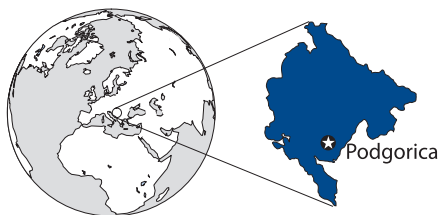


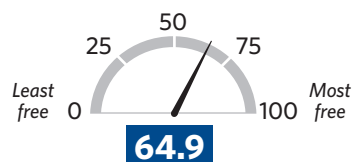
MONTENEGRO



World Rank: **65**

Regional Rank: **31**

Economic Freedom Score



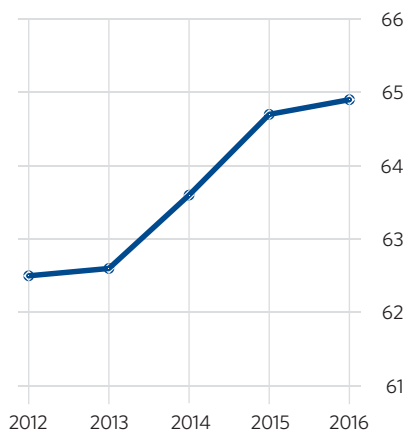
Structural reforms and an increasingly vibrant private sector have facilitated Montenegro's ongoing transition to a free-market economy. Openness to global commerce and trade, competitively low flat tax rates, and an evolving regulatory system have encouraged a more dynamic and broadly based economic expansion.

ECONOMIC FREEDOM SNAPSHOT

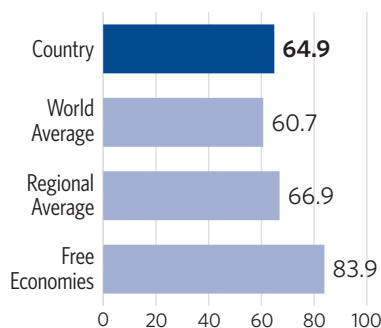
- 2016 Economic Freedom Score: **64.9 (up 0.2 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **65th**
- Regional Ranking: **31st in Europe**
- Notable Successes: **Trade Freedom and Fiscal Freedom**
- Concerns: **Management of Government Spending and Corruption**
- Overall Score Change Since 2012: **+2.4**

The government has pursued reforms to curb chronically high levels of spending and improve public-sector efficiency, but progress has been sluggish. Despite the relatively well-maintained rule of law, the pace of legislative and judicial reform has been slow, and corruption is still perceived as significant.

Freedom Trend



Country Comparisons



Quick Facts

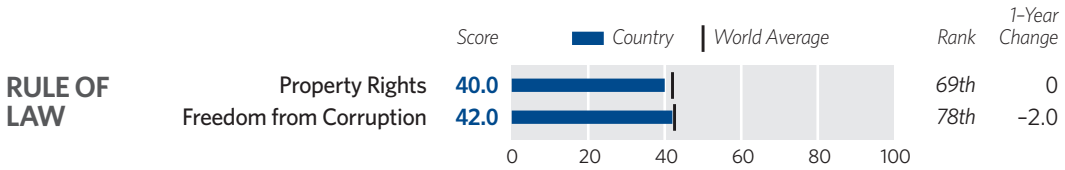
- Population:** 0.6 million
- GDP (PPP):** \$9.4 billion
- 1.1% growth in 2014
- 5-year compound annual growth 1.5%
- \$14,996 per capita
- Unemployment:** 19.1%
- Inflation (CPI):** -0.7%
- FDI Inflow:** \$497.0 million
- Public Debt:** 58.4% of GDP

How Do We Measure Economic Freedom?

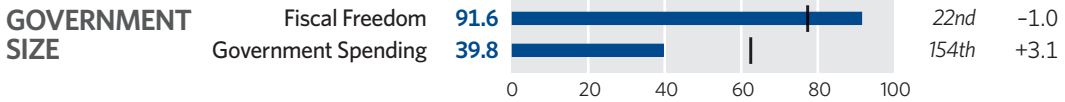
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

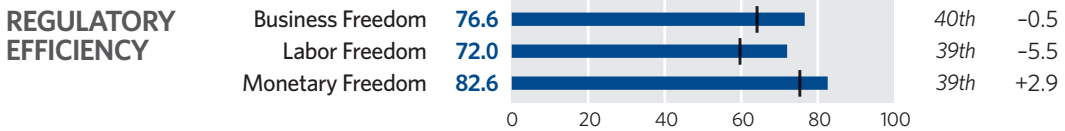
THE TEN ECONOMIC FREEDOMS



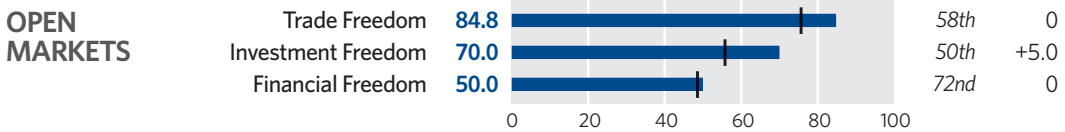
Corruption is a serious problem in Montenegro. Graft and misconduct are widespread in such key areas as health care and public procurement. Organized criminal groups have significant influence in both the public sector and the private sector, and Russian money laundering is significant. Politicization of the judiciary is a long-standing problem. Foreigners may own real property.



The personal income and corporate tax rates are a flat 9 percent. Other taxes include a value-added tax and an inheritance tax. The overall tax burden equals 26 percent of total domestic income. Government spending amounts to 44.8 percent of total domestic output. The budget balance has been negative, and public debt has risen to over 50 percent of GDP. Failing state-owned enterprises have put pressure on fiscal accounts.



Procedures for setting up a business have been streamlined, and the number of licensing requirements has been reduced. Labor regulations lack flexibility, discouraging more dynamic job creation. The sale of the bankrupt state-supported, Communist-era KAP aluminum company was completed in 2014, eliminating one cause of massive government subsidies that distorted the economy in prior years.



Montenegro's average tariff rate is 2.6 percent. Many state-owned enterprises have been privatized. There is no general screening of foreign investment, but a weak judicial system discourages investors. The financial sector has gradually become more competitive and diversified, but non-performing loans remain a problem. A law on restructuring of NPLs has been adopted, but its effectiveness remains to be seen.

Long-Term Score Change (since 2009)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+2.5	Business Freedom	+7.9	Trade Freedom	+4.6
Freedom from Corruption	+9.0	Government Spending	-5.5	Labor Freedom	+14.8	Investment Freedom	+30.0
				Monetary Freedom	+3.7	Financial Freedom	0