	14.3
Export growth	%	5.8	-47.6	81.9	22.7
Import growth	%	2.7	-20.1	13.7	21.3
Current account balance	\$ M	-795.7	-1237.0	-541.2	-817.7
Public debt	% of GDP	78.8	107.3	85.6	72.1
External debt	\$ M	8584.5	10521.8	10552.3	-
Total debt service	\$ M	1530.1	1263.1	1408.3	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	17.8	22.6	19.7	17.8
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	5.1	7.1	-	-
R&D expenditure	% of GDP	0.4	-	-	-
Military expenditure	% of GDP	1.3	1.7	1.6	1.6

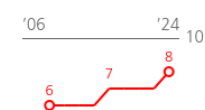
Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Montenegro has an open economy with free market competition and minimal government intervention. Market competition operates within a robust institutional framework, although not all market actors are subject to the same rules. During the review period, the establishment of a new state-funded airline company, To Montenegro, was being examined by the Agency for Protection of Competition. It was determined that the previously granted privileges to the former state-funded airline Montenegro Airlines was not in line with the law.

Market organization

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According to a survey commissioned by the government in 2022, the informal economy (unreported profit and the unreported or unpaid salaries of employees) accounts for 20% of GDP. Compared to a similar survey from 2014, this represents a slight decrease of 3.9%, but the informal economy overall remains quite large.

The number of registered businesses also grew, despite the fact that electronic registration has been limited solely to single-member limited liability companies. The total number of businesses increased from 60,361 in 2019 to 65,621 at the end of 2021.

Both domestic and foreign firms are free to launch and withdraw investments. From 2019 until 2023, the government implemented a citizenship-by-investment program that aimed to encourage foreign investment, but it was heavily criticized by the European Union for the associated money laundering and corruption risks. The program brought in more than €300 million, according to a statement by the former director of the Investment Agency of Montenegro. However, in early 2023, the government announced that it would abolish the program due to EU conditionality.

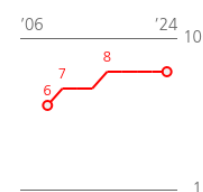
Montenegro participates in the Berlin Process, a cooperative platform for the six Western Balkan states seeking EU membership. Within the Berlin Process, Montenegro is part of the Common Regional Market, a coordinated approach by Western Balkan governments to create a space based on EU rules and standards. This approach ensures free movement of people, goods, services and capital across the region, as well as a common approach to digitalization, investment, innovation and industry. However, Montenegro has not joined the Open Balkan Initiative, championed by Serbia and Albania, which aims to facilitate trade, services and the movement of people throughout the Western Balkans.

The Law on Protection of Competition regulates market competition and reflects relevant European principles. The Agency for Protection of Competition (APC) is an independent authority that monitors and analyzes market competition, approves exemptions and generally seeks to prevent anti-competitive behavior. Established in 2013, it can act upon complaints or on its own initiative but cannot impose fines – a significant shortcoming. In February 2018, Montenegro adopted a law that served as the legal basis to transfer the powers of the State Aid Authority to the APC. However, the APC remains seriously understaffed. In 2021, only 28 out of 45 envisaged job positions were filled. Only 11 people worked on the most complex tasks, such as the analysis of market competition, breaches of competition rules and undue concentration.

Laws exist to prevent monopolistic structures and conduct, but their enforcement is not always consistent. The number of decisions made by the APC regarding cartels and abuses of dominant positions has remained negligible. In 2021, only one case from the previous period was active, in which the agency determined that the port of Kotor abused its dominant position. The number of decisions made on mergers has continued to increase, rising from 62 in 2019 to 70 in 2021. No mergers were prohibited.

Competition policy

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In Montenegro's EU accession negotiations, Chapter 8 on competition policy was opened last in June 2020, eight years after the negotiations started. One of the key concerns of the European Union was the €155 million in state funding granted to Montenegro Airlines in 2019 without input from the state aid authority. The EC, in its 2022 report, stated that some progress had been made in following up on the Montenegro Airlines case. It also recognized an increase in transparency resulting from the establishment of a state aid register and the timely publication of the state aid authority's decisions and opinions. On the other hand, experts in the field criticized the decision of the state-owned power utility company to take over the Niksic steel mill from Türkiye's Toscelik in a deal worth €20 million. The government green-lighted the deal. The APC will examine the case only once the acquisition is final.

The Montenegrin economy is service-based and heavily relies on trade and foreign investment. According to the 2022 Index of Economic Freedom, Montenegro's trade freedom index score remains very high at 78.8%, despite a slight decrease from 83.8% in 2020. Its average applied tariff rate stands at 5.6%.

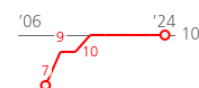
Montenegro has significantly reduced customs tariffs and quotas on imports in the past decade. The country has signed agreements and established institutional frameworks for free trade with its main trading partners through the Central European Free Trade Agreement (CEFTA) and the European Free Trade Agreement (EFTA), and additionally with Russia (currently not in force due to sanctions), Türkiye and Ukraine. Montenegro is also part of a preferential trade agreement with the European Union that provides duty-free entry for over 95% of Montenegrin goods. Montenegro's foreign trade volume was highest with CEFTA signatories and the EU. According to the EC 2022 report on Montenegro, the total flow of imported and exported goods and services has recovered from the COVID-19 pandemic, increasing to 105.8% of GDP in 2021 after a low of 86.3% in 2020.

Montenegro has been a member of the World Trade Organization (WTO) since 2012, which commits the country to ongoing trade liberalization and the establishment of a transparent and predictable environment for both domestic and foreign companies. Additionally, Montenegro is part of the 17+1 mechanism, which seeks to strengthen trade and investment cooperation between China and Central and Eastern European nations. In July 2019, Montenegro signed amendments to its free trade agreement with Türkiye, which expanded trade liberalization in agricultural products and services.

Montenegro's customs duties are also low, as prescribed by the Law on Customs Tariffs. The duties range from zero to 30%.

Liberalization of
foreign trade

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Due to mergers and bankruptcy procedures, the number of banks in Montenegro decreased from 13 to 11 at the end of 2021. In February 2019, Societe Generale Montenegro was acquired by the Hungarian OTP Bank and became Podgorička Banka AD Podgorica. Podgorička Banka was merged with Crnogorska Komercijalna Banka AD in December 2020. Following the merger, all Podgorička Banka assets, rights and obligations were transferred to Crnogorska Komercijalna Banka as its legal successor. In late 2021, Komercijalna Banka AD Podgorica merged with NLB Bank.

