



NATIONAL CORRUPTION  
**ASSESSMENT REPORT**

**2023**





# NATIONAL CORRUPTION **ASSESSMENT REPORT**

# 2023

# NATIONAL CORRUPTION ASSESSMENT REPORT 2023



Centre for Monitoring and Research CeMI  
Bul. Svetog Petra Cetinjskog 96, VI/12  
e-mail: [info@cemi.org.me](mailto:info@cemi.org.me)  
[www.cemi.org.me](http://www.cemi.org.me)

**Print:**  
SmartPrint

**Circulation:**  
100

**Year of Issue:**  
2024



Funded by  
the European Union



This publication was funded/co-funded by the European Union. Its contents are the sole responsibility of the Centre for Monitoring and Research CeMI and do not necessarily reflect the views of the European Union.

# CONTENTS

- I. GENERAL DEVELOPMENTS RELATED TO THE ANTICORRUPTION ENVIRONMENT .....6**
- II. THE STATE OF CAPTURE: ASSESSING HIGH LEVEL CORRUPTION ..... 7**
- III. DYNAMICS OF CORRUPTION (CMS) .....9**
  - 3.1. SPREAD AND DYNAMICS OF CORRUPTION ..... 9
  - 3.2. (IN)TOLERANCE TOWARDS CORRUPTION .....13
  - 3.3. EXPERIENCES WITH CORRUPTION .....17
- IV. ANTICORRUPTION LAW AND POLICY ..... 20**
  - 4.1. ANTICORRUPTION POLICY .....20
  - 4.2. LEGISLATIVE DEVELOPMENTS RELATED TO ANTICORRUPTION .....22
- V. ANTICORRUPTION IN THE EXECUTIVE AND PUBLIC ADMINISTRATION ..... 24**
  - 5.1. GENERAL INSTITUTIONAL DEVELOPMENTS .....24
  - 5.2. IMPLEMENTATION OF CONFLICT-OF-INTEREST REGULATIONS .....25
  - 5.3. ASSESSING THE PRACTICE OF INSPECTORATES IN THE PUBLIC ADMINISTRATION .....26
  - 5.4. ASSESSING THE PRACTICE OF THE STATE AUDIT INSTITUTION (SAI) .....29
  - 5.5. ANTICORRUPTION IN PUBLIC PROCUREMENT ..... 30
- VI. ANTICORRUPTION ENFORCEMENT ..... 33**
- VII. ANTICORRUPTION IN THE ECONOMY ..... 35**
  - 7.1. THE HIDDEN ECONOMY .....35
  - 7.2. ANALYSING THE WORK OF THE REVENUE ADMINISTRATION ..... 37
    - 7.2.1. TAX ADMINISTRATION AND CUSTOMS .....37
- VIII. CIVIL SOCIETY IN ANTICORRUPTION ..... 40**
  - 8.1. CSO ANTICORRUPTION WORK ..... 40
- IX. MEDIA ..... 43**
- X. THE INTERNATIONAL DIMENSION ..... 45**
- XI. CONCLUSIONS AND POLICY RECOMMENDATIONS ..... 47**

# GENERAL DEVELOPMENTS RELATED TO THE ANTICORRUPTION ENVIRONMENT

While discussing the general development of the present social and political environment for the fight against corruption in Montenegro, we should underline that the 2020 parliamentary elections in Montenegro brought a significant political change in power structures, after 30 years of domination of one party, Democratic Party of Socialists, who was the dominant partner in all coalition governments that ruled Montenegro during that period.

After parliamentary election in August 2020, a new majority was formed with 41 out of 81 MPs, from three main entities: the „Black on White“ coalition (dominated by URA), the Democratic Montenegro and the „For the Future of Montenegro“ coalition (led by the Democratic Front and SNP).

During that period, there were strong expectations both from international and internal positions that political change will also bring systemic change in terms of strengthening of institutions of the system and lowering of political influence and control over local and state institutions, especially those related to the rule of law and anticorruption.

However, substantive change has yet to occur. An example of this is the creation of context for the continuation of political influence on state prosecution through the Law on the State Prosecution of Montenegro, which was passed in Parliament against the recommendations of the Venice Commission and EU Commission. The Law provided for the packing of the Prosecutorial Council with four private lawyers (out of nine members), with clear political and partisan affiliation, as no safety mechanism was introduced (2021 Venice Commission recommendations pointed to a limitation of undue political influence by prescribing qualified majority vote in the Parliament for the appointment).

Moreover, political pressures continued on other anticorruption bodies like judiciary and the Agency for Prevention of Corruption. Namely, instead of offering support for further strengthening of the reform process that has been started in the period 2019-2020, the Government and the Parliament of Montenegro and representatives of the ruling parties have started several serious attacks on independence and autonomy of the work of the Agency for Prevention of Corruption. An example of that was a series of attempts by the Ministry of Finance during 2021 and 2022 to remove obligatory budget percentage for financing of the APC, which was stipulated within the Law on Prevention of Corruption (0,2% of the total national budget).

Considering the judiciary, the reform process has been stopped or delayed since the arrival of new parliamentary majority in August 2020, with minimal advancement in the selection process of the remaining judge of the Constitutional Court, and appointment of the three remaining judges to the Judicial Council. The stalemate position was finally resolved in the final months of 2023, as the new Parliamentary Assembly formed after the June 2023 election appointed the remaining judge to the Constitutional Court in November 2023, followed by the appointment of the three remaining judges to the Judicial Council in December 2023, creating the preconditions for a normalization in functioning of the judicial system, and consequently an effective fight against corruption.



# THE STATE OF CAPTURE: ASSESSING HIGH LEVEL CORRUPTION

Montenegro, as all the transitional nations of the Central and Eastern Europe and the Western Balkans, has been grappling with the complexities of high-level corruption since the very beginning of the transition to multiparty system and overall democratization. Legacy of dissolution of institutional framework of socialistic society created various transitional challenges where environment for corruptive practices at the upper echelons of power was created and led to systemic corruption since early 1990-ies until today.

Regardless of the fact that institutional framework has been created, implementation of the legal framework and efficient functioning of robust enforcement mechanisms is still lacking in many areas of overall institutional system of Montenegro. Even though high hopes for efficient combat against corruption have grown among general population, since the alternation of power in 2020, unfortunately, many of the old corruptive practices survived and were even more developed by the new ruling structures.

The practices of embezzlement and misappropriation of public funds, bribery and kickbacks in public procurement, capture of state institutions, political influence and endangering judicial independence only continued and even strengthened from 2020 until today, December 2023.

In particular, from 2021 until the end of 2023, a number of high-profile cases have been started from the side of Prosecution Offices on different levels. The ex-President of the Supreme Court is on trial for various accusations related to organized crime activities, as well as the president of the Commercial Court. In addition to that ex Chief of Police is still in custody and accused of various criminal activities. Number of ex ministers, higher ranking public officials and ruling politicians before August 2020 have also been processed under different kind of accusations, from formal abuse of power to embezzlement of public funds. All of them have in common the fact that they were active during previous ruling structures, prior to August 2020.

In contrary to significant number of higher-ranking officials from previous regime prior to August 2020, only a few representatives of new ruling structures have been put in custody or on trial, like the mayor of city of Budva, accused of smuggling of cocaine, and ex Head of the Customs and Tax Office accused of cigarettes smuggling and abuse of power.

In general, the situation in the area of fight against corruption is bleak. The judicial system in Montenegro generally suffers from inefficiency, but that is especially evident in the cases of high-level corruption, with a small number of verdicts being passed compared to the number of cases brought before the court. This point is illustrated with the annual record of the Specialized Department at the High Court in Podgorica, which handles cases of organized crime, corruption, and war crimes, where a total of 176 cases were processed in 2023 with a 19.75% completion rate (33 verdicts in 176 cases). The trial proceedings often take too long to complete, a fact that raises serious issues in just and timely institutional response to high-level corruption.

The efficiency of the Special Prosecutors Office has received serious public scrutiny as well. In 2023 the Special Prosecutors Office received reports on high-level corruption against 1085 individuals, with an additional 852 reports from previous years leading to 1937 cases under ac-

tive investigation. The SPO filled one bill of indictment against one individual and indictments against 14 individuals for high corruption, leaving a total of 784 reports that remain under review. The discrepancy between the overall number of reports and actual cases a decision has been reached on witness to the lack of capacity and inefficiency of the SPO suggesting that significant improvements must be made in the upcoming period. The legal framework does not contribute to the increase in efficiency of the work of SPO, as it prescribes to broad of a jurisdiction and disables the transfer of cases of minor corruption to lower levels of the prosecution.

The consequence of the above-described situation is the creation of an atmosphere, where in spite of the political change of power, there are still significant and systemic challenges to on judicial independence and a strong political influence on prosecution structures, creating doubts about ensuring of institutional preconditions for conducting of fair investigations and trials, as a key component for accountability of legal system in combating of a high-level corruption.



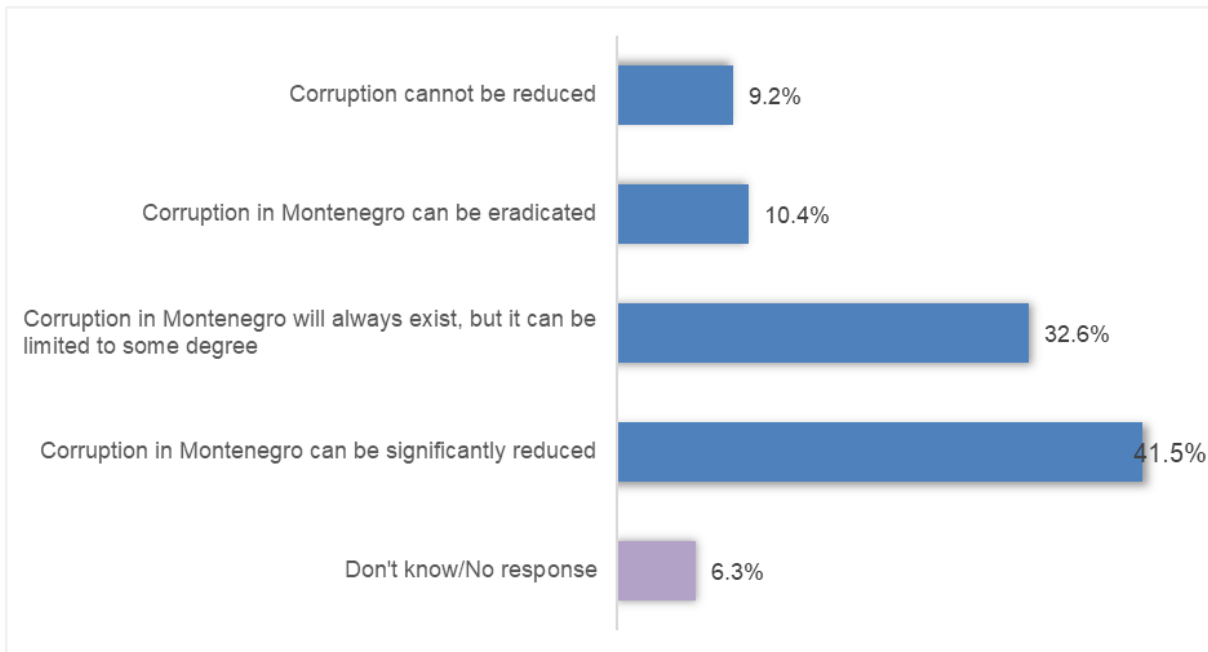


# DYNAMICS OF CORRUPTION (CMS)

In August 2023, the Center for Monitoring and Research (CeMI) executed a comprehensive public opinion poll focused on corruption. Utilizing the Computer-Assisted Telephone Interviewing (CATI) methodology, the polling captured the perspectives of 1,006 respondents. The results of the research indicate that the public perception regarding corruption in Montenegro is that corruption is a pervasive challenge with deep-rooted implications, not just at an institutional level but also within the fabric of society.

Still, according to 41.5% of citizens, corruption in the country can be significantly reduced, while an optimistic 10.4% believe it can be completely eradicated. This data collectively represents a hopeful undercurrent in Montenegrin society, suggesting that despite the realities of corruption, many people still believe in the potential for positive change.

**Chart 1:** Citizens' opinion on the prevalence of corruption in Montenegro

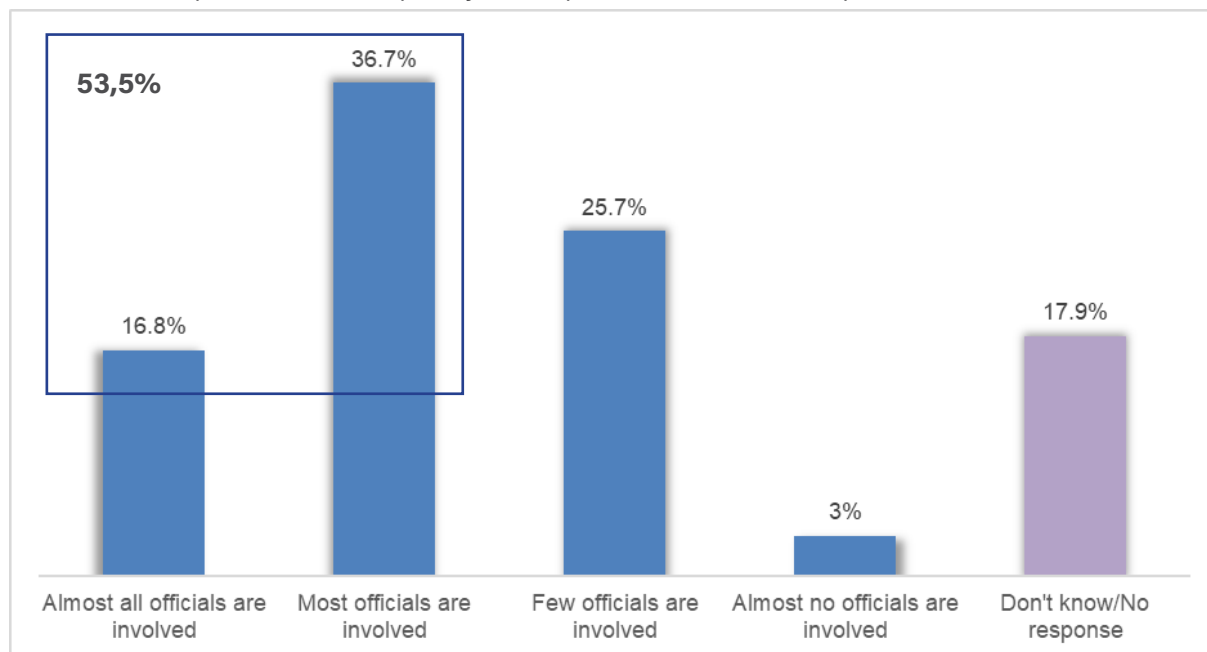


## 3.1. SPREAD AND DYNAMICS OF CORRUPTION

Public perception of corruption in Montenegro is a matter of significant concern, cutting across various sectors and professions. From the political arena to law enforcement and the judiciary, as well as key social sectors like healthcare and education, the public's views on corruption serve as a barometer for the country's institutional health. Given the vital role of these institutions in societal well-being, understanding these perceptions is crucial for identifying both problems and potential avenues for reform.

When it comes to the public sector, over half of the respondents (**53.5%**) think that corruption is extremely common: **16.8%** believe that **almost all public officials are corrupt**, while **36.7%** think **the majority** are involved in corruption.

**Chart 2:** Citizen opinion on the susceptibility to corruption of the officials in the public sector



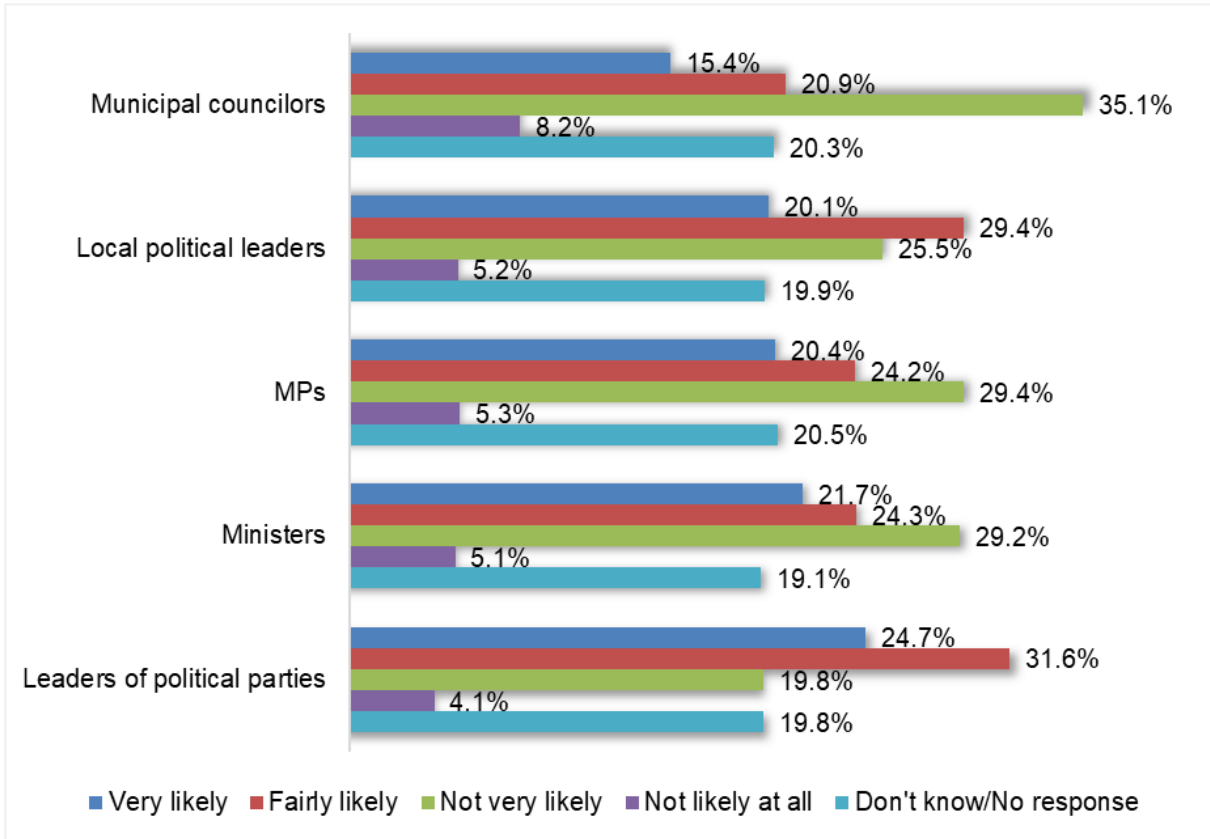
Not all public officials are perceived to be involved in corruption to the same degree, however. Citizens believe it is very likely that **customs officers (19.3%)** and **police officers (19.1%)** are involved in corruption. Following them are **tax officials**, for whom **15.8%** of citizens believe it's very likely that they are also involved in corruption. Among these groups, respondents in **7.2%** of cases stated that it is **not at all likely** that tax officials would be involved in corruption, compared to **5.4%** for customs officers and police officers.

