



UNITED NATIONS COMMON COUNTRY ANALYSIS

Country update 2023

MONTE NEGRO



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Introduction

This is the second update of the Common Country Analysis (CCA) – the UN's view of the progress on sustainable development in a country. The CCA is a living document and is updated on an annual basis. The inaugural CCA was launched in 2021. It outlined the main challenges to achieving the 2030 Agenda, their root causes, and the way forward. The inaugural CCA highlighted that, whilst Montenegro had progressed well on the SDGs, the COVID-19 pandemic had reversed some of the progress. It recommended some actions to accelerate progress on the SDG.

The first update of the CCA was conducted in 2022. It highlighted that following the inaugural CCA, many of the main challenges and their root causes remained, despite Montenegro recovering well following the COVID-19 pandemic. The main contextual changes were firstly the political shifts caused by two votes of no confidence in one year, which slowed some key processes such as EU accession, and secondly the impacts of the war in Ukraine, although Montenegro was not directly impacted by the war, or the impact of sanctions on Russia. Montenegro was indirectly impacted by accelerating inflation that eroded household incomes and the increase in private consumption that supported growth.

This is a light touch update as there have been no significant changes in Montenegro's overall sustainable development trajectory since the last update. It summarises the main issues that have arisen in the past year and progress in the three strategic priority areas of the

UN Sustainable Development Cooperation Framework (UNSDCF); Inclusive economic development and environmental sustainability; Human capital development, reducing vulnerability, and social inclusion and; Social cohesion, people-centred governance, rule of law, and human rights. The light touch update also provides a focussed analysis of the situation of persons with disabilities against the three strategic priorities, and the financing landscape in Montenegro. Additionally, there are considerations for strategic prioritisation of the investments of the Montenegro SDG Acceleration Fund (MAF) against the analysis contained within the CCA. All evidence and data are current as of 30 November 2023.



Executive Summary

Montenegro has continued to make progress on the SDGs and overcome various hurdles. Most notably the performance of the economy has supported lower levels of poverty¹ and risk of poverty, reducing the number of vulnerable households, leading to good progress in SDG 1. This is occurring despite some serious headwinds to progress in the form of climate change, war in Ukraine (with an estimated 63,000 more Ukrainians and 33,000 more Russians residing in Montenegro since the start of the war based on information from the Montenegrin border police) and political uncertainty.

The political uncertainty has slowed progress on the SDGs. In particular, the EU accession process, which if achieved would deliver around two thirds of the SDGs, has seen limited progress. There were both Presidential and Parliamentary elections in 2023. The Parliamentary elections resulted in increased polarisation and harsh rhetoric reported online, as well as gender-based hate speech towards female politicians. The continued political uncertainty until the elections and protracted process to form the new Government have meant little progress on transitional justice and reforms that would accelerate progress on the SDGs. Other governance and institutional issues persist as a result. Corruption and organised crime remain issues that need to be addressed.

While broader progress has been maintained, it is now about accelerating progress in all areas and ensuring that everyone is benefitting from it. The CCA

¹ World Bank, Regular Economic Report Fall 2023; Toward Sustainable Growth

has a stronger focus on persons with disabilities and references the multiple discriminations they face in different facets. Vulnerable groups still face multiple challenges and deprivations. Efforts to address these factors have led to positive results, such as increasing the enrolment of Roma and Egyptian children.

However, evidence from the World Bank² suggests that a child's circumstances will affect its potential to improve their socio-economic status in the future. And the skills being developed are still not resolving the skills-jobs mismatch, as employers still struggle to fill certain positions. Vulnerability also appears to be concentrating among rural and Northern households. Plus, single parent households and parents with more than three children are more likely to be vulnerable than other household groups. Some pervasive issues remain such as gender-based violence and violence against children. These are still exacerbated by cultural and social norms which lead to a high tolerance of these deprivations.

Despite the progress, many challenges and disparities persist from the inaugural CCA meaning much work is still needed to achieve the central promises of the 2030 Agenda. Much of the gaps and challenges in this iteration of the CCA mirror those of the previous iterations, even if they have either evolved or diminished in importance. Therefore, many of the recommendations also mirror those in previous iterations of the CCA. Fo-

² World Bank Country Economic Memorandum, 2023, Towards a sustainable growth strategy

cussed interventions against the three strategic priorities will support the progress made and build on the momentum following the COVID-19 pandemic. EU accession still offers a complementary vehicle to achieve many of the SDGs. After making commitments at the SDG summit in September, the UN should continue to monitor and support the Government of Montenegro to fulfil these pledges.





Political and governance situation

Many positive trends have continued in Montenegro. This is despite the impacts of the COVID-19 pandemic and the war in Ukraine, and its consequences on global inflationary pressures and their subsequent impacts on Montenegro's cost of living. Some key SDG indicators are continuing to show improving trends, most notably poverty and risk of poverty remain on downward trend, inequality is reducing, and some gender disparities continue to converge. Despite this, challenges remain and continue to influence Montenegro's development trajectory.

One of the major challenges from the last year, political uncertainty, continued in the first half of 2023. In February and August 2022, two votes of no confidence passed in parliament. Since the August 2022 vote of no confidence, the incumbent Government remained in a technical capacity until the end of October 2023. The technical government struggled to pass legislation and reform, although it adopted a range of draft laws. The Presidential elections in March, with a run-off in April, resulted in Jakov Milatović replacing the incumbent, Milo Đukanović.

The Parliamentary elections, in June 2023, brought no clear majority for any single party or coalition. None of the main parties or coalitions won a clear majority. Voter turnout was the lowest since Montenegro's independence in 2006, at 56.3 percent. Political analysts in Montenegro cited numerous reasons for the low turnout, including voter fatigue, and voters struggling to

identify parties based on issues that matter to them.³ Following negotiations between coalition parties, the 44th Government of Montenegro was elected on 30 October 2023, with Milojko Spajic of the Pokret Evropa Sad (Europe Now Movement) taking office as Prime Minister, ending the mandate of the caretaker Government under Dritan Abazovic. Of the 23 Ministers, only 4 are women, continuing a trend of low female participation in ministerial positions. Only 27 percent of members of parliament are women.

Montenegro's political situation has left the outlook uncertain. Many issues remain to be resolved. The municipal elections in Savnik, held in 2022, are still unresolved with no winner declared. There was also no progress in electoral reform, seen as needed to address ambiguities and gaps in electoral processes.⁴

Progress towards EU accession, which would also support the implementation of approximately two thirds of the SDGs⁵, has been slow during the past few years, affected by the changes of Government.⁶ The political uncertainty on the one hand limited Montenegro's ability to respond to new crises and initiatives. However, on the other hand, other progress appears to continue smoothly, such as in the economy, where the political uncertain-

³ Associated Press, June 2023, Montenegro voters focus on economy, living standards in snap parliamentary elections

⁴ OSCE, June 2023, Montenegro's parliamentary elections pluralistic and well-run but legal reform still needed, international observers say

⁵ UN Montenegro, 2019, Unravelling Connections: 2030 Agenda and EU Accession

⁶ European Commission; Montenegro Report 2023, https://neighbourhood-enlargement.ec.europa.eu/montenegro-report-2023_en

ty appears less of a factor for economic activity, which is being driven by external factors. Economic growth is set to be approximately twice as high as was expected at the start of the year, driven by continued growth in private consumption, mostly through tourism, the influx of Russian and Ukrainian migrants and the minimum wage – tax reform programme.





Persons with disabilities

This CCA update includes a focus on progress and challenges persons with disabilities face in each strategic priority of the UNSDCF. There are challenges in providing such an analysis, due to the lack of data and the absence of a unified and comprehensive definition of persons with disabilities in the Montenegrin legal system. These factors cause diverse approaches across sectors. Moreover, today, in Montenegro persons with disabilities need to undergo multiple assessments to access different rights. The fragmented approach affects various aspects of life, including social and child protection, employment, work, pension, education, and health. The system in place remains primarily medical based, built on the concept of the "broken body" with disability understood as being a result of a physical, mental, intellectual, or sensory deficiency. The implementation of structural reform of national disability assessment mechanisms, expected to pave the way for a transition from a medical to rights-based approach across sectors, has been hindered by political uncertainty. Even though the Parliament of Montenegro ratified the Convention on the Rights of Persons with Disabilities (CRPD) and its Optional Protocol in July 2009, the human rights approach to disability enshrined in the Convention is yet to be applied in legal and policy frameworks.

Safeguarding the rights of persons with disabilities remains a challenge. Persons with disabilities continue to face significant levels of discrimination, hindering them from exercising their rights on an equal basis with other, in many aspects of their lives, like employment,

education, health, social protection, access to justice and in political life. Some legislation is not yet in line with the CRPD, while delays in adopting laws add to the challenges. The Government adopted a new six-year Strategy in July 2022, but there was no information on the level of implementation.

The institutional framework to promote and protect the rights of persons with disabilities faced challenges as a specific directorate dealing with the rights of this group and the National Council for the Rights of Persons with Disabilities were abolished or have not been functioning for years. Positively, in May 2023, the Protector of Human Rights and Freedoms and ten Organisations of Persons with Disabilities established an independent mechanism to monitor the implementation of the CRPD.



Strategic priority 1: Inclusive economic development and environmental sustainability

Some of the environmental challenges experienced last year have not manifested themselves in 2023. Much of Southeast Europe, especially Greece, suffered from wildfires during the summer of 2023, but Montenegro was largely spared. The preceding year had been punctuated by wildfires across Montenegro with most occurring at the coast and in Podgorica municipality. The summer period (June, July, and August) was wetter than in 2022, especially in Podgorica and the coastal region.⁷ However, there were periods of extreme heat. In August, the capital city, Podgorica recorded the first 24-hour period in which the temperature did not drop below 30 degrees Celsius, since recording began.

Climate change has brought more variability in weather conditions. The wetter year has had a positive impact on the hydroelectric capacity of Montenegro in 2023, compared to 2022, but also came with downsides. During the dry months of 2022 (August to October), Montenegro was almost totally reliant on the Thermal Power Plant (TPP) in Pljevlja. The TPP is one of the major drivers of air pollution in Montenegro. There was heavy rain across Montenegro in January.

In the Northern towns of Pljevlja, Mojkovac and Rožaje, these caused landslides, damaged roads and bridges and resulted in the death of one person in the coastal town of Herceg Novi.

⁷ Institute of Hydrometeorology and Seismology

Renewable energy is playing an increasingly important role in Montenegro's energy balance. The amount of precipitation in 2023 was more similar to an average year, which alleviated the pressure on the TPP to provide power throughout the year. The overall share of renewables in electricity generation had increased to around 61.5 in 2020, but declined to 60.2 percent in 2021 and 50.6 percent in 2022. In 2022, the thermal power plant generated 49.4 percent of Montenegro's electricity generation against 39.8 percent in 2021.⁸ The unfavourable hydrometeorological conditions earlier in the year that affected electricity generation also caused industrial production to decline by 3.2 percent.⁹ This means that Montenegro is still heavily reliant on the TPP for base-load¹⁰ and makes the case weaker for decommissioning, despite renewable projects in planning and being implemented. However, remedial works to reduce sulphur and nitrogen oxide emissions at the TPP have begun.

The aluminium plant (KAP) and the influx of Ukrainian and Russian migrants have affected energy consumption. One of the main consumers of energy – KAP – fully closed its smelter, an important source of pollution, in the second quarter of 2023. In 2021, while still at full capacity, KAP accounted for around 19 percent of total energy consumption. In 2022, this had already fallen to 3 percent. The electrolysis process conducted at the plant

⁸ Monstat, Energy balance

⁹ Central Bank of Montenegro: Real sector

¹⁰ The permanent minimum load that a power supply system is required to deliver.

was seen as a cause for some harmful perfluorocarbon¹¹ emissions.¹² Aluminium was approximately 25 percent of Montenegro's exports in 2022. The increase in the number of Ukrainians and Russians does not appear to have impacted energy consumption. Residential electricity consumption only rose from 1336.4 GWh to 1373.3 GWh from 2021 to 2022, despite increased population pressures created by the additional Ukrainians and Russians residing in Montenegro.¹³

Challenges in dealing with waste persist. Illegal landfills continue to be used on the banks of Montenegro's river system, damaging the environment in Montenegro and downstream in other countries such as Serbia and Bosnia and Herzegovina. Often the waste thrown into the landfills is single use plastics which are non-biodegradable. Local NGOs have dealt with some of the illegal landfills, and pollution levels in some water management issues persist. Petnjica and Plav have recycling and sorting centres for waste, but many municipalities lack these facilities.

