



MFIC | Montenegrin Foreign
Investors Council

MONTENEGRIN *FOREIGN INVESTORS COUNCIL 2018*



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RAMADA PODGORICA AND MALL OF MONTENEGRO OPERATING SUCCESSFULLY UNDER SAVANA HOLDING

Savana Holding, a company of exceptional tradition and renown in its field of operations in Europe, took over ownership a year and a half ago of the Ramada hotel complex in Podgorica and the Mall of Montenegro shopping centre.

Ramada Podgorica, hotel in the heart of the old part of the capital, offers 110 guest rooms, including 64 Standard rooms, 28 Deluxe rooms, 6 Executive rooms, 5 Grand suites, 4 Junior suites, 2 Garden suites, and 1 Diplomatic suite. All conference rooms, starting from the most sought after Lesendro hall, are adjusted according to the type of event. Guests will enjoy delicacies from Mediterranean cuisine being prepared in the renowned Panorama restaurant on the top floor of the hotel.

Additionally, the Mall of Montenegro shopping centre, located adjacent to the Ramada, is another model of business success, with a rich offer of world brands ranking fairly highly in the area. The exterior and interior of the shopping centre is largely enriched by a varied offer for the entire population, so that the very existence of the mall plays an important role in the capital city's development and transition.

Visible reform PROGRESS



One has reasons to believe that the EU accession process, along with NATO membership, regional initiatives and integration processes, will work in favour of making the new Montenegrin economy much more resilient than it is today. A more conducive business environment is an inseparable part of that goal

After the robust GDP growth of 2017, the Montenegrin economy is poised to decelerate somewhat in 2018 and 2019, as a result of the expected continuation of fiscal consolidation. While slowing down is not good news in the short run, the expected outcome of the huge public investments is seen AS BEING instrumental in securing long-term growth. The latest data suggests that the economy grew at a strong pace in the first quarter of 2018, supporting the Government's expectations and confirming that the saving measures introduced haven't so far choked the economy. On the contrary, industrial production was driven by sustained growth in energy production, while the manufacturing of intermediate goods and retail sales remain strong. On top of that, tourism performed well both in terms of attracting new interments and posting good revenues.

While huge investments in the construction sector and tourism are keeping the growth rate quite stable, private consumption will remain too weak to equate to GDP growth and the contribution of foreign trade will be negative, due to an increase in imports related to the construction of the motorway. Those are the challenges that the Montenegrin Government has to deal with in the near future. Reform of the administration and further cuts will be a challenging task, as the state must be streamlined and simultaneously better serve citizens and the economy.

The business community appreciates the efforts of the Government and acknowledges that considerable progress in reforms

is evident. However, as observed by the Montenegrin Foreign Investors Council – the largest association of foreign investors in Montenegro – the pace of reform needs to be much stronger, while the business environment needs to be improved and the competitiveness of the private sector needs to be enhanced.

This is not just the observation of businesspeople. The Government of Montenegro is very much aware that the economy's level of competitiveness needs to be increased. Structural reforms and infrastructure development are seen as important tools for attracting new domestic and foreign investments.

The same applies to the rule of law, low corruption levels and an efficient administration, where the government and the business community only differ in terms of seeing the glass half full or half empty. According to the White Book – the main tool used by the MFIC to measure progress in specific areas of the business environment – the ratings for "Rule of Law" are constantly low and have been graded at a level of "5 out of 10" (with 1 being the lowest rate) for the last seven years, while during the same

period they have been accompanied by repeated comments and complaints of MFIC members.

Creating a better regulatory environment seems to be an Achilles' heel when it comes to implementation, execution and judicial practise in all transition countries, Montenegro included. However, one must hope that the determination of the Government of Montenegro to focus on public administration reform will yield positive results in the years to come. ■

Creating a better regulatory environment seems to be an Achilles' heel when it comes to implementation, execution and judicial practise in all transition countries, Montenegro included



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Accelerate REFORMS



The pace of reforms, improvement of all aspects of the business environment and the competitiveness of the private sector all need to be enhanced. This is crucial for the country's development

CHRISTOPH SCHOEN

MFIC PRESIDENT AND CHAIRMAN OF THE MFIC BOARD OF DIRECTORS (CEO OF ADDIKO BANK)

“I am optimistic that Montenegro is on the right track. I wish for it to move fast along this track, and the MFIC will always try to be a partner that aims to speed up the positive trends,” says Christoph Schoen, MFIC President and Chairman of the MFIC Board of Directors, and CEO of Addiko bank.

Our interlocutor believes that the Government of Montenegro has made considerable progress on reforms, but he also points out practises that are hindering the process of establishing a fully-functional market economy.

■ **The previous two years have been challenging for the Government of Montenegro in terms of maintaining macroeconomic stability and the pace of public investments. How has this period been perceived by the business sector?**

- It is obvious that the Montenegrin Government exerts a lot of effort to provide macroeconomic stability, focusing in particular on fiscal stability and dealing with fiscal consolidation. Fiscal stabilisation measures, and their impact on the business community, are currently among the most important topics. Today's perception of investors is that the implementation of fiscal stabilisation measures is a “must”, given the challenges ahead of us and the fact that it is of the utmost importance to embed them in a strong legal and control framework, and to monitor their impact and counter steer if necessary. These accompanying measures are crucial in order to avoid expected benefits being lost due to the grey economy and criminal activities. The Government is aware that it is important for the success of the measures to build up capacities in tax and customs control and audit functions, together with regularly monitoring the real impact on the business environment.

INTEREST

The European Integration process of Montenegro, as well as the other countries of the region, is monitored seriously by investors

LEGISLATION

The rule of law is a key precondition for the further development of businesses in Montenegro and the “market economy” in its full sense

IMPROVEMENT

Even though the business environment is improving, the starting point was rather low and there is significant room for additional improvement

However, fiscal policy, as a tool of macroeconomic stability, needs further strengthening, while the measures introduced should be seen only as the beginning of a process that should create public finance.

■ How are on-going deliberations related to the prospective dates of EU accession for the countries of the region influencing interest in Montenegro among investors?

- The EU accession process, as well as NATO membership, regional initiatives and integrations are constant priorities of the MFIC, in the sense that MFIC members believe that those processes contribute to the overall development of society, including the economy and business environment. It is obvious that this topic is important for potential new investors and that positive signals from the EU stimulate reputable investors, and vice versa.

■ What does Montenegro need the most if it wants to become a fully-fledged market economy in line with EU standards?

- With a view to the edition of the White Book published in March 2018, I would point out the constant low scores for the rule of law, rated at around “5 out of 10” (1 is the lowest rate) for the last seven years, and the repeated comments and complaints of MFIC members during the same period. In relation to this, evaluating the regulatory environment in Montenegro is a very important part of the MFIC activities. Besides efficient legislation that is harmonised with modern practises and adopted with the involvement of the main stakeholders, we strongly believe that the “regulatory environment” should consider implementation, execution and judicial practise as important elements and preconditions of a business environment that is attractive to foreign investors.

■ The 2017 Index is the highest since this kind of evaluation has been introduced. How optimistic are you when it comes to the prospects of the Montenegrin economy in terms of medium-term macroeconomic stability and GDP growth?

- With a very high response rate among MFIC members to the predefined questionnaire, we calculated the MFIC Indices for 2016 at 6.35 and for 2017 at 6.47 (1 is the lowest score and 10 the highest). The result for 2016

shows index stabilisation, especially in comparison with 2013 and 2014, and a slight increase compared to 2015, when the Index stood at 6.2.

The Index for 2017 is the highest since this kind of evaluation has been introduced. This result indicates that foreign investors perceive the overall business environment as constantly improving. In contrast, however, we are still talking about a figure that is less than “6.5 out of 10”, which means that serious reforms should be implemented, starting with the indicated sectors.



Fiscal policy needs further strengthening and the introduced measures should be seen only as a beginning of the process that should create sound public finances

■ What instilled the most optimism among your members and what do you perceive as the most challenging tasks ahead?

- The common opinion is that Montenegro is improving its general business environment constantly, and that is not surprisingly recognised by the MFIC Index, as well as by other calculated

indices/measures. However, two points stand out from the findings: one, the pace of reform and improvements has to be accelerated in order to produce the desired results; two, even though Montenegro's business environment is improving, the starting point is rather low and the country remains in the upper middle rankings, with significant room for additional improvement.

■ The Montenegrin Foreign Investors Council and the Chamber of Commerce expressed their intention to inten-

sify cooperation. What are the most important points of convergence between the two associations and how will you work together in practical terms?

- The Montenegrin Foreign Investors Council and the Chamber of Commerce of Montenegro will intensify their cooperation and use their synergy to improve the business environment in Montenegro. The Council and Chamber share their perception of the country's economic development and the necessity to coordinate joint activities and initiatives for decision-makers to impact on the improvement of the business climate. Some of the topics to be focused on include education, digitisation, labour market flexibility and possibilities to expand the tax base, reduce the informal economy and possibly reduce taxes and contributions that burden business operations, all of which would strengthen the competitiveness of the Montenegrin economy.

As a first mutual activity, we will have a common approach to decision-makers concerning the Draft Labour Law. The Labour Law is an umbrella piece of legislation that is equally important for the economy and all employees, and it is particularly sensitive because it should provide fairness and protection for employees, whilst also promoting healthy competition for skilled, long-term jobs by facilitating flexibility and labour mobility. Unfortunately, the inflexibilities that the current Labour Law incorporates may lead to negative consequences for the entire Montenegrin economy. This is an area that is still subject to criticism from the business community, primarily due to rigid provisions that only serve to inhibit a stronger labour market and indirectly protect people who perform inadequately, thus contributing significantly to a higher unemployment rate.

■ Next year will see MFIC celebrate a decade of its existence in Montenegro. What landmark achievements helped MFIC to become what it is today?

- MFIC was established in 2009 with five founding members (Crnogorski Telekom A.D., NLB Montenegro Banka A.D., Montenegro Stars Hotel Group, KAP A.D. and Daido Metal A.D.), and its membership base has expanded constantly since then. It today comprises 36 members that represent a significant percentage of the country's GDP and represent the best examples of foreign investment that brought new standards and practises to the country that are in line with international good business values.

MFIC activities and initiatives have always focused on the mission of an organisation that aims to improve the investment climate and support business development in Montenegro. The MFIC publications, such as the White Book and the Guide to the MFIC, activities of the ICT Committee and the Banking Committee, as well as regular and ad hoc events and communication, have been attractive reasons for companies to join

us, but also for decision-makers to accept us as an important stakeholder representing the private sector.