The data points to a prevailing concern among citizens about corruption among **law enforcement and regulatory agencies**. Customs and police officers are perceived as being highly susceptible to corruption, followed closely by tax officials. There is a small but noteworthy proportion of the population that considers it unlikely for tax officials to be corrupt. This could suggest a level of faith in the integrity of taxation systems, or perhaps reflect the perception that tax officials are subject to more stringent oversight compared to their counterparts in the police and customs departments. Nonetheless, the generally high percentages indicate a broader lack of trust in key public institutions.

Citizens' opinions on corruption also diverge when considering different social groups, with the most negative opinion about politicians and politically active persons in general.

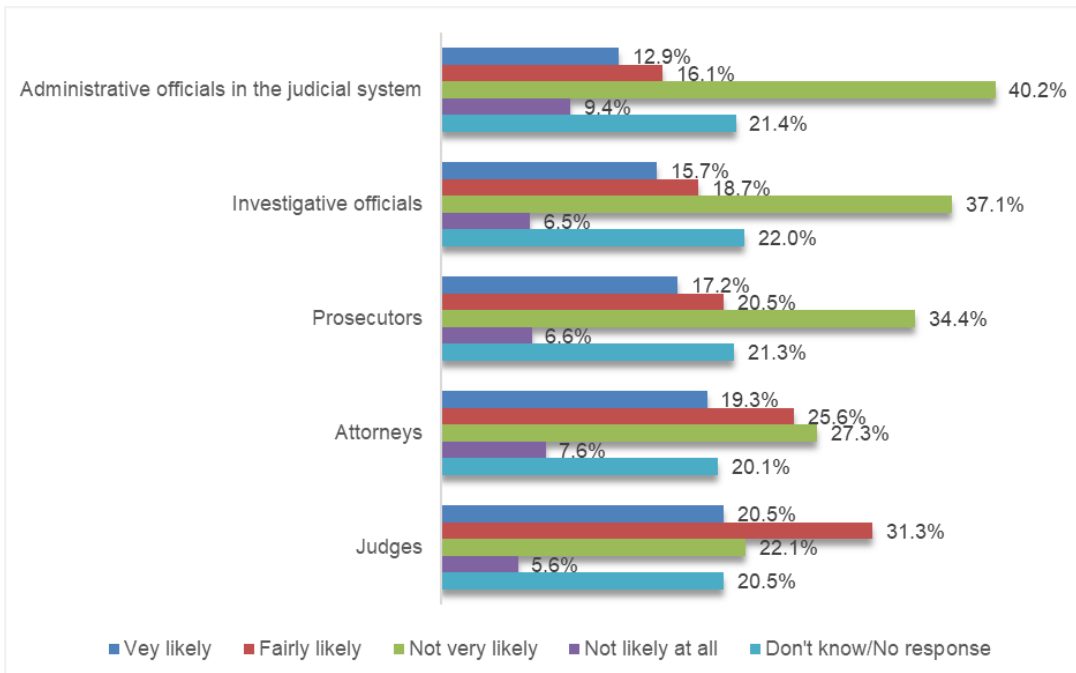
Namely, citizens are most inclined to believe that corruption is most widespread among the leaders of political parties, with **24.7%** believing that it is very likely to be present among them, and **31.6%** finding it fairly likely.

**Chart 3:** public perception on the susceptibility to corruption of the politically active persons



When it comes to the judiciary, CeMI's public polling research conducted in January of 2023 revealed low public trust in the judicial system.<sup>1</sup> Gauging public perceptions concerning corruption within the judiciary, and how deeply corruption is believed to permeate this sector is of particular importance, given the judiciary's role in adjudicating cases of corruption. Erosion of its integrity can have far-reaching implications for governance and the rule of law.

**Chart 4:** public perception on the susceptibility to corruption in the judiciary



<sup>1</sup> CeMI, Public polling research on perception of independence and integrity of the judiciary in Montenegro, April 2023, available at: <https://cemi.org.me/storage/uploads/JGvRk6MDSVRZHBn9WTU9oW92Wygiswk4CMIHxM0C.pdf>

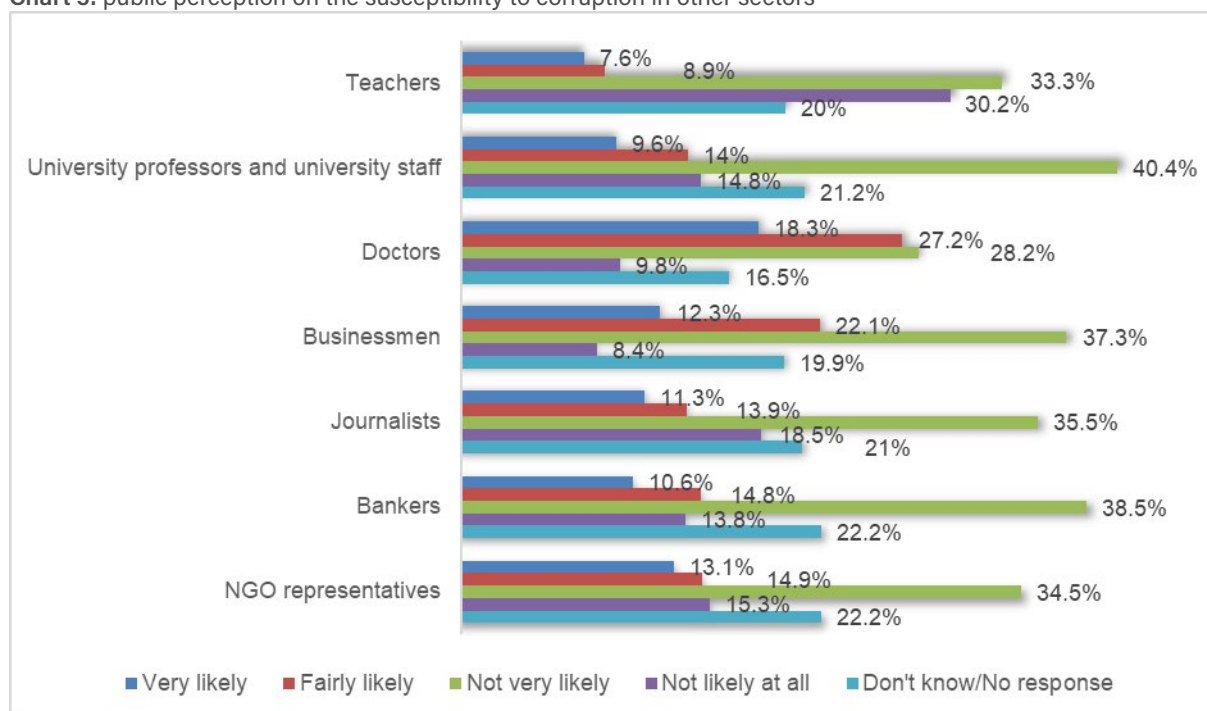
The data illustrates a concerning perception of widespread corruption within Montenegro’s judicial system, escalating with the rank and influence of the roles examined. While administrative officials in the judicial system are considered the least likely to be involved in corruption, with only **12.90%** of respondents finding it ‘Very likely,’ suspicion grows as we move up the judicial hierarchy. Investigative officials and prosecutors face higher levels of public mistrust, with **15.7%** and **17.2%** of respondents, respectively, believing it’s ‘Very likely’ they are involved in corruption. Even more concerning is the public’s perception of attorneys and judges: **19.3%** and **20.5%** of the public find it ‘Very likely’ that these professionals are involved in corruption, and a notable **31.3%** of respondents believe it’s ‘Fairly likely’ for judges.

These findings are alarming given that prosecutors and judges, the pillars of justice, garner the least public trust, with the perception of more than half of respondents that judges and prosecutors are likely involved in corruption.

Moreover, the consistent rate of those who did not respond or did not know enough to provide an opinion across all categories (**20-22%**), further underscores the general atmosphere of uncertainty or reticence to comment. This itself represents a negative indicator of the judiciary’s opaque nature in the public eye. Overall, the data indicates an urgent need for reform to restore public faith in the judiciary.

When it comes to other sectors, such as the healthcare, education, journalism, banking sector etc. the perception of the public regarding corruption is somewhat less pronounced. While no profession is perceived as completely free from corruption, there are varying levels of public trust that could be indicative of broader social attitudes and experiences.

**Chart 5:** public perception on the susceptibility to corruption in other sectors



The educational sector appears to enjoy relatively higher levels of trust, with **7.6%** and **9.6%** of respondents believing it’s ‘Very likely’ that teachers and university staff, respectively, are involved in corruption. This is a somewhat positive indicator for a sector crucial to social development. However, the medical profession raises serious concern, as it has the highest percentage (**18.3%**) of respondents who view corruption as ‘Very likely’ and a high percentage (**27.2%**) who consider it ‘Fairly likely.’

Businessmen and NGO representatives, often considered the drivers of economy and social change, also don't fare well. About **12.3%** and **13.1%** of respondents find it 'Very likely' that these groups are corrupt, which could indicate a lack of faith in these sectors' integrity.

Journalists, often considered the fourth pillar of democracy, have a lower percentage (**11.3%**) of people viewing them as 'Very likely' corrupt, but a higher percentage (**18.5%**) of respondents find it 'Not likely at all,' suggesting some degree of faith in media integrity, despite existing skepticism.

Bankers, often a focus of public mistrust, fall somewhat in the middle, with **10.6%** considering corruption 'Very likely' and **14.8%** as 'Fairly likely.'

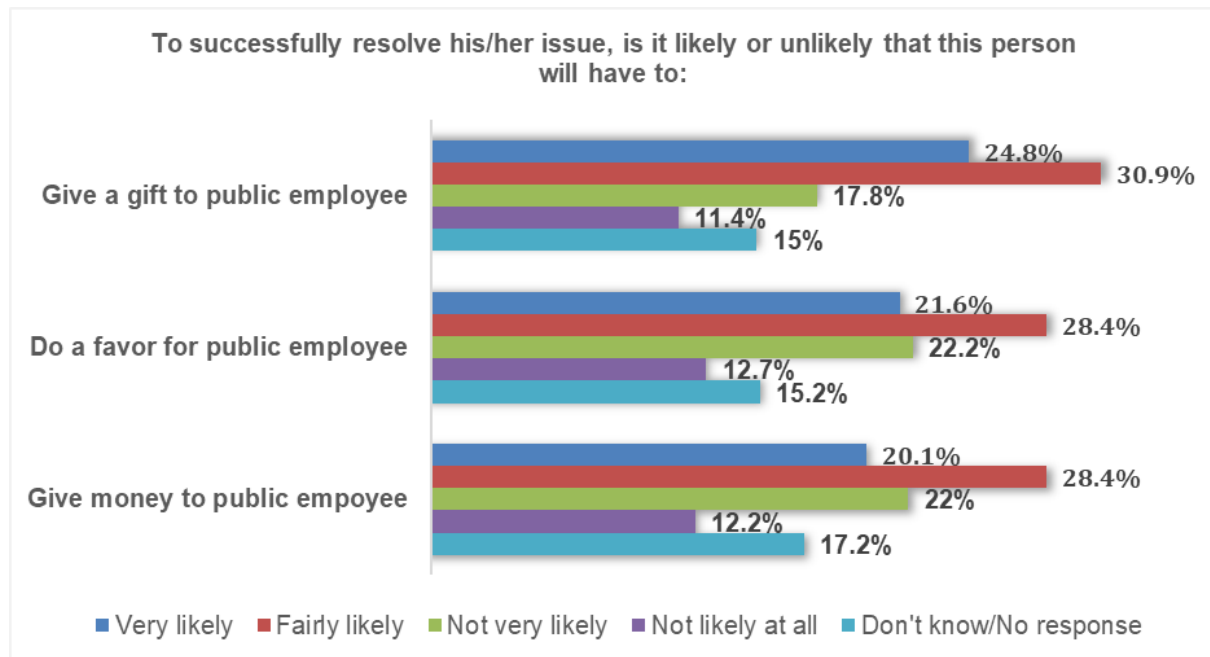
Once again, the percentage of 'Don't know/No response' across all professions is relatively high, ranging from **16.5%** to **22.2%**, suggesting either a general uncertainty among the public or a hesitancy to express opinions on these matters.

### **3.2. (IN)TOLERANCE TOWARDS CORRUPTION**

The public's tolerance—or lack thereof—towards corruption serves as a revealing litmus test of cultural values and expectations. This test is not administered in controlled environments, but rather in the daily interactions between citizens and public officials. It takes form in the unspoken beliefs that govern our actions, the quiet negotiations we're willing to make, and the ethical boundaries we draw for ourselves. In Montenegro, this manifests as a majority of citizens believing they must resort to activities that constitute corruption to gain access or make effective use of public services.

Namely, more than half of the citizens (**55.7%**) believe it is likely that they will have to offer a bribe to a public official to successfully resolve an issue they are facing. This is an alarming indicator of the public's perception of the prevalence of corruption within their interactions with public services and offices. It suggests a deeply ingrained culture of corruption and an expectation of having to engage in corrupt practices as a sort of 'necessary evil' to get things done. On the flip side, **almost one-fifth** of citizens believe it is somewhat or entirely unlikely that they would have to offer something in return to a public official to address their issues. This latter statistic, although less prominent, still represents a significant portion of the population and could point to a level of trust or optimism that the system can function without the need for underhanded dealings.

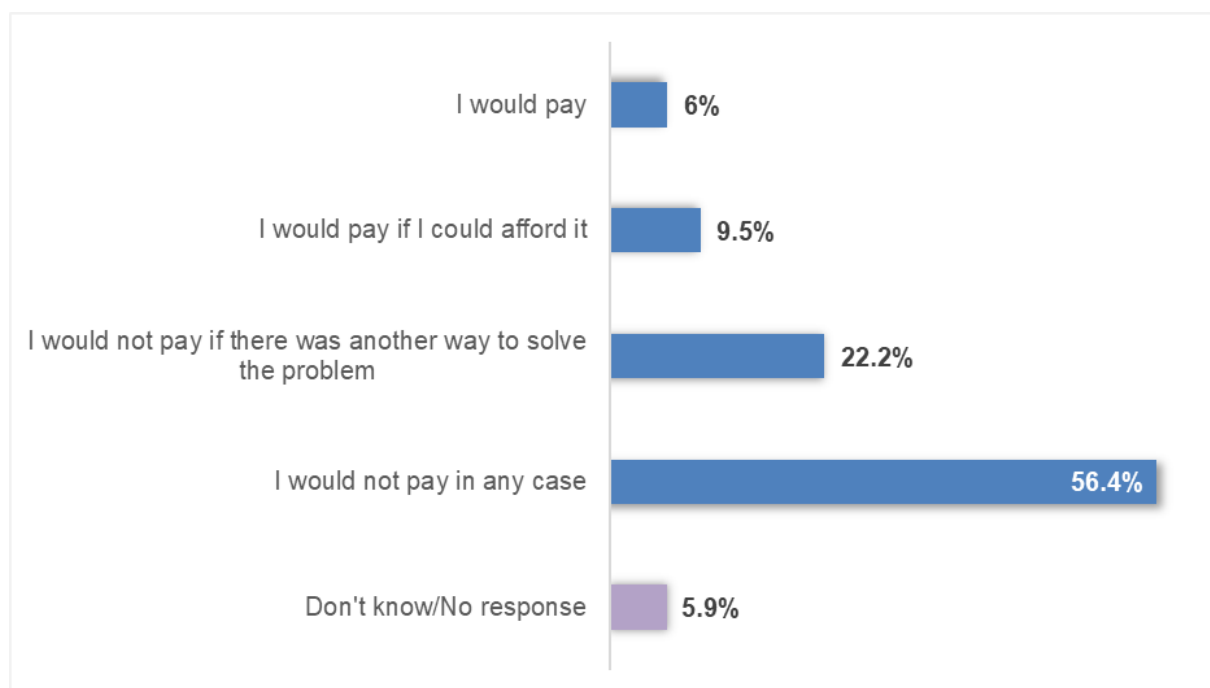
**Chart 6:** Public perceptions of the likelihood of having to bribe public officials for problem resolution



In a scenario where citizens are faced with a significant problem and a public official directly demands money to resolve it, the responses indicate a mixed picture of the population’s stance on corruption. Specifically, **15.5%** of citizens report that they would indeed pay the official if such a request was made, which shows a concerning willingness to engage in bribery when faced with a pressing issue. This could be indicative of a perception that bribery is an effective or necessary means of problem-solving within the public sector, or that it is unavoidable.