The economy continued to grow following the COVID-19 pandemic. Growth in the tourism market and the arrival of Ukrainians and Russians have supported private consumption. Real economic growth was 6.1 percent in 2022, rather than the expected 3.6 percent at the start of the year (see Chart 1). Private consump-

tion was supported by public consumption and export growth, mainly through energy and metals. The increased tourism arrivals and overnight stays, along with rising employment and an increase in wages, supported retail trade, which expanded by 10.4 percent in real terms in the first half of 2023.¹⁴

Inflation still represents a risk to poverty reduction efforts as it has eroded real disposable incomes. After averaging 13 percent in 2022, with food price inflation at 22.6 percent, inflation moderated in 2023. Inflation in 2022 was mostly driven by food price inflation, a consequence of the war in Ukraine and Montenegro's reliance on food imports. The average inflation rate remained at 9.6 percent from January to October 2023 (see Chart 2). However, the drivers of inflation are shifting from international sources to more domestic ones. Food price inflation is lower than in 2022, at 13.8 percent¹⁵, but continues to fuel inflationary pressures. This is despite a softening of global food price inflation. However, a larger proportion of inflationary pressure is explained by public sector pay increases. The higher inflation continues to erode real incomes in all sectors except for the public sector, ICT, construction, and mining.¹⁶ Households on lower incomes are disproportionately impacted by inflation. The Government launched a campaign to "Stop Inflation" to limit the profit margins on certain goods in the consumption basket.

11 A greenhouse gas emission.

12 UNFCCC, 2021, Third Biennial Update Report of Montenegro

13 Monstat, Energy balance

14 World Bank, Regular Economic Report Fall 2023; Toward Sustainable Growth

15 Monstat, CPI

16 World Bank, Regular Economic Report Fall 2023; Toward Sustainable Growth



The IMF released evidence that global inflation was being driven by corporate profits in 2022.¹⁷

A record tourism season continues to be an important engine of growth, demonstrating Montenegro's continued reliance on tourism (see Chart 3). However, the composition of tourist arrivals suggests that Montenegro's tourism industry is more resilient to shocks than prior to the COVID-19 pandemic. The summer season has already exceeded 2019 data for arrivals and overnight stays and the numbers were already higher than in 2019 in the first half of the year. The loss of Russian tourists, who constituted around 10 percent of total tourist arrivals in 2022 (a 5-percentage point fall from 2019), does not appear to affect the overall tourism numbers.

However, there were over 80,000 more Russian tourist arrivals in the first 7 months of 2023 than in the same period in 2022, although with approximately 33,000 more Russians residing in Montenegro since the start of the war it is not clear to what extent this is blurring the data. Other established markets continue to play an important role over the first 7 months. Some saw their market share fall compared to 2022, such as Serbia (17.5 percent) and Bosnia (8.6 percent). Other traditional markets saw an increase in absolute numbers such as France and the UK, increasing by 12,900 and 11,000 respectively. In 2023, there were new growth in untraditional and non-European markets including China and Israel. Tour-

ist arrivals from Poland and Turkey increased by 24,400 and 14,000 respectively.¹⁸

Private consumption is taking on a more important role in driving economic growth. The influx of Ukrainian refugees and Russians has continued to support private consumption. This is reflected in data on VAT which has increased based on the influx of migrants and, partially, inflation. However, the increase in private consumption has offset some other trends. As mentioned above, hydroelectric production increased due to improved hydro-meteorological conditions. However, manufacturing declined compared to in 2022, due to the closure of some operations of KAP. Construction also declined in the first half of 2023. However, an increase in the number of building permits suggests that this will likely reverse in the near term. Despite these declines, Montenegro posted a narrowing current account deficit as export growth outpaced import growth. This was again mostly attributed to the growth in tourism. Net remittances fell 5.7 percent in the first half of 2023, while net Foreign Direct Investment fell by 26.4 percent, compared to the first half of 2022.

Fiscal imbalances have narrowed but vulnerabilities remain. Montenegro achieved a fiscal surplus of 2.3 percent of GDP by July 2023, due to better-than-planned revenue collection and capital budget under-execution.¹⁹ The increase in revenues of 24.5 percent was support-

ed by one-off payments (for the economic citizenship program²⁰, a hedging fee, and grants) equivalent to 1.8 percent of GDP, but also corporate income tax and contributions collection. This is despite prior issues with tax compliance on personal and corporate income tax. The VAT and excise collection was also strong. Expenditure growth at 12.9 percent was more moderate than that of revenues, as capital spending declined by 54.6 percent, despite an increase in public sector wages and social spending.

Montenegro must repay the €1.75 billion of the Eurobond by 2029 with several major tranches over the next few years. These repayments put pressure on Montenegro's fiscal sustainability as it needs to raise the funds to repay these tranches and leaves Montenegro vulnerable to further economic shocks. The first tranche to be repaid is €500 million in 2025, followed by two further repayments €750 million in 2027 and €500 million 2029. Montenegro has reduced its debt to GDP from 105.1 percent in 2020 to 61.3 percent in June 2023.²¹

ICT sector growth and public sector recruitment supported continued improvement in labour market indicators. Employment has continued to grow in 2023 (see Chart 4). In quarter two employment rose to 55.9 percent, 5.2 p.p. higher than quarter two in 2022. During the same period, unemployment fell from 14.6 percent

¹⁷ <https://www.imf.org/en/Blogs/Articles/2023/06/26/europe-s-inflation-outlook-depends-on-how-corporate-profits-absorb-wage-gains>

¹⁸ Monstat, Tourism

¹⁹ Ministry of Finance, State Budget and Public Debt

²⁰ Although this programme was discontinued at the end of 2022, there were still over 300 being processed.

²¹ World Bank, Regular Economic Report Fall 2023; Toward Sustainable Growth

to 12.9 percent. Employment and unemployment have recovered from respective lows and highs in quarter one of 2021 (employment of 38.5 percent) and quarter four of 2020 (unemployment of 21.2 percent). And the activity rate reached 64.2 percent, which is higher than it was prior to the COVID-19 pandemic.

A lot of the employment growth can be explained by growth in the ICT sector and by the immigrant workers from Russia, Ukraine and Belarus relocating their businesses or companies from countries avoiding the sanctions regime in Russia, relocating to Montenegro. At the same time youth unemployment has hit the lowest level and youth employment its highest level since even before the COVID-19 pandemic at 18.7 percent and 50.5 percent, respectively (see Chart 5).²² The ICT sector growth also reflects that while there has not been large-scale diversification, there are some signs of growing new sectors. According to the Montenegrin Anti-Corruption Agency around 15,000 contracts were added to the public sector in the lead up to the presidential and parliamentary elections.²³

Women are continuing to benefit from improved economic activity and growth in employment, with female employment hitting record levels in the second quarter of 2023 (50.4 percent), but gaps with men rose slightly. Overall female activity and employment rates have continued to rise, although they have stopped

²² Monstat, Labour Force Survey

²³ Agencija za sprječavanje korupcije (Anti-Corruption Agency)

converging with the male rates, which are rising at a faster rate and hit 61.7 percent in the second quarter of 2023 (see Chart 6).²⁴ However, since both male and female labour market indicators are improving it suggests that men are benefiting more from employment growth than women. Labour market indicators had converged in 2021 and 2022 as women appeared to be benefitting from the pace of economic recovery.

The North continues to lag other regions. In the second quarter of 2023, more people in the North were unemployed (32.9 percent) than employed (31.6 percent). Around 55 percent of Montenegro's unemployed are in the North. In the same quarter, the employment rate in the Coastal region was 82.5 percent and unemployment just 2.2 percent. In the Central region employment was 58.1 percent and unemployment 10.8 percent.²⁵ This reflects the continued disparity of economic activity between the North and the Coastal and Central regions where tourism and public sector employment are predominant.

