

MONTENEGRO FINALLY GETS A NEW COALITION GOVERNMENT

Parliament green-lights predominantly pro-EU cabinet after months of negotiations

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EXECUTIVE SUMMARY





Following months of tense coalition negotiations, Montenegro's new government has officially entered office, led by ex-Finance Minister and former Goldman Sachs banker Miloško Spajić as Prime Minister. The formation of the government follows June's snap parliamentary elections that saw the rapid rise of the Spajić-led Europe Now movement. Europe Now, whose candidate Jakov Milatović ended the three-decades-long rule of Milo Đukanović in April's presidential elections, came first in the polls but fell short of a majority in parliament, leading to the protracted coalition talks.

The Spajić Government will aim to speed up Montenegro's EU accession and will prioritise a series of economic reforms needed to build a better investment climate, improve living standards and boost national finances. Similarly to its two predecessors, the new cabinet is supported by an ideologically and structurally diverse combination of pro-Western and pro-Russian/pro-Serbian parties, which could threaten its short-term stability.

Below, Aretera takes a deeper look at the formation of Montenegro's new government and its implications for international businesses.



This memo will cover:

-  an overview of the new government's formation,
-  the composition of Montenegro's parliament,
-  recent and significant changes in the country's political life,
-  short-term political and policy implications.

A LONG-AWAITED CHANGE OF GOVERNMENT

On 31st October, the Parliament of Montenegro finally approved the country's new government. Led by former Finance Minister Miloško Spajić as Prime Minister, the new government was formed following June's snap parliamentary elections and months of protracted coalition negotiations.

The snap elections saw the rapid rise and subsequent electoral victory of the centrist Europe Now Movement (PES) of Miloško Spajić and former Economic Development Minister Jakov Milatović, Montenegro's recently elected President. While PES won the June elections, it fell short of a majority, leading to months of coalition talks in the country's ideologically and structurally diverse pool of parliamentary parties. Europe Now was eventually able to broker a coalition deal, however this came at the expense of involving pro-Russian and pro-Serbian formations. The PES-led governing coalition consists of the fellow pro-EU Democratic Montenegro bloc, the pro-Russian/pro-Serbian Socialist People's Party of Montenegro (SNP) and parties representing the country's Albanian minorities, with the pro-Russian For the Future of Montenegro set to join the new government in 2024.

KEY TAKEAWAYS FROM THE COALITION DEAL

The PES-led coalition lacked the 42 votes needed to approve the new government in the country's 81-mandate parliament, leading to negotiations with the For the Future of Montenegro bloc (ZBCG) of Andrija Mandić. The pro-Serbian ZBCG, whose leader Mandić was also at the helm of the recently disbanded, Serb-dominated Democratic Front, agreed to support the Spajić-led minority government in exchange for Mandić being named Speaker of Parliament.

In line with the deal, the Spajić Cabinet was confirmed by 46 of the 81 MPs of Montenegro's unicameral legislature, voting the government into office. The deal also entails a government restructuring next year that will allow the ZBCG to join the cabinet. In its current set-up, the government includes 17 ministries, as well as five deputy PMs, with three of them as government ministers and two of them as ministers without portfolio.

SHORT-TERM POLICY & POLITICAL IMPLICATIONS

The formation of the new government follows tectonic changes in Montenegro's political landscape. The snap elections in June came only two months after the country's long-time leader, President Milo Đukanović, was unseated from power following a presidential election defeat¹ to Europe Now co-founder Jakov Milatović. This itself followed historic parliamentary elections in 2020 that had ended three decades of DPS rule (Đukanović's party) in government.

Spajić, a former Goldman Sachs banker and Milatović, who is a former EBRD economist, are among the youngest political leaders in Europe. Having won the snap parliamentary elections and already secured the capital, Podgorica, in local elections held in October 2022, Europe Now has now become the major political force in the country.

The Europe Now-led governing coalition has placed Montenegro's EU accession and widespread economic reform at the core of its program, as well as pursuing an active and credible membership in NATO. New PM Spajić has also pledged to implement reforms that will increase fiscal revenue, create a better investment climate and improve the independence of the judiciary.

¹ See [here](#) for Aretera's overview of Montenegro's presidential elections from April 2023

THE NEW COMPOSITION OF THE PARLIAMENT OF MONTENEGRO

Parliamentary Election Results Breakdown & Seat Distribution			
Party/Alliance	Popular Vote – June 2023 (%)	Number of MPs	Affiliation
Together (populist multi-party alliance led by the former ruling DPS)	23.2	21	Opposition
Europe Now (pro-EU, centrist-liberal)	25.5	20	Government
For the Future of Montenegro (pro-Russian/pro-Serbian, populist bloc)	14.7	13	Support*
Democratic Montenegro (pro-EU, centrist)	ran with the URA	7	Government
Bosniak Party (minority party)	7.1	6	Opposition
United Reform Action (pro-EU, centrist)	ran with the Democrats	4	Opposition
Socialist People's Party of Montenegro (pro-Russian/pro-Serbian)	3.1	3	Government
Independents	-	3	Support
Albanian Forum (minority party)	2	2	Government
Albanian Alliance (minority party)	1.5	1	Government
Croatian Civic Initiative (minority party)	0.7	1	Opposition
Total		81	

(Under the coalition deal, the For the Future of Montenegro bloc will enter the government in 2024.)

LOOKING AHEAD

The Spajić Government follows two ideologically and structurally diverse, short-lived coalition governments at the helm of Montenegro since the Đukanović-led DPS fell out of power in 2020. Taking the composition of the Montenegrin parliament, as well as the recent history of government crises into account, political stability will remain a key issue to monitor for all international businesses in the country, while the new governing bloc is certain to face strong opposition from the DPS and other parties. Short-term political developments and potential political instability could also negatively impact the country's aspirations to join the European bloc.

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