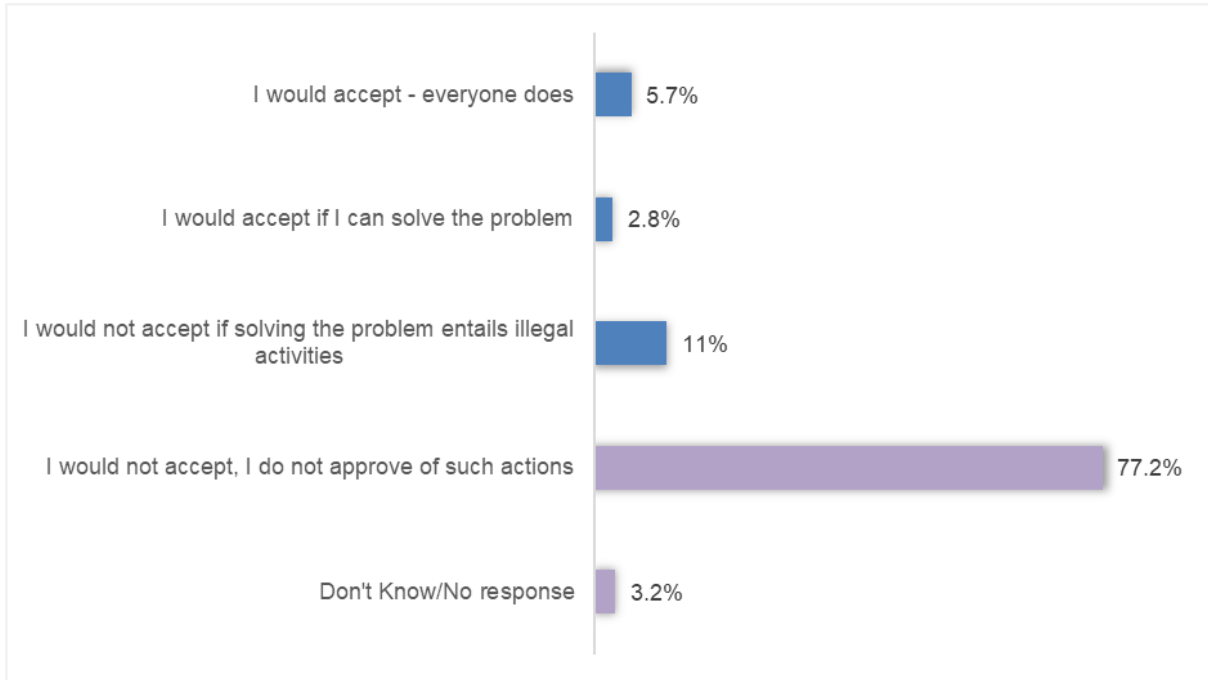
On the other hand, a more encouraging **56.4%** of the population state that under no circumstances would they give money to the public official. This majority response suggests a certain level of ethical resistance to corruption and a trust in the system’s ability to resolve issues without resorting to illegal means.

**Chart 7:** Public perceptions of the likelihood of having to bribe public officials for problem resolution



In a hypothetical scenario where citizens are placed in a low-paying public service role, a small yet significant **8.5%** of respondents indicated that they would accept money, gifts, or services in exchange for resolving another person’s issue. This suggests a willingness among a portion of the population to engage in unethical behavior, potentially indicating a level of tolerance for corruption. However, a more optimistic picture emerges when considering that **11%** of citizens explicitly stated they would not accept such offerings if it entailed illegal activities. Most notably, a strong majority of **77.2%** declared that under no circumstances would they accept money, gifts, or services.

**Chart 8:** Willingness to accept bribes



Gender and age differences are notable in this context. Specifically, **13%** of men compared to **4.8%** of women would accept such offerings, potentially highlighting gender-based disparities in ethical considerations or risk tolerance. Age also plays a role; **14%** of young people between the ages of 18 and 34 indicated they would take up such an offer, while only **4.2%** of those above 55 would do the same, suggesting that younger individuals may be more susceptible to such temptations.

To gain a deeper understanding of the relationship and tolerance of Montenegrin citizens towards corruption in different institutions, indices were developed that evaluate the extent to which citizens are inclined to accept or condemn instances of corruption. The Index of (In)tolerance Towards Corruption among MPs and government members reveals that **76.3%** of citizens view any form of corruption (be it services, gifts, or money) as unacceptable. Conversely, **23.7%** consider such actions to be acceptable or partially acceptable. Similarly, the Index of (In)tolerance Towards Corruption among employees in ministries and municipalities indicates that **76.1%** of citizens condemn corruption as unacceptable behavior. Upon further cross-analysis of these two indices, it was concluded that a similar proportion of respondents (covering 613 respondents) perceive these activities as unacceptable, with about a **93%** overlap between the two indices. This high level of concurrence suggests a strong, widespread disapproval of corruption among citizens, regardless of the institution in question.

When examining public attitudes towards varying degrees of corruption involving MPs and Members of Government, four scenarios were presented:

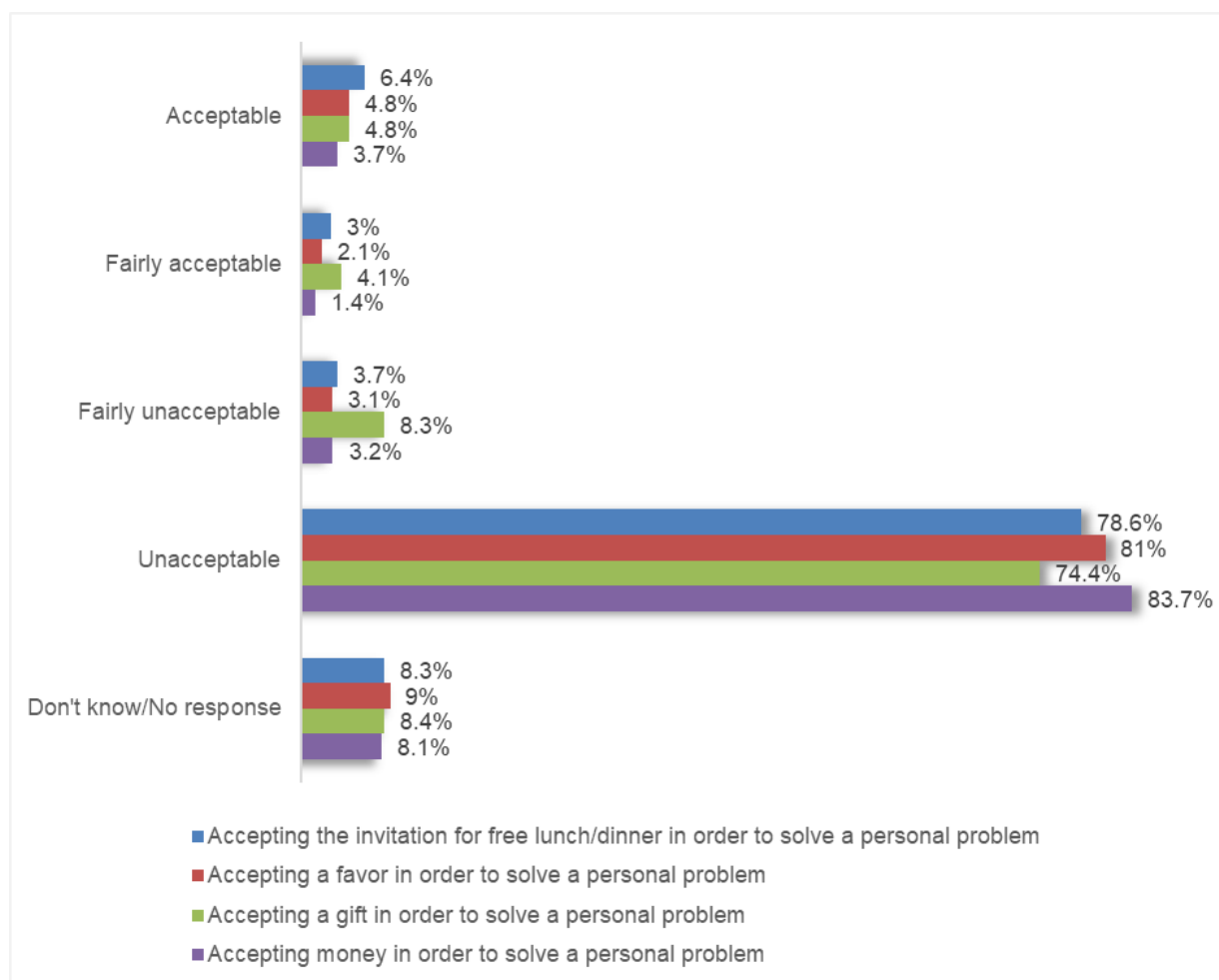
- 1) accepting an invitation for free lunch/dinner,

- 2) accepting a favor,
- 3) accepting a gift, and
- 4) accepting money, all in order to solve a personal problem.

The overwhelming majority deem these actions as “Unacceptable,” with percentages ranging from 74.4% for accepting a gift to as high as 83.7% for accepting money. These figures indicate a broad societal condemnation of corrupt practices, irrespective of their nature or scale.

However, the data also points to some acceptance or ambivalence. For instance, 6.4% find accepting a free meal to be “Acceptable,” compared to only 3.7% for accepting money, while “Fairly Acceptable” responses range from 1.4% for accepting money to 4.1% for accepting a gift. “Fairly Unacceptable” responses were relatively consistent, ranging from 3.1% for accepting a favor to 8.3% for accepting a gift.

**Chart 9:** Public (in)tolerance towards corruption among MPs and Members of Government



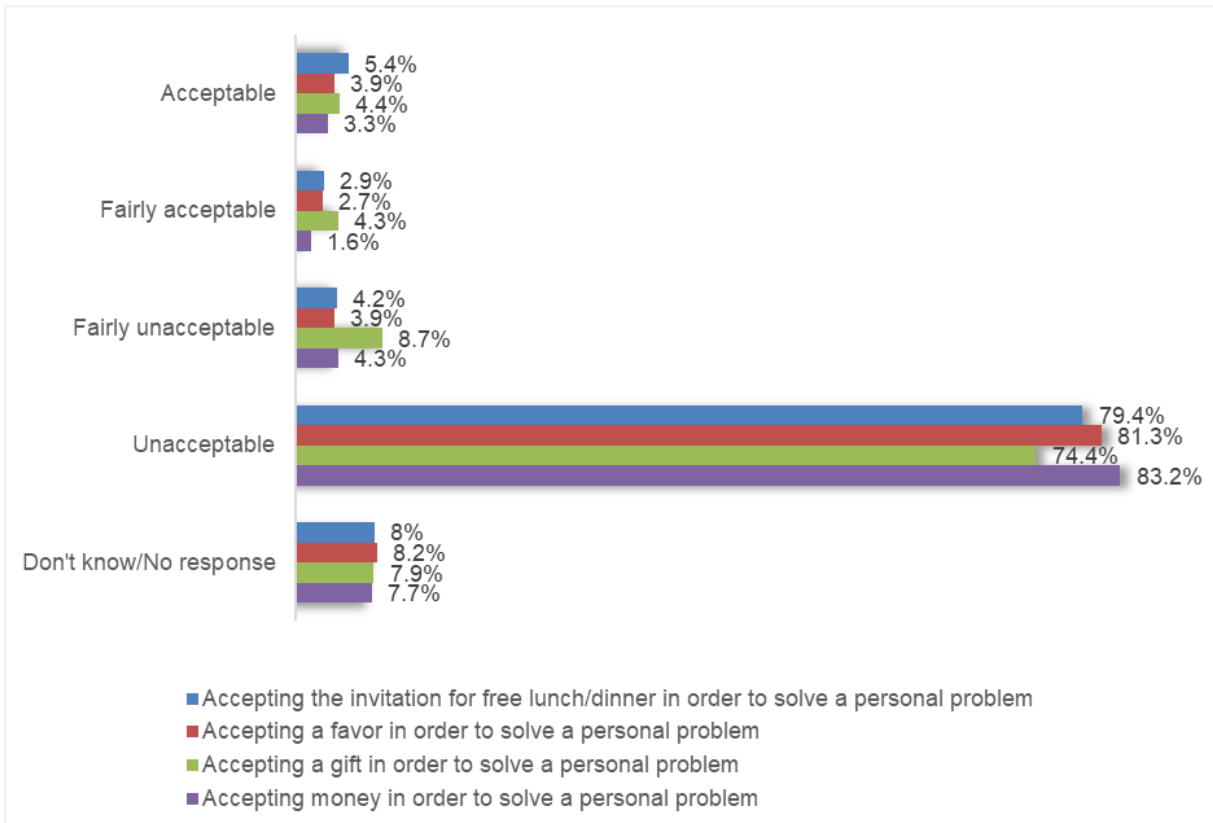
The exceptionally high disapproval rate for accepting money to solve a personal problem is a significant indicator of public sentiment. It suggests a strong collective stance against overt financial corruption, highlighting that the vast majority of respondents view such actions as fundamentally unacceptable. This data point could serve as a strong indicator that, despite varying levels of tolerance for lesser forms of graft, direct bribery involving cash is overwhelmingly considered to be a serious breach of integrity within Montenegrin population.

The data on (in)tolerance towards corruption of employees in ministries and municipalities shows striking similarities with the data on MPs and Members of Government in terms of the



public’s disapproval for different forms of corruption. Most notably, the percentage of respondents finding it unacceptable for employees in the public sector to accept money for solving a personal problem stands at **83.2%**, which is almost identical to the disapproval for MPs and government members engaging in the same behavior. This suggests a consistent public sentiment that decries the exchange of money as a form of corruption, irrespective of the status or position of the public employee involved. Lesser forms of favors, gifts, or meals also have comparable percentages of disapproval, reinforcing the notion that public expectations for ethical conduct are broadly consistent across different roles in public service. The high levels of disapproval for accepting money, in particular, underscores that bribery in its most explicit form is highly condemned, indicating a general societal norm against overt financial corruption.

**Chart 10:** Public (in)tolerance towards corruption among employees in ministries and municipalities



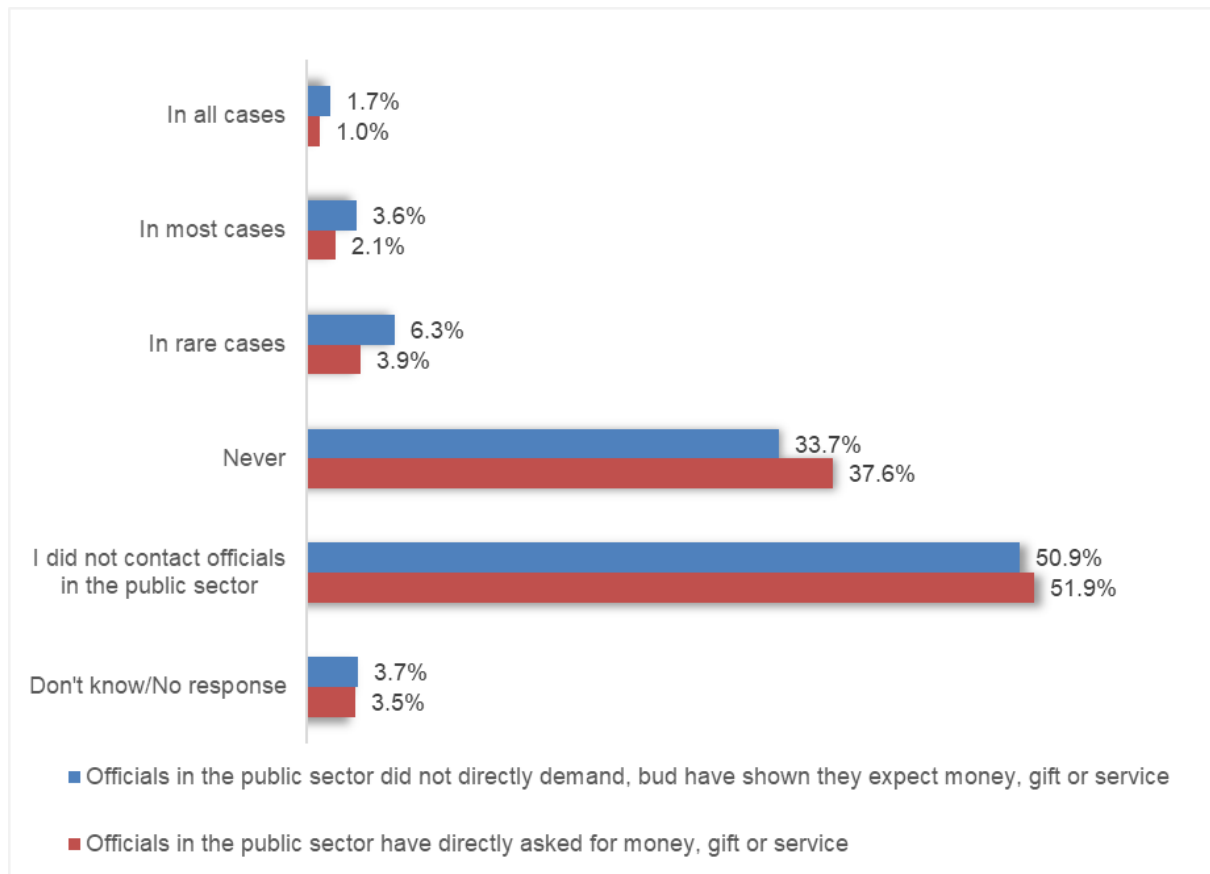
### 3.3. EXPERIENCES WITH CORRUPTION

To understand the lived experiences of corruption, it is crucial to examine how often citizens encounter questionable practices when interacting with officials in the public sector. These interactions can range from overt demands for bribes to more subtle, implied expectations for some form of payment. The following data sheds light on the frequency of these experiences among the citizens of Montenegro, offering a snapshot of the public’s real-world dealings with corruption.