²⁴ Monstat, Labour Force Survey

²⁵ Monstat, Labour Force Survey

²⁶ Monstat, National Accounts Data

²⁷ Monstat and Central Bank of Montenegro

Chart 1: GDP growth decomposition (percent)²⁶

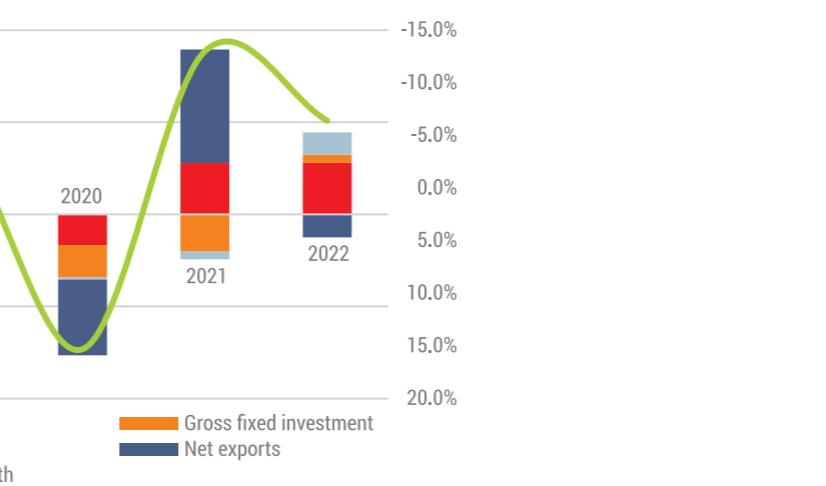


Chart 3: Foreign tourist overnight stays (thousands)²⁸

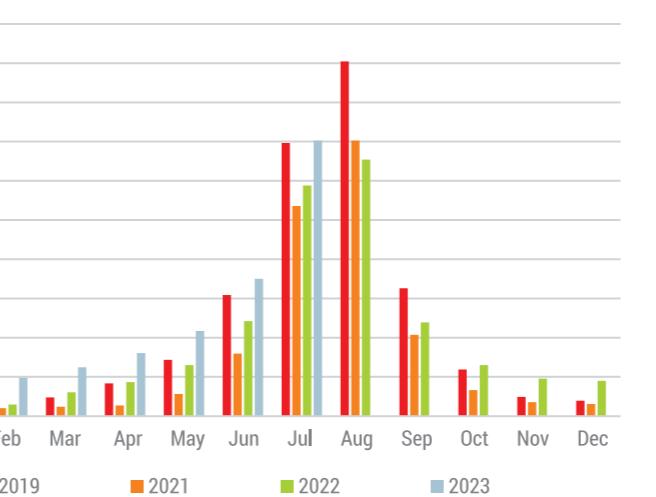


Chart 4: Unemployment and employment rate (percent)²⁹

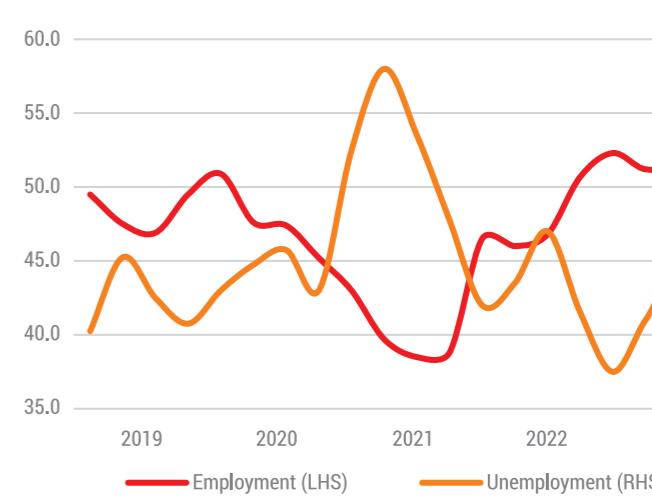


Chart 2: Nominal net salary (Euro) and Year on Year CPI (percent)²⁷

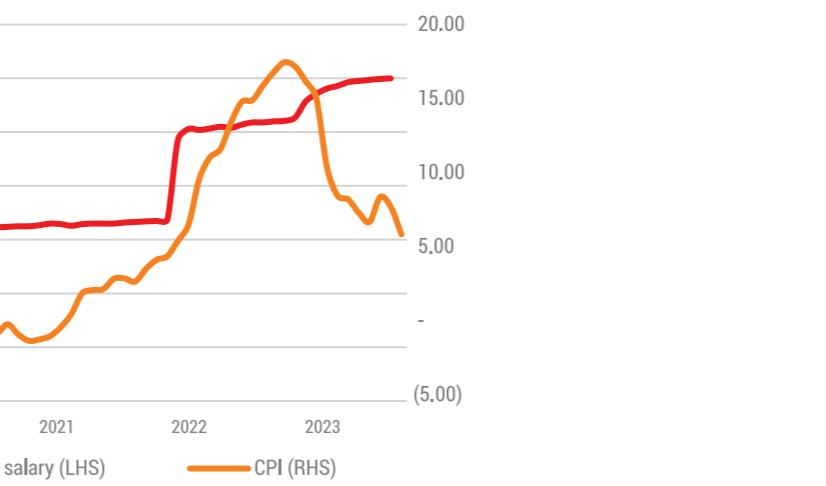


Chart 5: Youth employment (percent)³⁰

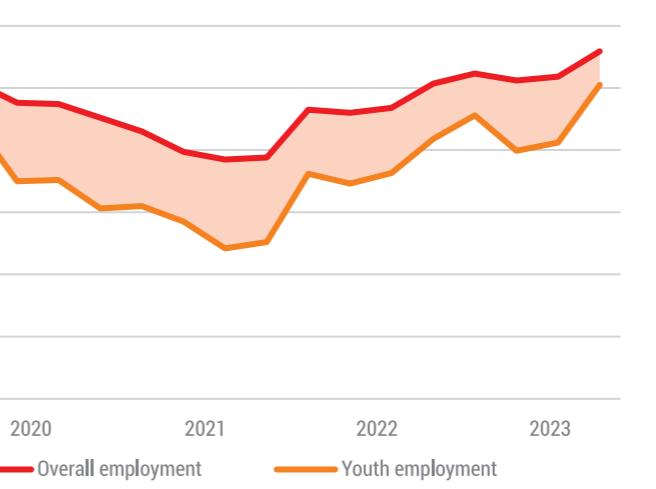
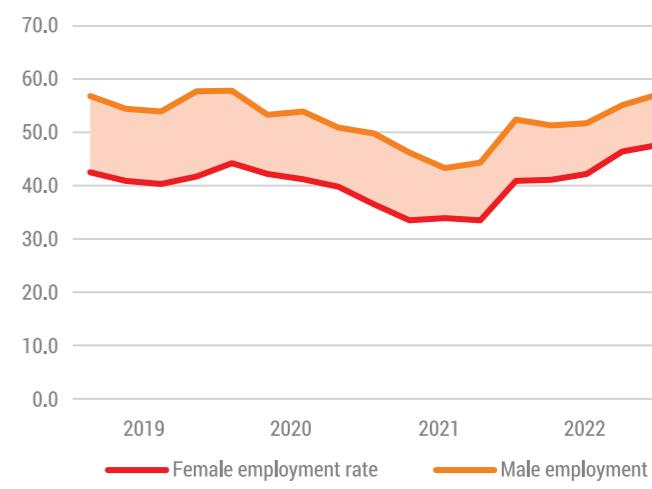


Chart 6: Gender employment gap (percent)³¹



Box 1: Situation of persons with disabilities under strategic priority 1

Employment

In Montenegro, persons with disabilities face challenges in accessing employment on an equal basis with persons who do not have disabilities.³² The draft Law on a unified disability determination – designed to address discrimination in employment and social policy - has not yet been adopted, although it was completed in 2022. The drafting of a new Law on professional rehabilitation and employment of persons with disabilities, planned to be adopted in 2023, was also postponed.

A 2020 Centre for Civic Education³³ survey revealed that persons with disabilities face discrimination in employment, from challenges in getting hired to inadequately adapted workspaces or inaccessibility, aligning with the findings of the Union of the Blind of Montenegro's 2019 research.³⁴

³² Association of Youth with Disabilities of Montenegro, Research on discrimination against persons with disabilities and family members of persons with disabilities, acquaintances, or relatives of persons with disabilities, <https://umhcg.com/publikacije/>

³³ Centre for Civic Education, Attitudes towards Persons with Disabilities', http://media.cgo-cce.org/2020/03/CGO_Odnos-prema-osobama-s-invaliditetom-FF.pdf

³⁴ Association of the Blind of Montenegro, Research on discrimination of persons with disabilities, <https://ss-cg.org/wp-content/uploads/2020/12/25-IX-19-SSCG-istrazivanje-2019-OSI.pdf>

These challenges, coupled with difficulties in career advancement, persist. Research conducted by the Damar Agency in late 2022 also sheds light on the challenges faced by employed persons with disabilities.³⁵

Persons with disabilities on average waited 5 years to find their first job after completing their education, with women waiting longer than men. Employers' prejudices, regarding the abilities of persons with disabilities, are considered the most common and pronounced problems during employment (with women reporting more discrimination than men), as stated by a third of respondents, while discrimination was noted by 19 percent respondents. Additionally, 10 percent of surveyed employees with disabilities feel discriminated against in the workplace compared to colleagues without disabilities; 16.7 percent of those reporting discrimination were men and 83.3 percent were women.

Although the situation of persons with disabilities still lags in comparison to others on employment, and there are differing results based on gender and municipality, there have been positive trends.

³⁵ Damar, 2023, Kako do bržeg zapošljavanja lica sa invaliditetom? (How to accelerate the employment of persons with disabilities?)

There has been a notable and consistent rise in the total number of registered employed persons with disabilities, increasing from 2,040 in 2020 to 3,452 in the first nine months of 2023, representing a 70 percent growth.

There was also increase in the number of persons with disabilities with permanent rather than temporary employment.

Despite these positive developments, the number of registered unemployed remains almost three times higher than the number of employed persons with disabilities, suggesting that significant barriers for persons with disabilities to enter labour market. Nevertheless, the number of registered unemployed persons with disabilities has decreased according to data from the Employment Agency of Montenegro's semi-annual and annual reports; 10,970 at the end of 2020 to 9,561 in Q3 2023.

The proportion of women among unemployed persons with disabilities is consistently higher than the number of men with disabilities, but decreased slightly over this period (from 60.5 percent in 2020 to 59 percent in 2023), suggesting that women face additional barriers in accessing employment.

Data indicate higher unemployment rates among persons with disabilities in Northern municipalities, indicating sub-national economic disparities, consistent with data on the overall unemployment rate in Montenegro. The Employment Agencies of Berane, Rožaje, and Bijelo Polje consistently have the highest representation of persons with disabilities among registered unemployed.

The number of employers hiring persons with disabilities increased from 1,141 employers in 2020 to 1,909 in the first six months of 2023.³⁶ While this represents a positive trend, it constitutes only 2.5 percent of all businesses. There was also an increase of 81 percent in the number of businesses who have sought state support to employ work assistants. This has resulted in a 93 percent increase in the total number of persons with disabilities receiving work assistance between 2020 and 2023.

³⁶ Employment Bureau of Montenegro, Report on Employment for the first half of 2023

Strategic considerations

The above analysis has highlighted that there are several key challenges and processes that need to be unlocked:

Firstly, improving environmental management especially in terms of waste management and the circular economy. Montenegro has limited facilities and processes to increase the amount of recycling and reuse of waste material with it heavily reliant on landfill for managing waste. Investments in these areas could accelerate improvements on Chapter 27 of the EU Acquis Communautaire; environment and climate change.

Secondly, and linked to the first point, there are needs to clean up some of the environmental damage that is present in Montenegro. These include the issues with water management, where some of Montenegro's water resources are depleting, and cleaning up the waste from industrial processes. Some of these investments could support the management of protected areas such as Natura 2000, Ulcinj Salina and others. Investments in these areas should be made in line with Chapters 27 of the EU Acquis Communautaire; environment and climate change. And these investments will support SDGs 14 and 15.

Thirdly, focussing on the just transition will help those losing out from the shift away from fossil fuels and creating new opportunities for the communities affected. Plus, putting down the groundwork for the green tran-

sition; transitioning to renewable sources of energy and energy efficiency measures in line with Chapter 15 of the EU Acquis Communautaire; Energy.

Finally, creating new economic opportunities, and ending prejudices and discrimination in the workplace, especially for women, persons with disabilities and those in the North of Montenegro should be a priority. This should address both entrepreneurship and employment. This should also tackle prejudices and discrimination that persons with disabilities face in gaining employment and experience on the work floor, ensure that workplaces are accessible and that persons with disabilities can avail themselves of the services they are entitled to in the workplace.





Strategic priority 2: **Human capital development, reducing vulnerability, and social inclusion**

The continued economic growth, coupled with the resultant income growth and increased employment, appears to be driving progress on SDG1: zero poverty, despite the higher inflation eroding real disposable incomes. The recovery highlighted above is translating into some poverty reduction thanks to real growth remaining at above 5 percent. The World Bank middle-income poverty indicator, measured at a threshold of \$6.85 per day (2017 PPP), indicates that poverty fell one percentage point from 18 percent to 17 percent between 2021 and 2022.³⁷ The World bank estimate that poverty will fall to 16.4 percent in 2023.³⁸ Poverty had peaked at 20 percent during the COVID-19 pandemic in 2020. Despite poverty reducing since 2020, the higher inflation since February 2022 has slowed the pace of poverty reduction.

Measures of vulnerability, such as the risk of poverty³⁹, continued their downward trend from 2022 (see Chart 7). The 2023 Survey on Income and Living Conditions (SILC) data show that many key indicators have continued to improve from 2020 into 2021. Risk of poverty, child risk of poverty, inequality and material and social deprivation are all improving and converging with the EU average. The risk of poverty rate declined from 21.2 percent to 20.3 percent from 2020 to 2021. Similarly, the child risk of poverty rate declined from

³⁷ World Bank, Regular Economic Report Fall 2023; Toward Sustainable Growth

³⁸ Ibid

³⁹ The percentage of persons living in households where the equivalised total disposable household income is below the at-risk-of-poverty threshold of 60 percent.

30.5 percent to 28.4 percent. The Gini coefficient, the measure of how unequal the distribution of income is across a population, reduced from 32.5 percent to 31.5 percent. Despite this still exceeding the EU average, it is lower than several EU countries, most notably Spain and Italy.⁴⁰

While these improving indicators appear to suggest that vulnerability is in decline, it is concentrating in certain groups (see Chart 8). As the number of people at risk of poverty has been declining, the average net nominal monthly wage rose to €800 in September 2023, although as highlighted above, real wages did not rise for those working in all sectors.⁴¹ Labour market indicators showed an improvement from 2021 to 2023 on the back of the economic recovery following the COVID-19 pandemic. This is also translating into increasing living standards, partly due to increasing nominal wages. When exploring at the household level, single parents with one or more children (47.9 percent) and families with three or more children (37.6 percent) are most at risk of poverty. However, the risk of poverty is increasing for the former and declining for the latter. The risk of poverty rate increases from 14.1 percent for two parents with one child to 18.1 percent for two parents with two children to 37.6 percent for two parents with three or more children, showing that having a third child considerably increases a household's risk of poverty.

⁴⁰ Monstat, SILC 2022

⁴¹ Central Bank of Montenegro: Real sector

Finally, there is a divide between the risk of poverty rate of households without children (10.1 percent) and households with dependent children (25.2 percent), meaning that having children increases your likelihood of being at risk of poverty.⁴²

Poverty and risk of poverty remain predominantly Northern and Rural phenomena (see Chart 9). As the national poverty and risk of poverty indicators continue to decline, it remains predominantly concentrated in certain groups. The risk of poverty declined in both the Northern and Coastal regions, but rose 0.1 percentage points in the Central region. However, a sizeable gap remains between the Northern region (37.6 percent) on the one hand, and the Central (14.8 percent) and Coastal (9.8 percent) region on the other. Latest available figures showed that rural risk of poverty stood at 27.3 percent in 2021, compared to 16.4 percent in urban areas. However, rural risk of poverty had declined 2.3 percentage points compared to 2020 and urban risk of poverty had increased 0.2 percentage points over the same period.⁴³

Inequality of opportunity, higher than that in the EU, slows the narrowing of income inequality. While income inequality appears to be narrowing, evidence from the World Bank suggests that inequality of opportunity persists in Montenegro, hindering social mobility.⁴⁴ The

evidence suggests that early life circumstances affect one's ability to acquire the skills necessary to obtain good jobs later in life, especially those in modern services sectors.

The level of education and presence of working parents increase the disparity in opportunities in tertiary education attainment, particularly for those in the Northern region. In addition, years of school are linked to those of their parents, which is a similar situation to that in the EU. Children with less educated parents have very low chances of obtaining adequate education, weakening the skills of Montenegro's future workforce. The probability that a child whose most educated parent is in the bottom quartile of the education distribution obtains educational attainment in the top quartile is only 7 percent, which is lower than in the EU. World Bank evidence also suggests that the skills-jobs mismatch remains. Some private sector companies struggle to find staff to fill some vacancies with certain skills profiles.⁴⁵

Some gender disparities continue to narrow while others persist. The Gender Equality Index⁴⁶ showed continued improvement in 2023 with only one domain, on knowledge, out of six showing a deterioration compared to 2019. Montenegro also continues to outperform some EU countries in terms of index score⁴⁷ and showed

a 4.3 percentage point improvement, which is a larger increase than in most EU countries. Risk of poverty in 2021, was almost a 50/50 split between men and women with 20 percent of men and 20.6 percent of women at risk of poverty. Despite progress, research by OSCE shows that women in Montenegro own 36 percent and 31 percent of the total number of residential and commercial/business units, respectively. Only 25 percent of the total square footage of all registered real estate belongs to women. This disparity is wider in some municipalities. In terms of real estate ownership women are least represented in the municipalities of Petnjica (10 percent), Tuzi (12 percent) and Gusinje (15 percent).⁴⁸ Part of the issue appears to be inheritance where usually assets, such as real estate, are passed to male children.

