

MONTENEGRO

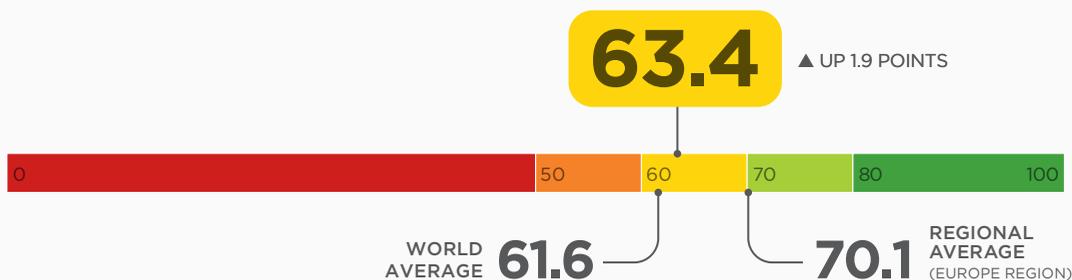
Montenegro's economic freedom score is 63.4, making its economy the 80th freest in the 2021 *Index*. Its overall score has increased by 1.9 points, primarily because of an improvement in **fiscal health**. Montenegro is ranked 39th among 45 countries in the Europe region, and its overall score is below the regional average but above the world average.

The economy of Montenegro climbed in the ranks of the moderately free this year. High government spending and debt levels, which hamper the realization of greater economic freedom, would be alleviated by improved public-sector finance. The country also remains beset by corruption and weak rule of law, as well as by a complex and time-consuming regulatory environment.

IMPACT OF COVID-19: As of December 1, 2020, 504 deaths had been attributed to the pandemic in Montenegro, and the economy was forecast to contract by 12.0 percent for the year.

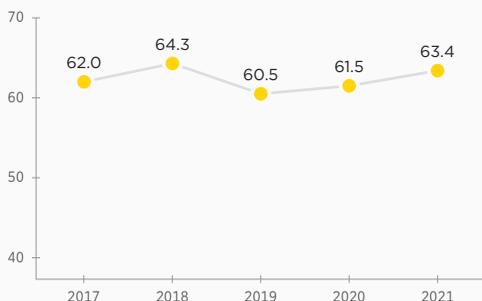


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2002): +16.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.6 million

GDP (PPP):
\$12.6 billion
3.6% growth in 2019
5-year compound annual growth 3.9%
\$22,989 per capita