In examining interactions with public sector officials over the past year, it is noteworthy that only a small percentage of respondents have experienced overt or implicit demands for bribes. Specifically, in all cases, just **1.7%** of respondents reported that officials in the public sector did not directly demand but showed expectations for money, gifts, or services, while an even smaller **1%** said officials in the public sector directly asked for such offerings. These numbers rise slightly when considering “most cases,” with **3.6%** and **2.1%** respectively. On the more optimistic side, **33.7%** claimed they never faced indirect expectations for bribes, and **37.6%** said

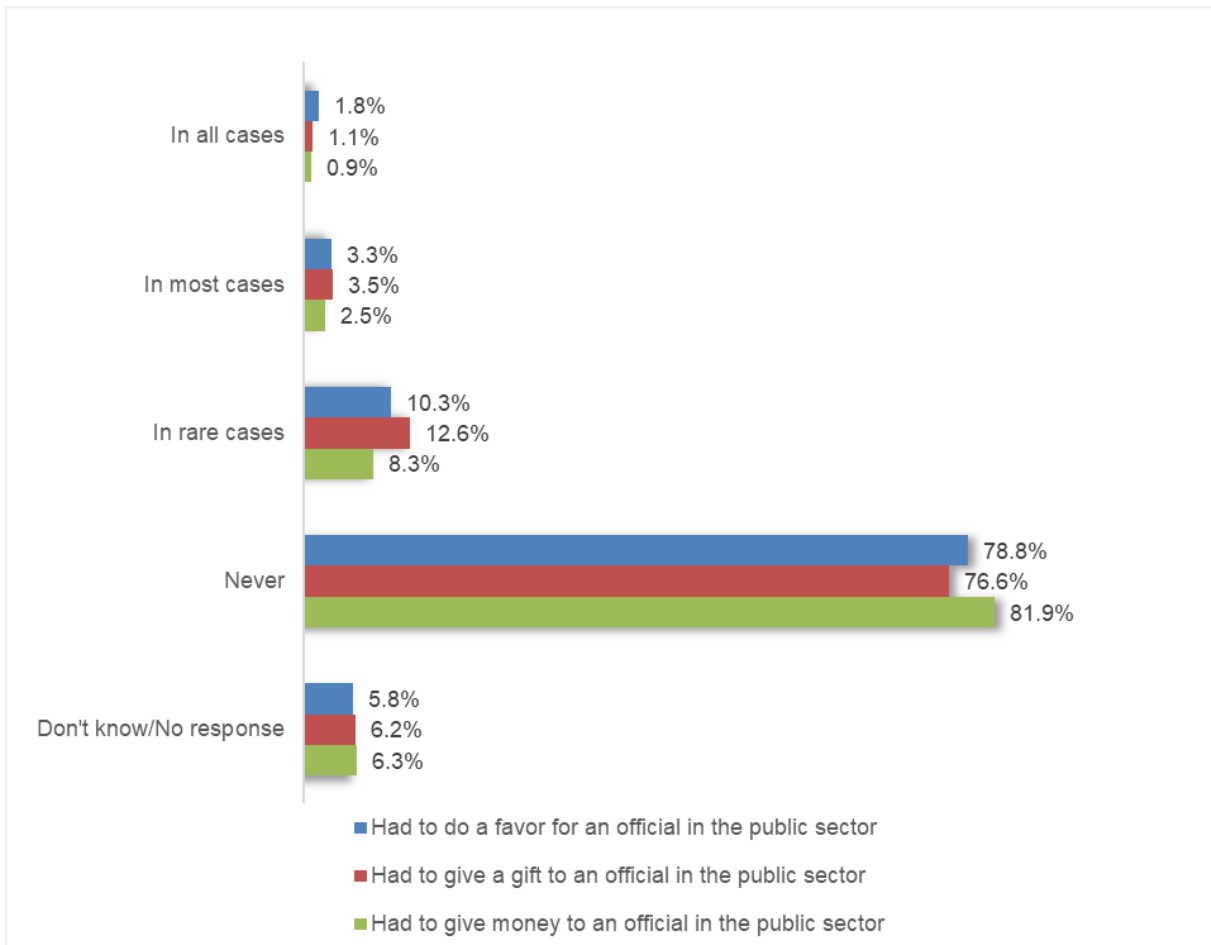
officials never directly asked for them. Interestingly, over half of the respondents (50.9% for indirect demands and 51.9% for direct requests) reported no contact with public officials in the past year, which might point to a lack of engagement with public services.

**Chart 11:** Frequency of bribery demands in public sector interactions over the past year



Likewise, the majority of citizens have not been compelled to engage in corrupt practices when interacting with officials in the public sector. Specifically, a significant 78.8% of respondents stated they never had to do a favor for an official in the public sector. This number slightly drops to 76.6% when asked if they had to give a gift, but rises to 81.9% in scenarios involving direct money exchange. Although these percentages indicate a prevailing sense of integrity or at least a lack of pressure to engage in corruption, the data also reveals that that despite the majority's unwillingness to engage in corrupt practices, a non-negligible portion of citizens still find themselves having to navigate corruption in various forms. Although in rare cases, 10.3% of respondents had to do a favor, 12.6% had to give a gift, and 8.3% had to give money.

**Chart 12:** Frequency of citizen engagement in corrupt practices with public officials



# ANTICORRUPTION LAW AND POLICY

## 4.1. ANTICORRUPTION POLICY

Creation and implementation of strategic framework for the fight against corruption in Montenegro is closely attached to process of negotiations on the accession of the country to the European Union. For this reason, the existence of strategic framework related to prevention and repression of corruption became one of the most significant prerogatives for the fulfilment of EU requirements from the Chapter 23 - Rule of Law and human rights.

Just before beginning of the negotiating process the first and the only one up until December 2023, **Strategy for the Fight against Corruption and Organized Crime** was adopted in 2010. This Strategy lasted from 2010 to 2014 and it was followed by accompanying Action plans, the first one from 2010-2012 and the second one from 2013-2014. This last **Action plan for the negotiating chapter 23 - Judiciary and fundamental rights**, adopted in 2013, was additionally revised in 2015.

This Strategy expired at the end of 2014, and it was necessary to adopt new document of that kind, in order to continue the monitoring activities in the area of the fight against corruption, both in the sense of prevention and repression, which until the time this report was completed the Government of Montenegro has failed to deliver.

New solution was found in creation of new models and methodologies that were related to areas of work of institutions that are exposed to special risk and that were previously covered by the Strategy and the accompanying action plans. Following that, instead of a new **strategic document**, in 2016, the Government adopted the **Operating document for prevention of corruption in the areas exposed to special risk**. This document served as equivalent and continuation of the Strategy for the Fight against Corruption and Organized Crime 2010-2014 and following Action plans. This is how the continuity of previous strategic anti-corruption framework was kept in place, while the question of actual upgrading or degrading of this process remained opened both for local and EU actors. Operating document continued to monitor activities in the areas exposed to special risk which have been covered before by the Strategy and the accompanying action plans.

According to that, it was defined that this document will cover following areas: Public Procurement, Privatization, Urban Planning, Education, Health Sector, Local Government and Police Sector.

This Operating document also included all unimplemented measures from the previous Action plans for the implementation of the Strategy 2010-2014. The implementation of the Operational Document was monitored continuously, and it became an annex to the Action Plan for Chapter 23 (AP23). The quality of implementation of the Operating document for prevention of corruption in the areas exposed to special risk became a subject of a semi-annual based reporting process, according to the same methodology as the implementation of Action Plan for Chapter 23. Since the adaptation of the Action Plan in February 2015, eight semi-annual reports have been adopted by the Government, which was 13 in total, since the beginning of reporting in 2013.

Within the reporting period from January 2019 – June 2019, methodology of semi-annual has been changed once again. After the Government of Montenegro consultation with the Euro-

pean Commission representatives, it was agreed that the Report is not being delivered in the form of reporting on the implementation of action plans but through providing the answers to the questionnaire sent by the EC to the Office for European Integration. EU Integration Office provided first answers to the EC questionnaire in August 2019.

Following that, in accordance with this previous agreement with the EC, and for the purpose of more focused reporting, Montenegro provided a report for the period July-December 2019 only for certain measures from the Action Plans for Chapters 23 and 24. However, this was the last report of this kind, as in March 2020, the European Commission and the Government of Montenegro agreed that there will be no longer reporting on Action plans 23 and 24, as they have not been updated since February 2015 and that there is no coherent system of inventory of fulfilment of obligations of Montenegro within the process of negotiations with the EU in those areas.

In order to find some solution, the Government of Montenegro has decided to improvise in October 2022 and with no previous mutual planning and consent from the side of European Union, the Government created a separate document called **Action Plan for Addressing of Key Priorities in Fulfilment of Remaining Interim Benchmarks in Chapters 23 and 24**. This was an ad hoc document created upon receiving of priority areas for fulfilment in these two Chapters by the EU Commission. The consequence of that was that no reports on implementation of this document were created since October 2022 until today, December 2023.

Such improvisation and relative confusion in creation of strategic documents and their updating, as well as number of changes in reporting system, had a detrimental influence on the creation of sustainable and coherent system of inventory of fulfilment of obligations of Montenegro within the process of negotiations with the EU in the area of Chapters 23 and 24.

Meanwhile, the new model of reporting that started since March 2020 (covering the period June –December 2019) was organized through semi-annual contributions for the EU Progress Report that was consisted of contributions of each institution in their area of work. This also relates to area of the fight against corruption and institutions like Agency for prevention of Corruption are sending so called “Balance sheets” with the tabular overview of their activities in all spheres of their work or within certain particular issues that are demanded from the side of the EU Commission structures.

Regarding the latest developments, a new initiative for creation of a new Strategy for the Fight Against Corruption came from the Agency for Prevention of Corruption, in April 2022, when the Director of APC and the President of the Council of the Agency introduced the Minister in charge of anticorruption and the Prime Minister of the Government of Montenegro with the Draft Initiative for creation of the new Strategy. This initiative was accepted, and it has been developed since then within one ministry and the National Council for the Fight Against Corruption, since its creation and it was supported by several international partners at the level of expertise and financial contributions for realization of this expert assistance.

The initial plan was to develop and adopt a new national anti-corruption Strategy based on an overall system of corruption risks and gap assessments. As it was mentioned before, the main tasks of the National Council for the Fight Against Corruption related to: the preparation of the Strategy for the fight against corruption with accompanying action plans in cooperation with the Ministry of Justice; the monitoring of the implementation of the Strategy; the organization, synchronization, monitoring the priorities, dynamics and deadlines for the implementation of activities carried out by state bodies, state administration bodies, local self-government bodies, local government bodies and other competent institutions and evaluate the results achieved in achieving the Strategy’s goals; and submission of reports on the implemented activities with

an assessment of the state of play and a proposal for further measures for a more successful implementation of the Strategy to the Government, at least twice a year.

## 4.2. LEGISLATIVE DEVELOPMENTS RELATED TO ANTICORRUPTION

Legislative framework for the fight against corruption is related to legislation that is related to prevention and to repression of corruption.

Considering prevention of corruption in Montenegro, the overall legislation is consisted of the Law on Prevention of Corruption, the Law on Financing of Political Entities and Election Campaigns and the Law on Lobbying. These three laws provide for a legal basis and framework for the functioning of main body for the prevention of corruption - the Agency for Prevention of Corruption.

**The Law on Prevention of Corruption** (Official Gazette of Montenegro, No. 53/14, 42/17 and 73/23) prescribes measures to prevent conflicts of public and private interest, regulates restrictions on the performance of public functions, submission of reports on income and assets of public officials, protection of persons who report threats to public interest that point to the existence of corruption, as well as other issues of importance for the prevention of corruption. According to this law, a corruption is any abuse of official, business or social position or influence in order to gain personal benefit or benefit for another.

A public official, in the sense of this law, is an elected, nominated or appointed person in a state body, state administration body, judicial body, local self-government body, local government body, independent body, regulatory body, public institution, public company or other business company, i.e. legal entity that exercises public powers, i.e. activities of public interest or is state-owned, as well as a person whose election, nomination or appointment is approved by the government body, regardless of the permanence of the function and compensation. State ownership, in the sense of this law, is any participation in a business company in which the state or municipality, the Royal capital, i.e. the Capital has at least 33% of the capital.

**The Law on Financing of Political Entities and Election Campaigns** (Official Gazette of Montenegro, No. 3/20 and 38/20) regulates the method of acquiring and providing financial resources for the regular work and election campaign of political subjects, prohibitions and restrictions on the disposal of state property, funds and public powers during the campaign and control, supervision and audit of the financing and financial operations of political subjects in order to achieve the legality and publicity of their operations. Political subjects, in terms of this law, are: political parties, coalitions, groups of voters and candidates for the election of the President of Montenegro. A political party is an organization of citizens that is registered in the Register of political parties with the competent authority in accordance with the law governing the establishment and operation of political parties.

**The Law on Lobbying** (Official Gazette of Montenegro, No. 52/14) regulates the conditions and manner of carrying out lobbying activities, lobbying rules and other matters of importance for lobbying. According to the Article 2 of the Law, lobbying is an activity that exerts influence on the bodies of legislative and executive power at the state or local level, state administration bodies, independent bodies, regulatory bodies, public institutions, public companies and other legal entities that exercise public powers, that is, activities of public interest or are majority-owned by the state in the process of passing regulations and other general acts, within the competence of those authorities, in order to achieve the interests of the lobbying client, in accordance with the law.

When it comes to the repression of corruption, the **Law on the Special State Prosecutor's Office - SSPO** (Official Gazette of Montenegro, No. 10/15 and 53/16) regulates the organization and jurisdiction of the Special State Prosecutor's Office, the conditions and procedure for the election of the chief special prosecutor and special prosecutors, and the relationship with other state bodies and state administration bodies, as well as other matters of importance for the work of the Special State Prosecutor's Office. As it was mentioned above, the SSPO is responsible, inter alia, for prosecuting the criminal offenses of high corruption (a. if the public official committed the following criminal acts: abuse of authority, fraud in the service, illegal influence, alluding to illegal influence, receiving a bribe, paying a bribe; b. if a financial benefit exceeding the amount of forty thousand euros was obtained by committing the following criminal acts: abuse of position in business operations, abuse of authority in the economy).

**The Law on Seizure and Confiscation of Material Benefit Derived from Criminal Activity** (Official Gazette of Montenegro, No. 58/15 and 47/19) regulates the conditions for confiscation of property benefits acquired through criminal activity, the procedure for confiscation and other matters of importance for the confiscation of these property benefits, as well as the management of confiscated property benefits acquired through criminal activity and confiscated property benefits obtained through a criminal offense, criminal offense cases and cases temporarily confiscated in criminal and misdemeanour proceedings and property given as bail. According to the Article 4 of the Law, the procedure for confiscation of property benefits acquired through criminal activity can be conducted before, during and after the end of the criminal proceedings.

Confiscation of property benefit acquired through criminal activity is considered temporary seizure of that property benefit (temporary security measures and temporary confiscation of movable property) or permanent confiscation of that property benefit. The procedure for confiscation of property benefits acquired through criminal activity is carried out in accordance with this law and the Criminal Procedure Code. According to the Article 11 of this Law, by order of the state prosecutor, a financial investigation can be initiated if there is: 1) reasonable suspicion that the property benefit was acquired through criminal activity; and 2) grounds for suspicion that a criminal offense from art. 2, paragraph 1 of this law has been committed.

# ANTICORRUPTION IN THE EXECUTIVE AND PUBLIC ADMINISTRATION

## 5.1. GENERAL INSTITUTIONAL DEVELOPMENTS

Montenegro connected all institutional reforms with the process of European Integration and negotiations on EU membership. Since the opening of negotiations between Montenegro and the European Union in 2012, the Chapter 23 – Justice and Fundamental Rights became a centre of interest and engagement of both interested parties. As a finalized position of the European Union structures, the Common Negotiating Position for Chapter 23 included 45 interim benchmarks, where 18 benchmarks are for the area of justice, 14 benchmarks for the area of the fight against corruption and 11 benchmarks from the area of the fundamental rights. In addition, one benchmark was dedicated to the cooperation with non-governmental organizations, and one remained as a general benchmark. The majority of the total number of interim benchmarks is related to the improvement of the legal and institutional framework, in line with the European standards.