Montenegro has continued to be a nexus point for migrants and refugees to the European Union. According to Frontex, the European Border and Coast Guard agency, the Balkan Route is currently the second most active mixed-migration route to the EU behind the Central Mediterranean. Between January and April of this year, Frontex detected more than 22,000 irregular border crossings along the Balkan route, down 21 percent from a year earlier. The data show that there is variance in the number of migrants crossing year to year. Between January and April 2023, there were 21 percent fewer detected irregular border crossings into the EU

from Balkan states than in January -April 2022.⁴⁹ The country remains heavily affected by the mixed-migration inflows. According to the IOM Displacement Tracking Matrix⁵⁰, over the course of 2022, the Western Balkan route showed a significant change of movement trends of migrants, i.e. a shorter duration of stay in the countries en route. The average stay in Montenegro's Reception Centres is 2-3 days. This also means that the time frame for the identification and response to potential violations of human rights is extremely challenging. From January – November this year, 4,873 people⁵¹ declared their intention to seek asylum, an initiation of a two-step asylum procedure. However, many proceeded onward to the EU, and others remain in the country to pursue their asylum application. Coupled with the inflows from Ukraine and Russia, the country remains a hub for significant arrivals in 2023.

The Montenegrin Border Police estimate that approximately 8 to 14 percent of Montenegro's population is now composed of Ukrainian and Russian citizens who arrived in the country due to the war in Ukraine. However, there are other estimates that suggest that the actual figure could be lower. Since the start of the war in Ukraine Montenegro has seen increased inflow from Ukraine and Russia. From 24 February 2022 – November 2023, 179,853 Ukrainians arrived in Montenegro,

⁴² Monstat, SILC 2022

⁴³ Ibid

⁴⁴ Social mobility refers to change in a person's socio-economic situation, either in relation to their parents (inter-generational mobility) or throughout their lifetime (intra-generational mobility).

⁴⁵ World Bank Country Economic Memorandum, 2023, Towards a sustainable growth strategy

⁴⁶ Monstat, July 2023, Gender Equality Index

⁴⁷ Including the Czech Republic, Cyprus, Greece, Hungary, Poland, Romania, and Slovakia

⁴⁸ OSCE, 2023, Gender and property ownership in Montenegro - mapping the property gap

⁴⁹ <https://frontex.europa.eu/media-centre/news/news-release/detections-in-central-mediterranean-at-record-level-xSzOka>

⁵⁰ IOM Displacement Tracking Matrix: Migration trends in the Western Balkans in 2022

⁵¹ As of November 21st, 2023.

with 63,254 Ukrainians (10 percent of the country's population) remaining in the country under various statuses (Temporary Protection, temporary residence and tourist stay). In 2022, 7,600 Ukrainians received Temporary Protection (TP), with the country extending this protection regime in 2023 contingent on renewal of TP certificates. While some left the country, as of 20 November 2023 there were 5,972 Ukrainian refugees in Montenegro under the TP regime.⁵²

From 24 February 2022 – November 2023, 437,149 Russians arrived in Montenegro with 33,342 remaining in the country (predominantly under residency status, with over 70 applying for asylum). The increased presence of migrants living in Montenegro is putting pressure on and creating challenges for services. The number of migrant and refugee students make about 10 percent of the total student population, with this figure reaching almost 30 percent in schools in some municipalities.

The first thematic report by the Ombudsman regarding the situation of Roma and Egyptians highlighted their unfavourable social and economic status, and gaps in education and political participation.

Members of the Roma and Egyptian populations remain isolated from the rest of the population and mainly live in segregated settlements, which leads to an increase in social distance and exclusion.

Roma remain at risk of statelessness mainly due to the lack of awareness about the importance of civic docu-

mentation, with nearly 500 confirmed to be at risk of statelessness in November 2023. The lack of legal status or confirmed identity adversely impacts their ability to access services, which furthers their social distance and exclusion. Anti-Roma sentiment and multiple discrimination are the main reasons for social exclusion, while the consequences of their unfavourable position include a high rate of unemployment, low enrolment and completion rates in schools, as well as poor living conditions for the vast majority of Roma and Egyptians.

However, there have been some positive signs. Roma children have increased their attendance of preschool education. An increase of 11 percent was recorded in the 2022/2023 school year compared to 2021/2022. Despite this, some Roma and Egyptian children started their school year with a significant delay, because of absence of organised transportation. The issue of child marriage remains prevalent within the Roma community.⁵³

At the end of 2022, the Centre for Democracy and Human Rights (CEDEM), released its regular perception survey on discrimination that showed improving trends between 2010 and 2022, but negative perceived trends since. From 2010 to 2022, the estimated percentage of residents of Montenegro who felt discriminated had significantly decreased: by 11.2 percent for perceived discrimination on the grounds of nationality,

by 8.7 percent on the grounds of religious affiliation and by 7.2 percent on the grounds of political beliefs. The only area where an increase in perceived discrimination was perceived, as compared to 2010, is discrimination on the grounds of sexual orientation and gender identity. However, the survey found an increase in percentage of respondents who believed that discrimination was present in Montenegro in 2022 as compared to 2020, which stood at 67 and 57 respectively. Discrimination was believed highest on the ground of political belief in 2022.⁵⁴

Support services still struggle to provide the required level of care to children in institutional care. One third of children in residential institutions for children without parental care are children with disabilities and there is a high prevalence of children from Roma and Egyptian minorities. In 2022, there were 251 children in kinship care, non-kinship foster care is insufficiently developed in Montenegro with 71 children in non-relative care in 2022.⁵⁵ Emergency foster care (short-term for children in need of immediate care and protection, children under 3 and child victims of violence) and specialised foster care for children with developmental disabilities and children with behavioural problems are currently not available.

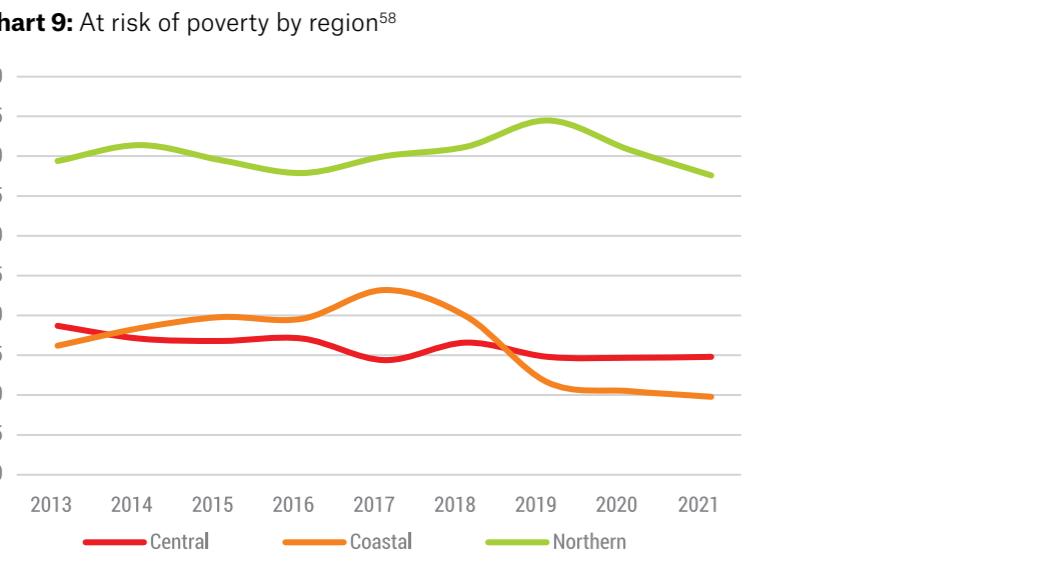
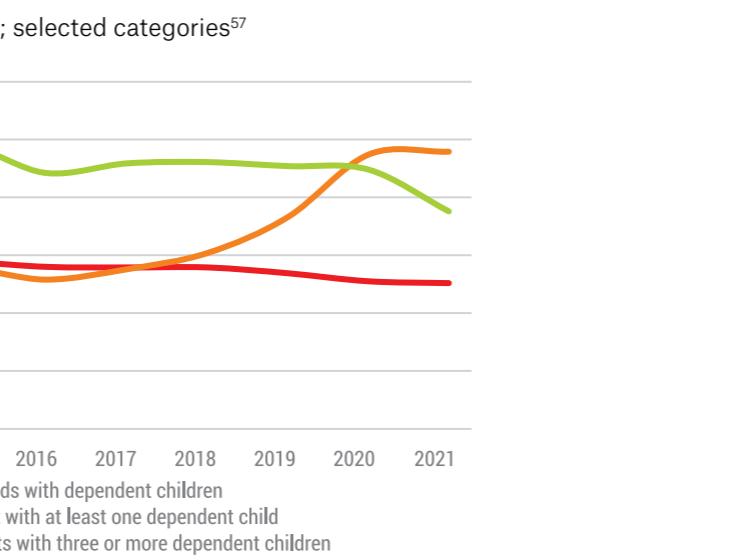
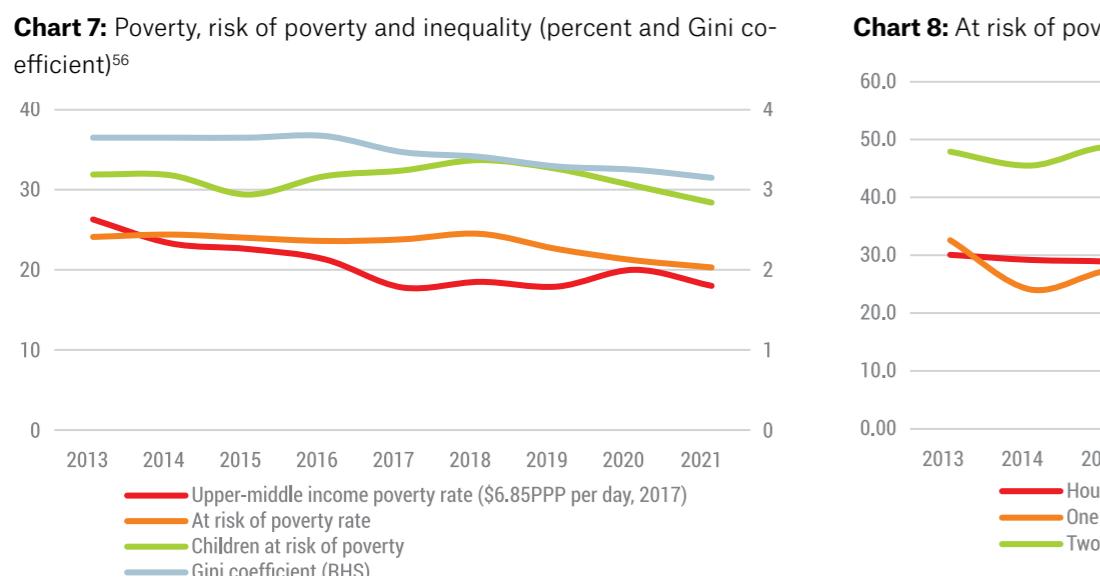
Hate speech perceived to be mostly coming from politicians and present online, but present to a significant extent also on TV, in sporting events and in daily conversations, including in schools. These findings were presented in the latest nationally representative survey conducted on a regular basis by CEDEM, to assess patterns and the degree of discrimination in Montenegro, that was published in late 2022. For the first time, the survey dedicated one segment to hate speech. Hate speech was believed to most pronounced against Roma/Egyptians, then women, LGBTIQ persons, the poor, persons with disabilities and political opponents. Less than 10 percent of those who had witnessed hate speech reported the incident.

Of note also was the finding that 67 percent of respon-

⁵² <https://www.ombudsman.co.me/img-publications/53/coe%20polozaj%20roma%20i%20egip--ana%20u%20cg%202020x290%20final.pdf>, April 2023

⁵³ Centre for Democracy and Human Rights, Patterns and Degree of Discrimination in Montenegro 2022, November 2022

⁵⁴ Ministry of Labour and Social Welfare, 2022, Data on Children in Alternative Care in Montenegro

⁵⁶ Monstat, SILC⁵⁷ Ibid⁵⁸ Ibid

Box 2: Situation of persons with disabilities under strategic priority 2

Education

Overall, enrolment of children with disabilities in primary education has increased, with a significant leap in 2015/2016, and considerable increases in 2019/2020, and 2021/2022 (see the table below). There is a sizeable difference in enrolment between boys and girls, with approximately 2 of 3 pupils being male, and 1 of 3 female.⁵⁹ The majority of children with disabilities have been enrolled in regular classes since 2015/16, while others in special classes within mainstream schools or in resource centres.