■ How do you assess the cooperation with the government and independent bodies?

- Communicating with the government and public administration remains an important task of the Council. As such, finding the proper mechanisms and getting involved at different levels is essential and beneficial for both sides. MFIC is a member of the National Competitiveness Council, chaired by the Prime Minister, a member of the working group engaged in developing the National Strategy for Sustainable Development, and a member

of the working group that is preparing the Strategy for the Development of SMEs in Montenegro for 2018-2022, and it always has an "open door" to initiate dialogue.

■ You have two committees currently dealing with the banking sector and ICT. How does digitisation – which recently became one of the priorities in the region – shape the topics you discuss?

- Digital transformation is changing the way we communicate, work and live. The use of digital technologies can generate significant benefits in terms of speed, efficiency and transparency across borders for the economy at large. The adoption of new business development trends can accelerate business productivity, thereby generating income, jobs and state revenue, which requires pro investment policies from the Government to sustain the sector's momentum, by reviewing all factors impacting on operators: macro-economic, marketplace, government policy, regulation, legacy aspects and technology changes, customer expectation and globalisation.

■ As chairman of the MFIC Banking Committee and CEO of Addiko bank, could you tell us what you see as the most important issues when it

comes to institutional improvements in the financial sector?

- At this point, the Montenegrin banking system looks stable, with relatively high liquidity outgrowth as a general conclusion, highlighting the challenges in the part of lending in line with banking practises and quality standards. Also, considering the current large number of banks on such a small market, we can expect certain aspects of consolidation in the coming period.

New legislation is focused on improvements to the "healthy" and stable financial system. It involves capacity building for both commercial banks and the regulator. In that sense, new legislation and new rules could be challenging for implementation generally and could prove challenging for the banking sector. A great deal of work has already been done, but we are awaited by much more. ■



The inflexibilities incorporated by the current Labour Law may lead to negative consequences for the entire Montenegrin economy

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Devoted To REFORMS

The focus of our economic policy has been placed on increasing the competitiveness of the economy by using structural reforms and infrastructure development to create conditions to increase domestic and foreign investments. As a result, we expect the Montenegrin economy to grow both this year and next



DRAGICA SEKULIĆ

MONTENEGRIN ECONOMY MINISTER

The Government of Montenegro estimates that the real growth of the Montenegrin economy this year will total three per cent, which is in accordance with the European Commission's assessment.

This will be a continuation of good results achieved last year, when the real GDP growth rate amounted to 4.4% - which was the highest growth rate in the region and among the highest in Europe. "That is an excellent result of the

INCENTIVE

The fact that our reform results have been recognised by credible international institutions gives the Government of Montenegro an additional incentive to continue along this path

POTENTIAL

Montenegro has exceptional potential in the energy sector that awaits utilisation

OPTIMISM

Preliminary indicators in the first quarter of this year give us reason to be optimistic in believing that we are headed towards positive economic growth

Government's economic policy. The results achieved last year impose an obligation on us to continue such a growth trend this year as well, with the aim of also creating new jobs by increasing economic growth and boosting our economy," says Montenegrin Economy Minister Dragica Sekulić.

■ How do the operations of the steelworks, KAP and Bauxite Mine impact on the national budget and overall macroeconomic stability?

- The mining and industry sectors are definitely among the most important sectors of the Montenegrin economy, with no small impact on our economy. When it comes to industrial production, the biggest contributor to GDP trends, employment and exports is the base metal (iron and steel) production sector, represented by the two largest Montenegrin companies: Aluminium Plant Podgorica JSC (KAP) and Tošćelik Nikšić JSC (former Steelworks Nikšić). Their contribution to the gross value generated by the manufacturing sector is 26.6%. In terms of exports, this sector represents the main sector of the manufacturing industry and has primacy, with a share of almost 40 per cent.

The mining and quarrying sector recorded production growth of 113.9% in 2017 compared to 2016, a significant part of which relates to production growth of 200 per cent in the area of metal ore exploitation. Moreover, exports of mineral ores increased by as much as 78.9% compared to 2016, which has a significant impact on reducing the export deficit and has a further positive influence on the macroeconomic balance.

Apart from direct contributions, these companies have an important impact on our economy through budget revenues, in terms of taxes and contributions paid, certain fees that increase municipal budgets, as well as concession fees in the case of the Mine.

■ Where does the domestic economy fit in the plans of the government?

- Investing in the domestic economy, both financially and technically, is a long-standing practise of the Ministry that will continue in the period ahead. We are currently implementing nine support programmes for our businesspeople, the beneficiaries

of which can certainly also include foreign companies. These programmes concern, amongst other things, the introduction of international standards to operations, the introduction of innovation, the modernisation of production equipment and the like.

■ Among the areas of your ministry's focus are major projects in the fields of energy and manufacturing. In which areas have you recognised new drivers of economic growth?

- The potential for economic growth has been recognised in the



fields of tourism, energy, agriculture and industry, which have been identified as strategic priorities of the Government of Montenegro. As for the areas you mention, we have very important activities and projects in the energy sector – an area that falls under the jurisdiction of the Ministry of Economy. Montenegro has exceptional potential in the energy sector that is waiting to be utilised. Here I am primarily referring to the hydro-potential of the Morača and Komarnica rivers, but also solar and wind energy potential, the exploitation of which is beginning slowly but surely. We recently announced the first tender for the construction of a solar plant with a capacity exceeding 200MW at a location in Ulcinj, which we expect to generate a lot of interest.

The renationalisation of power company EPCG, launching the process of environmentally reconstructing the Pljevlja Thermal Power Plant, finalising construction of the undersea power cable – these represent the most important activities at

present that will result in the establishment of an even more stable and secure electricity system, which is a prerequisite for the development of all other strategic branches, such as tourism and industry.

■ **The government has announced that it will soon begin the process of resolving ownership relations at electricity company EPCG. Are**

next year, while the remaining shares will be acquired by EPCG itself through two tranches to be in June and July 2019 respectively, owing to the mechanism for acquisition of its own shares.

Most of the funds paid by the state will be provided from the distribution of profits through equity held in EPCG and the corresponding tax, ensuring that the entire share redemption procedure will be completed with a very low fiscal impact.

We are focused at this moment on the renationalisation of EPCG, but we certainly remain open to talks with anyone who shares our strategic commitments and visions regarding the development of this company and the energy sector in Montenegro.

■ **You have decided to develop resources in the fields of both non-renewable and renewable sources, in which you are very close to achieving the national target of 33% of energy generated from renewable sources in gross final consumption. What will be the backbone of the country's energy policy in the period ahead?**

- Montenegro is a country with exceptional natural resources, a significant part of which is suitable for exploitation for the purposes of generating electricity. Only 20 per cent of the country's huge hydro potential is currently being utilised. That is why we have actively embarked on the process of affirming the value of our rivers when it comes to generating electricity, while simultaneously adhering to all requirements of environmental protection.

We currently have 13 small hydropower plants (SHPPs) in operation, while we envisage a total of 53 SHPPs in the coming years, pursuant to the contracts signed. Montenegro has had a wind farm on Krnovo since last year, while the construction of a wind farm on Možura is underway.

As you can see, we have embarked very ambitiously on the exploitation of renewable energy sources, which is why we've approached our goal very quickly. With an awareness of that, we stopped issuing energy permits for the construction of facilities that require production incentives two years ago. In accordance with the recommendations of the Energy Community, we started working on the preparation



you close to choosing a buyback model through which you could immediately acquire shares in EPCG? What is the next step in identifying a partner for EPCG?

- In mid-May, which marked the contractual deadline, the Government of Montenegro paid the first tranche of €68.9 million to Italian company A2A, thereby repurchasing 17,252,885 shares in the Electric Power Company of Montenegro (EPCG). The state thus reacquired a 70.16% ownership stake in EPCG from the previous share of 57.01%, thereby practically restoring its ownership stake in the company to the level it was at prior to 2009's partial privatisation and recapitalisation.

The aforementioned tranche is one of four that will be paid to A2A in total. More precisely, alongside the payment already made, the state will pay another tranche in May

We continue to create a positive business environment, both through positive legislative changes and the implementation of financial and non-financial support programmes

of amendments to the Law on Energy, in order to improve the existing system for stimulating energy generation from RES, while we have been leading parallel discussions with investors interested in building major plants – such as solar or hydroelectric power plants – without incentives.

■ **Are you satisfied with the pace of work when it comes to exploration of oil and gas in Montenegrin territorial waters?**

- I am very satisfied with the pace of activities in the field when it comes to the existing hydrocarbons exploitation and production contracts. Montenegro has to date concluded two oil and gas exploration and production contracts with the Eni/Novatek consortium for four offshore blocks, and with Greek company Energean for two offshore blocks. Preparatory activities for the start of a seismic survey under both concession contracts are currently underway.

Moreover, preparations are well underway for announcing a tender to award a concession for exploration of the Montenegrin seabed aimed at collecting and processing seismic data and interpreting the results obtained, in order

We remain open for talks with anyone who shares our strategic commitments and vision regarding EPCG's development

to increase the level of knowledge about the potential for finding commercial deposits of oil and gas under our seabed. This tender will serve as the basis to announce a new, second tender to award a concession contract for oil and gas exploration and production at the end of 2019 or the beginning of 2020.

■ **What practical effects do you expect from the undersea energy cable to Italy, which is due to be completed by the end of this year?**

- The importance of this project extends beyond the borders of Montenegro, because the benefits of its construction will be felt by the entire region. It is also significant for the European Union, because it will represent a unique energy bridge between West and East, as confirmed by the fact that it has been included on the EU's official list of Projects of Common Interest, which led to us receiving €25 million of EU financial support for one of its parts.

Therefore, in addition to making Montenegro a regional energy hub, this undersea power cable will contribute to increasing electricity supply security and improving power supply reliability and quality, especially in the coastal region, reducing transmission losses and undelivered electricity. ■

CORPORATE

NLB Brings Region's Leaders Together



NLB Banka AD (JSC) Podgorica held a unique event, in cooperation with the Slovenian Business Club, in Tivat, at Porto Montenegro's Regent Hotel

The NLB Business Forum "European Integration of the Western Balkans, Impact on the Economy and Business Development", at which business and political leaders from the region gathered in April, was opened by Montenegrin Prime Minister Duško Marković, accompanied by Martin Leberle, CEO of NLB Banka AD Podgorica.