This is why all institutional developments in Montenegro depend on the will of the ruling structures to implement reforms connected to EU requirements. However, within the period 2018-2020, a visible slowdown of European integration started to develop, during the mandate of the last DPS government. This is why many internal and external factors expected that the new Government after elections in August 2020 will foster EU driven reforms.

In reality, between August 2020 and November 2023, completely opposite occurred. The new 42nd Government has initiated several legal proposals that were strongly contradicting EU attitudes expressed by the Venice Commission and EU Commission, as well as other international stakeholders like GRECO and OSCE/ODIHR.

This was primarily related to new Law on Prosecution, adopted in 2021 and intentional changes of the Law on Labor in order to send significant number of judges to retirement, as well as existing Special State Prosecutor. Creation of the 42nd Government also dismantled existing and functioning EU integration teams that were organized within the Working groups for negotiations and ministries. The 43rd continued in the same way, failing to establish new functioning team for EU negotiations.

However, beside of dismantling of old functioning structures in public administration, the biggest source of corruptive practices became an open and overall partisan approach in employment policy of new political elites.

Systemic and legal precondition for non-merit based employment of public official and public servants have been created within the Law on Public Servants and Appointees, which has been changed in 2021, where criteria for various public posts have been lowered, in order to open the doors for numerous members and supporters of ruling parties after August 2020, who didn't have adequate education and/or professional experience for the posts that they have been opting for. The result of that was significant lowering of standards and results in performance of public institutions and public enterprises.

Such anarchic non-merit base employment policy resulted with more than 16,000 newly employed public servants, within the period December 2020 - December 2023, on all levels, from the central Government and other institutions to local governments and state-owned compa-



nies. Out of this number, more than 11,000 have been employed during different electoral cycles, local, parliamentary and presidential, in spite of legal obligations to prevent employment during electoral processes. In most of the cases, these employments were related to breaching of procedures and regulations, as well as to obvious influence of nepotism, interests of political parties and personal interests of many representatives of new political elites.

The final result of this situation is additional contamination of public sphere with corruptive practices and decrease of the trust of citizens and members of administration in merit based social and professional advancement.

However, a new 44th Government in Montenegro have started its mandate with two encouraging decisions in terms of prevention of corruption. The first one is the Decision on check of integrity of higher-ranking officials like advisors to President and Vice presidents of the Government, which was delivered in December 2023. The second one is the Decision on establishing of the Check list for decreasing of corruptive risks in laws and sub-laws. This Check list for each legal documents and decisions consists of 26 questions and if all of them are answered with "Yes", the corruption risk is significantly lowered in related public documents.

## **5.2. IMPLEMENTATION OF CONFLICT-OF-INTEREST REGULATIONS**

There are two Interim benchmark within the negotiation framework that are directly related to regulation of conflict of interest, where Interim benchmark 22 – stipulates obligation of creation of „new Law on Conflicts of Interest and creation of effective institutional system to prevent conflicts of interest at all levels of the state/public administration“. Law on prevention of Corruption provided legal framework in 2014 and at the basis of that Law, Agency for Prevention of Corruption was created in 2016, in charge of detecting conflicts of interest of public officials. The APC is authorized to: determine the existence of a conflict of interest in the performance of a public function and undertakes measures, to prevent it; to control restrictions on the exercise of public office; to control the receipt of gifts, sponsorships and donations; to checks data from the Report on Income and Assets of Public Officials; to give an opinion on the existence of threats to the public interest, which points to the existence of corruption (caused by conflict of interest, among other), and to give recommendations for the prevention of threats to the public interest (caused by conflict of interest, among other).

This provides an "initial track record showing an increase in the number of detected and resolved conflict of interest cases", requested in Interim Benchmark 22 and it also served request from the Interim Benchmark 23, providing "an initial track record of effective implementation of the asset declaration and verification system, including dissuasive sanctions for non-compliance and appropriate follow up measures".

To facilitate these efforts, the APC at the beginning of 2023 delivered a final list of public officials in Montenegro, a document that was missing since 2016.

When it comes to the first analysed period, between 2016 and 2019, a total of 289 public officials resigned due to the actions of the APC. This figure includes a total number of resignations and dismissals. From 2020 until the first half of 2023, there is a total of only 107 public officials who resigned due to the actions of the APC, including the total number of resignations and dismissals.

Considering the structure of resignations and dismissals, these decisions included ministers, directors of directorates in ministries, councillors, presidents and members of boards of directors of public companies, directors of the public companies, members of commissions and leading management of institutions under the state control, etc.

Even though the APC is showing progress and signs of sustainable activity in the area of the controlling of the conflict of interest, there is an emphasized need for urgent improvement of legal framework, in order to facilitate, improve and make this control more efficient.

According to the Law on Prevention of Corruption, the Agency continuously conducts all activities regarding the asset declaration of the public officials, including the verification of reports on revenues and assets of public officials. The Department for Assets Declaration of the APC is responsible and obliged to perform annually the following duties: to perform an administrative and technical check of all assets declarations (this was varying from approximately 8000 to 11,500 of different kind of assets declarations per year); to compare the reported data with the data from the databases of the competent authorities in order to check whether the submitted data corresponds to the real data (initially, approximately 800 persons per year, today more than 1700); to perform in-depth (complete) lifestyle checks for 20 persons; to analyse all kinds of notifications about possible violations that are received from all sources.

Since 2021, there is a significant increase in the number of reports and that year the Agency received a total of 10,657 reports on income and assets on various grounds of submission.

In 2021 APC initiated 295 administrative proceedings and found violations and irregularities in 160 decisions, including cases from the previous period. Sanctions were imposed by authorities in 9 cases, 8 in the form of warnings, and one in the form of salary reduction.

Further increase of the number of reports has been noted during the 2022, when a total of 11,784 reports on income and assets were submitted to the Agency on various grounds of submission. During the 2022, the APC completed a verification of total of 1,778 reports, in terms of accuracy and completeness. That was almost 60% more than the number of accuracy and completeness verifications in 2021, and significantly more and compared to all previous year's work of the APC.

When it comes to violations of the Law on Prevention of corruption in the area of assets declaration, during 2022, the APC initiated 423 administrative proceedings and found violations and irregularities in 376 decisions, including cases from the previous period. In addition to these administrative proceedings, the APC started 1057 misdemeanour procedures, where 519 were against public officials whose mandate has expired and 534 against actual public officials.

Finally, during the first half of 2023, a further increase of the number of reports on income and assets was detected with the total of 10,536 reports that have been submitted to the Agency on different basis of submission, Within this period of the first half of 2023, the Agency initiated 36 administrative proceedings, while sanctions were imposed by authorities in 20 cases, 17 in the form of warnings and 3 dismissals from public office.

All of these improvements and efforts provided by the reformed Agency for Prevention of Corruption within the period 2019-2023 have been recognized and praised in the reports of the EU Commission, Regional Anti-Corruption Initiative and GRECO, as well as several other international organizations and structures.

### **5.3. ASSESSING THE PRACTICE OF INSPECTORATES IN THE PUBLIC ADMINISTRATION**

The Administration for Inspection Affairs of Montenegro has been founded in 2005, as the central body for coordination and improvement of the work of inspection bodies, as well as for provision of professional support and conducting of trainings for all stakeholders, in order to improve and facilitate inspection supervision. The AIA was established in close cooperation with the EU and other international partners and according to the 2022 newly adopted Rulebook

on the internal organization and systematization of the Administration for Inspection Affairs, changes in organizational scheme predicted that Authority will be divided into the eight organizational units. Primarily there are four main inspection sectors with 26 inspection departments:

**1. Sector for market and economy protection, games of chance and public procurement:**

- Market inspection;
- Tourist inspection;
- Labor inspection;
- Safety and health inspection at work;
- Inspection for games of chance;
- Metrological inspection.

**2. Sector for environmental protection, safety and health people and protection of state resources:**

- Health and sanitary inspection;
- Forestry, hunting and plant protection inspection;
- Ecological inspection, Water inspection;
- Geodesy inspection, Geological inspection;
- Mining inspection;
- Inspection for Hydrocarbons;
- Electric Power Inspection;
- Thermal Power Inspection.

**3. Sector for the Protection of Activities of Public Interest:**

- Educational Inspection;
- Sports Inspection;
- Inspection for the Protection of Cultural Property;
- Inspection for Cultural Heritage;
- Inspection for Archives, Inspection for Social and Child Protection;
- Inspection for Housing;
- Inspection for electronic communications and postal activity;
- Inspection for information society services.

**4. Service for representation and monitoring of the implementation of regulations in the field of inspection supervision, development of electronic databases, analytics and reporting:**

- Office for representation in the field of inspection supervision;
- Office for monitoring the implementation of regulations in the field of inspection supervision
- Office for the development and maintenance of electronic databases and of inspection information systems;
- Office for the field of analytics and reporting within inspection supervision.

In addition, there are three services and one department for internal audit.

Total number of employees in the Administration during 2023 was 321 (116 men and 205 women), with 238 inspectors. The central unit of AIA in Podgorica is consisted of 111 inspectors, while the others are divided among 16 local units in the province cities. However, a significant problem for AIA comes from the fact that only central premises are in possession of this institution and all other premises in other cities are rented and no permanent institutional setup is in place.

Beside two persons who got fired through disciplinary measures, there is significant number of people leaving AIA for different reasons, and out of 22 employees who left administration during 2022, 14 were experienced inspectors. This is a worrying trend and shows that great level of insecurity and non-stimulating working environment is present within this important institution.

In addition to that, according to the valid act on systematization, at the end of 2022, 157 jobs remained unfilled. If we compare this with the fact that high number of experienced inspectors left, it is a clear sign that Administration of Inspection Affairs is significantly understaffed and with decreasing trend in competency and capacities of its employees and of AIA as institution in general.

Among other significant problems for this institution, one should underline problems with the Unified Inspection Information System (JIIS) which should have modified each section of the system to specific needs of each inspection individually. The basic module of this Information System (IS) related to the electronic exchange of documents (EDMS) in the AIA started to function in early 2021 but due to the cyber-attack on entire Montenegrin administration in summer 2022, all of these reforms are completely blocked, and the system is still dysfunctional in many aspects, according to the sources in AIA.

There are open complaints of the AIA management regarding the budget of the Administration which they describe in the Annual Report as "inadequate" and which was €4,948,413.58 in 2022. Management claims that this amount was not enough to service certain categories of expenses, like provision of "appropriate funds for the purchase and maintenance of vehicles, daily wages and accommodation of inspectors".

Most of these provisions, around 501,000.00 Euro, are being allocated through the Unified Public Procurements program at the Administration for Cadastre and State Property, and that was insufficient, with significant delays in the implementation of public procurement procedures, causing negative effects on the entire organization of inspection supervision and overall deliverables of the AIA.

Nonetheless, beside all of these, technical, organizational, logistics and operational problems, the general public perceives that the effectiveness of inspectorates is also jeopardized through improper influences on their independence and autonomy.

The first set of problems is related to undue influence from the entities they are inspecting and there are strong beliefs among citizens that certain specific areas, like gambling, construction and/or bigger export, import and trade companies. However, this is still remaining at the level of perception and there are no significant cases that are supporting these claims, even though, for example, the number of more serious sanctions against gambling companies are lacking even though there are visible violations of the Law on Games of Chance, where numerous minors are allowed to play in casino or to lay the bets in betting facilities. In addition to that, number of casinos and betting facilities are closer than 200 meters to schools. All of these visible violations are not sanctioned and there are only few inspectors that are controlling these issues. Examples like these could be found in other areas of inspection and many questions could be derived from each of these examples.

Finally, as one of the most important sources of negative influence at the work of Administration for Inspection Affairs is the presence of obvious political influence on appointment of leading management of this institution. This was the case even during the governments until the August 2020, and it is especially the case during the 42 and 43 Government where leading positions in management were filled in with people with clear political background and inadequate level of experience and managerial skills. Some of these people are even accused in public for abusing of power<sup>2</sup> and criminal activities and for degradation of the institution itself.

-----  
 2 Pobjeda, "Vujošević naložila vozaču da snima s kim se sastaje njena saradnica", January 2024, available at: <https://www.pobjeda.me/clanak/vujosevic-nalozila-vozacu-da-snima-s-kim-se-sastaje-njena-saradnica-terzic-prikrio-af-ru>

Finally, in January 2024, the 44th Government decided to dismantle the Administration of Inspection Affairs and to completely change institutional setup for inspections in all areas.

Now, the new solution will be to return all the inspection under the mandate of the relevant Ministries. This solution was in place earlier, before 2005, and it will be questionable how the EU and other international partners will react on this substantial change, since previous institutional setup with creation of AIA was supported essentially by the EU experts and institutions. In addition, there is a huge issue related to accommodation and adaptation of more than 140 legal documents, from laws to sub-laws and internal rules that are regulating area of the work of the inspection service. The deadline for these legislative changes was scheduled for 15 February 2024 and expert community expresses great reserves towards success of this endeavour.

Having all mentioned in mind, there are number of serious questions and challenges for the inspection service in Montenegro in forthcoming period and all of these issues can create serious consequences for entire system of the rule of law, as well as number of serious consequences in economic structure of Montenegro as well.

#### **5.4. ASSESSING THE PRACTICE OF THE STATE AUDIT INSTITUTION (SAI)**

The challenges in implementing recommendations from the State Audit Institution of Montenegro are rooted in its institutional nature, which lacks mechanisms for mandatory enforcement. The Constitution and supporting legal framework do not provide for systems, methods, or apparatus for compelling compliance with audit findings and recommendations.

Another hindrance arises from broader institutional deficiencies in Montenegro's framework. Communication and cooperation among institutions overseeing public finances, corruption prevention, and repression lack precise legal definitions.

The absence of clearly defined mutual obligations and legal provisions for information exchange hampers the efficient implementation of the State Audit Institution's recommendations.

Moreover, Montenegrin institutions face issues where even when legal frameworks or internal procedures offer practical solutions for cooperation, individual officials may lack the willingness or capacity to collaborate effectively. This undermines overall efforts for successful implementation.

The third set of challenges lies in the rigid procedures of the State Audit Institution. Operating strictly based on an Annual Auditing Plan, the institution cannot adapt to ad-hoc needs or requests from external factors such as Civil Society Organizations (CSOs) or media.

This inflexibility prevents timely and efficient implementation of initiatives proposed by CSOs or media for specific interventions, procedural improvements, or audit subjects.

Addressing these challenges requires a comprehensive approach, including legal reforms to establish mandatory enforcement mechanisms, clearer definitions of communication and cooperation among relevant institutions, and efforts to foster a collaborative culture among officials. Additionally, there's a need for flexibility in the State Audit Institution's procedures to accommodate timely interventions proposed by CSOs and media.

This holistic strategy aims to enhance the effectiveness of the State Audit Institution and promote a more responsive and collaborative governance framework in Montenegro.

In accordance with these strategic efforts, the SAI has pro-actively initiated, signed and imple-

mented Agreements of Understanding with the Parliament of Montenegro and the Supreme State Prosecutors Office in 2018.

The concrete result of these refinements of inter-institutional cooperation was a significant increase of public hearings in the Parliament of Montenegro, where SAI was invited to present their findings about concrete subjects of auditing, as well as the increase of submission of reports from the side of SAI to the Supreme and Special prosecutors offices.

## 5.5. ANTICORRUPTION IN PUBLIC PROCUREMENT

Each EU candidate country has to follow EU rules and to prepare its institutional and legal system to enable a transparent and open competition of local and EU companies in the area of public procurement of goods, services and works, on the basis of non-discrimination and equal treatment.

Having in mind the fact that, according to the EU Commission Report for 2023, Montenegro's public procurement market accounted for 8.74% of GDP with the total value of these procedures valued at 506 million EURO, the importance of precise regulation and managing of this area, in line with highest domestic and EU standards, is becoming priority for all relevant bodies and institutions.

Being a most advanced EU membership candidate from the Western Balkans region, Montenegro made continuous efforts to change its legal and institutional framework. In addition, for the past two decades, it enhanced the capacity of both procuring entities and suppliers through training programs and workshops, as well as set of guidelines for ensuring that all stakeholders are well-versed in the legal framework and best practices. For this reason, the current state of public procurement area in Montenegro has been marked by the EU as "between moderate and a good level of preparation".<sup>3</sup>

The main strategic framework for the area of public procurement is the Strategy for Enhancing of Public Procurement and Public-Private Partnership Policy in Montenegro 2021-2025.

Meanwhile, in February 2023, the Government has adopted a Report on the implementation of the 2021-2025 Strategy for enhancing public procurement and public-private partnership policy in Montenegro, as well as a corresponding Action plan for 2023, for implementation of obligations related to the same Strategy.

In terms of legislation, the cornerstone of Montenegro's public procurement system is the Law on Public Procurement. Originally adopted in 2010 and subsequently revised in 2019, this law provides the legal foundation for procurement processes. It aligns with European Union directives, emphasizing principles of competition, non-discrimination, and transparency in public procurement processes.

At the same time, at the beginning of 2023, the new amendments to the Law on Public Procurement<sup>4</sup> have been adopted and several necessary updates improved transparency and efficiency of procedures of the public procurement process. In addition to this core law, Law on Public-Private Partnership<sup>5</sup> also regulates this demanding area, along with additional number of other legal documents, which are sub laws by legal nature, including seven regulations and

3 European Commission, Montenegro Progress Report 2023, available at: [https://neighbourhood-enlargement.ec.europa.eu/montenegro-report-2023\\_en](https://neighbourhood-enlargement.ec.europa.eu/montenegro-report-2023_en)

4 Law on Public Procurement, "Official Gazette of Montenegro", No. 074/19 dated 30.12.2019, 003/23 dated 10.01.2023, 011/23 dated 27.01.2023) - Refined text

5 Law on Public-Private Partnership ("Official Gazette of Montenegro" No. 073/19 od 27.12.2019)

five rulebooks.