While the number of children with disabilities in secondary school is much lower – less than half of that in primary school, over the past eight years, there has been an increase in the total number of children with disabilities enrolling in secondary education, with a major leap in 2015/2016.

The gender gap is slightly smaller in secondary education than in primary – 40 percent are female and 60 percent are male.

As in primary, most pupils are enrolled in regular classes in mainstream schools. It should be noted that there is neither accurate nor comprehensive data on the total number of children with disabilities in Montenegro.

Therefore, it is unclear how many children with disabilities do not attend school.

⁵⁹ Monstat, Education statistics: primary enrolment data

Table 1: School enrolment of children with disabilities at beginning of academic year^{60,61}

Year	Primary education			Secondary education		
	Total	Female	Male	Total	Female	Male
2022/2023	1104	364	740	416	163	253
2021/2022	1195	409	786	406	169	237
2020/2021	1027	360	667	418	169	249
2019/2020	1038	366	672	404	158	246
2018/2019	907	313	594	376	153	223
2017/2018	880	311	569	380	163	217
2016/2017	893	309	584	341	147	194
2015/2016	733	265	468	199	81	118
2014/2015	183	64	119	-	-	-
2013/2014	177	57	120	-	-	-

Only 16 out of 163 primary schools and three out of 50 secondary schools are fully accessible to persons with disabilities.⁶² Resource centres are the prime educational institution which have didactic resources, equipment and materials adapted to the needs of persons with disabilities are primarily resource centres. There is no information on whether and how many other schools have such materials.

Pedagogical services for children with disabilities are uneven across schools due to capacity and resource constraints. In practice, there has been a low uptake by volunteers. Most schools in Montenegro struggle with providing accessibility for children with sensory impairments.⁶³ Students with disabilities are not provided with assistants in higher education.⁶⁴

60 Monstat, Education statistics: primary and secondary enrolment data

61 Data for 2013/2014 and 2014/2015 were not available for children with disabilities in secondary education.

62 Ministry of Human and Minority Rights, 2022, Strategy for the Protection of Persons with Disabilities from discrimination and the promotion of equality

63 UNICEF, Education Sector Analysis 2015-2020 https://www.unicef.org/montenegro/media/22591/file/ESA_percent20-percent20ENG.pdf

64 UNPRPD Situational analysis of the rights of the persons with disabilities in Montenegro, https://unprpd.org/sites/default/files/library/2023-09/CR_Montenegro_2021.pdf

Social protection

Currently, there are three main disability related benefits in Montenegro, (i) the personal disability allowance, (ii) the care and support allowance and (iii) compensation for the parent or guardian of beneficiaries of the previous two allowances.

As of end September 2023, 29,786 persons received care and support allowance, 3,581 individuals received the personal disability allowance and 2,918 persons received compensation as a parent or guardian of beneficiaries of the previous two allowances.⁶⁵

In February 2023, the personal disability allowance was increased by 25 percent from €217.10 to €271.37.⁶⁶ The majority of the social cash transfers are subject of semi-annual adjustment, usually in January and July. The personal disability allowance rose a further 5.7 percent in July 2023 to €284.84.

65 Ministry of Labour and Social Welfare Summary of Material Benefits in the Field of Social and Child Protection for September 2023, <https://www.gov.me/dokumenta/054c4b03-3e2f-4362-a041-c9725d3f393a>

66 Ministry of Labour and Social Welfare: Decision on the Harmonisation of the Base Amounts for the Exercise of the Right to Material Security and the Amounts of Material Benefits from Social and Child Protection and Decision Amending and Supplementing the Decision on the Harmonisation of the Base Amounts for the Exercise of the Right to Material Security and the Amounts of Material Benefits from Social and Child Protection

Social and child protection services include support for community living, counselling, therapeutic, and social-educational services and placement in institutions and foster care.

While the support services for community living include daily care (mostly provided in day care centres), assistance in the home, supported housing, personal assistance, sign language interpretation and translation, these services are limited in availability.

Day care centres are the most commonly available services. As of December 31, 2022, seventeen centres offered services to 375 children and youth with disabilities and developmental challenges in sixteen municipalities in Montenegro.

More services are available in the northern region than in the central region. Children are the main users (64 percent), followed by youth (25 percent) and adults (11 percent).

Most users had combined or multiple impairments, with a growing trend in users with psycho-social impairment.⁶⁷

67 Institute for Social and Child Protection Annual Report on Day Centres for Children and Youth with Developmental Challenges (2022), <https://www.zsdzcg.me/biblioteka>

Health

Concerns identified by the UN Committee on the Rights of Persons with Disabilities in 2017 persist and are recognized in the 2022-2027 National Strategy on the Protection of Persons with Disabilities from Discrimination and the Promotion of Equality. These include (a) Limited and unequal access to health services for persons with disabilities, particularly those in institutions, (b) unequal access to sexual and reproductive health services, particularly at the local level and especially for women, which is illustrated, inter alia, by the very small number of gynaecological chairs; (c) The lack of adequate training of health professionals on the human rights of persons with disabilities; (d) The lack of information on measures to ensure that health professionals act on the basis of individual, free and informed consent in all decision-making regarding the right to health for persons with disabilities; (e)

The lack of information whether sterilisation of persons with disabilities without their consent is fully prohibited.⁶⁸ The Strategy includes steps to address the concerns.⁶⁹

⁶⁸ CRPD/C/MNE/CO/1, September 2017

⁶⁹ Ministry of Human and Minority Rights, 2022, Strategy for the Protection of Persons with Disabilities from discrimination and the promotion of equality

Montenegro has thirteen mental health centres within primary healthcare institutions, and six regional centres specifically catering to children with disabilities. These centres provide counselling and diverse support services for individuals dealing with mental health challenges and children with disabilities, within the framework of primary care. However, there are no comprehensive data detailing how many individuals with intellectual and psychosocial disabilities, or children with disabilities benefit from the services offered by these centres. Furthermore, persons living in other municipalities struggle to access these crucial facilities.⁷⁰

Conditions in residential institutions for persons with psychosocial and intellectual disabilities, particularly the Dobrota psychiatric facility, have been found to be unsatisfactory by the UN Committee Against Torture. Notwithstanding the current construction of a Special Prison Hospital which is expected to ease the situation in Dobrota, the Committee called on Montenegro to improve material conditions, address overcrowding in psychiatric facilities, speed up the process of deinstitutionalisation and invest additional resources in community-based services.⁷¹

⁷⁰ UNPRPD Situational analysis of the rights of the persons with disabilities in Montenegro, https://unprpd.org/sites/default/files/library/2023-09/CR_Montenegro_2021.pdf

⁷¹ CAT/C/MNE/CO/3, June 2022

Inadequate community-based services resulted in one-third of patients, who did not need further hospitalisation, not being able to be discharged from Dobrota, according to the Council of Europe's Committee for the Prevention of Torture (CPT).⁷² The situation appears to persist today. In 2023, the European Commission highlighted that "in the overcrowded Dobrota psychiatric hospital, living conditions and hygiene remain poor".⁷³

Strategic considerations

The above analysis has highlighted that there are several key challenges and processes that need to be unlocked:

Firstly, strengthening the knowledge, skills, and opportunities of Montenegro's youth. The mismatch between the vacancies in the private sector and the skills that young people learn need to be addressed in the modern job market. Another area of importance is that young Montenegrins are given equitable access to quality education. The positive trend of increased enrolment of

⁷² The Council of Europe's Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment, Report on its periodic visit to Montenegro which took place in October 2017, <https://www.coe.int/en/web/cpt/-/anti-torture-committee-publishes-report-on-periodic-visit-to-montenegro-focusing-on-police-prisons-psychiatry-and-social-welfare-establishments>

⁷³ European Commission; Montenegro Report 2023, https://neighbourhood-enlargement.ec.europa.eu/montenegro-report-2023_en

children with disabilities over the past decade should continue to result in all children with disabilities having access to education on an equal basis as their peers. To this end, additional investment in physical accessibility of pre-schools and schools, in didactic resources and in the number and working conditions of personnel teaching children with disabilities will be required, among other things.

Secondly, despite the lack of new data on noncommunicable diseases, more investment is needed to improve the efficiency and effectiveness of the health sector to support Chapter 28 of the EU acquis Communautaire and SDG 3. Greater efforts related to drug prevention and control with commensurate investment in prevention, treatment, harm reduction and rehabilitation programs is also required. Regarding persons with disabilities, in addition to increasing the availability and accessibility of health services for this group, and to strengthening community-based services, there is a need to comprehensively review and improve the conditions in the Dobrota psychiatric facility.

Thirdly, supporting the improved management of migration. The influx of migrants from Russia and Ukraine, on top of increased migration of other nationals has brought new skills and employment opportunities, put pressure on Montenegro in terms of managed migration, but also the services that are needed to be provided to those households. Ensuring protection from labour, sexual or other forms of exploitation remains important. This

should be done in the context of the EU acquis Communautaire chapter 24; justice, freedom, and security.

Fourthly, continuing to reduce vulnerability and poverty by adequately targeting social protection measures to where they are most needed. The CCA has demonstrated how vulnerability is concentrating in certain household types and vulnerable groups. And it has highlighted the vulnerability of persons, including children, with disabilities and the struggles they face in accessing the services they require. These households need additional support that will require reforms to the social protection system, within the framework of the EU Acquis Communautaire chapter 19; employment and social policy.

Finally, ensuring that Montenegrins, including persons with disabilities, are targeted with the right mix of services to ensure that they are not left behind. The CCA has highlighted that vulnerable groups are still subject to multiple forms of discriminations. Plus, it has highlighted the issues that prevent vulnerable groups from equitably accessing services. Investments that accelerate gender equality are also needed that would support efforts around Chapter 19 of the acquis Communautaire and SDG 5.





Strategic priority 3: **Social cohesion, people-centred governance, rule of law and human rights**

The State Audit Institution (SAI) concluded that institutions in Montenegro are not sufficiently prepared to realise the SDGs. This followed a performance audit, conducted in 2023, of the readiness of state institutions in Montenegro to implement the 2030 Agenda for Sustainable Development.⁷⁴ In general, the SAI assessed preparations as partially successful. The preparedness of the institutions was observed in the context of the established legal, strategic, and institutional framework, as well as the system of monitoring and reporting on the progress of the realisation of the goals of sustainable development.

Political uncertainty has stymied progress on reforms for EU accession. The European Commission report in 2022 highlighted that there was progress in the economy, mostly related to Montenegro's preparedness to "cope with competitive pressure and market forces within the EU", but limited progress made in other criteria.⁷⁵ The main issue was the political uncertainty created in 2022, by the two votes of no confidence which heightened political tensions.

Two elections in 2023 have resolved some of the uncertainty but continued others, as highlighted above. As a result, the European Commission report on Montenegro in 2023 showed a similar situation where the failure to

form a new Government since August 2022 had continued to stymie progress on the reforms needed to close EU acquis Communautaire chapters.

Vacancies of key positions in the judiciary have hindered its functioning and have not been conducive to the necessary judicial reforms. The Parliament elected by qualified majority three judges to the Constitutional Court in February 2023, restoring the Court's decision-making quorum. This ended an unprecedented institutional blockade that left the Court unable to function between September 2022 and February 2023, affecting the capacity of Montenegro, among other things, to timely finalise local election results⁷⁶ and to rule on legal amendments adopted in late 2022 altering the powers of the President.

The UN Special Rapporteur on the independence of judges and lawyers, who visited the country in September 2023, noted the persistent failure of Parliament to elect the remaining seventh judge in the Constitutional Court, the Supreme State Prosecutor and three lay members in the Judicial Council, resulting in a lack of strategic leadership to ensure judicial reform.⁷⁷ Positively, the last vacant position in the Constitutional Court was filled in November 2023.

⁷⁴ <https://www.dri.co.me/aktuelnost/objavljen-izvjestaj-o-reviziji-uspjeha-pripremljenost-institucija-crne-gore-za-realizaciju-ciljeva-odrzivog-razvoja-iz-programa-odrzivog-razvoja-do-2030-godine>

⁷⁵ European Commission; Montenegro Report 2022, https://neighbourhood-enlargement.ec.europa.eu/montenegro-report-2022_en

⁷⁶ European Commission; Montenegro Report 2023, https://neighbourhood-enlargement.ec.europa.eu/montenegro-report-2023_en

⁷⁷ <https://www.ohchr.org/sites/default/files/documents/issues/ijudiciary/statements/20230926-EOM-SRIJL-EN.pdf>

Issues relating to the independence, impartiality, effectiveness, and integrity of the judiciary remain. In her preliminary observations, the UN Special Rapporteur on the independence of judges and lawyers noted the proactive approach of the Special State Prosecutor and its independence in dealing with cases irrespective of the status of defendants and Montenegro's inclusive approach towards drafting of amendments to laws concerning the judiciary, among other things. The Special Rapporteur also noted attacks on the independence and impartiality of the judiciary by politicians and media, as well as on lawyers. The Special Rapporteur drew attention to the work conditions of judicial officials, including facilities, exemplified by the discovery of a tunnel to the storage of evidence at the High Court dug in the centre of Podgorica in September 2023. The Special Rapporteur observed long delays in justice, inadequate reasoning of decisions, lack of enforcement of judgements and serious challenges for discriminated groups to access justice including gender-sensitive justice. The Special Rapporteur called on Montenegro to take appropriate steps to ensure the independent, impartial, and competent functioning of the judicial system, and if not undertaken, for the country to consider an independent and objective vetting process that would respect the right to a fair trial of all affected.⁷⁸ The Special Rapporteur also noted that issues remain around judicial integrity and that more measures are needed to ensure it. The Special Rapporteur will present the full report at the Human Rights Council in June 2024.