The topics of this year's NLB Business Forum included connecting European countries and nations, readiness to pool resources, joint decision-making within EU institutions and the impact of this process on political and economic implications. This was the first time that this event was organised in Montenegro for the meeting of the NLB Group Management Board.

With major emphasis placed on the importance of regional integration and strengthening cooperation, this year's NLB Business Forum concluded that the integration process can be expected to bring economic stability to the country and to represent an incentive for political and economic development, as well as the possibility for regional networking and accelerating the EU accession process, but also as a way of achieving rapid prosperity for all factors in Montenegrin society.

The Forum's panellists were: Radoje Žugić, CBM Governor; Mitja Močnik, Ambassador of the Republic of Slovenia to Montenegro; Nina Vujošević, State Secretary at the Montenegrin Ministry of Finance; Nebojša Šćekić, Director of Sava Insurance and President of the Slovenian Business Club in Montenegro; David Margason, Managing Director of Adriatic Marinas; Branko Greganović, CEO of NLB Banka Beograd, Member of the Executive Board of the Chamber of Commerce & Industry of Serbia and Member of the Executive Board of the Slovenian Business Club in Serbia; and Blaž Brodnjak, President of the NLB d.d. Management Board. ■

Challenging TASK



SUZANA PRIBILOVIĆ

MONTENEGRIN MINISTER
OF PUBLIC ADMINISTRATION

We want to establish a public administration that is more efficient in relation to costs, which will better serve citizens and the economy for less money and which will function according to transparent and harmonised procedures. That's not easy, but there is no alternative!

Public administration reform is the third key pillar of Montenegro's transition to EU membership. As such, the Ministry of Public Administration is at the frontline of this long-term effort that has to bring a more efficient state to businesses and citizens, says Montenegrin Public Administration Minister Suzana Pribilović.

Our interlocutor believes that public administration reform is not an enter and exit process, but rather has many phases.

"What is visible is that the situation in the administration has changed significantly compared to the previous period. There is a noticeable change in the awareness of employees in the administration, who are now aware that they are here for citizens and the economy, and that they represent a public service for citizens," says Minister Pribilović.

She also emphasises that the public administration represents "the state of the state" - the most direct meeting of

ACHIEVEMENT

Montenegro is recognised as a leading country in the region in this year's European Commission progress report, with its progress in the field of public administration reform assessed positively

MISSION

The state and its administration should not act superior to citizens – they exist to satisfy their vital interests and needs

CHALLENGE

The key challenge is implementing the necessary fiscal savings and preserving the high-quality of the public administration's services for citizens and the economy

citizens and the economy, with the utilisation of their money collected through taxes. "For this reason, all the activities we have implemented and plan to implement are directed towards the realisation of this goal," says our interlocutor.

■ **Despite noted progress, the focus of the EU's new support programme for Montenegro is precisely on this subject. What are the priorities of the Government and the Ministry you head in the period ahead?**

- By recognising the importance of public administration to integration processes, the European Commission highlighted public administration reform as the third key pillar of transition to EU membership, so it is natural for us to be the main partner in this EC

process. When it comes to priorities, the key challenge is providing an efficient system of public administration, i.e. working out how to implement public administration reforms in the function of fiscal sustainability, in other words, saving and providing a high-

quality service to the citizens and the economy. We want to establish a public administration that is more efficient in relation to costs, which will better serve citizens and the economy for less money and which will function according

to transparent and harmonised procedures. We agree that this isn't easy, but there is no alternative! Therefore, in the previous period we devoted ourselves to establishing the institutional and political coordination of the public administration reform process.

In the first year of work we prepared two key systemic laws

We expect the first effects of the Law on Civil Servants to be evident already from the launch of its application in July

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on local self-government and civil servants & state employees, and during this year we are focusing on launching the application of these legal solutions, primarily the Law on Civil Servants and State Employees, as of 1st July. At the same time, the implementation of the Law on Administrative Procedure also started last year, which is very important when it comes to providing administrative services, while this year we will be monitoring the implementation of this law and its practical application. We are working in continuity on increasing the number of electronic services. One of the most important activities this year is the creation of the Plan for the Optimisation of Public Sector Em-

are striving to harmonise all activities. This approach resulted in Montenegro being recognised as a leading country in the region in this year's European Commission progress report and a positive assessment of its progress in the field of public administration reform. A special achievement is cooperation in the field of public administration reform in the reorganisation of the state administration, the civil service system, professionalisation and efficiency, as well as in the field of local government. As of this year, Montenegro will also be able to use the first tranche of €15 million for sectoral budget support provided by the EU to support the public administration reform process.



ployees, while there are also activities for establishing the One-Stop-Stop system, in order to make services more accessible

to citizens and businesses. In the field of reorganising the state administration, we are working on new legal solutions and preparing the new Law on State Administration.

■ **In which areas does the EU provide the greatest support to the Ministry in reorganising the state administration and creating a new legal framework that would enable professionalisation and greater efficiency of work?**

- The Ministry of Public Administration is in daily communication with colleagues from the European Commission, and we

It is still rare for citizens and businesspeople to utilise the E-government platform to participate in decision-making processes

■ **You prepared two key systemic laws during the previous year, one on local self-government and civil servants, and one on state employees. When do you expect the first effects of the application of these two laws to be evident?**

- We expect the first effects of the Law on Civil Servants to be evident already from the launch of its application. The new law brings more efficient and simplified procedures, reduced costs and generally amended solutions that will be evident through the direct application of the law. Moreover, the new Law on Local Self-Government retains the current concept of local self-government regarding simplicity and equal competencies, while new solutions are in the function of improving the principles that form the basis of the local self-government system: professionalism, responsibility, openness and operational efficiency.

According to the Law on Local Self-Government, the municipalities provide conditions for the development of entrepreneurship and thus play a significant role in promoting local socio-economic development.

The new law also recognises the importance of the role of managers, who – in

accordance with the given competencies – propose and participate in the preparation and implementation of municipal development plans and programmes that stimulate economic development, entrepreneurial initiatives and public-private partnerships, preparing and managing projects financed by international funds and other sources, which has created favourable conditions for attracting domestic and foreign investments.

■ **What will the application of these laws mean to foreign and domestic investors at both the national and local levels?**

- It is certain that these systemic laws are crucial for the work of the public administration, regulating the systemic work and functioning of local self-governments, while strengthening principles of professionalism, efficiency and economy. Over the longer term, these two laws should contribute to the administration being in the service of citizens and the economy.

■ **Which tasks can citizens and companies today carry out via e-counters; how popular are these services?**

- The E-government portal currently integrates 273 e-services for both citizens and companies, while several services stand out in terms of usability: the programme for the professional training of high graduate students and requirements for student loans. Via the E-health portal, citizens can schedule an appointment with their chosen doctor, access laboratory testing results and much more. They can also require identification documents electronically.

■ **Which E-government services do you recognise as being the most important for improving the transparency and efficiency of the Montenegrin business environment?**

- The latest project, which concludes at the end of June, seeks to improve the Montenegrin business environment by creating an electronic register of business licenses on the E-government portal. It will integrate information related to the performance of business activities of over 300 licenses issued by public administration. On the other hand, for several years important services have included tax declarations, information on business registration etc.

■ **When will the first 'One-Stop-Shop' centre be established?**

- The Government of Montenegro is dedicated to establishing a One-Stop-Shop centre in Montenegro. We plan to establish it in Podgorica in 2020, and the Ministry of Public Administration has already started working on action plans and the preconditions for this project.

■ **In technical, professional and financial terms, how challenging is it to set up a modern E-government system? Do you have enough professional personnel to do this job?**

- The development of such a complex concept as E-government requires people with a high level of expertise from technical,

organisational and normative fields. It also requires strong co-ordination of all public administration bodies, both in terms of understanding the common goal and realising operational tasks. Financial support for these processes is a particular challenge, due both to the speed of ICT development and the frequent lack of understanding of ICT as an investment and not an operational cost.

■ **You have created space for e-Participation and e-Petitions on the E-government portal. To what extent do citizens and companies take advantage of these opportunities to express their views?**



The E-government portal currently integrates 273 e-services for both citizens and companies, while several services stand out in terms of usability: the programme for the professional training of high graduate students and requirements for student loans

- Although the public administration of Montenegro offers citizens the opportunity to participate and interact with public institutions via the E-government

portal, this option is unfortunately not utilised to the greatest possible extent. This year, within the framework of the Public Administration Reform Strategy, we planned activities to improve the functionality of e-Participation and e-Petition, in their technical and functional segments. We will also focus our attention on promoting and improving the visibility of these important aspects of e-Democracy, in order engage citizens in decision-making processes even more. ■

We're Ready For **CHALLENGES**



With the expected opening of Chapter 27 in June, Montenegro confirms that it is ready to implement the most complex and financially challenging EU integration chapters

PAVLE RADULOVIĆ

MONTENEGRIN MINISTER OF
SUSTAINABLE DEVELOPMENT
AND TOURISM

It is no longer news that Montenegro is experiencing growth every year in tourist numbers, the expansion of its tourist offer and investments in top-class hotels. Long-term strategic investments in this sector have contributed to the continuous extending of the tourist

season and the attracting of tourists interested in the many beauties of Montenegro, both in its coastal region and continental parts. The good news that Sustainable Development and Tourism Minister Pavle Radulović is able to announce every year will this summer be ap-

ADVANCE

The strong progress achieved by Montenegro regarding the Negotiating Position for Chapter 27 has created the conditions for our country to enter into an even more active dialogue with the European Commission

COMPATIBILITY

We are very satisfied that our vision of the kind of tourist destination Montenegro should be is shared by investors and the tourist economy generally

SYNERGY

Investing in tourism and transport infrastructure, connecting all parts of Montenegro in a high quality way, contributes to achieving the aim of becoming a year-round tourist destination

pendent with another news story related to the European integration process and the expected opening of Chapter 27 - Environment and Climate Change, most likely in June.

■ Are you ready for this task, which has proved to be the toughest for many new EU members?

- Although Chapter 27 is one of the most complex, Montenegro is absolutely ready to enter into negotiations with the European Commission. The precise plan that will form the basis of for our implementation of the EU acquis in the field of the environment and climate change is defined in the National Strategy for Chapter 27. The negotiating position, within which this plan was presented in the minutest detail, has been fully harmonised with the European Commission, and in 2017 all 28 EU member states assessed that Montenegro is ready to start negotiations under this chapter.