However, there are still number of unresolved or unclear issues regarding precise and effective formulation of legal provisions. For example, new changes of the Law in 2023 missed to define more closely the criteria “economically most advantageous bid”. The consequence of that is that the price is still a prevailing factor for selection of the most advantageous bidder.

Regarding specific area of anticorruption, Articles 15, 16, 17 and 18 of the Law on Public Procurement are providing precise definitions of eventual breaching of legal rules regarding conflict of interest and corruption in the process of public procurement.

Following that, on the basis of Article 15, paragraph 4 of the Law on Public Procurement, the Ministry of Finance issued a Rule on the Manner of Keeping and Content of the Records on Violations of Anti-corruption rules<sup>6</sup>. As its names stipulates, this Rulebook precisely regulates the manner of keeping of records of violations and the content of records on violations of anti-corruption rules in public procurement procedures.

Public procurement plays a vital role in Montenegro’s economic development, ensuring efficient allocation of public resources and fostering transparency in government spending. This is why institutional framework for public procurement in Montenegro has undergone significant reforms to enhance competitiveness, integrity, and adherence to European standards. Today the Directorate for Public Procurement is the central institution overseeing and regulating public procurement in Montenegro. It operates within the Ministry of Finance and is responsible for monitoring, harmonizing practices, and ensuring compliance with legal provisions. The DPP also offers guidance to contracting authorities and suppliers. All the detailed jurisdiction and responsibilities of DPP are stipulated within the Law on Public Procurement.

Regulatory authorities, such as the State Audit Institution and the Commission for the Protection of Rights in Public Procurement Procedures, play crucial roles in ensuring accountability and legality within the procurement process. The State Audit Institution conducts audits to evaluate the economy, efficiency, and effectiveness of public procurement and it that respect, SAI enhanced cooperation with State prosecutor offices. This cooperation is based on informing prosecution on eventual breaching of procedures related to public procurement, after eventual negative findings during auditing of state institutions and state-owned companies.

However, the crucial initial role in protection of legality of public procurement process is in the hands of the Commission for the Protection of Rights in Public Procurement Procedures, which is handling cases of complaints, in line with Montenegro’s legislation, in alignment with the EU Acquis. The Commission has a reputation of efficient managing of complaints, with 169 cases resolved in 2022, according to the EU Commission sources.<sup>7</sup>

According to the same source, in 16% of these cases (27), appeals have been filled to the Administrative Court, which is the next instance for complaints in public procurement procedures. Half of these appeals have been sent back to the Commission for reconsideration.

The next level in disputes regarding public procurement is the Supreme Court of Montenegro which in the case of 2022, conducted six special reviews of decisions made by the Administrative Court. In case of five out of these six cases, the court dismissed the lawsuits as unfounded and in one case, the court modified the decision.

6 Ministry of Finance, Rule on the Manner of Keeping and Content of the Records on Violations of Anti-corruption rules, 2011, available at: <https://ujn.gov.me/pravilnik-o-nacinu-vodenja-i-sadrzaju-evidencije-o-krsenju-antikorupcijskih-pravila/>

7 EU Progress Report 2023, *op. cit.*

Additional checks of the process are coming from the Public Procurement Inspectorate, which is a part of the Administration for Inspection Affairs, and which conducted 333 checks during 2022, focusing on contract conclusion and execution. The Public Procurement Inspectorate checked 2,880 concrete issues and find violations in 239 cases related to public procedures, according to the Annual Report on work of Administration for Inspection Affairs.<sup>8</sup> Out of these 239 cases, 192 were sanctioned with warning, 30 got administrative fines in value of 36,200 EURO, where payment has been finalized in 80% (24 cases) and 3 cases have been sent to misdemeanor court for deciding. However, the Public Procurement Inspectorate is still understaffed and has only 7 out of 10 inspectors that are in systematization of this department. This reduced number of inspectors affected the overall check volume, especially in smaller places, beside Podgorica, Bar and Bijelo Polje where inspectors are placed.

Montenegro was also praised by the EU Commission in 2023 for improvement of the electronic (E) public procurement system (CEJN) and through that it enhanced efficiency and reduced corruption risks. This introduction and improvement of an electronic procurement platform streamlined processes, improved transparency and allowed for real-time monitoring of procurement activities. The CEJN is fully operational and manages all public procurement procedures in the country. Even though improvements to the CEJN, including functional connections with other electronic state registers (as the one of the Agency for Prevention of Corruption), were planned for execution to the end of 2023, these activities did not take place and it is questionable when these improvements will be finalized.

In line with that, even though Montenegro has made commendable strides in public procurement, more sustained efforts are needed to address number of challenges and ensure continuous alignment with EU standards. According to the EU Commission Report for 2023, the focus should be on effective legislation implementation, reduction of negotiated procedures, and enhancement of the remedy system.

Moreover, high number of various procuring entities, including government ministries, independent state institutions, local municipalities and public enterprises are engaged in procurement activities and in many cases departments for public procurements of these smaller entities lack capacities. This opens the door for intentional or unintentional violation of the legal framework and represents substantial corruption risk.

For example there is still number cases and value of such negotiated procedures that are without prior publication of contract notices.<sup>9</sup> A significant reduction in these cases was strongly advised for several years by the EU Commission.

In conclusion, Montenegro has made commendable strides in public procurement, but sustained efforts are still needed in order to address persisting challenges and ensure alignment with EU standards. The focus on effective legislation implementation, reduction of negotiated procedures, and enhancement of the remedy system remains imperative for the country's procurement landscape.

---

<sup>8</sup> Administration for Inspection Affairs, Annual Report 2022, 2023, available at: <https://www.gov.me/dokumenta/020d79f2-8ffd-46b0-aa29-0e6ead17c01f>

<sup>9</sup> Small municipality of Kolasin in the north of Montenegro had 840.000 EURO in procedures that are directly negotiated, with no publication of public call for the selection of best offers.



## ANTICORRUPTION ENFORCEMENT

Anticorruption enforcement includes incorporated efforts of several institutions and their sub-units. In the endeavour to curb corruption, the inception of the Special State Prosecutor's Office (SSPO) in July 2015, established under the Law on the Special State Prosecutor's Office, marked a pivotal development in the campaign against high-level corruption and organized crime. The SSPO, as mandated by the law, assumes the responsibility of prosecuting organized crime, high corruption, money laundering, terrorism, war crimes, and violations of electoral rights. The legal framework governing the SSPO ensures several safeguards pertaining to its independence, transparency, and accountability.

The appointment of the chief special prosecutor and special prosecutors is executed by the Prosecutorial Council through a public announcement. However, the autonomy of the SSPO is constrained, allowing the supreme state prosecutor direct exercise of powers vested in the head of the SSPO. In addition, the SSPO office is suffering from inadequate staffing, where currently only 10 special prosecutors work within the number of 48 members of the staff in total.

Regarding the police structures, Article 26 of the Law on the Special State Prosecutor's Office designates police affairs related to criminal offenses within the SSPO's jurisdiction, including corruption cases, to be handled by a specialized unit known as the Special Police Unit (SPU). The Head of the SPU is appointed by the director of the Police Directorate, with the consent of the chief special prosecutor. The Rulebook on internal organization and systematization of the Ministry of Interior - Police Directorate, dated August 8, 2022, underscore a heightened focus on the organization of criminal police. This strategic emphasis aims to bolster support for the SSPO in combatting high-level corruption and organized crime. The Rulebook introduces the Department for the fight against corruption, economic crime, and conducting financial investigations, comprising 60 systematized positions. Additionally, there is a provision for an increase in the number of inspectors in the Special Police Unit from 32 to 50.

The Department's jurisdiction extends beyond offenses under the High State Prosecutor's Office to include those under the SSPO, subject to the request or approval of the acting special prosecutor at both national and international levels. This restructuring strengthens the capacities of the Police Directorate, fortifying its ability to support the SSPO.

Regarding specialized judicial institutions, the High Court of Podgorica oversees high-level corruption cases and is presently staffed with 34 judges. However, only five operate within the Special Department for Organized Crime, Corruption, Terrorism, and War Crimes and it remains an open issue if this number of people is going to successfully deals with the recommendations of all significant international partners to strengthen a consistent and effective criminal sanctioning policy and criminal justice response for corruption and high-level corruption cases. This includes the necessity to prevent the perception of impunity and ensure a more deterrent approach to addressing these offenses.

Nonetheless, there are some positive steps in various areas, but repressive measures against corruption face challenges, primarily in the form of insufficient institutional and operational capacity among prosecutors, judges, and the police. The Prosecutor's Office, including the Special Prosecutor's Office, grapples with a shortage of administrative staff. Example of that could be found in the fact that each of the special prosecutors deals with more than 100 cases.<sup>10</sup> Furthermore, the special investigation team lacks direct access to pertinent databases, human and

-----  
<sup>10</sup> EU Progress Report 2023, *op. cit.*

financial resources, and specialized expertise, particularly in the financial domain. Addressing these shortcomings requires comprehensive and specialized training at all levels, accompanied by a concerted effort to enhance the capacity for systematic financial investigations in corruption cases.

However, all mentioned institutions and reform efforts are significantly suffering from strong political pressure and influence of ruling parties on the work of all mentioned institutions and especially on election of the leading officials of these institutions.

Currently, in December 2023, there is a strong ongoing political debate on appointment of the new head of Special Police Unit, as well as the very Head of the Police Directorate.

# ANTICORRUPTION IN THE ECONOMY

## 7.1. THE HIDDEN ECONOMY

The OECD definition of the grey economy encompasses “economic activities, whether legal or illegal, that are required by law to be fully reported to the tax authorities but are not, and therefore remain untaxed, unlike activities that are reported.”

According to the World Bank sources, from 1990 to 2018, the percentage of informal economy output in GDP decreased by 8 percentage points to 31% in developing countries and by 3 percentage points to 13% in developed countries.

Montenegro, as one of the transitional countries from the Southeast Europe is not an exception and all the preconditions for widespread hidden economy are still existing in this society. This includes monetary and non-monetary irregularities and deficiencies like inadequate and underdeveloped legal framework, inefficient institutions and insufficient administrative capacities, lower per-capita income, poverty risk, lower productivity, tax evasion, income from undeclared activities, unreported self-employment income, the exchange of legal and goods and services, reporting workers at minimum wage or part-time and providing of unregistered services.

Beside these activities that are still within legal boundaries, there is a significant influence of illegal activities like production and trafficking of illegal drugs, smuggling of cigarettes and people or bartering illegal goods and services

As a result of that, the informal economy in the formal sector of Montenegro was 20.6% of GDP in 2022, which is 3.9 percentage points less than in 2014. Compared to other countries, using the same survey method, Montenegro’s level of informal economy is similar to some countries of EU, like Poland and Latvia, and lower than in Eastern Europe and EU Neighbourhood.

However, if we include informal sector of the country, according to the MIMIC method, including unregistered enterprises, Montenegro’s informal economy was 37.5% of GDP in 2019 (IMF, 2019)

Montenegro officially launched efforts to combat the informal economy already in June 2013, [with the introduction of the Law on Prevention of Illegal Business. This legislation aimed to target illegal business activities, defining them in Article 1 as “conducting activities without prior registration according to the law, or without the consent prescribed by the law, and contrary to the conditions under which the consent is given.”

However, this Law fell short in adequately addressing the complexities of the informal economy, offering only a brief treatment across its 20 articles and lacking the necessary institutional tools to effectively tackle the issue. Additionally, its primary focus was on rectifying legal gaps in other legislative documents, resulting in a law that predominantly targeted registered taxpayers, encompassing both legal entities and entrepreneurs.

In practice, this approach placed significant pressure on those who were registered and adhering to a set of rules, while largely overlooking and neglecting individuals engaged in unregistered and entirely illegal activities.

Further efforts to address the grey economy have been made in 2014, through the creation of an Action Plan and Communication Strategy. While these initiatives showcase the ambition and

dedication of state agencies, they lack a comprehensive acknowledgment of the significance of identifying root causes and redirecting efforts to address them. Instead, these documents tend to concentrate on alleviating consequences, even though the most apparent aspects of the grey economy stem from underlying issues.

Programs and accompanying Actions Plans for the fight against grey economy continued to be adopted on relatively regular basis, The last in the pipeline is the Draft Program for the Fight Against Informal Economy for Montenegro 2024-2026, which is still under the public discussion and its adoption is expected in the first quart of 2024.

Nevertheless, all of these documents, including the legal ones, have in common lack of dedication to creation of supporting environment to business, lacking prevention and repression against unregistered economy and, consequently, failure to expand the taxpayer base. Instead of failure to strengthen efforts to curb the informal economy, most of the legal solutions and Programs and Action plan documents are planning to additionally pressurize regular taxpayers and to strengthen tax discipline among them. The consequence is that some business owners cannot deal with the pressure of illegal completion, and they are shutting down their companies. In general, major obstacles for suppressing of informal economy are still in place and many businessmen are openly condemning existing legal framework and institutional practices that are undermining rule of law and overall business environment.

However, during last two decades, a number of institutional reforms have been implemented in some crucial sectors as the fiscal system, financial domains, payment transactions, privatization and corporate restructuring. The last reform from 2021 and 2022, called "Europe now 1" and introduced from the 42nd Government of Montenegro, was dedicated to radical change of taxation system of personal salaries and it has brought the solution where taxes have been radically cut, under the 40 % of the total salary, where the part of the taxes dedicated to pension fund was transferred into net salaries and no further obligations are imposed on the employer.

Even though this reform was seriously questioned from the side of respectable economists in terms of sustainability and economic logic on the long run, the immediate consequence of that was that the level of informal economy has been radically decreased, as a consequence of the fact that employers reduced "on hands" payments of salaries and increased the percentage of regular and full payments of contributions and taxes on salaries to the central and local level institutions.

Final result of this reduction of tax burden on labour and increased tax discipline was that the base for collecting taxes was finally increased and that contributions in the period January 2023 – October 2023 reached 439.4 million euros, which was 80.4 million euros or 22.4% higher than planned and 93 million euros or 26.8% higher than the same period last year.

However, beside these positive trends, there are numerous issues and questions in the overall legal and institutional fight against informal economy that have to be answered in a significantly more efficient way in order to reach more sustainable results in suppressing informal economy in Montenegro.

## 7.2. ANALYSING THE WORK OF THE REVENUE ADMINISTRATION

### 7.2.1. TAX ADMINISTRATION AND CUSTOMS

The story of relations between the Revenue (Tax) Administration and the Customs Administration in Montenegro is getting questionable twists within the period of the last 4 years. Namely, tax and customs administration have been a separated institutions for almost two decades and these two “backbone” structures of the entire institutional system of the country were often under political influence of the ruling structures, who appointed management according to their current partisan interests and not according to the professional and merit-based standards.

This practice of political appointments was present even before August 2020 and change of power, but it became even more visible after that date and with the change of power. Even though both Revenue Administration and Customs Administration continued to function in a relatively efficient manner from December 2020 until April 2021, it didn’t prevent the new 43rd Government to create unexpected and unwelcome changes in the structure and institutional setting of these two important departments.

Namely, in April 2021, the 43rd Government of Montenegro, led by Prime Minister Abazovic, decided to unify both institutions into one Revenue and Customs Administration, under the justification of the public finance management reform.

However, according to the source coming from the ex-high official of the 43rd Government, this move has not been welcomed by any of international partners that were assisting the Government in overall implementation of reforms in the finance and public administration area. The attitude of the EU Commission envoys was negative, as well as the attitude of the International Monetary Fund experts who were explicitly advising Governmental officials not to introduce unification of the Revenue and Tax Administration.

The arguments of the EU Commission and International Monetary Fund experts was that unified institutional solution exist only in several EU countries, like Denmark and Ireland and that, for example, according to statements of the IMF experts, Ireland administration needed almost a decade for adaptation to unify institutional system of the Tax and Customs administration and it was still not efficient as they expected to be.

Nonetheless, in spite of the unexpected changes of institutional framework and clear political appointments of the management of the new joint Revenue and Customs Administration, this transition was delivered in relatively fast and efficient manner, from the changes of official stamps in central and in the local units, all the way to fast changes of the legislation who were directly and indirectly related to previous separated institutional solution.

Revenue and Customs Administration started to deliver solid results and the total figures improved, but the reason for that was generally in the fact that the total economic results elevated to unexpected levels of improving thanks to some global events. Namely, since the beginning of the Russian aggression on Ukraine, significant number of Russian and Ukraine citizens came to Montenegro in a different capacity and they caused improvements of number of economic figures that, as the final result, triggered significant improvements in the overall collection of different taxes, both from the level of customs and various aspects of internal economy outputs.

This overall improvement of results of the Revenue and Customs Administration was especially visible during the 2023.

According to the official website of the Government of Montenegro, the Revenue and Customs

Administration successfully collected a total of 2.33 billion euros, from January to November 2023, marking a significant increase of 430 million euros (22.5%) compared to the corresponding period last year. Moreover, the revenue collection for the first 11 months of 2023 exceeded the planned target by 333 million euros (16.6%).