⁷⁸ Ibid

The Presidential elections, in March 2023, resulted in some polarisation. The OSCE reported that the “*tone of the campaign in the run-up to the election was mostly neutral, some inflammatory speech was observed, and there were isolated incidents of violence and harassment as well as concerns over the potential use of state resources*”. Political polarisation and the limited advertising market make media outlets vulnerable to internal and external influence from both business and political interests. The public broadcaster’s main channel provided limited news coverage, making an informed choice more difficult for voters.⁷⁹

Discrimination and hate speech continue to be prevalent. Despite the lack of comprehensive data collection by the authorities on the phenomenon, hate speech was frequent. There were regular incidents of discriminatory and hate speech by public officials, media, and citizens against women in public life, in particular women politicians; the only female candidate at the Presidential elections required police protection and received threats over social networks during the campaign. The latest nationally representative perception survey by CEDEM found that hate speech is believed to come mostly from politicians and to occur online, though also to be present to a significant extent on TV, in sporting events and in daily conversations, including in schools. It was believed to most pronounced against Roma/Egyptians, followed by women, LGBTIQ persons, the poor, persons with dis-

⁷⁹ OSCE, 20 March 2023, Montenegro’s presidential election competitive but negatively affected by an un-inclusive process and legal shortcomings, international observers say.

abilities and political opponents. Less than 10 percent of those who had witnessed hate speech reported the incident. 67 percent of respondents believed that discrimination was present in Montenegro in 2022, 12 percent higher than in 2020, and highest on the ground of political belief.⁸⁰ The new draft anti-discrimination law, prepared in 2022, remained pending adoption in Government by December 2023.

Civil society continued to play an active role in society, conducting research, monitoring, advocacy and supporting the State in providing services. This is despite frequent instances of politicians, including those serving at the highest levels, denigrating the work of civil society organisations, and reported isolated verbal attacks on civil society.⁸¹ Civil society participates in law and policy-making, and in monitoring processes, though this is not systematic and consistent, and should be strengthened.

Montenegro continued to cooperate with UN human rights bodies while some treaty reports remained pending. Montenegro underwent the fourth Universal Periodic Review by the UN Human Rights Council on 8 May 2023. It accepted 226 of 247 recommendations and noted 21. Most recommendations concern gender equality and discrimination, gender-based violence and hate speech against women, minorities and vulnerable groups, human trafficking, torture and freedom of the

⁸⁰ Centre for Democracy and Human Rights, Patterns and Degree of Discrimination in Montenegro 2022, November 2022

⁸¹ European Commission; Montenegro Report 2023, https://neighbourhood-enlargement.ec.europa.eu/montenegro-report-2023_en

media.⁸² Also in May 2023, the Government submitted its follow up report on urgent recommendations made by the Committee Against Torture in 2022, providing updated information on the conditions of detention, investigations into instances of torture and on progress in addressing war crimes.⁸³ The second periodic report on the implementation of the International Covenant on Civil and Political Rights was prepared in consultation with a range of institutions, though without the involvement of civil society, and was submitted to the UN Human Rights Committee.⁸⁴ Overdue reports on the implementation of the International Covenant on Economic, Social and Cultural Rights and the Convention on the Elimination of All Forms of Racial Discrimination remained pending. At the September 2023 SDG Summit, Montenegro pledged to establish a national mechanism for reporting and follow-up to UN human rights mechanisms. This could address challenges in late reporting and would likely strengthen implementation of human rights recommendations and ensure more inclusive engagement of Montenegro with UN human rights mechanisms.

Reports of torture and ill-treatment persist. New reports of torture allegedly committed by the police were revealed in the media in March 2023. Concerns were ex-

⁸² <https://documents-dds-ny.un.org/doc/UNDOC/GEN/G23/114/18/PDF/G2311418.pdf?OpenElement> and https://www.ohchr.org/sites/default/files/documents/hrbodies/upr/sessions/session43/me/A_HRC_54_14_Add.1_AV_Montenegro_E.docx

⁸³ CAT/C/MNE/FCO/3, June 2023

⁸⁴ https://tbinternet.ohchr.org/_layouts/15/treatybodyexternal/Download.aspx?symbolno=CCPR%20FC%20MNE%20F2&Lang=en

pressed by the Council of Europe's Sub-Committee on the Prevention of Torture (CPT) in 2023, about reports it received during a 2022 visit to the country, of the high number and pattern of alleged ill-treatment by police. Following from recommendations made in 2022 by the UN Committee Against Torture, the CPT called for a change in mindset and culture in the police, zero-tolerance for ill-treatment and for effective investigations to address impunity for ill-treatment.⁸⁵ Civil society expressed concern about the lack of effective action, including the swift suspension of police officers once accused of torture, and of lengthy investigation procedures and only few indictments filed in cases of torture and ill-treatment.⁸⁶ Government reported to the UN Committee Against Torture that between 1 October 2022 and 31 March 2023, courts processed 30 cases against 49 police defendants related to ill-treatment, with 11 cases closed and in 19 proceedings continued. The Government claimed that convictions prevailed – though it did not provide further information – and that in two cases, defendants were acquitted.⁸⁷

Progress on addressing transitional justice remains slow. The only trial against one defendant for war crimes committed in the 1990s in Foça, Bosnia and Herzegovina, which was postponed on several occasions, was

⁸⁵ Council of Europe, Report to the Government of Montenegro on the ad hoc visit to Montenegro carried out by the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) from 7 to 13 June 2022, published June 2023.

⁸⁶ <https://www.hraction.org/2023/11/10/hra-is-asking-the-new-minister-of-the-interior-for-zero-tolerance-for-torture/?lang=en>

⁸⁷ CAT/C/MNE/FCO/3, June 2023

ongoing by the end of 2023. While investigations continued by the Special State Prosecutor, there were no new indictments for war crimes in 2023.⁸⁸ In October, the Minister of Justice refused to extradite at least two defendants accused of war crimes to Kosovo⁸⁹, who were arrested in Montenegro on international warrants. The Minister expressed concern that the accused would potentially be subjected to political persecution and the extradition would violate article 3 of the European Convention of Human Rights. There was no progress during the year to clarify the whereabouts of 51 persons from Montenegro or whose families reside in Montenegro who remain missing from the 1990s wars.

Montenegro is performing better than other non-EU Western Balkans country in terms of corruption perceptions. However, the perceptions worsened in 2023 compared to 2022. The number of high-level corruption and organised crime cases pending before the courts continued to rise in 2022, reflecting the larger number of investigations since 2020. Montenegro has continued to target organised criminal groups in the past year with notable arrests of alleged members of organised criminal gangs. However, the adjudication of these cases on occasion took up to 7 years, due to organisational constraints and issues at the High Court of Podgorica (including the insufficient space for court hearings), obstructing the timely delivery of justice.

⁸⁸ European Commission; Montenegro Report 2023, https://neighbourhood-enlargement.ec.europa.eu/montenegro-report-2023_en

⁸⁹ All references to Kosovo should be understood in reference to the United Nations Security Council Resolution 1244

The media remains polarised and regular reports of attacks, mainly of a verbal nature on journalists, persist. Swifter action is being taken by the authorities in new cases of attacks, but there was no progress in resolving old cases, including the 2004 murder of the editor of "Dan", Dusko Jovanovic, and the shooting of "Vijesti" journalist Olivera Lakic in 2018. Instances of hate speech and hate crime of those expressing their views in media are often not fully addressed.⁹⁰ A writer of a column who voiced criticism of the Serbian Orthodox church and quoting two of its leaders, alleging they spread hate speech and xenophobia⁹¹ among other things, was charged in October 2023 under the Law on Public Order and Peace regarding insulting someone based on nationality, race, religious affiliation, or ethnic origin. His trial was to commence on 22 January 2024.

More than twenty NGOs called on the prosecution to drop the charges, noting that the case jeopardized the freedom of expression.⁹² Reporters without Borders reported that government pressure and attacks had somewhat reduced but that authorities still try and control certain media outlets. Montenegro's ranking improved from 63 out of 180 in 2022, to 39 out of 180 in 2023.⁹³ In October 2023, the Government adopted the first Media Strategy 2023-2027, accompanied by an Action Plan

⁹⁰ As an example, see <https://cgo-cce.org/en/2023/11/28/19-ngos-urgent-and-decisive-action-required-against-threats-due-to-freedom-of-expression/>

⁹¹ <https://www.antennam.net/stav/295304-torokanje-po-metodologiju-i-djaonikiju>

⁹² <https://cgo-cce.org/en/2023/12/21/22-ngos-appeal-to-the-state-prosecutors-office-to-drop-the-misdemeanour-proceedings-against-historian-boban-batricevic/>

⁹³ Reporters without borders 2023 rankings. <https://rsf.org/en/index>

for 2023-2024, to foster an environment that supports free and professional journalism. The action plan foresees the establishment of specialised teams and contact persons in the Police Administration and the State Prosecutor's Office to investigate attacks on journalists, a Network to combat hate speech, online harassment, and disinformation, as well as the creation of a National Council for Media Literacy to systematically plan and monitor activities to enhance media literacy.

The number of reported cases of gender-based violence appears to be lower than in other countries, but social factors may mask the true level of cases, while the response remains inadequate. Data released in November 2022 suggest that one in five women have experienced violence from an intimate partner during their lifetime. During adulthood, in total 7.5 percent of women reported having experienced domestic violence, while violence by any perpetrator was experienced by 11.7 percent of women. Sexual harassment at work during their lifetime was reported by 17.5 percent of women. These figures are lower than some EU countries and Serbia, but data are not available for all Western Balkans countries.⁹⁴ The actual number of cases could be higher than the number reported; this depends on the knowledge where to and willingness to report cases, among other things. The UN Special Rapporteur on the independence of judges and lawyers noted various challenges in responding to gender-based violence. These included offenses being reduced to misdemeanours and non-is-

⁹⁴ Monstat, Survey on living conditions and women safety 2022

surance of temporary protective measures, the taking way of children from women survivors of violence despite having legal custody by former spouses, and the failure of authorities to recognize the seriousness of violence, resulting in lack of protective action and more than one instance where a woman who had reported violence, eventually being killed.⁹⁵

Violence against children remains a challenge. The incidence of some forms of violence against children has increased. Several studies show the prevalence of violence in the Montenegrin society. According to the Ministry of Social Labour and Social Welfare, there were 305 child victims of violence in 2021⁹⁶ and 365 in 2022⁹⁷. In 2023, the Bureau for Education conducted a survey which showed that 43 percent of school children had witnessed peer violence in their schools, 17 percent claimed to have been a victim of violence and 6.7 percent admitted having been violent to other children.⁹⁸ Montenegro's social and child protection system struggles to provide support to families and children at risk or victims of violence. Programmes that prevent peer-to-peer violence and increase children's resilience are not systematically

implemented in all schools. Child access to justice and child friendly proceedings for all children have yet to be ensured. The specialisation of justice professionals is a prerequisite for the implementation of standards related to child friendly justice. This refers both to children in criminal proceedings (child offenders, child victims and children witnesses) and to children in proceedings related to civil or family law and misdemeanour proceedings.