The most important thing at this moment is that the European Commission has developed a Common Position for Chapter 27, which it is presenting these days to the EU Member States. With this strong progress that Montenegro has made regarding the Negotiating Position for Chapter 27, conditions have been created for our country to enter into an even more active dialogue with the European Commission and to gradually continue, in line with priorities, to address open issues in this area.

■ Considering the necessity to invest €1.4 billion by 2035, from which sources do you intend to secure these funds?

- For Chapter 27, Montenegro needs about 1.4 billion euros by 2035, which means that the need to provide these funds is not a one-off, but rather is planned over a longer period of time. It is for this reason that we will wisely build a financial structure, with the inclusion of EU grants, donations, state and municipal budgets, as

well as favourable loans. The IPA instrument is also very important, and with membership in the EU Montenegro will become a beneficiary of structural funds, which are much higher than the IPA funds that are currently available. In addition to the aforementioned, due to the nature of



The government's priorities regarding Chapter 27 are air pollution, wastewater, waste management and the remediation of industrial pollution, as well as comprehensive protection of nature

certain obligations under Chapter 27, some activities will be financed by the private sector (e.g. companies in the field of industry and energy). It is also important to note that work is being carried out inten-

sively on creating the conditions needed to establish the Eco-Fund, which should be an important mechanism for amassing funds and utilising them for programmes and projects in the field of the environment.

We certainly don't consider this financial investment as an expense, rather a long-term investment in preserving the state of the environment and improving the quality of life of citizens of Montenegro.

■ **Chapter 27 is complex and diverse. What will be your first priorities?**

- Chapter 27 is very complex, and the fulfilment of obligations is an enduring and demanding process which – considering the experience of countries from earlier waves of enlargement – extends beyond the projected date of entry into the EU. The Government of Montenegro has recognised several priorities regarding Chapter 27, and those are pri-

will continue, with transfer stations, recycling depots and wastewater treatment plants. One very important activity in the area of waste management is the rehabilitation of larger unregulated landfills, and works will soon begin on the repair of waste grit in the location of the Bijela Shipyard, with a contract being signed these days with the selected works contractor.



marily air pollution, wastewater, waste management and the remediation of industrial pollution, as well as comprehensive protection of nature.

In the area of air pollution, primarily in Pljevlja, constant work will be carried out on reconstruction of the existing network and the construction of a new for the needs of city heating, while the ecological reconstruction of TPP Pljevlja, in accordance with EU standards, is also planned. In the field of waste management, activities will continue on the establishment of a system based on the selection, prevention, recycling and reuse of waste. Recently, through amendments to the National Waste Management Plan, the Government selected the final waste management option for the entire territory of Montenegro and created the conditions to establish an adequate waste management system in the north of the country. Moreover, infrastructure construction in this area

According to all the information we have from the beginning of the year and which we constantly receive from the field, we are very optimistic about this year's season

■ **What kind of tourist season do you expect this year? How did the reduced budget for promotions impact on preseason results?**

- According to all the information we have from the beginning of the year and which we constantly receive from the field, we are very optimistic about this year's season and expect new growth in all tourist parameters. Based on the weekly reports that the National Tourism Organisation receives from local tourist organisations, growth in the number of tourists has averaged around 20 per cent since the beginning of the year. During the May Day holidays there were over 40,000 tourists in Montenegro, or 111% more than in the same period last year. According to official statistics, the number of tourists staying in collective accommodation grew by 27% in the first quarter of this year.

The funds allocated for promotion certainly aren't at the level that we believe they should be. However, given the budget constraints, I believe that we are achieving the maximum with the funds at our disposal and achieving enviable results, as can be seen when observing the growth rates of all parameters and forecasts for this year and next. We certainly believe that better collections of residence taxes and improvements in the registration of turnover will increase the budget for

promotions in the coming period.

■ **Ten years after the revision of Montenegro's key tourism policy document, the Tourism Development Strategy in Montenegro until 2020, we will soon see the presenting of the Strategic Marketing Plan for Tourism in Montenegro 2018-2022. What new additions will this document bring to the promotion of tourism?**

- Through the Strategic Marketing Plan, we have identified priority markets for promotion, taking into account the size of the source market, the number of arrivals in Mediterranean countries, as well as the number of arrivals

in Montenegro, the potential for growth, awareness of Montenegro as a tourist destination and, perhaps most importantly, their preferences when choosing a travel destination, or the extent to which the tourist offer of Montenegro is harmonised with those preferences. The strategic marketing plan also provides guidelines for appearances on these markets, as well as for the development of offers and tourist products that will attract tourists from our main source markets. The document also proposes a series of new goals, initiatives and activities that will further strengthen the development of tourism in the coming period and provide a good basis to unify the strengths of all participants in tourism in the same direction, and that means achieving strategic goals, higher revenues and higher employment in tourism.

■ **Are your plans to convert Montenegro into a year-round tourist destination being followed by the plans of investors and providers of additional services?**

- We are very satisfied that our vision of the kind of tourist destination Montenegro should be is shared by investors and the tourist economy generally. Major projects, such as Porto Montenegro, Portonova and Luštica Bay, are based on precisely the idea of a high-quality year-round offer. New large hotel resorts that are managed by world-renowned companies like Karisma and Iberostar are also planning to work throughout the entire year. Over the past two years more than 60 construction permits have been issued for the construction of hotel capacities, with an estimated value of over 400 million euros.

The increase in high category accommodation capacities and stronger entry of major tour operators on the market represent good confirmation that the economy is keeping pace with our vision and strategic goal – and that is for Montenegro to be a year-round, high-quality tourist destination.

With the aim of enriching the offer, work is constantly being conducted on the development of new products that satisfy the preferences of tourists and that can even be offered in periods beyond the main peak season. An increase in the number of tourists in the pre- and post-season periods is also evident, and providers of additional services are clearly recognising this trend. Investing in tourism and transport infrastructure, connecting all parts of Montenegro in a high-quality way and increasing ac-

cessibility, also contribute significantly to approaching the level of a year-round tourist destination.

■ **Many countries in the region, included those that are developed, suffer from a lack of professional staff in tourism. How are you dealing with this issue?**

- The lack of a sufficient number of professional staff in tour-



Over the past two years more than 60 construction permits have been issued for the construction of hotel capacities, with an estimated value of over 400 million euros

ism is evident, which is best seen through the large number of foreigners who come to work seasonally in Montenegro. What is encouraging is the increasing number of educational institutions involved in

training personnel for jobs in tourism. There is certainly a significant increase in interest in these jobs among young people, and I believe that the extending of the tourist season and the fact that the arrival of large tour operators will increase the engagement of employees significantly – from two to three months, up to five to six months – will additionally boost interest among unemployed people to engage in this industry. In May this year alone, the opening of reconstructed and new hotels led to the creation of over 500 new jobs. Considering projections for the further development of our country's tourism sector, this is an issue of strategic importance and we monitor all events in this area carefully. That's why it's significant that a system of dual education was recently introduced, and I think that it will have a positive impact on the quality of new personnel. ■

Fiscal Consolidation STRENGTHENS FINANCIAL POSITION



RADOJE ŽUGIĆ

GOVERNOR OF THE CENTRAL BANK OF MONTENEGRO

The Central Bank of Montenegro considers that the government is successfully implementing fiscal consolidation, and that and that, for its part, it is contributing to the implementation of these policies by empowering the banking sector through the continuous improvement of regulations and the strengthening of its supervisory function

Macroeconomic stability and the reform path of the Government of Montenegro contribute positively to increasing confidence in the banking sector, assesses Radoje Žugić, Governor of the Central Bank of Montenegro (CBCG), adding that this kind of policy has also contributed to reducing the risks associated with financing public debt. The CBCG actively supports fiscal consolidation measures through its own set of policies aimed at strengthening the position of the banking sector.

■ **How would you assess the current situation in the financial sector?**

- I consider the banking system as representing the most developed part of the Montenegrin economy. The banking sector is stable, liquid, and profitable, such that it is characterised by a high degree of security – though at the individual level certain vulnerabilities, which are continuously decreasing, do exist.

Banks' assets, which are in amounts over four billion euros, have exceeded the 2016 GDP level. Total deposits amount to 3.3 billion

euros and have also been marked by a significant increase of 14.83% over the annual comparative period. The growth in deposit potential is reflected in confidence in the banking system. On the other hand, a huge decline in non-performing loans has been recorded, from a level exceeding 25 per cent in 2011 to the current level of just 7.09%.

■ **How satisfied are you with the results Montenegro has achieved to date in fiscal consolidation; has this process impacted on the state of the financial sector?**

- The state of the financial sector is influenced by the fiscal situation and the situation in the sphere of the real economy, and vice versa, due to the strong interdependence of these policies.

Under conditions of euroisation, the CBCG does not have enough “strong” instruments at its disposal, so the focus is on fiscal policy, which – through the stabilising and strengthening of public finances – contributes to overall financial stability. The government is pursuing fiscal consolidation with determination, which is yielding tangible results. Specifically, positive trends have been recorded in all economic,

STABILITY

Thanks to successful fiscal consolidation, positive trends have been recorded in all economic, financial and fiscal parameters

VULNERABILITY

Illiquidity is one of the key points of our economy's vulnerability, which is why we must work systemically to improve productivity and competitiveness

CERTAINTY

The funds required to finance public debt during this year and next have virtually been secured already

financial and fiscal parameters during last year and this, which have resulted in improved overall financial stability.

The CBCG provides a contribution to fiscal consolidation by strengthening the banking sector through the continuous improvement of regulations and the strengthening of its supervisory function. By moving towards the European Monetary Union, we will gradually strengthen our monetary policy instruments, and when we have an emission function we will also be able to provide even stronger support to the stability of the overall system.

■ What are the CBCG's key recommendations to the Government of Montenegro when it comes to economic policy during this year and next?

- Given that the Government is implementing fiscal consolidation measures, our recommendations are primarily directed towards fixing the vulnerabilities of the real economy. Here I'm primarily referring to two key vulnerabilities of the real sector: liquidity and competitiveness. In this sense, recommendations are mainly focused on measures that would, when implemented, have a positive influence on the recovery of the real sector, primarily by impacting positively on the business environment, incentivising activities in the economy's priority sectors and stimulating new employment.

■ In which aspects could the CBCG assist the government in its responsibility to devise and implement a strategy for public debt?

- The CBCG is legally obliged to provide its opinion on the Public Debt Strategy and its implementation, and we do so through constructive comments and the use of our expertise, all with the aim of providing the highest possible quality assessment of the risk profile of public debt.