UNEMPLOYMENT:
14.9%

INFLATION (CPI):
0.4%

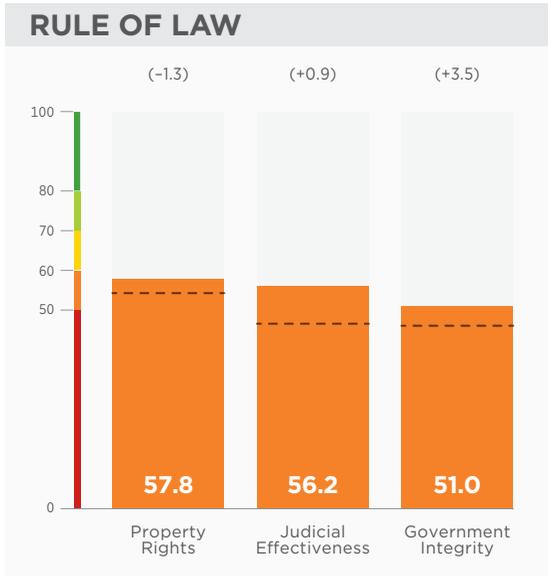
FDI INFLOW:
\$452.8 million

PUBLIC DEBT:
74.8% of GDP

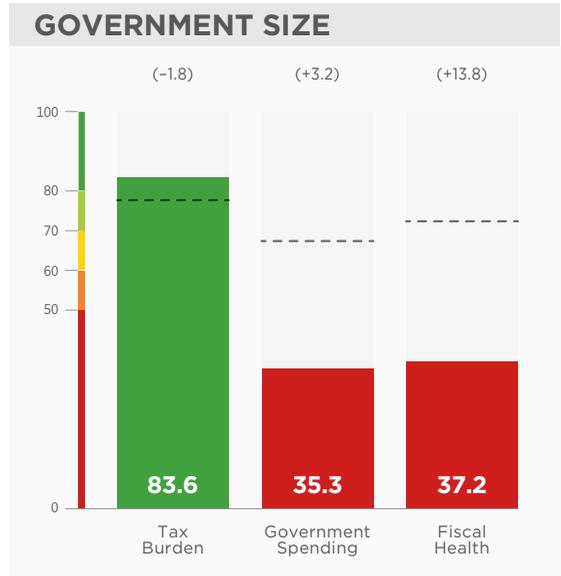
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: Montenegro declared independence from Serbia in 2006, introduced significant privatizations, and adopted the euro despite lack of membership in the eurozone. It joined NATO in 2017 and is an EU candidate country. Milo Đukanovic won election to a second, nonconsecutive term as president in 2018. Đukanovic has served as president or prime minister for nearly all of the past 25 years and has steered the country in a generally pro-Western direction. Although his Democratic Party of Socialists won the most seats in 2016 parliamentary elections, it failed to secure a majority, and Đukanovic's longtime ally Duško Markovic became prime minister in a coalition government. A controversial law regarding the ownership of property by religious communities has led to protests.

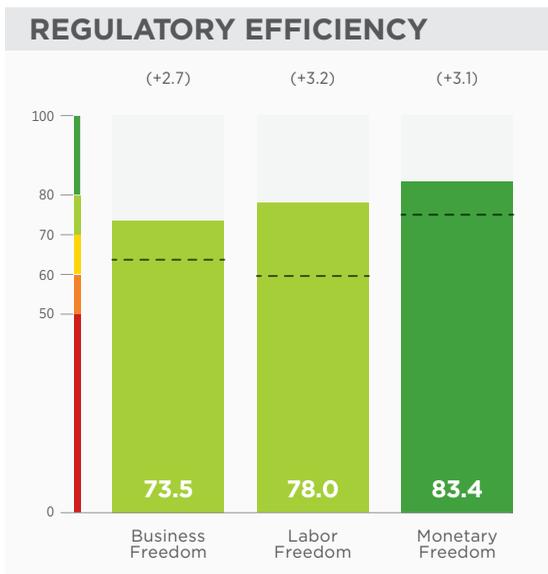
12 ECONOMIC FREEDOMS | MONTENEGRO



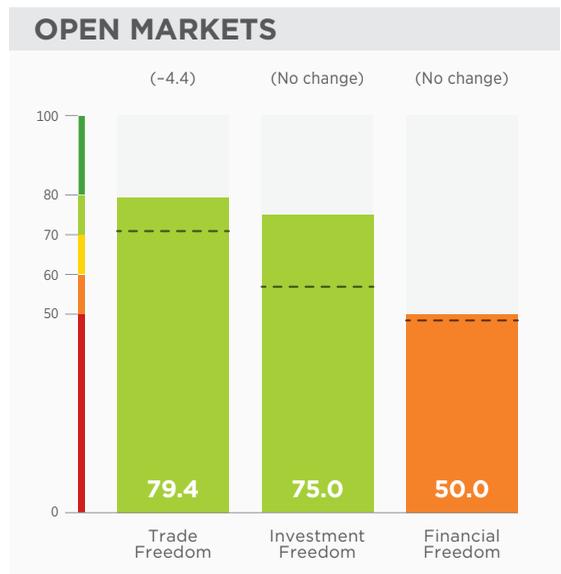
The law respects and protects property rights. The government has improved the property registration system, but more reforms are needed. Despite recently adopted legislative reforms aimed at improving the efficiency and effectiveness of court proceedings, judicial corruption and lack of transparency or accountability remain problems. Corruption and the perception of corruption are significant problems in the public and private sectors.



The personal income and corporate tax rates are a flat 9 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 38.4 percent of total domestic income. Government spending has amounted to 46.5 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.7 percent of GDP. Public debt is equivalent to 74.8 percent of GDP.



Starting a business and obtaining electricity have become less expensive, dealing with construction permits is less time-consuming, and the recovery rate when resolving insolvency has increased. The labor force participation rate has climbed. A wide range of government subsidies accounted for 1.57 percent of GDP in 2020 according to a government report.



Montenegro has five preferential trade agreements in force. The trade-weighted average tariff rate is 5.3 percent, and 16 nontariff measures are in effect. The regulatory and legal frameworks governing foreign investment generally facilitate the development of a growing private sector. The financial sector is small, but the level of foreign banks' participation and investment is significant. The fully privatized banking sector functions under market terms.