The country's central bank (CBM) oversees and supervises the financial services sector. All regulations comply with the Basel Accords and EU norms. CBM maintains a bank oversight department that provides reports on financial indicators for each bank, including balance sheets and income statements. Additionally, it ensures that banks maintain the required share of capital equity in relation to assets.

According to the 2022 EC report on Montenegro, the banking system remained well-capitalized, stable and liquid, but the performance of small banks is uneven and requires close monitoring. The CBM adopted temporary measures to preserve the liquidity and solvency of domestic banks during the COVID-19 pandemic, which increased the capital adequacy ratio well above the statutory minimum of 10% (18.5% in 2021).

The share of nonperforming loans at the end of 2022 was 5.72%, which is a smaller share than the previous year (6.17%). Montenegro has a stock market called Montenegroberza. The total turnover achieved on the Montenegro Stock Exchange in 2021 was €46.5 million, reflecting a growth of 48% compared to 2020. The total market capitalization at the end of 2021 amounted to €3.2 billion.

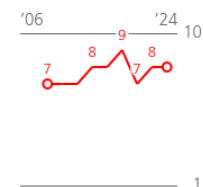
8 | Monetary and fiscal stability

As Montenegro unilaterally uses the euro as its official currency, it lacks access to standard monetary policy tools. Hence, fiscal policy remains the primary macroeconomic tool. However, inflation and foreign exchange policies align with other economic policy goals and are institutionalized in the country's formally independent central bank (CBM).

Montenegro is strongly influenced by international trends because of its open economy. Although the inflation rate has fluctuated substantially over the past two decades, it started increasing in 2021, reaching 2.4%. In 2022, inflation surged, mainly due to global developments and the Russian invasion of Ukraine but also because of the start of the implementation of the Europe Now program. This program included an 80% increase in the minimum wage, the introduction of new social benefits and an ambitious public investment program. However, as the EC warned in its Spring 2022 European Economic Forecast, while the increase in salaries was projected to preserve households' purchasing power during the year, it also risked exacerbating inflationary pressures, with a further risk that it would increase external and fiscal imbalances.

Banking system

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Monetary stability

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The central bank warned that 2022 would see the highest inflation rate since independence. In the first nine months of 2022, consumer prices were on average 11.6% higher than in the same period of the previous year, while prices in September 2022, compared to the same month of the previous year, were on average 16.0% higher.

The central bank contributes to price stability by publishing reports on price stability and delivering them to policymakers.

The EC noted in 2022 that Montenegro's economic and fiscal policies remained broadly sound despite two recent changes of government, some rushed social spending measures, and overambitious plans for public investment. The post-pandemic recovery of the tourism sector increased the overall economic outlook, boosting exports and, to some extent, private consumption.

Public debt decreased in 2021 to 86.6% of GDP, compared to 107.7% in 2020, according to the IMF. The current account deficit has also improved, falling from 25.9% of GDP in 2020 to 9.2% of GDP in 2021, although it is still a negative signal of Montenegro's worrisome lack of export and production capacity. According to the government report, total state debt (without deposits) amounted to 70.17% of GDP, while state debt with deposits totaled 64.79% of GDP in September 2022. External public debt amounted to 63.59% of GDP, and internal debt amounted to 6.58% of GDP.

The key fiscal stability measures, apart from the anti-inflationary measures, consisted of reductions in tax rates on key food inputs and products. This included stimuli for the business sector and the implementation of a system that enables tax authorities to automatically record and process fiscal accounts. The Europe Now program also reduced burdens for employers by lowering tax rates but was criticized for exacerbating inflationary pressures. Additionally, due to pandemic-era measures and the lack of efforts to downsize the cumbersome public sector, government consumption amounted to 20.2% of GDP in 2021 and 22.6% in 2020. This represents an increase compared to the pre-pandemic period. In 2021, total debt service was 23.5% of GNI, a slight decrease from 2020, when it was 26.1%, according to World Bank data. During the same period, Montenegro had almost €2 billion in total reserves, which constitutes 18.8% of its total external debt.

Fiscal stability

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9 | Private Property

Rights and regulations regarding acquisitions, benefits, use and sales of property are well defined, but occasionally there are problems with implementation and enforcement. The 2018 assessment commissioned by the Council of Europe and the European Union on the relationship between rulings of the country's Supreme and Constitutional courts showed inconsistencies in the practices of the two superior courts when it comes to the protection of property rights, specifically concerning the legitimate expectations of the various parties in cases of expropriation. In its 2022 report, the EC noted some improvements in this field, since the legal opinions of the Supreme and Constitutional Courts in the application of property rights have been harmonized to a certain extent. However, the process of restitution of properties expropriated in the past remains slow, and Montenegro still needs to ensure fair restitution proceedings within a reasonable time.

Women, despite their increased participation in inheritance proceedings, own only 8% of land plots and 4% of houses in the country.

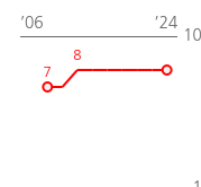
The previous period was marked by a debate on the right of ownership to religious buildings and property that belonged to the state until 1918, and subsequently to the SOC. This debate has not diminished despite the 2020 amendments to the law on religious organizations and was intensified by the signing of the Fundamental Agreement with SOC in August 2022.

On the other hand, the confiscation of property derived from illicit enrichment has also been a matter of debate, especially due to the pledges of Zdravko Krivokapić and Dritan Abazović's governments to amend the law on confiscation of crime proceeds or to adopt what was labeled as the "anti-mafia law." These amendments were finally submitted to the parliament in December 2022, but were met with criticism by both the European Union and domestic NGOs. The European Commission pointed to serious risks and challenges in the implementation phase if the amendments were to be adopted in their current form. Leading anti-corruption NGOs were also dissatisfied with the amendments' restriction on illicit enrichment connected to criminal proceedings, as well as with the limited time span, which covered the time 10 years before and after the criminal act had been committed. Previous plans encompassed illicit enrichment as any property whose origins could not be proven, regardless of the type of proceedings (criminal or civil).

Regarding other property rights, authorities continued to align with EU and international standards by adopting amendments and laws on trade secrets and patents.