Moreover, the CBCG also contributes with qualitative assessments of macroeconomic framework indicators. A clear picture of the macro environment provides the possibility to choose the most realistic scenario aligned with objective trends, which will enable the achieving public debt sustainability in line with projected economic growth.

CBCG representatives, at the invitation of colleagues from the

Ministry of Finance, also participate in international meetings and presentations at which individual financial arrangements are negotiated. One example was our participation in the roadshow of meetings with potential investors during the recent issuance of bonds.

■ What do you consider as the greatest external risks to maintaining an acceptable level of public debt?

- I think the risks to public debt financing were greatly reduced follow-



The banking system represents the most developed part of the Montenegrin economy. It is stable, liquid, and profitable, characterised by a high degree of security

ing the adoption of fiscal consolidation measures and their implementation. This can also be seen through the latest IMF report on Montenegro. Likewise, it should also be noted that the funds required to finance public debt during this year and next have virtually been secured already.

Nevertheless, certain risks are always present, and when it comes to external ones, I think the key risk is normalisation

of ECB monetary policy, which could lead to growth in interest rates that would have a further impact on increasing the cost of public debt financing. However, considering that economic growth in the eurozone countries remains fragile, and considering the numerous vulnerabilities, it is certain that the ECB – should it opt to start normalising monetary policy after September – will implement those measures very mildly and gradually, so it is unlikely that a significant increase in interest rates could occur in the near future.

Another potential external risk could be a possible serious economic crisis in Europe. Specifically, when the EU and the region faced serious difficulties, those problems spilled over into Montenegro and caused a slowdown in economic growth, which consequently resulted in falling public revenue. However, the chances of this scenario unfolding are slim.

■ **Montenegro is a leader in the collection of foreign direct investments. To which factors would you attribute this success?**

- I consider this to be a combination of several factors. First are adequate macroeconomic policies that have created a stable and predictable

environment, combined with the use of the euro hard currency and continuous work to reduce barriers to doing business. Second, Montenegro has a very liberal system, with low customs duties and taxes, which is stimulating for foreign investors. Through CEFTA and agreements with the EU, duty-free exports (or exports at low customs rates) to the countries of the region and the EU are possible for most products. Benefits for investors also shouldn't be overlooked in certain sectors like tourism, nor adequate natural conditions for the development of other sectors, such as energy and agriculture, which I hope will be more properly appreciated in the future.

Also contributing to the attractiveness of the environment is the fact that Montenegro is a country in the process of EU accession and is, thus, gradually harmonising its regulations with those of the EU, and the fact that we are a member of the NATO alliance, which is a kind of security guarantee for foreign investors. Finally, we also shouldn't overlook quality of life, which is one of the important factors considered by foreign investors today, given that they tend to spend a significant amount of their time in the country where they've invested or may even relocate there permanently.

■ **What are your expectations when it comes interest rate fluctuations on the banking market in the period ahead?**

- Interest rates have recorded a constant downward trend in the last few years. This trend, together with the ECB's measures, has contributed to and positively influenced the arrival of new banks on the market in the previous period, as well as growth in deposits and the liquidity of the banking sector, which is at a more than satisfactory level.

When it comes to the period ahead, interest rate movements will depend on ECB monetary policy.

■ **In your opinion, what are the viable solutions when it comes to reducing insolvency in the enterprise sector and increasing their lending activity?**

- Illiquidity has been one of the key points of our economy's vulnerability for a long time and it is difficult to create a short-term solution to treat it, rather one must work systemically to create as many opportunities as possible to increase the profits of the economy, through advancements in productivity and competitiveness. Moreover, it is essential to work further on improving the business environment and reducing barriers to doing business, while state bodies should contribute to networking and expanding the market. Economic activity would thereby increase, and the risk to the client and, ultimately, the country would reduce markedly. With a positive economic growth outlook, banks will have greater incentive to lend to the economy. This is a system of connected courts.

In an effort to contribute to solving this problem, we last year amended legislation for the voluntary restructuring of debts, in order to improve the recovery of debtors and impact positively on the liquidity of the economy. The results of applications of the amended legislation are extremely good. At the level of the system, 42 restructuring contracts were signed, equating to approximately 21.5 million euros, while a restructuring contract for an additional significant amount is expected to be implemented in the period ahead.

■ **Does the state compete with companies for banks' liquid assets, given that it places treasury bills on the domestic market?**

- The placement of treasury bills on the domestic financial market could lead to the so-called effect of "expelling" liquidity from banks, which occurs in cases when the state and the economy "compete" for limited financial resources. However, under current conditions, the liquid assets of banks have exceeded the level of billions of euros, so the issuance of treasury bills/government bonds doesn't threaten the credit activity of

banks towards the economy. On the contrary, the latest stats confirm that it strengthens credit support to the real sector. As such, it could be said that purchasing government bonds represents a channel through which banks place their surplus liquid assets.

■ **Considering that expectations that Montenegro could be among the first new members of the EU from the Western Balkans are increasing, could you tell us the extent to which standards and solutions in the Montenegrin financial sector have been harmonised with those of the European Union?**

- Montenegro has, in the period to date, significantly improved the regulatory framework that regulates the financial system, while it is planned – according to Montenegro's EU Accession Programme 2018-2020 – to comply fully with the EU Acquis in this area during this period. ■



Non-performing loans have recorded a huge decline, from a level exceeding 25 per cent in 2011 to the current level of just 7.09%

Toward A More Predictable BUSINESS ENVIRONMENT



The focus of our joint action primarily targets advancing legislation and the labour market, increasing the predictability of tax policy and the efficiency of the administration in the implementation of procedures and regulations

MFIC has the resources and good will to work closely with the government and other stakeholders on improving the competitiveness of the Montenegrin economy, says Nela Belević, member of the MFIC Board of Directors and CEO of UNIQA insurance.

■ **Which specific goals will you strive to realise as a member of the MFIC executive board?**

- FDI has accounted for an average of 18% of GDP over the last ten years in Montenegro and plays a very important role in the development of the country's economy. All members of the MFIC Board are very focused on the development of partnership relations with all relevant Montenegrin institutions, in order to provide a greater contribution to the further construction of an open, transparent and predictable business environment, accompanied by the continuous improvement of legislation. MFIC brings together members from different economic industries, and we all have different activities both within MFIC and in cooperation with other professional associations in Montenegro. The focus of our joint action primarily targets advancing legislation and the labour market, increasing the predictability of tax policy and the efficiency

of the administration in the implementation of procedures and regulations. We have formed several committees dealing with the specific issues of individual activities. As the number of members hailing from the insurance sector has increased over the last couple of years, plans have emerged to deal with certain specifics of the insurance market in Montenegro.

■ **As head of UNIQA insurance, you've had the opportunity to operate under very different macroeconomic conditions. To what extent do they favour the further development of the insurance sector today?**

- Everything is changing at a high speed today: consumer habits and needs, as well as the ways of communicating with consumers, while consumers are increasingly comparing the price of products

also working constantly on the introduction of additional services for existing and future clients, in order to complement their offer.

■ **You've been a pioneer in introducing digital solutions to insurance companies in Montenegro. How dominant is this form of communicating with clients today?**

- The digital revolution is a trend for an increasing number of businesses. New generations of consumers set new standards in the purchase of goods and services: comfort, simplicity, speed and price. An aggravating circumstance for the insurance business is that it falls into very conventional activities. However, the share of clients in developed economies who use digital insurance sales channels alone is on the rise and currently approaching 25%, while in our country this percentage remains at a very low level. What

is evident, both in the world and with us, is that there will be parallel conventional insurance sales channels for a while, while digital sales channels will be developing simultaneously. UNIQA Montenegro monitors the trends and strives to be where its clients are – on the internet.

At the moment, we have four products available on-line, and as a con-

firmation that the company is focused on the improvement of the customer service, is the introduction of an on-line report of damage that allows clients to exercise their rights in insurance as quickly and easily as possible. Benefits of digitalization were also felt by UNIQA insurance brokers through new tool - a mobile application for life insurance. ■

The liberalisation of the MTPL market, expected to occur in Montenegro in 2021, will be an important issue for insurance companies, members of MFIC

and services to the usefulness of purchased goods or services, i.e. "value for money". What is evident is that there are systems that manage to adapt quickly, which are ready for change – frequent change – and which develop new business models. In addition to introducing new insurance products, insurance companies – both in our country and elsewhere in the world – are

Investments In HUMAN CAPITAL DRIVE COMPETITIVENESS

PÁL KOVÁCS

CEO OF CKB



Investing in human capital generates infinite potential of all business functions, the overall digitisation of society and service domains

In this interview, Pál Kovács, CKB CEO and member of the MFIC Board of Directors, speaks about the achievements of the banking sector and the implementation of planned activities at CKB, as well as new market opportunities for investment.

■ **When it comes to recommendations for improving the financial sector, what would you single out among the findings of the latest edition of the White Book?**

- The improvement of the banking and financial sector is a permanent challenge for the MFIC and, with the establishment of the Banking Committee last year, we have taken on the task of launching the implementation of the agreed strategic guidelines. We have consolidated efforts through several main messages, which the Government is ready to consider, with the ultimate goal of improving the sector's competitiveness at all levels. Continuing activities with a focus on the stability of the financial system as a whole, improving credit bureaus, ensuring the efficient, transparent

and fair protection of creditors' interests in bankruptcy and court proceedings, and the development of money market institutions – these are just some of the recommended guidelines for joint actions aimed at raising the level of competitiveness and furthering the accession of Montenegro's financial market to that of Europe.

The main strategic goals remain furthering stability and affirming sustainable growth and development, a sound and stable banking sector, and expansion of the sector of small and medium-sized businesses. The Government of Montenegro is working actively on affirming the investment environment and finding new market opportunities in all segments, especially in strategically important segments like tourism and the hotel industry, construction, agriculture, food production etc.

Besides improvement of the investment climate in areas of "hard" projects like hotel building, infrastructure and industry development, I strongly believe that the one of the main challenge that the Government of Montenegro should face is also providing a favourable climate for human capital investments. A lot has been done in the country in the field of political stability, and continuous invest efforts to ensure financial sector benefits, although we still must not forget the third pillar: human capital. Only by affirming all three pillars can long-term competitiveness and success be ensured.

It is the right time to support the principles of competitiveness and efficiency, and a multidisciplinary and complex approach in all segments of development of the economy and society, simultaneously encouraging the digitisation of the administration and the economy as a whole.