The Value Added Tax (VAT) collection amounted to 1.09 billion euros, reflecting an increase of 158 million euros (17%) compared to the same period last year. Contributions coming from taxes on the salaries reached 496.8 million euros, indicating a substantial increase of 99 million euros (25%) compared to the same period last year. Corporate income tax collection also showed remarkable growth, reaching 148 million euros—an increase of 62 million euros (72%) compared to the eleven-month period from 2022.

Excise duties experienced a gross collection of 300 million euros, showing a notable increase of 69.7 million euros (30%) compared to the same period in 2022. Customs revenue, which includes taxes on international trade and transactions, amounted to 48 million euros—an increase of 11 million euros (31%) compared to the same period last year.

However, despite these good results, the Revenue and Customs Administration maintains its image among general public as an institution with strong political background, where management often use its power in order to have selective approach in treating of individuals or companies and where strong perceptions of corruptive wrongdoings are still prevailing in relation to all the reforms that have been implemented during two previous decades.

The proof for this perception could be found in almost each public opinion survey dealing with the subject of corruption and the latest came from CEMI, where a significant percentage of citizens, 19.3% of them, perceive a high likelihood of customs officers being involved in corruption. In addition, tax officials are also viewed with suspicion on corruption, with 15.8% of citizens expressing a strong belief in their potential involvement in corruption. Among these groups, only 7.2% of respondents indicated that it is not at all likely for tax officials to be engaged in corruption and for customs officers this percentage goes even lower, only to 5.4%.

These findings are pointing towards conclusion that customs and tax officers are seen as highly vulnerable to corruption. The erosion of public trust was further exacerbated with the former Director of Revenue and Customs Administration Rade Milosevic facing criminal charges for forming a criminal organization with an intent to smuggle cigarettes. This particular example is a clear indicator of the vulnerability to corruption within the Revenue and Customs Administration. Even though smaller percentage still has a trust in integrity of both tax and customs officers, the overall higher percentages suggest a widespread lack of trust in crucial public institutions like Revenue and Customs Administration.

Finally, on 15 December 2023, the Government again made a turn in institutional organization of this important part of public administration and from that date Revenue and Customs Administration is again divided into two separate units, the Revenue Administration and the Customs Administration.

However, this change has not been introduced smoothly as it was the case with the last change from April 2021 and there were numerous cases of poor planning and bad execution of decisions. For example, there were delays in creation of official stamps of the tax and customs offices in central and local levels, where significant delays of three weeks created huge problems in execution of tenders, application of tax and customs documents and transport, import and export of different goods. Beside this, the change of numerous legislative documents related to functioning of tax and customs system in Montenegro remains as a biggest challenge and the most questionable issue, in terms of timely and efficient change of related legal documents.

In addition to that, the Government fired more than 30 young tax officials who were trained and educated for more than 6 years, with high capacities and who were supposed to be carriers of future development of the Revenue Administration. This move has already endangered function of the entire institution and its efficiency, according to the higher ex-official source who still has full picture of internal functioning of this institution. This sudden and unexpected move can suggest political and partisan reasoning behind of these dismissals and this can lead to further decline in efficiency and reputation of this important system institution.

# CIVIL SOCIETY IN ANTICORRUPTION

## 8.1. CSO ANTICORRUPTION WORK

CSOs in Montenegro play a visible role in the entire system of the fight against corruption. This is a result of combined efforts of number of publicly recognized CSOs, where number of them are dealing with concrete cases of corruption among local and state authorities and different related public and private companies, while number of other CSOs are dealing with various analysis, researches, participation in the work and decision making within institutions and processes of creation of different legal proposals.

In that sense, we can divide anticorruption activities of CSOs in several areas of social and institutional work:

- **Education and Training in prevention and repression of corruption**

These activities are provided by CSOs. Through several methods to different beneficiaries and target groups. For example, CSOs provide trainings for police investigators, prosecutors and public official dealing with anticorruption. In addition, these trainings are provided for different kind of administrative inspections. Also, CSOs are involved in different projects and programs that are providing education and training to employees and senior official of the anticorruption institutions or, public servants that are dealing with issues related to anticorruption. One of these education and training projects is currently developing between the Center for Civic Education and the Agency for Prevention of Corruption.

- **Research and Analysis in prevention and repression of corruption**

There are several CSOs that are recognized in the area of anticorruption researches and analysis. They are dealing with items related to judiciary reform, work of anticorruption institutions, public opinion polls related to anticorruption attitudes of citizens, transposition of EU anticorruption legislation into Montenegrin legal order and other related subjects. Some of them, like Institute Alternativa have dealt with anticorruption in public procurement, while the Human Rights Action was dealing with the work and performances of judiciary. Finally, Center for Monitoring and Research, as the most active CSO in this area, had number of researches dedicated to in depth analysis of number of anticorruption institutions, practices, international cooperation, anticorruption system analysis and some of them are realized with international and institutional partners.<sup>11</sup>

- **Participation of CSOs in the work and decision making within institutions for prevention and repression of corruption**

---

12 1) CeMI, [Report on national anticorruption policies Montenegro 2023](#), September 2023; 2) CeMI, [Winding Road: From the National Council for the Fight Against High-level Corruption to the National Council for the Fight Against Corruption-1121](#), September 2023; 3) CeMI, [Abuse of State Resources: Presidential Elections in Montenegro 2023-1120](#), September 2023 4) CeMI, [Enhancing Human Resources Management in the Montenegrin Court System: Towards an Efficient Judiciary](#), September 2023; 5) CeMI, [Judicial Independence in Montenegro: Myth or Reality](#), September 2023; 6) CeMI, [Countering High-level Corruption: Study on the Special State Prosecutors Offices Performance in High-level Corruption Cases 2020-2023](#), September 2023; 7) CeMI, [Risk of Politicization of the Prosecutorial Council of Montenegro](#), September 2023



Several laws related to anticorruption and work of institutions that are directly and indirectly dealing with the prevention and repression of corruption are stipulating the right of the CSO representatives to directly participate in the work of management and control bodies of institutions dealing with anticorruption issues. This gives right to CSO representatives to take part in the work of Management Boards and Council, like the Council of the Agency for Prevention of Corruption. Two representatives of CSOs, one from European Movement in Montenegro and one from Center for Monitoring and Research, took part as members of the Council of the Agency for Prevention Of Corruption from 2019 to August 2023, where EMIM representatives was also elected president for 4 years. The work of this APC Council was publicly praised in the reports of EU Commission and other international organizations, creating and supporting numerous reforms introduced in this institution during the mandate of CSO representatives.<sup>12</sup>

- **Participation of CSOs in processes of creation of different legal proposals**

Number of CSOs are participating in creation of the different legal proposals directly and indirectly related to anticorruption processes in Montenegro. European Movement in Montenegro and Center for Monitoring and Research took part in creation of amendments to the Law on Prevention of Corruption, as well as Law on Lobbying. CEMI also actively participated in creation of new reform proposals for electoral legislation which is important part of anticorruption legislation in general. In addition to that, Human Rights Action was contributing to various reform legislation proposals regarding judiciary and prosecution in Montenegro, while Center for Democratic Transition also contributed to redefinition of electoral laws. Institute Alternativa was submitting their legal amendments to the new draft of the Law on Public Procurement and it is still very vocal in advocating improvements of legislation in public procurement area.

- **Participation of CSOs in resolving of concrete cases of potential corruption**

This area is mostly covered by several CSOs, where CSO MANS is the most vocal and vivid, with numerous cases of submission of criminal complaints to the State Public Prosecutor Office, on different levels. These cases are also well presented to public in coordination of this CSO and media. In addition, there are number of cases have been also sent from the side of CSOs and media to the Agency for Prevention of Corruption. Sometimes, these complaints are resolved by the APC, if the cases are seen as the part of their jurisdiction, while sometimes the Agency for Prevention of Corruption itself forwards these cases to the State Public Prosecutor's Offices at different levels, in cases when the APC has a stand that a justified assumption on committed criminal acts exists in these complaints.

However, beside all of these stipulated activities and areas of work of Montenegrin CSOs in the field of prevention and repression of corruption, there are still several serious shortcomings of the civil society actors and structures that are seriously undermining position and influence of CSOs within entire anticorruption system. Namely, CSOs are still suffering from a serious lack of capacities in terms of human resources, their education, skills and training, as well as lack of technical capacities in terms of modern IT equipment and programs, as well as data basis which are necessary for conducting of in depth researches of particular cases that have corruption potential.

Moreover, there were several cases where CSOs activists had a direct connections with their

-----  
 13 Agency for Prevention of Corruption, Work Report of the Council of the Agency for Prevention of Corruption for the period July 2019 – July 2023, July 2023, available at: [https://www.antikorupcija.me/media/documents/ASK\\_work\\_report.pdf](https://www.antikorupcija.me/media/documents/ASK_work_report.pdf)

subjects of different inquiries, where, for examples, they were using their services or they were getting special business treatment from their subject of inquiries. For examples, there were two cases where leaders of CSOs dealing with anticorruption were buying real estates from companies that were direct subject of their investigations as well of investigations of official institutions. On these occasions CSOs leaders were getting serious discounts on the purchase of real estates from the companies and individuals that they have been previously accusing for corruptive acting. In one case, the bank registered that the money from official EU funded project account of one well known CSO was used as a guarantee for the personal and private loan for purchasing of private owned real estate from the company that was previously publicly accused from the side of that same CSO and its leader, for a corruptive actions. On that same occasion, according to official documents, there was a substantive discount on the price of the real estate property provided to a leader of CSO by that same company.

These examples are the confirmation that, in this moment, the role and credibility of Montenegrin CSOs in the realization of activities in the area of anticorruption is seriously under the threat of downsizing and more significant introspective efforts should be made in order to increase the transparency and to enlighten the methods of the work of number of CSOs and their leaders.

This should be done in cooperation with media, as well as donors community and, if necessary, with representatives of anticorruption institutions in Montenegro.

## MEDIA

Media in Montenegro are still playing visible and relatively strong role in the overall front against corruption. There are numerous proofs on a daily basis that can support this claim. Number of different traditional (newspapers, TV and radio stations) and new electronic media (web portals, web channels) are bringing different contents related to various activities of state institutions, public and private companies, public officials, state employees and private parties that are aimed at discovery of corruptive practices and actors involved.

Some of these reports and investigative journalism information have found their way towards state institutions dealing with prevention and repression of corruption. In that sense, there are numerous examples where the Agency for Prevention of Corruption have opened cases against number of public officials after the media reporting, as well as cases related to repression of corruption that have been initiated by the state prosecutor offices on different levels.

However, the role of media in the overall fight against corruption has been burdened by several systemic problems.

The first set of problems is related to lack of adequate legal framework, where old Law on Media is out of date and not corresponding to the needs of contemporary developments in the media sphere and the new Law is being drafted for a very long period of time and still not in place.

The other set of problems is related to overall social, political and economic circumstances where, if one wants to understand and define them in a more precise manner, we have to start from the fact that Montenegrin media sphere suffers from typical transitional problems which are even worsened by the size of the society and size of the media market, as well as number of population and people working in media sphere in general.

Finally, when we come to qualitative set of problems, most of these problematic issues are related to professional capacities of journalists and editors and standards in reporting.

More closely, politically biased approach in reporting was always a visible trend among media in Montenegro, but that situation even degraded from 2020 until today. Namely, strong political divisions that have been intensified since the elections in August 2020 when new ruling majority took over the Government, had deepened decrease of professional standards in reporting and disrespecting of the rules and obligations of media workers stipulated in the Ethical Code of Journalists of Montenegro. Namely, politically biased reporting, including reporting on corruption cases, could be detected among all major media, as well as selective approach in publication of different social, political and economic topics, where revealing of the topic related to corruption and the way of publication and the type of journalistic approach in writing about that particular issue depends on political attitudes of journalists and editors of each media.

This above mentioned set of problems among Montenegrin media is also closely related to the fact that some of the owners and editors of the most influential media have started line of other business-like banking, financial and stock market services, various industry production companies and/or construction business. In that context, corruptive influences on the work of media are reflecting in the fact that they have been heavily abusing their own media for achieving of their business goals, often creating fake news or creating news and public atmosphere that goes in favour of their other private economic interests.

Meanwhile, strong connection between new ruling parties and especially Prime Minister Abazovic and Special prosecutors' office on one side and the most influential media on the other side was visible through numerous of coordinated actions between these three actors. This connection was reflected through revelation of prosecutors' files in media before the arrests and official starting of procedure, while the Prime Minister was regularly announcing moves of Prosecutors' office before they are made in reality, abusing that information for political and partisan purposes. In all of these cases, number of legal procedures and laws have been breached by all stipulated actors.

Besides that, there are serious allegations about connections of certain media and their journalists and editors with organized crime. For example, some of the interviews with significant representatives of organized crime while they were in prison, accusing that time representatives of judiciary and prosecutors' offices. In addition, it has been notified that in intercepted Sky application communication, one of the journalists of the most influential media in Montenegro had a direct communication with the head of cocaine smuggling clan, receiving instructions on the content, the way and timing of publication of information that he was passing to her, and she was turning them into articles. So far, there was no reaction of public prosecutors' office on such revealing of connections between mafia and media.

Special set of problems is related to the Public Service of Radio Television of Montenegro (RTCG), which, according to EU Commission Progress Report, has introduced some "more pluralistic editorial policy since the appointment of the new Council and management" but that "further sustained efforts are still needed to ensure that the public broadcaster RTCG complies with the highest standards of independence and professionalism." However, RTCG editors and journalists are seriously lacking investigative journalistic efforts in order to investigate major social, economic and political issues, avoiding any conformation with the Government and local authorities and delivering promotional and sometimes propagandistic reports in favour of ruling structures on state and local level. Moreover, there are examples of open biased reporting in favour of ruling parties and against opposition in Montenegro. Meanwhile, courts in Montenegro have found that the very process of selection of the General Director of RTCG was against the legal provisions and official investigation procedures have been started by Public State Prosecutor in order to determine responsibilities of the members of the Council of the RTCG and the General Director for this situation.

Finally, we have to underline that the general atmosphere of security and protection of journalist is not provided in the society and that such atmosphere is endangering media freedom and freedom of expression, in general. Moreover, there are situations where some of the public prosecutors are charging journalist for publicly written professional comments, opposing EU legislation and good practices. In that sense, as stipulated within the EC Commission reports "the legal framework has to be further amended to strengthen the effective protection of journalists and other media workers." In addition to that, full and effective judicial follow-up of attacks and threats, including old cases is still not ensured and that has to be coordinated with continuation of the work on the revision of the legal and policy framework in the area of media and preparation of strategic documents for facilitate of broad and inclusive dialogue with media stakeholders and other interested parties within civil society in Montenegro.

## THE INTERNATIONAL DIMENSION

Cooperation between Montenegrin institutions and international structures is intensive and continuous. It has been developed through various cooperation structures, including both bilateral and multilateral levels that involve different forms of expertise, joint projects, direct assistance and/or monitoring systems established through international institutions, organizations and cooperation bodies.

The most important structures for the international dimension of the prevention and repression of corruption in Montenegro are the European Commission, European Parliament and the Delegation of the European Commission in Montenegro, the Council of Europe, ODIHR, GRECO, UNDP, OECD and RAI, as well as different bilateral programs including countries of the EU and United States.

Considering EU, in general, beside numerous projects and programs of expert, financial and political assistance to Montenegro, there are three main tools for influencing of Montenegrin society and institutions in the area of prevention and repression of corruption.

The first one is general framework for negotiations within the Chapter 23, where all anti/corruption activities and institutional performances are closely monitored and/or facilitated through complex negotiations structures and procedures. This is a constant process and often combined with various bilateral or multilateral programs and projects, where their results and achievements often serve to partial or complete fulfilling of negotiations requirements.

The second model are Peer Review Mission that are being sent to anti-corruption institutions, where the findings and recommendations of these reviews become reference points for further reforms and facilitation of prevention and repression of corruption in Montenegro. The most recent and important Peer Review Mission was the one performed within the Agency for Prevention of Corruption in April 2021, whose report provided for 75 recommendations for the improvement of the function of the APC, where 29 recommendations were addressed to the Agency itself, and 46 are mostly related to legal changes that could have been provided by the Parliament and Government of Montenegro. According to the APC report, until October 2023, all 29 Peer Review recommendations for the APC were adopted and implemented by the APC itself, while all other 46 addressed to the Government and Parliament of Montenegro and mostly related to the change of the legal framework, have not been realized yet.

Finally, the third and the most influential model of public influence of the EU on Montenegrin anti-corruption institutions is the Annual Progress Report of the EU Commission, where all the main findings related to EU integration process and overall reforms have been stipulated and compared with previous situation in all fields of institutional work. This Progress Report is occasionally supplemented by Rule of Law Non-Papers on Chapter 23, where close findings on the prevention and repression of corruption could be found, providing detailed information on activities and achievements in that area.

The latest EU Non-Paper, from 2023, brought repetition of previous findings where number of critical references have been made regarding insurance of independence and accountability of the judiciary in anticorruption cases and in general. This Non-Paper also underlined that "all outstanding recommendations from the Venice Commission and the Group of States against Corruption (GRECO) must be addressed in substance, following a broad and inclusive consultation process. This includes ensuring the effective independence and professionalism of

the judiciary, and fully and unambiguously implementing the relevant constitutional and legal framework.”

The EU Commission also recommended the adoption of a new strategy for the rationalisation of the judicial network, that is still pending, as well as the implementation of the ICT strategy for the judiciary. The EU Commission praised the reforms within the APC, but they repeated that further tangible results and public trust in the Agency are needed in order to ensure its integrity, impartiality and accountability. The Law on Government was underlined as a priority regarding overall framework for the fight against corruption. This report also underlined the need for respect of recommendations of the OSCE-ODIHR for changing of the electoral legislation (that is pending for years) as a precondition for regulation of eventual corruptive activities in the area of the work of political parties and state institutions in the context of abuse of administrative powers in the electoral processes.