Property rights

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Private companies are institutionally viewed as important engines of economic growth. Prior to 2019, the privatization of state companies did not adhere to market principles in a number of cases. For instance, the Aluminum Plant Podgorica was sold to a company that guaranteed to make over €75 million in future investments despite having only €1,700 in capital. The new owner, Russian tycoon Oleg Deripaska, failed to meet the investment obligations, even with the heavy aid from the state used to pay the bank guarantees for the company's loans. Despite all the assistance, the company ultimately went bankrupt. Another recent example of failed privatization involves the Steel Mill Niksic, which was taken over by a Turkish investor-owned company.

However, privatization has been an important source of budget revenue. Along with privatization, Montenegro has introduced reforms aimed at improving the overall business environment, simplifying the procedures for starting a business and creating strong incentives for entrepreneurship.

In 2021, the government established the public company Montenegro Works to reform the management of state-owned enterprises (SOEs), relaunch the privatization agenda and define the optimal scope of state ownership. However, the minority government formed in April 2022 decided to abolish this company and promised to introduce a new concept for managing privatization and state-owned companies. Nevertheless, as the European Union warned in its 2022 report, the fundamental issues of optimizing state ownership portfolios and improving the overall governance of SOEs remain to be addressed.

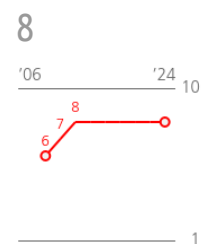
10 | Welfare Regime

Montenegro offers at least 20 different social protection schemes, which include compulsory pension and disability insurance, health insurance, employment and unemployment insurance, and social and child protection services. There are a number of specific programs targeting the vulnerable population. However, despite the proliferation of social protection schemes, a substantial percentage of the country's population remains at risk of poverty. Children are especially vulnerable, with UNICEF estimating that a third of children in the country are at risk of poverty.

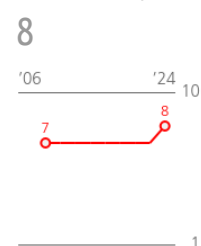
The health care system has undergone an important reform as part of the Europe Now program, which ended health care financing through special salary contributions. The government had to secure an additional €200 million to do so. The public financing of health care was maintained, but critics have stressed that its sustainability might be jeopardized because of the lack of stable funding sources.

For 2023, state-funded social protection programs accounted for more than one-third of the entire state budget, encompassing public funds for pension and disability insurance, health insurance, and funds for the unemployed and other labor-market purposes. The constitution stipulates that the state should ensure social insurance for employees while also providing material safety for those unable to work.

Private enterprise



Social safety nets



A World Bank and UNICEF analysis (2022) found that Montenegro's comprehensive social protection system is not being used to its full potential. The high level of social protection coverage (the system covers more than half of the population in Montenegro) had until recently been almost entirely due to the wide reach of pensions (which fall under the social insurance category), whereas social assistance coverage has been narrower. Through the introduction of numerous new social assistance programs, social assistance coverage is now rapidly expanding. Not all new schemes have a precise focus on those most in need – poverty-targeted material support has been shrinking in volume, despite its ability to accurately reach the poorest, while increased funding has been allocated to categorical benefits.

The current parliament has introduced or announced multiple social assistance programs. The child allowance has been expanded to include all children under the age of 18 years, with payments starting in October 2022. The previously abolished mothers' benefit was reinstated for previous beneficiaries in April 2022. Furthermore, spending on one-time transfers – which can be issued at the discretion of any ministry – is quickly expanding, though this does not always specifically target those in need.

Equal opportunity is enshrined in legislation, specifically through the Law on the Prohibition of Discrimination, which defines discrimination as any unequal treatment based on personal or collective traits such as race, skin color, nationality, social or ethnic origin or gender identity, among other categories.

Women and ethnic and religious minorities have nearly equal access to education, public office and employment, but further progress is needed in this area.

According to 2018 data, literacy rates are high for both men and women, respectively, with rates of 99.5% and 98.3%. However, despite these high rates, patriarchal stereotypes persist and result in discrimination, particularly impacting the representation of women in decision-making and management roles. As of 2021, women comprised 44.6% of the workforce. Currently, there is a lack of gender-sensitive statistics, making it difficult to determine the extent of the gender wage gap.

In the previous government, there were four female ministers out of 20. However, one of the female ministers resigned at the end of 2022. No political parties were led by women in 2022, while the 2022 local elections were held in violation of the rules that set quotas for women's representation. In 2021, the parliament established a women's club. As a result of the club's activities, several legal initiatives were adopted, including the obligation to register sexual abusers of minors, the provision of additional public health insurance for medically assisted fertilization, the promotion of an initiative to create a human milk bank, and the provision of additional public funds for projects aimed at empowering women and promoting women's history and culture.

Equal opportunity

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The status of Roma women remains a matter of special concern, as they are often victims of both gender and ethnic discrimination, according to a survey conducted by the Center for Democratic Transition. The survey revealed that the highest degree of ethnic distance is felt toward Roma. In Montenegro, the Roma population continues to be the most vulnerable and discriminated-against group. They face lower levels of access to employment, education and health care than the rest of the population. Additionally, they are still confined to segregated neighborhoods. Access to services is limited for the Roma, particularly due to their occasional lack of official documents. Furthermore, the Roma lack political representation in both the parliament and local assemblies. Despite being made up of a similar percentage of the population, the Roma community's calls to be granted the electoral legislation conditions granted to Croats have consistently been rejected by most political parties.

Regarding LGBTQ+ rights, the parliament adopted a law on same-sex civil partnerships in July 2020, which was a positive step forward. However, the alignment of other laws with this measure did not progress satisfactorily.

11 | Economic Performance

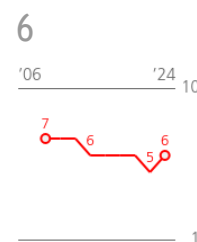
Even before the COVID-19 pandemic, economic activity in Montenegro had slowed, and FDI inflows had declined. Following strong real GDP growth in 2017 and 2018, the rate of economic expansion slipped to 3.6% year-on-year in 2019 (European Commission). In 2020, due to the COVID-19 pandemic, Montenegro underwent its deepest recession in two decades. GDP per capita growth experienced a downward trend of -15.2%, according to the World Bank. Nonetheless, due to the recovery of tourism, 2021 was marked by a strong growth of 12.6%. According to Montenegro's Statistical Office, the GDP per capita was €8,002 in 2021 (compared to €6,737 in 2020).

High long-term and youth unemployment and the disparity between labor supply and demand continue to be the biggest problems in the labor market. The unemployment rate in 2021 stood at 18.5%. Despite slight deflation rates in 2020, the average inflation rate (CPI) reached 2.4% in 2021. However, in 2022, it saw a sharp increase, reaching 17.2% in December 2022, according to the central bank. This rise was due to the global developments caused by the Russian invasion of Ukraine and the higher levels of domestic demand resulting from the increase in salaries within the Europe Now program.