We must continue to improve the labour market by focusing on human capital, as a generator of the infinite potential of all business functions. I am sure that the further improvements to existing legisla-

tion that are planned by the Government and supported by MFIC also sufficiently promote creativity, innovation, success and the ultimate value of working units, so that the current counter productivity is eliminated. Major foreign investors and foreign companies, such as CKB, are dedicated to investing in, and supporting investments in, science and education, as the gateway to research centres for young people, the implementation of knowhow and the provision of a framework for the development of human, social and intellectual capital.

Let me show one good example of this. In countries that have already created favourable conditions for the affirmation of human capital, the establishment of so-called Shared Service Centres (SSC) for performing specific operational functions – such as accounting, human resources, IT, legal affairs, invoicing, call centre services, various training courses etc. – is very frequent and can entice large companies to come to these countries, as they will be offered an operating system service in an attractive location and with rationalised costs. I believe that by ensuring favorable labor market conditions in Montenegro, these centers could also achieve good synergy of employment in the SSC segment, investment in infrastructure and the construction of office buildings, by simultaneously encouraging the IT sector.

■ **From the perspective of the banking sector, how would you assess the economic situation at this juncture?**

- We operate on a dynamically changing market, which is certainly a requirement of competitiveness. I am thrilled that all banks are working on increasing the level of financial culture and affirming stable growth, diversity and innovation. However, I think we need to change the logic present on the market, which is reflected in the fact that price is the only key factor of success. We at CKB firmly believe that quality of service and the additional effort of our staff are much more important; that we need to offer the client security and reason to trust the bank, and to ensure client satisfaction with the service is at an even higher level. Only partnership and a transparent relationship with each client can guarantee quality and the positive experience of the service. Not every euro that is earned is valuable and significant, unless it is based on the needs of clients, corresponds to risk parameters and is sustainable over time.

From that specific point of view, I think that consolidation of the market gives banks the chance to increase efficiency at all levels, further improve their quality and stimulate investments – not only in financial areas, but also in the technological improvement of digital service, human and intellectual capital.

The financial sector must be responsible not only for the development of business, but also for the development of society, and must exert a positive impact and ensure value creation for all market stakeholders – clients, our fellow citizens, companies and the local community. We at CKB already demonstrate such values through our vision and through our daily activities, and we strive to be an even stronger and more successful bank, operating on the principles of sustainability and productivity, but primarily a bank that values people.

■ **You took over the helm at CKB last year. How satisfied are you with its operations and where do you see additional room for the bank to position itself on the Montenegrin market?**

- CKB has maintained its leading position in most market segments. By building a new foundation and business concept, I believe that we are today much closer to our clients; the bank has modernised and rendered numerous business processes more efficient. Furthermore, we strengthened trust in the bank and the extremely strong CKB brand.

In the short-term, we made an important step into becoming a digital bank: we have launched the very successful CKB GO – an internet and mobile banking service that forms the backbone of our digital trans-



We must continue to improve the labour market by focusing on human capital, as a generator of the infinite potential of all business functions

formation. Thanks to the innovative CKB GO platform, which is among the best in Europe, we became an innovator and leader of the new banking generation in Montenegro. We have continued to develop a high-quality, internationally-competitive private

banking service that enables this particular clientele to be provided with the highest level of financial and investment services.

When it comes to small and medium-sized enterprises, we will continue to cooperate with the European Investment Fund, thus furthering our continuous partnership with this extremely important sector of our economy, with investment in energy efficiency, food production and agriculture to continue. Based on OTP knowhow, we want to create new market opportunities, enable access to funds for agri-business and be a driver of the SME sector. We strive to be an important lever for development and a partner to clients, especially in Montenegro's EU pre-accession period.

We remain committed to introducing the highest OTP standards, improving the society as a whole, protecting the environment, ensuring transparency and operations based on the principles of sustainability and efficiency, thus improving the overall growth and development of Montenegro. ■



Is A GLOBAL BRAND

Company DoMEN is entering its second decade of operations with 910,000 registered domain names and collaboration with giants like Facebook, Wordpress, Vogue, Telegram, WhatsApp and The New York Times. Judging by results to date, the time of the '.me' brand has yet to come

“Our company’s employees, with their dedicated work, have created a brand that Montenegro is today proud of, and recognised for worldwide. Throughout all these years we’ve had the full support of the Government of Montenegro, as the main project partner, says Predrag Lešić, CEO of company DoMEN, the .ME Registry.

■ **This year you’re celebrating 10 years of successful operations. Are you satisfied with what you’ve achieved; and which tasks have you set for yourself for the next decade?**

- We are very satisfied with the project, and for various reasons – considering all the changes that have taken place since the new .me extension was established on the internet. The domain industry is today a market competing ideally, with more than 2,000 brands competing at the global level, so great skill is required to relate the .me

domain message to the end user. When you have a limited promotional budget, creativity is decisive.

Although it’s difficult today to predict the development of technology and its impact on the industry, we hope that the period

We are aware that managing this kind of project demands not only the fulfilment of contractual obligations that form the basis for economic development, but also that the knowhow we possess should be transferred to the local community, with the help of local community partners

ahead will also unfold with the continued popularisation of the '.me' brand. The fact is that platforms like Facebook, YouTube or Twitch don’t contribute to the development of the domain industry, but – on the

other hand – these same platforms today serve to raise awareness of the industry if you view them as a promotional channel.

■ **Your .me domain has recorded swift growth and quickly profiled itself as an ideal domain for building a personal brand and sending a short, clear marketing message in the very name of a website. How many registrations do you now have?**

- There are currently around 910,000 domains in the registry, which is slightly less than the period two years ago when we broke the one million domains barrier. Unfortunately, the trend of domain registration in China didn’t continue, and thus this rapid growth in the number of domains was followed by sharp decline. The entire industry was hit by the first large number of new registrations and their subsequent withdrawal. We are still recording stable growth in other geographical areas of the global market.

■ **How would you describe the first decade of the operations of your company, which functions under the auspices of a public-private partnership?**

- Domain.me is now a global brand. The value of '.me' extensions is also evident at a glance, because it's very easy to explain how the domain can be used. What's more difficult is getting to the end user, relaying this message to them, enabling them to register and providing them with all other support services at the global level, 24 hours a day, seven days a week. These obstacles were overcome through the public-private partnership in which all partners played their part in the best possible way.

Company Afilias made available its robust infrastructure for the operation of the registration system, as well as the DNS system, while company GoDaddy engaged all of its available marketing capacities to present this domain at the global level. Finally, company ME-net used its knowhow to secure unhindered registration at the second level, as well as registration at the third level, exclusively for Montenegrin citizens and companies.

Apart from global recognisability, Montenegro has also made significant financial gains from this public-private partnership. This relates to states revenues of around 30 million euros in charges from domain management contracts, various forms of taxes and contributions, as well as through the financing of various socially responsible projects.

■ **Despite the great financial benefits to the development of Montenegrin society from the primary operations of this company, DoMen is equally focused on social responsibility, with the goal of developing the information society and a digital community through the education of the generations responsible for the future of this country. What are the motives of such an operational policy?**

- The motive for such an operational policy is precisely the fact that it is about a public-

private partnership, and the two segments that we have emphasised are entrepreneurship and programming.

We are aware that the information revolution is pushing us towards increasing the number of jobs in the programming industry, and that programming languages are universal languages for communication between computers.

On the other hand, by moving actively through the start-up industry and monitor-

ing the development of technologically fast-growing companies (start-ups), we formed the cradle of a start-up ecosystem in Montenegro, in cooperation with partners both from the country and abroad. We can state with pride that we have achieved impressive results, for which we congratulate everyone who is with us on this journey to modernising technology and entrepreneurship in Montenegro.

■ **You've launched a special programme for allocating premium domains. What are the results like?**

- The results of the programme are impressive with hindsight. The reason for this is the media visibility that came as a result of the promotion we received due to our cooperation with world-renowned com-



We invest significant material and human resources in the promotion and popularisation of programming at all levels, from early primary school to universities. This is the future

panies and individuals. All of that was transferred to ordinary, daily registrations, and the result has been steady growth throughout all 10 years.

We, thus, established cooperation with internet giants like Facebook, Wordpress, Vogue, Telegram, WhatsApp, The New York Times and others. On the other hand, 'domain.

me' became the first choice for a large number of experts seeking to create personal pages, such as TonyConrad.me, Ted.me, TuckerMax.me, Verou.me etc. And many have achieved additional success thanks to having a domain that transforms an address into an attractive marketing message: Build.Me (SAP), Next.Me (Banco Brandesco), Join.me, PayPal.me, About.me etc.

When all of this is considered together, we can state assuredly that we are on the right track, and we hope that will also be the case in the future. ■



Optimism WITH A REASON

Using and promoting digital technologies is among the basic instruments for improving competitiveness and economic growth. As the country's leading telco operator, we see our primary role in providing infrastructure for this qualitative leap

After many years, Crnogorski Telekom recently started to show signs of growth in company profitability. Although there is much to be done to make this turnaround sustainable, Nikola Ljušev, CEO of Crnogorski Telekom, believes that there is reason for optimism.

■ Which factors primarily contributed to such a result?

- In the middle of last year, we took a bold move to restructure the organisation and make it streamlined and more agile. We refocused our efforts towards customer-centric units and improving sales effectiveness and efficiency. Alongside customer acquisition and retention efforts, we launched a massive capital investment programme in the fixed and mobile networks, in order to improve our production capabilities. In parallel, operational costs are very much in the focus of management and we are working diligently to optimise our cost base. As a consequence, our EBITDA improved by 11 per cent in the first quarter of 2018 compared to the same period of last year. The success is even more significant if we take into consideration that this improvement comes after years of decline in both revenues and profitability. Of course, there is a long way to go for us to

make this turnaround sustainable, but it's obvious that we are taking the right steps and, with consistent work on executing our strategy, positive results will inevitably come.

■ Digitisation is among the key goals of the governments of Western Balkan countries. Where do you see your place in this work?

- Digitisation and the automation process are recognised as the key global economic

primary role as a leading telco operator in the country. Increasing data traffic and the number of connected devices require continuous investments in fibre infrastructure, further development of 4G, as well as 5G and NBIoT networks.

Following global trends and customers' requests, we pay special attention to digital services and digital interaction with our customers. One example is the Telekom ME app, which has become very popular among our customers.