Data from an OSCE survey suggests that violence against women and girls and tolerance of such violence remains high.⁹⁹ Around 85 percent of respondents of the 2022 survey perceive psychological violence against women and girls as being either very common or at least occurring in individual cases. A concerning finding was that as much as one-third of those surveyed believed that women and girls false claims of psychological violence just to draw attention to themselves. The previous iteration of the CCA highlighted the pervasiveness of a cultural norm of acceptance and tolerance of violence against women.¹⁰⁰

⁹⁵ <https://www.ohchr.org/sites/default/files/documents/issues/ijudiciary/statements/20230926-EOM-SRIJL-EN.pdf>

⁹⁶ Ministry of Labour and Social Welfare, Izvještaj o radu i stanju u upravnim oblastima Ministarstva finansija i socijalnog staranja za 2021 (Report on the work and situation in the administrative areas of the Ministry of Finance and Social Welfare for 2021)

⁹⁷ Ministry of Labour and Social Welfare, Izvještaj o radu Ministarstva rada i socijalnog staranja za 2022. Godinu (Report on the work of the Ministry of Labour and Social Welfare for 2022)

⁹⁸ Government of Montenegro, 2023, Istraživanje o nasilju u školama (Report on violence in schools)

⁹⁹ OSCE, 2022, Survey on attitudes and perceptions of psychological violence against women and girls in family and intimate partner relationships

¹⁰⁰ UN Common Country Analysis Montenegro, 2021

Box 3: The situations of persons with disabilities under strategic priority 3

Legislative, strategic and institutional framework

The normative and strategic framework promotes and protects the equal rights of persons with disabilities. Montenegro has a Law on the Prohibition of Discrimination Against Persons with Disabilities, and in July 2022, the Government adopted the Strategy for Protecting Individuals with Disabilities from Discrimination and Promoting Equality 2022-2027. However, gaps exist. For example, some legislation continues to use derogatory terminology.¹⁰¹ The UN Committee on the Rights of Persons with Disabilities has called on Montenegro to adapt this terminology but also to repeal legislation, including articles in the Law on the Protection and Exercise of the Rights of the Mentally Ill. These oblige police officers to deprive a person of liberty based only on the suspicion of "mental illness", and allows for force, restraining and isolation of persons with an intellectual and/or psychosocial disability.¹⁰²

Overall, implementation of laws and policies is uneven, resulting in persons with disabilities persistently encountering impediments that hinder their full and effective engagement in society and the realisation of their rights.

There were negative and positive developments regarding the institutional framework. The Directorate dealing with the rights of persons with disabilities in the Ministry of Human and Minority Rights was abolished in 2022. The National Council for the rights of persons with disabilities that monitors implementation of all laws and strategies, promotes rights and supports better coordination on disability, has not been functioning for years. Positively, in May 2023, the Protector and ten Organizations of Persons with Disabilities established an independent mechanism to monitor the implementation of the UN Convention on the Rights of Persons with Disabilities (IMM). The IMM conducted various monitoring visits to municipalities in 2023.

Non-Discrimination and Equal Recognition before the Law

Persons with disabilities continue to face discrimination. 2022 research conducted by the Association of Youth with Disabilities of Montenegro found that persons with disabilities predominantly experience discrimination in

employment, followed by health.¹⁰³ The NGO CEDEM has over the past decade assessed the degree of discrimination - based on perceptions - towards persons with disabilities and other groups, and in five key areas of social life - employment, education, health, public services, and culture. In 2022, it reported almost no change in the perceived degree of discrimination against persons with disabilities, among those taking part in the surveys, between 2010 and 2022. In 2022, it stood at 35.5 percent on average in all five areas, and was the second highest, slightly lower than level of perceived discrimination against Roma and Egyptians.¹⁰⁴

The Protector for Human Rights and Freedoms investigates complaints about discrimination. In 2022, it received 256 complaints, of which it completed 206 cases. Only twenty (8 percent) were complaints of discrimination based on disability. Eight cases (40 percent) were on the grounds of employment, four (20 percent) on social protection, three (15 percent) concerned access to goods and services, two (10 percent) related to proceedings before public authorities, two (10 percent) to education and one (5 percent)

¹⁰³ Association of Youth with Disabilities of Montenegro, Research on discrimination against persons with disabilities and family members of persons with disabilities, acquaintances, or relatives of persons with disabilities, <https://umhcg.com/publikacije/>

¹⁰⁴ Centre for Democracy and Human and Rights, Patterns and Degree of Discrimination in Montenegro 2022, November 2022

to health.¹⁰⁵ In December 2022, the first final judgement in which discrimination based on disability was found, was handed down by the High Court, confirming a 2021 decision by the Basic Court of Podgorica. The Court, which referred in its decision to State obligations under the UN Convention on the Rights of Persons with Disabilities, found several state institutions had failed to provide information to a person with disabilities in an accessible format in administrative proceedings.¹⁰⁶

The UN Committee on the Rights of Persons with Disabilities expressed concern about the situation of persons whose legal capacity has been taken away through court decisions. It called for legal reform to replace the current regime of substituted decision-making and guardianship, which restricts the exercise of various rights that persons with disabilities have. Already in 2017, the Committee recommended that Montenegro ensures "supported decision-making that fully respects the autonomy, integrity, dignity, will and preferences of the person, and to establish transparent and effective remedies for persons with disabilities whose legal capacity has been removed".¹⁰⁷ The recommendation is yet to be implemented.

¹⁰⁵ https://www.ombudsman.co.me/docs/1681285008_finalizvjestaj_12042023.pdf

¹⁰⁶ Initiative of Youth with Disabilities of Boka, 2022, <https://imiboke.me/news/pravopravosnazna-presuda-za-zastitu-od-diskriminacije-po-osnovu-invaliditeta>

¹⁰⁷ CRPD/C/MNE/CO/1, September 2017

disabilities participating in the process, only one court responded that they have done so.¹⁰⁹

The Law on Free Legal Aid guarantees the right to free legal aid to persons with disabilities. However, rather than persons with disabilities choosing their lawyer freely, the first attorney on a list of lawyers is appointed.¹¹⁰ In addition, there is hesitation on the part of persons with disabilities to bring legal proceedings against persons or institutions for rights violations. This is, according to observers, due to adverse outcomes of previous court cases, while the Protector for Human Rights and Freedoms ascribed this to insufficient public awareness of human rights and protection mechanisms.¹¹¹

Accessibility

According to research by the Association of Youth with Disabilities in Montenegro, persons with disabilities have identified access to public spaces, followed by access to transportation and access to information as the most critical issues affecting them.¹¹²

¹⁰⁹ Ibid

¹¹⁰ UNPRPD Situational analysis of the rights of the persons with disabilities in Montenegro, https://unprpd.org/sites/default/files/library/2023-09/CR_Montenegro_2021.pdf

¹¹¹ US State Department, 2020, Montenegro 2020 Human Rights Report

¹¹² Association of Youth with Disabilities of Montenegro, Research on discrimination against persons with disabilities and family members of persons with disabilities, acquaintances, or relatives of persons with disabilities, <https://umhcg.com/publikacije/>

Sign language is yet to be recognized as an official language, and while there is an official training program, there are few sign language interpreters. Most State institutions do not provide information in accessible formats, like in Braille or audio.¹¹³

Traffic infrastructure (sidewalks, pedestrian crossings, intersections, overpasses, bridges, parking lots, etc.) is not sufficiently adapted to the mobility needs of individuals with various disabilities. Vehicles and terminals (bus and train stations, airports, and ports) are almost entirely inaccessible to persons with disabilities. There are no available data on the number of public spaces or transportation infrastructure adapted for use by persons with disabilities.¹¹⁴

Participation in political life

Persons with disabilities also face significant challenges in participating in political life. Monitoring of recent elections by the Association of Persons with Disabilities found that between 65 and 70 percent of polling stations are inaccessible or inadequately accessible, hindering persons with disabilities ability to vote.

¹¹³ UNPRPD Situational analysis of the rights of the persons with disabilities in Montenegro, https://unprpd.org/sites/default/files/library/2023-09/CR_Montenegro_2021.pdf

¹¹⁴ Ministry of Human and Minority Rights, 2022, Strategy for the Protection of Persons with Disabilities from discrimination and the promotion of equality

During the parliamentary elections 2023 campaigns, political parties did not always use subtitles with video materials, descriptions, and accessible printed materials. Similar findings were reported by the Office for Democracy and Human Rights' (ODIHR) Election Observation Mission. Only half of the campaign events were held in venues accessible to persons with disabilities. The State Electoral Commission issued criteria to ensure polling stations were accessible for persons with disabilities and provided training thereon to municipal elections commission, but these criteria were largely not followed. Most polling stations observed by ODIHR observed did not guarantee independent access for persons with disabilities, and in 15 percent of ODIHR's observations, polling stations did not have ballot sleeves for persons with visual impairments. Where persons with disabilities were on electoral list, almost none were in winnable positions. ODIHR included among its priority recommendations ensuring appropriate access for persons with disabilities in the electoral process.¹¹⁵

Data

Overall, as noted throughout this CCA update, Montenegro has inadequate data on persons with disabilities.

¹¹⁵ https://www.osce.org/files/f/documents/4/9/560256_1.pdf

Where data exists, it is rarely disaggregated by type of disability – physical, sensory, intellectual and psycho-social. The lack of data, and further disaggregation thereof, is an obstacle to design targeted policies and actions to tackle the challenges that this group encounters to exercise their rights on an equal basis with their peers.

Strategic considerations

The above analysis has highlighted that there are several key challenges and processes that need to be unlocked:

Firstly, legislative reforms that accelerate the progress on EU accession, due to its overlaps with the 2030 Agenda. The CCA has outlined that numerous legislative changes are needed across the strategic priorities that would support the more effective functioning of institutions and that would better protect rights, including of persons with disabilities. These legislative changes should be made in line with Montenegro's international human rights obligations, as well as Chapters 23 and 24 of the EU acquis Communautaire; judiciary and fundamental rights, and justice, freedom, and security, respectively.

Secondly, tackling discrimination, violence and hate speech. This should focus on women and vulnerable groups, including persons with disabilities. Addressing harmful cultural and social norms will need to be central

to these efforts. With regard to persons with disabilities, this should take into account discrimination this group faces in many aspects of life. This will ensure progress towards respecting fundamental rights in line with EU Acquis Chapter 23; judiciary and fundamental rights.

Thirdly, the fight against organised crime and corruption. The CCA has identified that whilst actions have been undertaken by the judicial system, more efforts are needed to ensure that judicial processes come to a close, and that preventative mechanisms are more effective – this would be in line with EU acquis Communautaire Chapter 23; judiciary and fundamental rights.

Finally, building the evidence base that enables more effective policymaking and decision-making. The CCA has highlighted that many development challenges remain to be fully understood due to insufficient data and evidence, especially in the analysis of the situation of persons with disabilities. Better disaggregated data and evidence would support the more effective targeting of support to those that most need it, whilst it could bring Montenegro's statistics development in line with Eurostat methodologies under Chapter 18 of the EU Acquis Communautaire; statistics.



Update on financing landscape

Domestic

Montenegro has run fiscal deficits consistently over the last 5 years. Montenegro's fiscal deficit averaged 4.7 percent of GDP between 2018 and 2022. However, it widened to 11 percent of GDP in 2020, during the COVID-19 pandemic, despite measures to contain expenditures to enable wage subsidies to support households during lockdowns. These fiscal deficits leave Montenegro vulnerable to economic shocks as Montenegro has little fiscal space to respond.

The fiscal deficits have driven debt to GDP ratio to the highest among the non-EU countries in the Western Balkans sub-region. Debt peaked at 105.1 percent of GDP in 2020 on the back of the COVID-19 pandemic, when the GDP contracted by 15.3 percent.¹¹⁶ This was mostly due to the lockdowns and curfews in the second quarter that prevented economic activity and low tourism season during the third quarter. Debt is on a downward trajectory despite the continued fiscal deficits. After hitting its peak in 2020, debt has reduced to 71 percent of GDP in 2022. This declining trend is occurring despite Montenegro continuing to run fiscal and primary fiscal deficits.

The “Minimum Wage-Tax Reform” Programme, launched at the beginning of 2022, was responsible for redressing the burden of taxation. More reliance was placed on VAT and less on income tax, with national

¹¹⁶ Central Bank of Montenegro

health insurance contributions abolished which contributed around €180 million in 2021. VAT revenues increasing from €691 million in 2021 to €908 million in 2022 due to inflation and increased private consumption after the war in Ukraine brought Russian and Ukrainian migrants to Montenegro.

The fiscal deficit in 2022 was lower than expected. The reforms that were part of the minimum wage-tax policy programme meant that Montenegro expected to lose health insurance contributions and put the burden of taxation more onto VAT than personal income tax. However, while personal income tax revenues were lower than expected, the increased levels of consumption contributed to higher-than-expected VAT revenues. Subsequently, the fiscal deficit was 4.4 percent of GDP rather than the projected fiscal deficit of 8 percent of GDP. In 2023,

Domestic borrowing only makes up a small percentage of Montenegro’s overall debt burden. External debt financing was approximately 90 percent of total debt in 2022, meaning 10 percent of total debt was from domestic sources. Almost all the domestic debt are domestic bonds and credit from commercial banks.

International

Montenegro has consistently run current account deficits. Montenegro is heavily reliant on goods imports for domestic consumption since there has been large investments in construction and it cannot produce enough food to meet domestic consumption needs. The tourist

season, where 80 percent of tourism occurs between June and September, increases the population putting further pressure on food imports. To offset this, Montenegro is often reliant on service exports (mainly in the form of tourism), Foreign Direct Investment (FDI), external debt financing, and remittances.