Foreign direct investment started to increase in 2020 (11.1% of GDP) – following a downward trend in 2018 and 2019 (8.8% and 7.5%, respectively).

Public debt decreased in 2021 to 86.6% of GDP. The current account deficit has also improved (from 25.9% of GDP in 2020 to 9.2% of GDP in 2021); however, this still highlights the country's problematic lack of export and production capacity.

Output strength



12 | Sustainability

Despite being constitutionally defined as an ecological state, environmental issues in Montenegro often fall victim to economic and political interests.

Zdravko Krivokapić's government addressed some of the earlier environmental concerns by canceling 10 contracts for the construction of small hydropower plants. Successive governments have also expanded protected areas by introducing three new national parks in Platamani, Katič and Start Ulcinj. However, a coalition of NGOs monitoring environmental protection progress associated with EU accession talks warned in its 2021 report that the areas remain protected only on paper.

The National Strategy on Climate Change sets out the vision that, by 2030, Montenegro will adapt to the negative impacts of climate change and promote low-carbon sustainable development. At the end of 2019, Montenegro adopted a law aimed at protecting the country from the negative effects of climate change. This law prohibits the production, import and export of substances that damage the ozone layer.

In 2019, the law on industrial emissions was also adopted and further amended in 2023. Based on this law, a number of regulations prescribing limits to greenhouse gas emissions were adopted. However, key strategies in this area expired in 2020, and no new ones had been adopted by early 2023, including the Spatial Plan of Montenegro, the National Air Quality Strategy and the National Biodiversity Strategy. The Spatial Plan is considered to be the key document intended to prevent indiscriminate construction, while the air quality and national biodiversity strategies are meant to align with EU standards in their respective fields. The measures promoted through these strategies should include, among other things, better measurement of air quality, energy-efficient measures, changes in fuel and heating habits, and public awareness campaigns. Additionally, in late 2022, the country's electric power company (EPCG) launched a project to finance the installation of solar heating infrastructure, with subsidies provided to some users.

Waste management and water treatment facilities are under construction in several municipalities, but waste management remains a key concern. The 2022 report of the European Commission noted limited progress in aligning with the EU acquis on the issues of water, nature protection and climate change, and it urged Montenegro to up its ambitions for a green transition.

Environmental
policy

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In November 2022, the results of the Education Sector Analysis (ESA) of Montenegro were published to serve as input for developing a long-term evidence-based Education Sector Plan. The ESA was a joint endeavor of the government, UNICEF Montenegro and a team of consultants, and it focused on early childhood, primary and secondary education from 2015 to 2020. The analysis found that the country lacked a comprehensive strategy able to provide a clear vision and priorities for the education system as a whole. Moreover, the sector was not subject to regular monitoring and evaluation.

Despite an increase in the early childhood education enrollment rate for children aged four and over from 64.4% in 2015 to 76% in 2020, Montenegro still lags behind the EU benchmark of 95%. Access to education for Roma and Egyptian minorities has also improved. Enrollment rates in primary and secondary education are relatively high, respectively at 98.8% and 83.8% in 2020.

According to the 2022 to 2024 Economic Reform Program, public spending on education amounted to 4.3% of GDP in 2021. Montenegro's score on the U.N. Education Index was 0.825 in 2021, one of the highest such figures in Southeast Europe. Literacy is nearly universal at 98.8%, and 91.6% of citizens have at least some secondary education, while tertiary enrollment is close to the regional average at 56%.

Higher education institutions operate in accordance with the European Higher Education Area. A total of 285 study programs are conducted, including 271 academic programs and 14 applied programs. Additionally, there are eight lifelong learning programs available (Final Report on the Implementation of the Higher Education Development Strategy 2016 – 2020).

Efforts to amend the law on higher education have stalled, while the University of Montenegro, the country's largest public university, has faced criticism for its decreased placement in relevant international rankings. However, a notable development occurred in 2022 when the parliament passed a law aimed at depoliticizing the appointment of directors for public educational institutions such as schools. Under this law, the responsibility of appointing directors was shifted from the minister and the government to school or managerial boards. Nonetheless, the law did not adequately standardize the assessment process for prospective directors.

The European Commission's 2022 report noted that Montenegro increased its research and development budget, which still remains well below the EU average (0.15% versus 2.3% of GDP in 2022). Montenegro was the first country in the Western Balkans to adopt a smart specialization strategy. Additionally, a new Law on Innovative Activity was adopted, establishing an Innovation Fund that secures funds for innovation in entrepreneurship and promotes cooperation between science and businesses.

Education policy /
R&D

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Governance

I. Level of Difficulty

Key structural problems in Montenegro continue to include significant levels of public debt and extensive public sector employment. Poor road infrastructure is also one of the most severe infrastructural shortcomings, although the long-awaited first segment of the highway officially opened to traffic in mid-2022. The construction of the remaining sections of the highway and the connection with Serbia remain uncertain. The health infrastructure is particularly weak, with no new public hospital having opened since the collapse of the former Yugoslavia.

In the labor market, there are significant structural mismatches between supply and demand. Moreover, geographic, gender and age-based disparities are particularly pronounced. According to the final implementation report of the National Employment Strategy (2016 – 2020), the employment rate in the northern region was 36.8%, which represented only 63.6% of the employment rate in the coastal region. Essentially, the unemployment rate in the northern region is 3.5 times higher than that in the coastal region. Long-term unemployment accounts for almost 75% of the total unemployment rate.

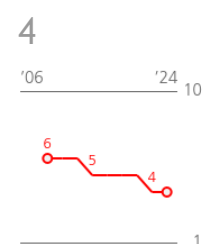
The COVID-19 pandemic disrupted development, affecting the country's key sectors, including services and construction.

Montenegrin civil society began to develop in the late 1990s. Civil society organizations have since emerged as significant participants in various societal processes.

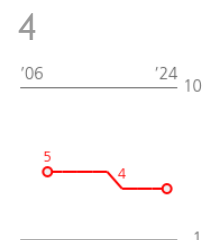
According to the Ministry for Public Administration, there were 6,314 NGOs registered in Montenegro in December 2021. NGOs remained most active in the fields of culture, protection of human and minority rights, arts, education, agriculture and rural development, social services, and health care. Still, in a comparative sense, the Montenegrin NGO sector remains relatively underdeveloped, as non-governmental organizations account for only 0.8% of total employment compared to the global average of 3.3%.