Having observed a lack of young, high-quality STEM engineers, we have organised work placement training for students of both the Faculty of Mathematics and the Faculty of Electrical Engineering

■ How would you assess the availability of qualified staff in this domain, and how does your company engage in training young people in this area?

- We are generally satisfied with the availability of qualified staff. What we do see as a recent negative trend is a lack of young, high-quality STEM engineers, which we are trying to deal with very actively. Namely, we have on-site work placements organised for students of both the Faculty of Mathematics and the Faculty of Electrical Engineering. Additionally, we have carried out a number of activities aimed at boosting STEM interest among the country's young population. As for the in-house training of our employees, we are very proud to have the best training and development portfolio in the country. ■

trends today. Digitisation is not only a process of transforming societies and economies in general, but rather a necessity for companies to survive on the local and global markets. The usage and promotion of digital technologies and innovative solutions is one of the basic instruments for increasing competitiveness, productivity and efficiency of the economy in general.

Infrastructure is a prerequisite for digital services, and this is where we see our



Welcoming BUSINESS CLIMATE

The Montenegrin Government's dedication to establishing favourable conditions for foreign investment in large-scale tourism and hospitality centres has secured a competitive position for future top-class investors. That which remains to be further improved mainly concerns the complexity of bureaucratic procedures

Executive Director of Portonovi Resort Management Company and Member of the Azmont Investments Board of Directors, Rashad Rasullu is one of the best interlocutors to speak with about Montenegro's business environment.

■ **How would you assess the effects of legal solutions aimed at easing the process of obtaining construction permits, primarily in the tourism sector?**

- The legal system in Montenegro has allowed foreign investors complete equality with domestic players. This is the greatest advantage of all. When it comes to the tourism sector, among the many advantages of the new legal solutions aimed at simplifying the start of construction, we would like to emphasise the following: the constructor no longer needs a building permit as a formal legal act to launch construction (it has been replaced with construction registration), nor does a constructor need an occupancy permit as a formal legal act in order to begin using a property (it has been replaced with property registration in the cadastre). Furthermore, according to the new rules, it is possible to perform construction works on a partially urban plot. Finally, there are now possibili-

ties in place for modifications of revised main designs due to shortcomings and unforeseen circumstances, and modifications of revised main designs due to other circumstances (e.g. better internal space organisation).

■ **Portonovi is constantly engaged in promoting its potential at fairs and expos around the world. What type of client are you targeting and what is their level of response?**

- We have so far invested substantial resources into the promotion of Portonovi on multiple levels - as a prestigious residential area, as

in some of the world's most relevant luxury publications. By promoting the authentic beauty of Montenegro in all our endeavours, we attract visitors and clients who highly value authenticity, the beauty of nature and natural surroundings, high-end service, hospitable environments and reliable investments.

■ **In your opinion, what is it essential to be done in order for Montenegro to continue attracting top class investors in the tourism sector?**

- Since acquiring its independence in 2006, Montenegro has been a leader in the region when it comes to the successful, efficient and effective implementation of reforms and the improvement of regulatory mechanisms in terms of privatisation, employment, exports and attracting foreign direct investment. A spectacular coastline, the mountainous region in the north, natural resources, a favourable tax system, equal treatment

for foreign and local businesses, market access, efficient business start-up procedures and overall economic figures place Montenegro in a unique position on the high-end international tourism market. What remains to be further improved mainly concerns the complexity of bureaucratic procedures and more efficient implementation of existing laws at the local level. ■

Both online and live, we are becoming one of the most intriguing destinations that clients all over the world are curious to learn about

a high-end mixed-used resort that's home to the first One&Only Hotel in Europe, as a state-of-the-art marina and more. Reaching out to potential clients, as well as the citizens of Montenegro, has been a process that our teams execute daily and on multiple levels. Apart from achieving a notable presence at international and national fairs and expos, we have achieved a specific media presence

Constructive CONTRIBUTOR TO REFORMS


MARIJA ŠUKOVIĆ

MFIC EXECUTIVE DIRECTOR

The MFIC will this year dedicate special attention to the Government's economic policy, as it aims to continue with the implementation of measures to strengthen the country's macroeconomic stability

Šuković, the first executive director of the MFIC since its establishment.

The Executive Director's roles is to monitor these processes, define priorities that are in line with MFIC's vision and mission, and to ensure that MFIC contributes constructively to those processes, explains Mrs Šuković.

■ **What are the major MFIC strategies and long-term plans that you are managing?**

- Integration processes - such as the EU accession process, NATO membership, regional initiatives and integrations – comprise MFIC's long-term priorities. The official MFIC opinion is that these processes should be strongly supported, considering the benefits they would bring to society as a whole. It is for this reason that MFIC will continue with its activities aimed at speeding up reforms that are underway and initiating new ones recognised as alleviating possible or existing business barriers in Montenegro. First of all, the rule of law, as a process of adoption and implementation of legislation, will continue to be a topic that significantly influences the perception of the environment and the security of investments. The activities of state institutions towards creating a more efficient and professional public administration, and combating the grey economy, will remain at the top of MFIC's priorities.

■ **How many members does MFIC have at present and what are the major features provided by MFIC membership?**

MFIC is interested in supporting the Government in its efforts to speed up reforms that are underway and initiate new ones recognised as alleviating possible or existing business barriers in Montenegro.

"Among the priority topics of MFIC are the implementation of measures to strengthen the country's macroeconomic stability, such as consolidating public finances and increasing financial sector stability, removing key barriers to improving the competitiveness of the country, increasing potential economic growth in the mid- to long-term, implementing capital infrastructure projects and attracting foreign investments," says Marija

- Starting with the five founding members in 2009, the membership base of MFIC has been expanding constantly and today the association comprises 36 members that represent a significant percentage of national GDP. The Council gathers representatives of numerous and varied industries – banking and financial services, telecommunications, metallurgy and mining, energy, tourism and catering, the fast-moving consumer goods sector, manufacturing, transportation and auditing. Having the most reputable foreign companies as members and being selective in membership expanding, MFIC is recognised as an important representative of the private sector that provides a platform and a channel for the voice of investors to be properly heard and understood.

■ **Which MFIC activities would you highlight as being the most important in terms of shaping the reform agenda?**

- The White Book is recognised by all stakeholders as the most tangible and valuable contribution of the MFIC to shaping the reform agenda and transferring the positions of foreign investors regarding topics that are crucial for the business environment. The White Book, therefore, provides an additional decision base for future investors to better understand the current situation and business environment, and also provides guidelines for decision-makers to reduce business barriers and support prioritisation from the perspective of foreign investors.

The latest version of the White Book defined the 2018 priorities – documents of special interest in line with the interests of members, among which are the Economic Reforms Programme for Montenegro for 2018-2020; the Action Plan for Suppression of the Grey Economy for 2018; a programme for the improvement of innovativeness among small and medium-sized enterprises for 2018-2020, a programme for increasing regional and local competitiveness through harmonisation with the demands of international business standards for 2017-2020; Guidelines on macroeconomic and fiscal policy for 2018-2021; a Proposal for the Public Procurement Law, Proposal for the Labour Law, the Law on Business Organisations, Proposal of the law amending the Law on Corporate Income Tax and the Proposal of the Public-Private Partnership Law.

■ **Given that you've had a successful career in the government sector, how do you perceive communication with relevant stakeholders from the business perspective?**

- As in many other fields, open and timely communication leads to mutual understanding of the positions and interests of all stakeholders, and finally enhances the development of business and the economy as the common goal. When it is clear that we share many goals, communication is more productive and beneficial. In the MFIC's case, I can assure you of the current and future positive attitude of our Council and members towards

Montenegro and our strong belief in its chosen path, which we will support with all our capacities. The MFIC members believe that Montenegro, as an open economy, is a good choice in terms of investment destinations, offering great opportunities to investors. The MFIC, as an organisation, could only add to hastening prosperity.

■ **Apart from the government, which are the most important stakeholders with which the MFIC cooperates?**

- To communicate the main messages to important addresses, the MFIC management holds regular meetings with the EU Delegation, the EBRD, the World Bank, the IMF and the Regional Cooperation Council, providing input that concerns the business environment. Our belief is that the opinions of the MFIC should be a valuable part of the studies of the aforementioned organisations. More importantly, the MFIC cooperates closely with other organisations representing the private sector, such as



Council current and future positive attitude towards Montenegro and strong belief in its chosen path, which we will support with all our capacities

the Chamber of Commerce, the Montenegrin Business Alliance, the Montenegrin Employers' Association and alike, and we always welcome common initiatives and statements.

Finally, the municipalities in Montenegro are very important

partners to foreign investors, bearing in mind their scope of responsibilities.

■ **The MFIC has been much more active of late in sharing its standpoints with the wider public. Which communications tools do you consider as being the most effective?**

- On the one hand, our mission is to focus as much as possible on a targeted audience with our concrete inputs, while on the other it is to share general standpoints about the investment climate in Montenegro with the wider public. Maintaining a close and continuous dialogue with the main stakeholders, as well as being involved and present, are always effective tools that are communicated through all our activities: publications, statements, presentations, active participation in the bodies of which we are members, or in events organised by our partners. If we say that the most effective is the most valuable and tangible, then the White Book is my answer. ■

Busy **AGENDA**



CHRISTOPH SCHOEN with the Prime Minister **DUŠKO MARKOVIĆ**

The period behind MFIC has been marked by dynamic dialogue with the government, international institutions, other organisations that represent the business environment, and member companies. During that period, the focus was on improving the country's business environment and investment climate

The period behind MFIC has been marked by dynamic dialogue with the government, international institutions, other organizations that represent business environment, and member companies. During that period, the focus was on improving the country's business environment and investment climate. Part of the key activities:

1. MFIC is recognised as one of the main stakeholders representing Montenegro's private sector. As such, it is

an important interlocutor of the Government and public administration, as well as a contributor to various state policies. As a member of the national Competitiveness Council, chaired by the Prime Minister, as well as a member of many working group, MFIC was last year engaged in numerous activities leading to an improvement of the business climate.

At the same time, MFIC held a series of meetings with the EBRD, an EU Delegation, the World Bank, the IMF, the Regional Cooperation Council and other stakeholders. The focus of these meetings was on discussing the investment environment giving the inputs from MFIC members.

2. MFIC itself contributed strongly to the dialogue by presenting the findings of its White book. In this, the Council's most significant, document MFIC presented a

business index that provides an assessment of the ease of doing business in Montenegro, based on the perception of members. In March 2018 MFIC organized the Press Conference with the purpose to present to stakeholders the eight edition of the White Book: Investment climate in Montenegro 2016-2017. It was stated that the years 2016 and 2017 indicated a period of stability “with the slight increase of ease of doing business index”, what gives reasons to be optimistic in terms of economic development direction, but also in terms of the room for further improvements in relevant business area that keep stagnating in previous period.