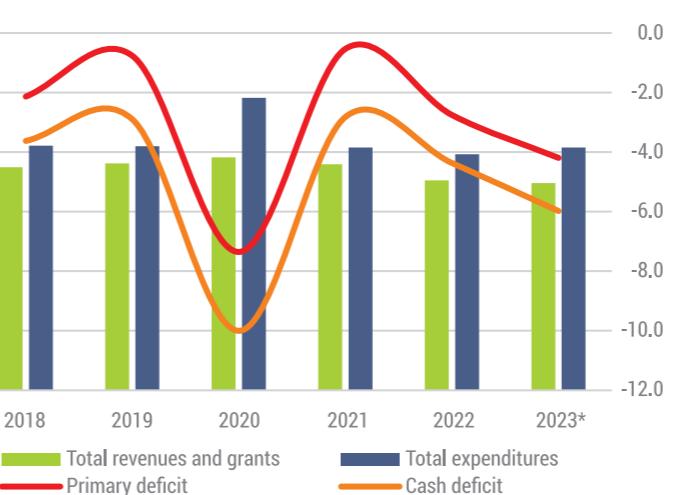
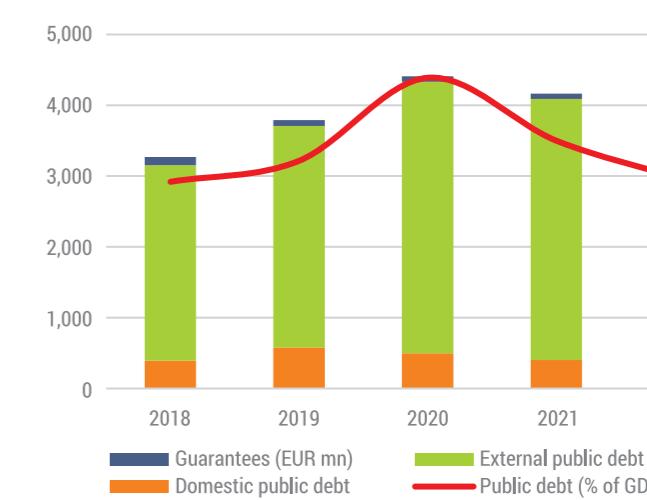
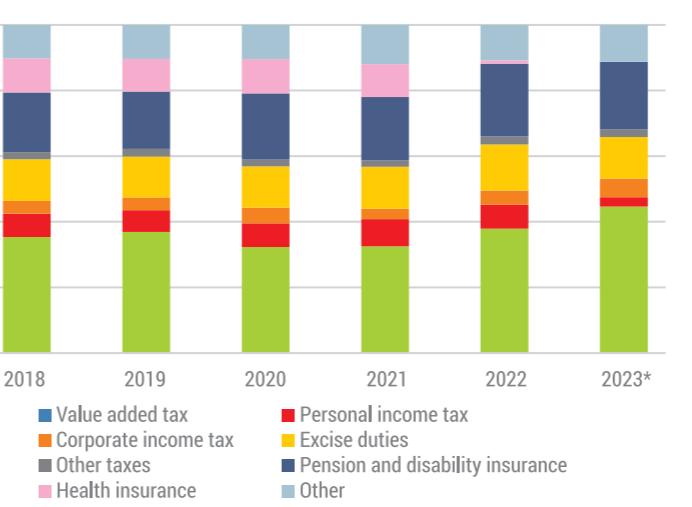
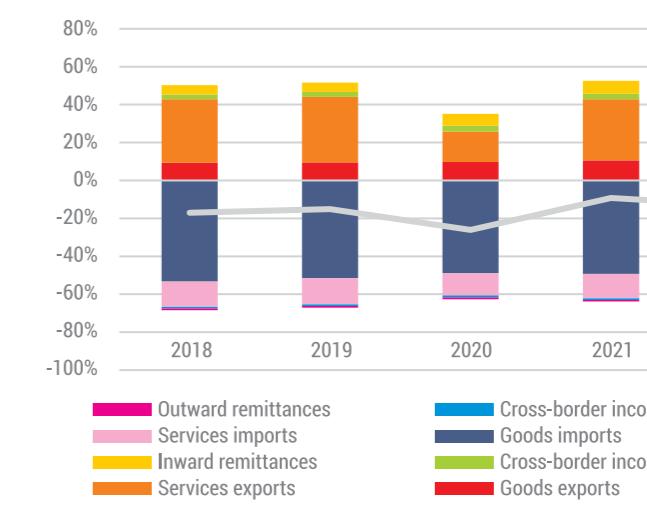
Real estate investment has been the driver of FDI. Net FDI was 14 percent of GDP in 2022 having grown from 6 percent in 2019.¹¹⁷ In recent years, real estate purchases have increasingly come from Germany with it being the single largest source in 2022 at 69.8 million.¹¹⁸ In the five years prior to the COVID-19 pandemic the largest single source of real estate investment was from Russia. Most of the real estate construction and purchases is occurring in Podgorica, Kolašin and the coast. However, the largest single source of FDI in 2022 was from Serbia, mostly in the form of intercompany debt. While Russia was the second largest source of FDI, but the FDI was mostly in the form of real estate purchases and investment in companies and banks. However, in the first 7 months of 2023 net FDI was 40.6 percent lower than net FDI in the same period of 2022.¹¹⁹

Remittances are of growing importance to Montenegro. The sources are of the remittances are not clear. In 2022 net remittances were 7.7 percent of GDP compared to 6.8 percent in 2021.¹²⁰ The absolute amount of

net remittances grew 27.8 percent in the same period. Net remittances were around €436 million in 2022. Remittances were an important economic buffer during the COVID-19 pandemic and partially offsetting the loss of tourism revenues.

Official Development Assistance (ODA) is of decreasing importance to Montenegro. ODA is now less than one percent of GDP, a reflection of Montenegro's status as an upper middle-income country.¹²¹ However, Montenegro is a recipient of significant funding from the International Financial Institutions and the EU, such as the Instrument for Pre-Accession and Western Balkans and Western Balkans Investment Framework. The loans from IFIs often have commercial rather than concessionary interest rates.

Montenegro raised €750 million Eurobonds in 2021.¹²² The total value of Eurobonds amounts to €1.75 billion.¹²³ The Eurobonds typically have a maturity of between 5 and 7 years. In 2023, the Eurobonds constitute 48 percent of Montenegro's overall foreign debt burden. Most debt is from foreign sources, either from the Eurobond, International Financial Institutions, or the debt to the Chinese EXIM bank for the Bar-Boljare highway. Montenegro has increased its share of foreign debt from 87 percent of total in 2020 to 90 percent in 2022.¹²⁴

¹¹⁷ Ibid¹¹⁸ Central Bank of Montenegro; Balance of Payments¹¹⁹ Ibid¹²⁰ Ibid¹²¹ Ministry of Finance data¹²² Ibid¹²³ Central Bank of Montenegro; Fiscal balance¹²⁴ Ibid**Chart 10: Fiscal deficits¹²⁶****Chart 11: Public debt¹²⁷****Chart 12: Source of revenues¹²⁸****Chart 13: Balance of payments (percent of GDP)¹²⁹**



Ways forward

While the outlook is broadly positive based on the progress made, there are downside risks, that could stymie the EU accession process and Agenda 2030.

Plus, there are several issues that will need to be addressed in the coming years, such as the repayments of the Eurobond, which could hinder Montenegro's ability to implement and finance the necessary reforms. Montenegro needs to address these risks and make efforts to accelerate progress in all SDGs as only 6 years remain to achieve the commitments of the 2030 Agenda. Much of these efforts are not new and were highlighted in previous iterations of the CCA.

Many of the gaps and challenges to achieving the SDGs remain as they were at the first iteration of the CCA in 2021, but some have evolved. The structure of the economy, capacity constraints, and social and cultural norms continue to slow progress. The impact of the COVID-19 pandemic and the war in Ukraine, amongst other factors, have also altered the complexion and importance of these challenges. For example, the war in Ukraine has resulted in some small-scale diversification in Montenegro with the growth of the ICT sector. However, the structure of the economy has not yet shifted to generating higher value and higher productivity jobs. Women still face significant obstacles to achieving a level playing field with men. Vulnerable groups still face issues accessing the services and challenges in exercising their full rights. The COVID-19 pandemic exposed and exacerbated issues in supporting vulnerable groups, whilst they were the worst hit by the impacts of the pan-

demic itself. Likewise evidence suggests that continued electioneering with two elections have worsened political polarisation and hate speech, which may not have occurred during non-election periods.

And as Montenegro continues to make progress in certain areas, the concentration of issues to certain groups or regions may necessitate a more nuanced approach.

The successes in terms of improvement of the situation of vulnerable groups, such as the increased enrolment of Roma and Egyptian children now needs to translate into improved educational outcomes. With vulnerability and poverty concentrating in certain household groups, rural areas and the Northern region a more targeted approach to these groups may be needed or policies will need to factor in these elements in their design.

At the SDG summit in September Montenegro made pledges in six areas to accelerate progress on the SDGs. These were: leave no one behind; justice for all; quality education; gender equality; green transition and action in the field of climate change and disaster risk reduction; and institutional and financial framework. Under these six areas Montenegro set itself targets to achieve the SDGs and to monitor progress. The Government committed to monitor the implementation of these pledges. The UN in Montenegro should support the Government of Montenegro to fulfil these pledges and monitor progress in the run-up to 2030.

The MAF will support efforts on the mutually complementary processes of EU accession and 2030 Agenda. Under each strategic priority, the CCA has identified areas which, if addressed, could bring about these transformational changes, which could be implemented by the MAF. Overall, Montenegro's main objective should be to reinvigorate its European Union accession process as that can deliver nearly two thirds of the SDGs. Alongside the strategic investments of the MAF, Montenegro needs to redouble efforts to put in place the conditions to deliver the SDGs, namely:

1. Linking inclusive economic growth to environmental sustainability; In the short term this is about cleaning and repairing some of the environmental damage that currently exists, improving waste management, and supporting adaptation efforts. In the longer-term the emphasis should be on the transition from coal to cleaner energy but ensuring that those who lose out will be compensated, as part of the just transition.

2. Reduce the vulnerability of the economy to shocks; In the longer-term the emphasis should be on supporting the diversification of the economy building on some of the green shoots in the ICT and energy sectors. However, in the short term the focus should be on maintaining pro-cyclical fiscal policy and building fiscal buffers, in case of economic shocks. Plus, targeting of social protection expenditures towards the most vulnerable will support poverty reduction efforts and improve resilience to economic shocks at the household level.

3. Continue to improve the prospects for decent work; With the private sector looking for certain skills to fill vacancies, more needs to be done to provide those young Montenegrins with the right set of skills. This would address one side of the skills mismatch. The other side is to continue to create jobs that enable Montenegrins to earn higher incomes.

4. Level the playing field; The evidence has shown that a child's circumstances will affect its ability to fulfil its full potential. Creating a level playing field in terms of accessing quality education and health will improve social mobility and enable young Montenegrins to fulfil their potential. In the longer term continuing to improve the quality of education will support the convergence of Montenegro with EU and OECD averages in terms of educational attainment. Levelling the playing field also means equal access to justice. The CCA has highlighted how persons with disabilities face multiple deprivations in different facets and these will need to be addressed.

5. Continue to counter pervasive cultural and social norms; With hate speech and political polarisation still prevalent, efforts are needed to counter the pervasive narratives that drive them, especially on attitudes towards women and children. The acceptance and tolerance of violence needs to be tackled and the drivers of gender-based violence and violence against children addressed.

6. Strengthen the application of a human rights-based approach; Certain groups are more at risk of being left behind than others. Even as generally declining, evidence suggests that at risk of poverty and poverty rates are becoming concentrated among certain groups, which warrants exploring more effective targeting of support to those groups to enable them to exercise their rights. Concerted and coordinated efforts are required to address existing inequalities and patterns of discrimination, while processes that are increasingly and consistently inclusive of those who are most affected are needed to identify the most effective solutions to development challenges that Montenegro faces. Investment and reform of independent and impartial justice needs to be accelerated to enhance accountability of those holding decision-making powers to their constituencies. Measures to tackle corruption and organized crime should continue to be implemented.

7. Continue to build the evidence base in general, but also to improve the policymaking on vulnerable groups; the analysis on persons with disabilities has highlighted the struggles with data scarcity and building a clear picture of the situation of persons with disabilities. To improve the targeting of expenditures and policymaking better disaggregated data are needed, including on persons with disabilities and other vulnerable groups.

Many of these recommendations mirror those made in the first CCA published in 2021, reflecting how whilst

progress is being made, the underlying challenges and actions needed remain, even if their nature has evolved or severity has diminished.





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