The 2017 amendments to the Law on NGOs introduced the so-called combined system of financing NGO programs and projects, which implies centralizing planning and decentralizing the distribution of funds for NGO projects and programs. Line ministries independently conduct public competitions for the distribution of funds,

Structural constraints



Civil society traditions



while the government is meant to play a key role in selecting high-priority areas for financing, as well as in monitoring the results of financing. However, the distribution of funds and the impact of the supported projects have not been properly scrutinized. Additionally, apart from the delays in announcing and carrying out competitions for the distribution of funds to NGOs, the current system lacks a long-term approach to the development of the NGO sector. According to the report prepared for the competent ministry in March 2022, this creates additional strain on the capacities of ministries to disburse the funds, as they must implement one year's public competitions while also planning for the upcoming year.

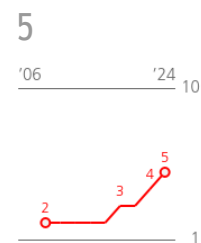
The shift in government power in 2020 impacted some NGOs, with some leaders pursuing political or government careers. However, the most experienced NGOs remained vocal and active, with their representatives making frequent media appearances.

The participation of CSOs in policy and decision-making is facilitated through various mechanisms, including participation in public debates, working groups and other bodies. However, this participation tends to lack substance. Additionally, the recent surge in legislative initiatives has further marginalized the involvement of civil society in policymaking, as there is a lack of details regarding the procedures for public debate and working groups at the parliamentary level.

The Montenegrin political scene is extremely polarized. The main political actors – the former ruling Democratic Party of Socialists (DPS), which won the largest individual share of votes in 2020, and the Democratic Front (DF), the largest among the parties that ousted DPS in 2020 – have a relatively weak coalition potential. They also illustrate the different sides of the country's political spectrum, which follow the lines of national and political cleavages largely formed around relations with Serbia and differing interpretations of key historical events. The DPS presents itself as the guardian of Montenegro's independence, despite its controversial legacy of corruption and undue politicization. The DF is widely regarded as a pro-Serbian party and has also faced allegations of illegal financing by the Russian Federation. The other parties have so far failed to provide much-needed reconciliation or consensus-building potential on key issues of public interest, such as the pending top judiciary appointments.

The cleavages exacerbated by political parties are also reflected in societal divisions, which resurfaced when the DPS proposed a law on religious organizations in 2019. This law implied that all religious property whose ownership could not be proven would be transferred to the state, specifically concerning the property of the Serbian Orthodox Church (SOC) in Montenegro. The proposal triggered a wave of protests and tensions, and nationalist rhetoric increased on all sides. For example, President Milo Đukanović described the SOC as a “quasi-religious community,” while former Prime Minister Zdravko Krivokapić referred to the Montenegrin Orthodox Church (MOC) as a “so-called church.” These divisions have contributed to the growing trend

Conflict intensity



of occasionally violent mass protests, culminating during the enthronement of SOC's metropolitan of Montenegro in September 2021 at Cetinje Monastery, the country's old royal capital.

The rising tensions have been reflected in the official statistics. According to the Police Administration, it filed only one criminal charge against one person in 2019 for inciting national, racial or religious hatred. In the following year, the number of such charges increased to 11, with 15 defendants. In 2021, there were eight charges against 13 individuals. And in the first five months of 2022, four criminal charges were filed against four perpetrators.

II. Governance Performance

14 | Steering Capability

Since 2018, the Montenegrin government has undertaken efforts to enhance strategic planning by following a specific methodology. It has also institutionalized the quality control of strategic planning within a special department of the Secretariat General of the Government. In parallel, it has also adopted methodologies for government and line ministry work programs, which have been partially applied.

However, the political instability since 2020 has negatively affected the strategic prioritization of the government's work. Although the new governments have introduced program-based budgeting, this remains underdeveloped, with performance indicators insufficiently linked to strategic planning. Zdravko Krivokapić's government adopted a medium-term work program (2022 – 2024) but was voted out of power in early February 2022 and replaced with a new minority government more than two months later. Despite Dritan Abazović's inaugural speech, his government failed to adopt its own program and align its own strategic priorities to reflect the new political circumstances.

For this reason, Abazović's government tended to engage in ad hoc policy and decision-making. Additionally, political instability and the greater role of parliament in policymaking resulted in laws being adopted without proper regulatory impact assessments. Some of the legal amendments adopted in parliament without an impact assessment concerned important laws on the financing of local self-government, as well as repeated changes to the law governing public sector employees' wages.

Question
Score

Prioritization

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The government has had no more than limited success in implementing policies, primarily due to a lack of political determination and a limited capacity to enforce laws. Evaluation reports on the implementation of key strategies and laws appear only sporadically and are usually prepared with external support. Hence, the monitoring of policy implementation had not been internalized in a manner that would allow decision-makers to inform their policy agendas and undertake corrective actions.

The priorities related to the EU agenda of the country are summarized in the Program of Accession to the EU. However, the implementation rate for this program was at a very low level in the first half of 2022, with only 28% of commitments undertaken. This served as yet another signal of the government's failure to implement all its policies.

Political instability has resulted in high rates of turnover within the public administration and frequent reorganizations, which have affected the degree to which public policies can be implemented. The frictions among political parties have affected the implementation of key constitutional provisions, which is reflected in the fact that most of the key posts in the country's judiciary have not been fully filled. The inability to reach a quorum on the Constitutional Court in the period after September 2022 was particularly worrisome, as it blocked decision-making in one of the key institutions in the country.

The prevalence of ad hoc policymaking that is not grounded in sound analysis is largely unfavorable for policy learning efforts and actions seeking to correct specific implementation flaws.

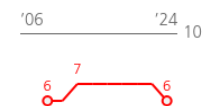
The planned quality system for monitoring and evaluation has yet to be soundly established and implemented. Although the basis for measuring the effects of policies through a medium-term work planning system has been established, the reporting on the government's work has not improved. On the contrary, due to political developments and instability, the Abazović government did not produce any comprehensive work reports and largely adopted the priorities of the mid-term program published by the previous government. However, even that government, despite adopting the program budget and work programs, reported on its work only on an annual basis, focusing solely on outputs.

The government receives support for reforms through international cooperation and the engagement of external experts in various sectors. Civil society representatives are involved in public hearings and working groups but often express dissatisfaction with the quality of cooperation from the authorities, pointing out that their participation only serves to meet formal requirements.