The Council of Europe and its program “Horizontal Facility for the Western Balkans and Turkey 2021 -2023” brought three in-depth analyses of the legal framework related to the work of the APC (regarding setup and functioning of the Agency for Prevention of Corruption, regulation of conflict of interest, restrictions in the exercise of public functions (incompatibilities of functions), assets declarations, gifts, donations and sponsorships, as well as whistle-blowers’ Protection). Council of Europe also provided the APC with expert assistance for creation of the Communication Strategy 2023-2025.

The UNDP office in Montenegro provided expert help in creation of the Strategic plan for the Agency 2022-2024, as well as for the following Action plans. UNDP also assisted improvement of the Methodology for assessing the risk of corruption in regulations in Montenegro with the aim of determining risk areas from the occurrence of corruption, especially the part of the Methodology that refers to the list of risks. Finally, UNDP also provided expert assistance to the APC in creation and implementation of the Methodology for the assessment of anti-corruption instruments in the systems of state administration and social and child protection, as well as Methodology for assessing the application of anti-corruption measures - Judicial system, with the aim of improving the content and effects of integrity plans of judicial bodies

Beside these international structures, there is a constant presence and influence of other organizations and institutions like the Regional Anti-corruption Initiative (RAI), OECD and Venice Commission and all of them have a very significant influence on creating and implementation of anti-corruption policies in Montenegro.

# CONCLUSIONS AND POLICY RECOMMENDATIONS

## GENERAL RECOMMENDATIONS AND CONCLUSIONS

**Promote collaborative culture:** Implement measures to foster a collaborative culture among officials, emphasizing the importance of effective cooperation and communication. This includes training programs and initiatives aimed at enhancing the willingness and capacity of individual officials to collaborate efficiently.

**Strengthen judicial independence:** Implement measures to safeguard the independence of the judiciary, including reforms to the selection processes of judges, members of the Judiciary Council, and the President of the Supreme Court. Address concerns about political pressures on the judiciary and ensure transparent and merit-based appointments.

**Reform prosecutorial oversight:** Conduct a comprehensive review of the legal framework governing the work of the Special State Prosecutor's Office and other prosecution structures. Address any loopholes or deficiencies that may compromise the independence and effectiveness of the prosecutorial bodies. Seek input from international bodies, such as the Venice Commission and EU Commission, to guide the reforms.

**Enhance anti-corruption institutions:** Strengthen the independence and autonomy of the Agency for Prevention of Corruption (APC). Address attempts to undermine its work through parliamentary pressures and ensure that the APC operates free from political interference. Consider legislative amendments or additional safeguards to reinforce the APC's role in combating corruption.

**Address legislative challenges:** Tackle legislative challenges that allow for political influence in key institutions, such as the Prosecution Council. Revisit and amend laws that enable undue political interference and strengthen legal provisions to ensure the impartiality of decision-making processes within these institutions.

**Promote transparency in public decision-making:** Introduce measures to enhance transparency in public decision-making processes, particularly in public procurement and resource allocation. Implement reforms that minimize opportunities for patronage networks, favouritism, and corruption. Strengthen mechanisms for monitoring and reporting corrupt practices.

**Ensure equal treatment in judicial processes:** Address concerns about the perceived imbalance in the treatment of cases involving individuals from the previous regime compared to those from the new ruling structures. Ensure equal and impartial treatment in judicial processes, emphasizing fair investigations and trials for all individuals, regardless of their political affiliation or status.

## FOR STRATEGIC FRAMEWORK FOR ANTICORRUPTION

**Establish Clear Strategic Framework:** Develop and adopt a comprehensive and up-to-date national Anti-corruption Strategy, incorporating an overall system of corruption risks and gap assessments. Ensure that the Strategy for Anti-corruption addresses both preventive and repressive institutions and bodies and aligns with EU requirements from Chapter 23 - Rule of Law and human rights, as well with GRECO and ODIHR recommendations and advice of other international structures, when and if applicable.

**Enhance reporting consistency:** Establish a coherent and sustainable system for reporting on the implementation of anti-corruption measures. Avoid ad hoc changes in reporting systems and ensure consistent and focused reporting to provide clear and accurate information on the progress made in addressing key priorities within Chapters 23 and 24 of the EU accession process.

**Improve coordination among Institutions:** Strengthen coordination among institutions involved in the fight against corruption. Foster collaboration between the National Council for the Fight Against Corruption, the Ministry of Justice, Agency for Prevention of Corruption, judiciary, prosecution and other relevant state bodies to synchronize priorities, activities, and deadlines for implementing the anti-corruption strategy.

**Ensure international cooperation:** Foster international cooperation by actively involving international partners in the development and implementation of the anti-corruption strategy. Seek expert assistance and financial contributions to enhance the quality and effectiveness of the strategy, demonstrating a commitment to aligning with international best practices.

**Regular and transparent monitoring:** Establish a robust monitoring mechanism for the implementation of the anti-corruption strategy. Implement regular and transparent reporting mechanisms, with at least biannual reports submitted to the government, providing a comprehensive assessment of activities, results achieved, and proposals for further measures to ensure successful strategy implementation.

## FOR LEGISLATION FOR ANTICORRUPTION

**Urgent Change of Prevention and Election Legislation:** It should be absolute priority to enhance and update the legislative framework for the prevention of corruption, according to more than 230 conclusion and recommendations that the Agency for Prevention of Corruption jointly defined with the experts of the Council of Europe, EU Commission and the OSCE ODIHR. In addition to a great number of amendments to the Law on Prevention of Corruption, the Law on Financing of Political Entities and Election Campaigns should also be precisely redefined in accordance with the same set of recommendations. Finally, it should be also a priority to ensure strict application of the new Law on Lobbying in order to effectively address current challenges and align with international best practices.

**Enhance Definitions and Scope:** Clarify and refine definitions within anti-corruption laws, particularly those related to public officials, state ownership, and corrupt activities. Ensure that the legal definitions accurately capture the variety of situations and individuals that may be involved in corrupt practices.

**Improve Financial Oversight:** Strengthen financial oversight mechanisms of the political and election processes by further developing regulations and controls outlined in the Law on Financing of Political Entities and Election Campaigns. Emphasize transparency, legality, and publicity of financial operations for political subjects, ensuring fair and corruption-free electoral processes. New Parliamentary committee for Electoral Reforms should start working immediately and take strongly recommendations coming from the Agency for Prevention of Corruption.

**Reinforce Legal Framework for Repression:** Consider amendments to the Law on the Special State Prosecutor's Office to improve the effectiveness of prosecuting high-level corruption cases. Evaluate the adequacy of provisions related to the jurisdiction, organization, and procedures of the Special State Prosecutor's Office.



**Enhance Confiscation Procedures:** Review and enhance the Law on Seizure and Confiscation of Material Benefit Derived from Criminal Activity to ensure that the confiscation of property benefits acquired through criminal activity is a robust and effective process. Consider improvements in managing confiscated property benefits and ensure compliance with the Criminal Procedure Code.

## **FOR INSPECTION ADMINISTRATION**

**Resolving Staff Challenges:** In this moment, there are around 150 people missing to achieve full function on the AIA as planned with Systematization Act of that institution. Government and the Administration for Inspection Affairs (AIA) should implement measures to address the understaffing issue as soon as possible. This includes expediting the recruitment process, providing incentives to retain experienced inspectors, and filling the vacant positions to maintain competency and capacity.

**Resolve technical and organizational issues:** Since the cyber-attack in 2022 AIA has serious problem with IT technical resources. It should be priority to resolve these technical problems, including the dysfunction of the Unified Inspection Information System (JIIS), which is crucial for effective functioning of AIA. Adequate resources and expertise should be allocated to overcome the impact of cyber-attacks and ensure the proper functioning of the system.

**Enhance budget allocation:** Government of Montenegro should review and adjust the budget allocation for the AIA, ensuring that it adequately supports various expenses, such as the purchase and maintenance of vehicles, daily wages, and accommodation of inspectors. Specific categories of expenses should be addressed to avoid negative effects on inspection supervision. Legal changes also should be considered in order to fulfil above mentioned needs.

**Strengthen independence and autonomy:** Government and Parliament should take measures to strengthen the independence and autonomy of inspectorates through new legal solutions. Further efforts in cooperation with the police, prosecution office and the other security and rule of law institutions should be made in order to address concerns about undue influence, especially in sectors like gambling, construction, services and trade.

**Reforming process of AIA appointments:** Reform the process of appointing managerial structures within the AIA, emphasizing merit, experience, and managerial skills over political affiliations. It should be ensured that appointments are based on qualifications and competence, minimizing the risk of political influence that may compromise the effectiveness of the institution.

**Enhance public perception and communication:** Transparency and accountability of inspectorates should be enhanced in order to maintain public trust. Strategies to improve the public perception of inspectorates' effectiveness should be developed. Communicate transparently about the outcomes of inspections and address concerns raised by citizens. This includes ensuring that visible violations are appropriately sanctioned, fostering public trust.

**Evaluate government decision on restructuring:** Conduct a thorough evaluation of the decision to dismantle the AIA and return inspections under the mandate of relevant ministries. Assess the potential consequences of this change on the rule of law, economic structure, and international partnerships, and consider alternative solutions that align with EU standards.

## FOR STATE AUDIT INSTITUTION

**Establish Mandatory Enforcement Mechanisms:** Introduce legal reforms to provide the State Audit Institution with mechanisms for mandatory enforcement of its findings and recommendations, directly or indirectly, through other institution or in cooperation with them. This will enhance the institution's ability to ensure compliance and improve the impact of its audits.

**Define precise legal framework for cooperation:** Address institutional deficiencies by defining clear legal obligations and provisions for communication and cooperation among institutions responsible for overseeing public finances, corruption prevention, and repression. A well-defined framework will streamline information exchange and enhance the effectiveness of collaboration.

**Flexibility in planning and execution of audit procedures:** Reform the rigid planning procedures of the State Audit Institution to allow for flexibility in adapting to ad-hoc needs or requests for unplanned actions. This adjustment will enable timely responses to interventions proposed by external stakeholders such as Civil Society Organizations (CSOs) or media, promoting a more agile and responsive auditing process.

## FOR ANTICORRUPTION IN PUBLIC PROCUREMENT

**Strengthen Legislation:** New Montenegrin Public Procurement Law from January 2023 has to be additionally enhanced and needs clarification of many legal provisions, particularly regarding the criteria for evaluating bids, such as the "economically most advantageous bid." It should be ensured that the law provides a clear framework to prevent favouritism, corruption, and to promote fair competition in the public procurement process.

**Capacity building for procuring entities:** Relevant institutions should invest in capacity building for smaller procuring entities, including government ministries, local municipalities, and public enterprises. Training programs and resources should be provided in order to enhance their understanding of legal frameworks, ensuring compliance and reducing corruption risks.

**Address staffing shortages:** The Government should increase staffing levels in critical institutions such as the Public Procurement Inspectorate in order to improve the efficiency of checks and oversight. An adequate number of inspectors should be ensured to cover all areas, especially in smaller municipalities, and strengthen the Inspectorate's ability to address violations promptly.

**Improve electronic procurement system:** Continue improvements to the electronic (E) public procurement system (CEJN), including functional connections with other electronic state registers. Enhancements should focus on streamlining processes, improving transparency, and real-time monitoring to reduce corruption risks. Networking between databases of the Montenegrin Electronic Public Procurement System (CEJN) and databases of the Agency for Prevention of Corruption should be provided for. This networking might enhance access of contracting authorities to databases, facilitating thorough verification of statements regarding the absence of conflicts of interest. The Agency could be also involved in initial procedures related to prevention of conflicts of interest.

**Effective oversight and remedies:** Strengthen the oversight mechanisms, particularly the remedy system. Ensure effective implementation of legislation and reduce number of negotiated procedures, emphasizing the importance of a robust system for handling complaints. This includes addressing any backlog of cases and providing adequate resources to relevant institutions such as the Commission for the Protection of Rights in Public Procurement Procedures.

## FOR ANTICORRUPTION ENFORCEMENT

**Enhance Institutional Autonomy:** Take measures to reinforce the autonomy of the Special State Prosecutor's Office (SSPO) to ensure its independence from external political and partisan influence. Strengthen the legal framework governing the SSPO, limiting direct interference by the supreme state prosecutor and providing safeguards that uphold transparency, accountability, and independence in its operations.

**Address staffing shortages:** Address the existing staffing challenges within the SSPO, particularly the shortage of special prosecutors. Increase the number of qualified personnel to handle the workload effectively. This could involve transparent and merit-based recruitment processes to attract skilled professionals and ensure a more efficient functioning of the SSPO.

**Strengthen police capacities:** Appointment of the Head of SPU should be done through transparent and merit-based procedure and not influenced by partisan interests. Capabilities of the Special Police Unit (SPU) should be enhanced by increasing staffing levels and providing necessary technical resources. The Government of Montenegro should ensure that the SPU has the required human, financial, and technological resources to carry out investigations effectively. Additional training for police officers focusing on handling corruption cases should be considered by using experts from local institutions like the Agency for Prevention of Corruption and international experts.

**Judicial reform and specialization:** Judicial Council and other relevant bodies should evaluate the effectiveness of the High Court of Podgorica in handling high-level corruption cases. Both the Government and Judicial Council should consider increasing the number of judges within the Special Department for Organized Crime, Corruption, Terrorism, and War Crimes. Ensure that judges are well-versed in corruption-related issues and have the necessary resources to deal with the complexity of such cases.

**Combat political interference:** Implement measures to reduce political pressure and interference in the functioning of institutions, particularly in the appointment of key officials in Judiciary, Prosecution and Police. Establish transparent and merit-based selection processes for appointing heads of these institutions, ensuring that appointments are based on professional qualifications rather than political considerations.

## FOR THE HIDDEN ECONOMY

**Holistic and Fair Approach to Legislation:** Strong efforts should be invested in creation of comprehensive legislation that addresses much more parts and complexities of the informal economy in Montenegro. The legal framework should go beyond punitive measures and focus on creating an enabling environment for businesses, including preventive measures and support mechanisms. The expansion of the taxpayer base should be also based on combination of stimulation and punitive measures. Much stronger punitive measures should be defined for unregistered business and grey and black economy.

**Root cause identification:** Prioritize efforts to identify and address the root causes of the informal economy. Instead of solely concentrating on alleviating consequences, initiatives should target the underlying issues that contribute to the existence of informal economic activities. This involves understanding and addressing the monetary and non-monetary irregularities, legal deficiencies, and institutional inefficiencies.

**Support for business environment:** The Government of Montenegro should create a supportive business environment that encourages formalization. This includes providing incentives for

businesses to operate within legal boundaries, offering support for compliance, and easing the administrative burdens faced by registered entities.

**Strengthening institutional capacities:** Enhance the capacities of institutions responsible for combating the informal economy, especially Revenue Administration, Customs Administration and all inspections related to business and business related standards. This involves addressing inefficiencies in the existing institutional framework, providing necessary tools, and ensuring that institutions have the capacity to implement and enforce measures effectively. Both human resources and technical capacities need significant improvement in all related institutions.

**Monitoring and evaluation of reforms:** Implement a robust system for monitoring and evaluating the impact of institutional reforms and anti-informality programs. Regular assessments should gauge the effectiveness of implemented measures and identify areas for improvement. This iterative process allows for the refinement of strategies, ensuring that anti-informality efforts are responsive and adaptive to changing circumstances. This should include small, operative inter-sector and inter-institutional body that will produce regular reports that will produce prompt and effective reactions of both the Government and the Parliament of Montenegro, but also all relevant institutions involved, in order to remove irregularities and inefficiencies in the work of institutions.

## **FOR THE REVENUE ADMINISTRATION AND CUSTOMS ADMINISTRATION**

**Professional and Merit-Based Appointments:** Both Tax/Revenue and Customs Administration management should be appointed by the Government in a transparent and merit-based selection process. This will help in ensuring that higher ranking management members are appointed based on their professional qualifications and competence rather than political and partisan considerations.

**Stability and predictability in institutional structure:** Establish a stable and well-defined institutional structure for the Revenue and Customs Administration. Frequent changes in the organizational framework, as those from April 2021 and the last one from December 2023, can disrupt operations and lead to inefficiencies. Stability will contribute to long-term effectiveness.

**International collaboration and consultation:** Prioritize international collaboration and seek consultation with reputable international partners, such as the EU Commission and International Monetary Fund, when making significant decisions related to the structure of tax and customs administration. Both the Government in general and the Tax/Revenue and Customs Administration management should consider recommendations of international partners to enhance the effectiveness of reforms in their respective institutions.

**Public trust and perception management:** Develop strategies to improve public trust in the Revenue and in the Customs Administration. They should address perceptions of corruption by promoting transparency, accountability, and fairness in the treatment of individuals and companies. Implement measures to communicate positive changes and achievements to the public.

**Strategic workforce management:** Ensure strategic management of the workforce, particularly with regard to young and trained officials. Firing experienced and educated personnel can negatively impact efficiency and reputation. Both Revenue and Customs Administration should prioritize the development and retention of a skilled workforce to strengthen the institution's capabilities. Adequate staffing, training programs, and budget allocations are crucial for ensuring that both institutions can perform their duties efficiently.