3. As the representative of MFIC, Executive Director Mrs. Šuković, participated in FREI Debate: New Legal





Continuous dialogue between MFIC and the Government can result in economic growth for Montenegro, the creation of new jobs and better living standards for citizens

Framework for Sustainable Development organized by Ministry of Sustainable Development and Tourism, in Budva, May 9th 2018. The main topics were the implementation processes of the new laws that are regulating the spacious planning and construction, as well as the new law for the tourism. Mrs. Šuković used this opportunity to point out the importance of the regulatory framework and rule of law for business environment.

4. The MFIC and the Chamber of Commerce will intensify their cooperation to use their synergy to improve business environment in Montenegro. Some of the topics to be focused on are education, digitalization, labour market flexibility, possibilities to expand the tax base and reduce informal economy and eventually reduce taxes and contributions that burden business operations, what would all strengthen the competitiveness of the Montenegrin economy. As a first mutual activity we will have





the common position toward decision makers concerning the Draft Labour Law.

5. The Annual Assembly of the MFIC was held on November 2017 with the presence of most of the member companies. In line with regular procedure presentation was covering activities in the previous period, financial report, membership status and planned activities for upcoming period, as well as the election process for President and members of Board of Directors. The 2017 was active year for MFIC that was involved in many important processes concerning the business environment in the country. The MFIC community is growing with planned pace, attract-

ing the reputable new members that contribute to vision and mission of Council.

As a special part of this year MFIC Assembly, MFIC had the honor to host Prime Minister of Montenegro Mr. Duško Marković as guest speaker. He informed guests about the results of economic policy measures implemented by the Government, and the goals for 2018.

6. Protocol on Joint Cooperation for the Improvement of the Investment Environment in Podgorica signed between MFIC (among other representatives of private sector) and the City of Podgorica. The priorities for joint action and cooperation include the reorganisation of the business





MFIC's management intends to encourage a more focused approach to dealing with open issues and is therefore forming "specialised" committees, such as those for banking and ICT

environment for small and medium-sized companies, the removal of barriers to economic growth and development, an increase in economic competitiveness, regular and timely communication, and exchanges of information that will help in dealing with priorities.

7. Meeting between MFIC representatives and Minister of Education Damir Šehović was devoted to the dialogue on cooperation between the education system and the economy. MFIC expressed its intention to contribute to reform of the education system at all levels, and particularly in creating opportunities for young people to gain practical knowhow from its member companies.

8. The MFIC BoD organised a regular meeting with the Prime Minister to discuss issues related to creating conditions for a larger number of investors through dialogue and partnership with the Government with a specific focus on strengthening institutions, the economy and the business environment. ■





Internal organisation changes

MFIC has gone through important internal changes during this period, adding to the efficiency and visibility of the organisation. In November 2016, MFIC improved its Statute and introduced the post of Executive Director, with the main objectives of accelerating implementation of existing strategies and policies of the Council and assisting in drawing up and implementing new strategies and long-term plans.

Furthermore, in March 2017, MFIC established a new Banking Committee and assigned more activities to the existing ICT Committee, with the idea of utilising industry-based committees as a platform to give MFIC members an opportunity to communicate on the biggest issues and common interests directly and meaningfully – not only internally, but also with various other stakeholders.

The redesigned website, WWW.MFIC.ME, launched in April 2017, offered a new instrument for more developed communication between members, as well as with the public.

KEY MESSAGES

CHRISTOPH SCHOEN,
MFIC PRESIDENT AND CHAIRMAN OF THE MFIC BOARD
OF DIRECTORS (CEO OF ADDIKO BANK)



I am optimistic that Montenegro is on the right track. I wish for it to move fast along this track, and the MFIC will always try to be a partner that aims to speed up the positive trends. Our interlocutor believes that the Government of Montenegro has made considerable progress on reforms, but he also points out practises that are hindering the process of establishing a fully-functional market economy.

DRAGICA SEKULIĆ,
MONTENEGRIN ECONOMY MINISTER



The focus of our economic policy has been placed on increasing the competitiveness of the economy by using structural reforms and infrastructure development to create conditions to increase domestic and foreign investments. As a result, we expect the Montenegrin economy to grow both this year and next.



SUZANA PRIBILOVIĆ,
MONTENEGRIN MINISTER
OF PUBLIC ADMINISTRATION

We want to establish a public administration that is more efficient in relation to costs, which will better serve citizens and the economy for less money and which will function according to transparent and harmonised procedures. Public administration reform is the third key pillar of Montenegro's transition to EU membership.



PAVLE RADULOVIĆ,
MONTENEGRIN MINISTER OF SUSTAINABLE
DEVELOPMENT AND TOURISM

We are very satisfied that our vision of the kind of tourist destination Montenegro should be is shared by investors and the tourist economy generally. Major projects, such as Porto Montenegro, Portonova and Luštica Bay, are based on precisely the idea of a high-quality year-round offer. ... - According to all the information we have from the beginning of the year and which we constantly receive from the field, we are very optimistic about this year's season and expect new growth in all tourist parameters

RADOJE ŽUGIĆ,
GOVERNOR OF THE CENTRAL BANK OF MONTENEGRO



The Central Bank of Montenegro considers that the government is successfully implementing fiscal consolidation, and that for its part it is contributing to the implementation of these policies by empowering the banking sector through the continuous improvement of regulations and the strengthening of its supervisory function. Macroeconomic stability and the reform path of the Government of Montenegro contribute positively to increasing confidence in the banking sector.

MARIJA ŠUKOVIĆ,
MFIC EXECUTIVE DIRECTOR



Among the priority topics of MFIC are the implementation of measures to strengthen the country's macroeconomic stability, such as consolidating public finances and increasing financial sector stability, removing key barriers to improving the competitiveness of the country, increasing potential economic growth in the mid- to long-term, implementing capital infrastructure projects and attracting foreign investments.



NELA BELEVIĆ,
MFIC BOD MEMBER, CEO OF UNIQA INSURANCE

The focus of our joint action primarily targets advancing legislation and the labour market, increasing the predictability of tax policy and the efficiency of the administration in the implementation of procedures and regulations. MFIC has the resources and good will to work closely with the government and other stakeholders on improving the competitiveness of the Montenegrin economy.



NIKOLA LJUŠEV,
CRNOGORSKI TELEKOM CEO

The usage and promotion of digital technologies is one of the basic instruments for attaining higher competitiveness and economic growth. It is in providing infrastructure for this qualitative leap that we see our primary role as the country's leading telco operator.

After many years, Crnogorski Telekom recently started to show signs of growth in company profitability.

PÁL KOVÁCS,
CEO OF CKB



The improvement of the banking and financial sector is a permanent challenge for the MFIC and, with the establishment of the Banking Committee last year, we have taken on the task of launching the implementation of the agreed strategic guidelines. We have consolidated efforts through several main messages, which the Government is ready to consider, with the ultimate goal of improving the sector's competitiveness at all level.

RASHAD RASULLU,
EXECUTIVE DIRECTOR OF PORTONOVİ RESORT
MANAGEMENT COMPANY AND AZMONT INVESTMENTS
BOARD OF DIRECTORS MEMBER



The Montenegrin Government's dedication to establishing favourable conditions for foreign investment in large-scale tourism and hospitality centres has secured a competitive position for future top-class investors. That which remains to be further improved mainly concerns the complexity of bureaucratic procedures. The legal system in Montenegro has allowed foreign investors complete equality with domestic players. This is the greatest advantage of all.



PREDRAG LEŠIĆ,
CEO OF THE .ME REGISTRY - DOMEN

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Investment Climate In MONTENEGRO 2016-2017



The Montenegrin Foreign Investors Council on March 28th organized the Press Conference with the purpose to present to stakeholders the eight edition of the White Book: Investment climate in Montenegro 2016-2017

This publication is a key document produced by the Council, in which foreign investors evaluate the business environment based on their personal perception and point out to the challenges they are facing in Montenegro.

The key speakers at the presentation were Mr. Christoph Schoen, the MFIC President and Chairman of the MFIC Board of Directors (CEO of Addiko bank), Mr. Pal Kovacs, Member of the MFIC Board of Directors (CEO of CKB bank) and Mrs. Marija Šuković, the MFIC Executive Director.

During the presentation, it was stated that the years 2016 and 2017 indicated a period of stability “with the slight increase of ease of doing business index”, what gives reasons to be optimistic in terms of economic development direction, but also in terms of the room for further improvements in relevant business area that keep stagnating in previous period.

The White Book presents the MFIC Index, the evaluation of simplicity and effectiveness of doing business in Montenegro, based on the experiences of the MFIC members. The MFIC Index for 2016 amounts to 6.35 and the MFIC Index for 2017 was 6.47, at the scale of 1 to 10 (where 1 is the lowest score). When evaluating the environment, the ease of performing daily operations and difficulties faced by the investors due to general business climate and regulatory environment were taken into account.

The 2016 rating indicates stability, especially when compared to 2013 and 2014 and slight increase in comparison to 2015, when

the rating was 6.2. The 2017 Index is the highest since this kind of evaluation has been introduced.

Telecommunications and ICT have the highest score among all sectors (6.86 for 2016 and 7.14 for 2017) followed by banking/finance sector (score 7 both in 2016 and 2017), tourism and production/energy.

In addition to the areas traditionally evaluated since 2011 such as labor market and employment, property development, taxation/contributions, corporate governance, rule of law, the eight edition of the White Book includes several new categories – important areas

that should be in the focus of the public institutions: grey market and inspection, regulations on public and private partnership, public procurement, digitalization of public services, regulations on personal data protection, human resources. The scores for those categories are relatively low, what should be a signal for the Government to include them in their

The White Book presents the MFIC Index, the evaluation of simplicity and effectiveness of doing business in Montenegro, based on the experiences of the MFIC members

Work Program for 2018 to be reformed in accordance with the best international standards and practice. The Council is ready to support the Government in its efforts to improve the business climate.

By publishing the eight edition of the White Book, the MFIC celebrates its ninth anniversary as a non-governmental and non-profit organization that represents and expresses the opinions of its members for promotion of joint interests and for stimulation of foreign direct investments, and for improvement of communication and cooperation with the official bodies in Montenegro. ■

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