A rare example of more frequent reporting has been seen with the country's European Union (EU) agenda. The former minister of European affairs established real-time reporting on the fulfillment of the program for EU accession, but as of the time of writing, the online visualized report had not been updated since the third quarter of 2022.

Implementation

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Policy learning

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15 | Resource Efficiency

The Montenegrin government has not implemented any major reforms to improve human resource management in the public sector. However, the change of power in 2020 and the resulting political instability have led to a high turnover rate at the managerial level. According to SIGMA, 55% of senior civil servants left their positions between December 2020 and June 2021 due to resignation, abolition of positions or reorganization of the public institution. In this context, subsequent no-confidence votes against the two governments and changing political constellations have further increased turnover and resulted in a loss of institutional memory in the public sector. Additionally, the current methods of conducting training and performance appraisal procedures do not sufficiently meet the need for more effective service delivery and better overall human resource management.

Turnover is frequently accompanied by administrative reorganizations that have not undergone sufficient analysis. For instance, the government has altered the names and made minor adjustments to the responsibilities of certain administrative agencies (for example, transforming the Public Works Administration into the Capital Projects Administration). In general, recruitment procedures, although more competitive (the average number of candidates for managerial positions increased from two in 2020 to almost five in 2021), are still subject to undue political interference, as highlighted in a risk map prepared by the Alternative Institute.

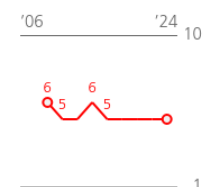
According to the 2023 budget, the public sector wage bill accounts for over one-fifth of all planned expenditures, while the development side of the budget is very weak. This confirms the trend of the predominance of personnel expenses in the state budget at the expense of other categories. According to the report on the implementation of the 2022 budget, the capital budget for development projects accounted for just 9% of total expenditures, while personnel expenses accounted for 24%, resulting in an unbalanced state budget.

Budget revenues exceeded the planned amount by 4%, while budget expenditures fell short by 5.3%. The capital budget was executed at 84.4% of the intended level, with no expenses incurred in 237 out of the 368 planned capital projects. These deviations highlight shortcomings in the planning process, which lacks transparency and does not include public engagement. This lack of transparency is particularly apparent in the omission of significant planning stages, particularly regarding capital projects. On a positive note, the Ministry of Finance has taken a crucial step toward enhancing budget transparency by initiating the monthly publication of state budget transaction data from the Treasury.

The work of the State Audit Institution is generally accepted by all sides of the political spectrum as professional and impartial, and its reports are endorsed in parliament. However, follow-up by the government, parliament and prosecutor's office to address audit findings, either systemically or on a case-by-case basis, has been lacking.

Efficient use of assets

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The Abazović government formed in April 2022 promised to advance decentralization, but only in the sense of preparing an overall analysis of the way forward – which has not yet been published. So far, decentralization has not been based on sound analysis and feasibility studies that would prevent the proliferation of financially unsustainable municipalities.

The Ministry of European Affairs (MEA), established by the Abazović government in April 2022, once again assumed the institutional responsibility for the overall coordination of European integration activities. This change marked a shift in the field, as the Government Office had previously handled affairs related to European integration. Consequently, these shifts have resulted in inconsistencies within the structures responsible for EU accession negotiations.

In its 2021 monitoring report, SIGMA stressed that the primary positive development in the area of policy planning had been the establishment of the regulatory and methodological framework for strategic planning in 2018. Nonetheless, it noted the broader inconsistency between policy and fiscal plans as being a particular challenge.

SIGMA noted particular weaknesses in interministerial consultations and the absence of mechanisms to ensure the resolution of conflicts at the administrative level. There is no clearly defined timeline for ministries to review external draft proposals that affect their work, and they are often circumvented in the policymaking procedure.

No major developments strengthening anti-corruption policies or introducing integrity mechanisms have been achieved in the review period. Montenegro would benefit from better policies in the field, as it lacks a comprehensive civil-service integrity policy.

The Agency for Prevention of Corruption (ACA) and Special Prosecutor's Office (SPO) remain key institutional actors in this area. However, despite improvements in the assessment of the agency's work by some stakeholders and the European Commission, the most vocal watchdogs continue to fiercely criticize its work and have even accused the agency's director of breaching anti-corruption standards. The ACA's decisions have been challenged by Montenegrin courts as well as the public. One recent example involved the case of a former defense minister who was paid by the European Handball Federation. Although the agency found that his income from his activities in the federation did not breach anti-corruption standards, it changed its decision after it was twice overturned by the Administrative Court.

Oversight of the financing of political entities mainly consists of administrative and technical checks. Similarly, the checks on the assets of public officials are mostly technical. Although a so-called law on illicit enrichment has been one of the key promises of the former opposition, the draft amendments to the Law on the Confiscation of the Proceeds of Crime have been criticized both by civil society and the European Commission.

Policy coordination



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Anti-corruption policy



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The SPO underwent changes after its former chief retired in early 2022. A total of four prosecutors were transferred from other prosecution offices to the SPO at the request of its new chief, Vladimir Novović. Since then, Novović has launched several high-profile cases, including several against former and current high-ranking government and judiciary officials. While these cases have sparked some initial optimism, it is too early to assess the sustainability of the results.

Public procurement is also sensitive and vulnerable to corruption. The legal framework is in line with EU legislation, and according to the latest EC report, good progress has been made in the area thanks to the full implementation of an electronic procurement system and improvements to the system of appeals for bidders.

Amendments to the law on the freedom of access to information, urged by prominent NGOs as one of the key prerequisites for anti-corruption efforts, have not yet been adopted. Although Krivokapić's government submitted parliamentary amendments that would have introduced new transparency obligations and narrowed restrictions on free access to information, they were withdrawn by the Abazović government without a full explanation.

16 | Consensus-Building

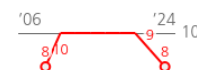
All major political actors agree on establishing democracy as a strategic, long-term goal. European and Euro-Atlantic integration remain key strategic priorities. Although NATO membership remained a polarizing issue even after accession, the public opinion surveys conducted in the review period demonstrated a decline in opposition to the country's membership in this alliance.

The 2020 shift in power resulted in increased political instability and significant ideological heterogeneity within the power structures. None of the relevant political actors possesses a stable majority. In this context, consensus-building has been difficult on numerous issues, with the most prominent being pending judiciary appointments.

While all major political actors agree on establishing a market economy as a strategic long-term goal, there are differences in the extent to which actors believe the state should intervene in the economy. Some advocate minimal state intervention and a larger-scale privatization agenda. Others argue that key public resources, such as airports, should not be subject to privatization and that the country should take steps to mitigate the negative effects of the market economy. However, these differences are not always clearly reflected in the official stances of political parties, as they tend to have weak ideological identification.

Consensus on goals

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Reform forces in Montenegro cannot always control strong anti-democratic actors, but they do significantly limit their influence.

State institutions and political parties hold the most influence, while the media and NGOs also play significant roles. The international community, mainly through the Delegation of the European Union to Montenegro and select foreign embassies, plays a major part as well. Economic lobbies, often connected to public officials and successful entrepreneurs, also hold sway, as do major business figures, some of whom have been linked to criminal organizations by the media. Certain prominent lobbies, such as those in the construction and finance sectors, occasionally adopt anti-reformist stances.

In 2020, the Serbian Orthodox Church (SOC) in Montenegro demonstrated its strong political influence and power to prevent public policies that it did not support. The SOC emerged as the winner in the conflict with the then-government over the Freedom of Religion Act. Its engagement decisively influenced the outcome of the elections, resulting in the DPS' loss of power.

Several high-profile events in 2022 indicated that certain organized crime groups had infiltrated the country's public sector, especially the judiciary, security sector, and Customs and Revenue Administration. The resolution of these cases should be closely monitored, as they could provide a signal of the scale of the anti-democratic role of serious organized crime in the country. On the other hand, it will be vital to achieve sustainable results in fighting organized crime, as this will demonstrate that reformers can significantly limit the influence of these groups.

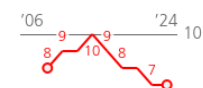
Ethnic and national identity divisions remain deep in the political, cultural and social spheres, and come to the fore during election campaigns. The political elite have not been successful in preventing conflicts based on cleavages from escalating.

The divisions revolving around the issues of national identity and historic relations with Serbia remain the most sensitive and pressing. Political leaders have done little to reduce these divisions or build bridges that would help to forge social cohesion. On the contrary, political elites have periodically fueled these conflicts in order to mobilize the electorate from year to year. This cleavage has deepened since late 2019, creating a conflict potential that is very difficult to manage.

There is a national consensus on the issue of EU membership, with public support reaching 77.8% in December 2022, demonstrating that this overarching priority can be a sound basis for much-needed consensus-building. The country's NATO membership is also less contested than in the period prior to joining this alliance.

Anti-democratic actors

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Cleavage / conflict management

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The political leadership accommodates civil society actors on some issues, while tending to ignore them on others. Members of some political parties continue to label NGOs as foreign agents, mercenaries and “Sorosoids,” or allege that they have political or even criminal ties.

Two key mechanisms for civil society organization (CSO) participation include public hearings in preparation of laws and strategies, as well as participation in working groups and other bodies. Public hearings are not mandatory for defense and security matters; the state budget; in extraordinary, urgent or unforeseen circumstances; or for minor issues. This list of exemptions leaves room for governments to abuse their power of discretion. Many non-governmental organizations (NGOs) complain that their proposals and suggestions are often rejected during public hearings without proper consideration. Additionally, recent trends have shown frequent violations of public consultation norms in the policymaking process. One notable example from January 2023 involved the government’s proposal to amend the law on state prosecution regarding the appointment of an acting supreme prosecutor. The proposal was submitted to parliament without prior consultations, despite its significant impact.

On the other hand, the increasing number of proposals submitted by members of parliament has had the negative side effect of excluding civil society organizations (CSOs), experts and other interested parties from policymaking, as this form of lawmaking does not require public consultation.

The government failed to complete the establishment of the Council for the Development of NGOs, despite a fourth repetition of calls for interested NGOs. This may signal the disillusionment of civil society with participation in similar bodies and the weakening capacities of CSOs to take part in the large number of consultative bodies with weak impact.

Montenegro is not actively prosecuting war crimes, as outlined in the 2015 War Crimes Investigation Strategy. The Special Prosecution Office has prosecuted only two individuals, based on two cases referred to it by the prosecutor’s offices of Serbia and Bosnia and Herzegovina. According to an independent report by the NGO Human Rights Action, the special prosecution services have failed to achieve the main objectives of this strategy, which are to identify cases involving Montenegrin citizens during the 1990s, to identify Montenegrin citizens who might have participated in paramilitary groups during the Yugoslav wars, and to review past cases (Morinj, Bukovica, deportations, Kaluđerski laz).

In May 2022, for the first time, government officials – including the interior and justice ministers – attended the anniversary of the deportations. In 1992, the Montenegrin police arrested 66 civilians from Bosnia and Herzegovina, mostly Muslims, who had come to Montenegro fleeing the war, and then handed them over to the Republika Srpska army in spite of the illegality of this action. The police chief apologized to the victims and family members of the refugees who were deported in 1992.

Public consultation

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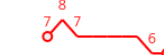


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Reconciliation

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However, high levels of political polarization are reflected in the lack of a unified approach toward reconciliation efforts. In October 2022, two ministers of the Abazović government unveiled a plaque commemorating Croatian civilians and defenders imprisoned in the Morinj camp in Montenegro during the siege of Dubrovnik (Croatia) in 1991. While the move was praised by several NGOs, the prime minister criticized it as a breach of official procedures. Additionally, the statement on the plaque was criticized by some media and experts as relativizing the role of Montenegro in the Yugoslav wars.

A relativization and denial of the Srebrenica genocide are also present in the public discourse. This has included the politicians of the parliamentary majority that ousted the DPS from power, which signals a failure to face the truth about the recent past in the region. In early 2023, the two ministers attended the celebration of the Day of Republika Srpska, which was declared an unconstitutional holiday by authorities in Bosnia and Herzegovina.

17 | International Cooperation

The government has used international assistance to achieve long-term goals and create a road map for political and economic development. However, this potential has not been fully realized, as indicated by the European Commission's cancellation of an investment grant of €41.2 million in 2022. The cancellation was due to the slow progress of the preliminary design work on the Budva bypass section of the Adriatic-Ionian expressway, which was hindered by Montenegro's legislation on preliminary design requirements for complex infrastructure.

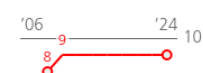
The European Union continues to be the most significant provider of external support to Montenegro. Under the Instrument for Pre-accession Assistance (IPA III, 2021 – 2027), a first financing tranche of €32.41 million was granted at the end of 2021. Apart from the overarching EU accession priorities, this support is focused on post-COVID-19 recovery and reforms in the areas of agriculture, environmental protection, transport, economic governance and investment planning. The ongoing programs under IPA II (2014 – 2020) are still being implemented.

By the end of 2021, the specially devised COVID-19 response budget support program had also been implemented. In early 2023, the European Union allocated €30 million to Montenegro to overcome the energy crisis.

The United States and the United Kingdom also provide support in various areas, including civil society, justice and security sector reforms. Additionally, U.N. agencies and development agencies from certain EU member states are active in the country.

Effective use of support

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The European Commission has stated that Montenegro has a good level of preparation in the negotiation chapter on foreign, security and defense policy. The 2022 report highlighted Montenegro's full alignment with the European Union's Common Foreign and Security Policy, including with the EU's restrictive measures against Russia. The report also noted that Montenegro is coordinating its positions with those of the EU, including within the WTO, and maintains good cooperation with international organizations.

Criticism of Montenegro by the European Union has increased, although this was not fully reflected in the assessment of readiness and progress in the 2022 annual report. As Montenegro faced challenges in appointing Constitutional Court judges, the European Union warned of potential obstacles to the membership talks.

Montenegro maintains good cooperation with international organizations and actively engages in NATO activities. However, the National Security Agency has experienced frequent shifts in leadership in recent years. After the dismissal of former head Dejan Vukšić, who had connections with pro-Serbian parties in the country, the Abazović government appointed Savo Kentera, head of the Montenegrin branch of the Atlantic Council, to the position. However, Kentera was dismissed in October 2022 following several controversial events. The activities of Kentera were praised by the United States and NATO, particularly in their efforts to counter Russian influence in the country.

Montenegro's enforcement of European Court of Human Rights decisions has been positively assessed, and the country has been recognized as a good practice example. There are no outstanding issues concerning international cooperation.

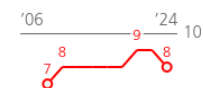
Montenegro actively participates in regional cooperation and maintains good neighborly relations, with the exception of relations with Serbia in recent years. During the review period, Serbia, North Macedonia and Albania launched the Open Balkan Initiative, which sparked a heated debate in Montenegro regarding the country's own approach to this issue. Opposition and anti-government activists contended that joining this initiative would undermine national interests, whereas some parties in power argued that it would be beneficial for Montenegro.

Relations with Serbia have deteriorated in recent years, culminating in the adoption of the Law on Freedom of Religion in 2019. After the Serbian ambassador to Montenegro was declared *persona non grata* by the incumbent DPS-dominated government in November 2020, countries are now represented at the level of *chargé d'affaires*.

Serbia was accused of interfering in the Montenegrin parliamentary elections of 2020, as well as the subsequent local elections in 2021 and 2022. Official relations between Serbia and Montenegro improved with the establishment of the Dritan Abazović government, which is dominated by the URA and the Socialist People's Party.

Credibility

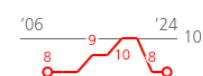
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Regional cooperation

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However, several critical issues remain unresolved, such as the extradition of Svetozar Marović. Marović, a former high-level official of the DPS, was convicted in a corruption case but fled to Belgrade.

Relations with Bosnia and Herzegovina faced challenges on several occasions, most recently in early 2023, when two ministers attended the celebration of the Day of Republika Srpska. This holiday had been declared unconstitutional by authorities in Bosnia and Herzegovina.

The border with Croatia has been under an interim regime since 2002. Both countries have agreed to seek a diplomatic solution or to adhere to the decision of an international court. Montenegro and Croatia have a strong record of cooperation, and both governments express full commitment to solving this issue through dialogue.

Strategic Outlook

The Democratic Party of Socialists' (DPS) loss of its long-term monopoly on power resulted in political instability after 2020. Opposition to the DPS alone has proven insufficient to unite a group of ideologically diverse parties, none of which had the ability to be the cornerstone of a more stable government.

The creation of Europe Now, a new catch-all party, could potentially bridge the existing deep divisions. According to the CEDEM poll from July 2022, it would receive 10% of the vote in the parliamentary elections, and by October 2022, its support had increased to over 20% in the capital, Podgorica, where the party is likely to win the mayoralty. The party is often accused by its opponents of having links to the Serbian Orthodox Church. The leaders of the party have been criticized for lifting the name of a public economic program to establish their own platform. The party itself was founded by two ministers in the Krivokapić government – Miloško Spajić, former minister of finance and social welfare, and Jakov Milatović, former minister of economic development. Without parliamentary status and facing severe criticism, it will be very difficult for the party to position itself without making compromises with some established political parties. These dynamics may be decisive in shaping future political constellations and may either exacerbate or diminish political divisions, which revolve largely around issues of national identity and are massively exploited by political actors and the media.

Having undergone only weak institutional reforms, Montenegro remains susceptible to malign foreign influence. Chinese influence is reflected through a number of infrastructure projects, such as highway construction, and attached financial obligations. Therefore, a financial dependency has also developed, which can be overturned by the stronger presence of the European Union and more sustainable fiscal consolidation measures. Furthermore, the country has historic ties to Russia. Among the parties, the Democratic Front, which won more than 30% of the vote with its allies in the 2020 parliamentary elections, is most frequently accused of nurturing ties with the Russian regime. However, Montenegro's full alignment with the EU's foreign policy, as well as its NATO membership, serves as an important barrier to destabilizing effects from this direction.

Key reforms remain stalled. The two governments in office following the 2020 shift of power did not pass some of the most anticipated policies, such as the provisions on illicit enrichment or amendments to the law on free access to information. The loss of the quorum of the Constitutional Court in September 2022 and the subsequent inability of political parties to reach a consensus on top judiciary appointments had corrosive effects on the country's image and EU accession prospects. Hints that a deal might be finally struck appeared in early 2023. If so, that could pave the way for much-needed consensus-building on other top judiciary appointments, including the Supreme State Prosecutor and non-lay members of the Judicial Council. However, the fact that compromise will come only as a consequence of the tightening EU conditionality, more than 10

years after the launch of the EU accession negotiations in 2012, speaks poorly about the country's political capacities. In that context, the European Union should continue to use its "stick" to encourage consensus-building, especially given the high levels of public support the country's EU efforts enjoy and the number of mechanisms at its disposal, including the cutoff of funds.

Nonetheless, political parties hold the key to further developments. Echoing the push by the European Union and civil society, political actors should shift the discourse from historical revisionism to much-needed policy reforms. The list of unaddressed priorities in the country's accession negotiations with the European Union is already quite long.