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The Glass is HALF-FULL

The largest ever drop in output in the Western Balkans is obviously bad news. Yet the readiness of foreign investors to continue investing and believing in the Montenegrin economy is the light at the end of the tunnel.

The COVID-19 pandemic has reversed initial positive economic growth expectations and Montenegrin output is expected to have declined by 14.3% in 2020. According to projections, the real GDP growth rate in 2020 will be negative (-14.3%) and will hit all segments of the economy. With a vaccine still not in sight, it seems that 2021 will be a year of very slow rebounds and the economic future has never seemed more uncertain than it does now.

As the researchers of the Vienna Institute for International Economic Studies (wiiw) point out, the COVID-19 pandemic has been exacting a heavy toll on the Montenegrin economy, largely because of the country's reliance on its tourism sector. Indeed, the strong second wave of the pandemic has resulted in the worst tourism season on record. When tourism failed, it had serious repercussions for employment and private consumption. Foreign direct investment is also in decline.

The latest World Bank report suggests that, due to this crisis, already elevated public debt will soar to a new high, requiring strong expertise from the new government, particularly with regard to fiscal and debt management. If the pandemic becomes subdued by the summer of 2021, the economy is forecast to grow strongly during that year, but it will be 2022 before the full losses in GDP will be recovered, the World Bank report concludes.

In this grim situation, it is still good to know that the community of foreign investors already operating in Montenegro do not intend to slowdown or abandon their investments. It could be said without a doubt that foreign investors believe that the Montenegrin economy is attractive and has strong growth potential.

Yet, along with the challenges created by the health crisis, the new Government will be faced by some other demands that were not fulfilled during the previous period and are crucial. Among them are ensuring the rule of law and a predictable business environment, which implies the transparency of all activities of the administration, reducing corruption and strengthening control over conflicts of interest.

The new Montenegrin government will need to take measures to enhance human capital, build stronger institutions and strengthen the rule of law. The pandemic just made these tasks more visible and urgent

This list also includes improvements to the judicial system, which needs to become much more efficient, and combatting the grey economy. On top of all that is digital transformation, which – as practise to date suggests – has plenty of room for improvement, starting with eGovernment.

In short, the new government has accepted to shoulder a heavy burden. There has probably been no Montenegrin government in recent history that has faced a more complex situation, much more intricate and multifarious than was the case with the global financial crisis. However, steps leading to an economic rebound are visible and are no different than before the crisis. The COVID-19 pandemic merely exposed incomplete tasks. ■



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Every Crisis Also Has **OPPORTUNITIES**



CHRISTOPH SCHOEN

MFIC PRESIDENT (ADDIKO BANK CEO)

We believe that the Montenegrin economy will continue to be strongly influenced by investments in the coming years. It is therefore of particular importance for the new government to continue implementing measures in the areas of the rule of law and the efficiency of legal protection, as well as improving economic conditions and the business climate

The Coronavirus pandemic has hit the economy of the entire world, putting a significant number of companies at risk of being forced to close their businesses. The crisis has had a particularly severe impact on small and medium-sized enterprises and their employees. On the other hand, the crisis has created potential opportunities for companies to use technology to support the further development of operations. Here we discuss the effects of the pandemic and the overall economic prospects of Montenegro with Christoph Schoen, president of the Montenegrin Foreign Investors Council and CEO of Addiko Bank.

GROWTH

The further implementation of established fiscal policy measures, coupled with support for strengthening economic activity and fostering competitiveness, will ensure long-term and inclusive growth.

PRIORITIES

Our future priorities will be to promote Montenegro's investment potential and advance the interests of the international business community in Montenegro.

SUPPORT

The MFIC will continue to fully support the country's reform process and its accession to the European Union.

■ What are the most pressing issues for foreign investors in Montenegro when it comes to the current economic situation and COVID-19?

- When we talk about the most challenging preconditions for the development of business, we can say that the rule of law has been recognised by all of our members as the most challenging prerequisite for the development of business operations. We believe that a predictable business environment, which implies the transparency of the administration's activities, is of crucial importance.

While Montenegro has taken steps to make the country more open to foreign investment, further improvements need to be made. Legal institutions need to be further developed in order to reduce corruption and strengthen control over conflicts of interest. The judicial system needs to improve its efficiency, while court decisions need to be consistently reasoned or enforced. Moreover, the further suppression of the grey economy will impact positively on the open market and business operations.

■ How would you assess the overall macroeconomic situation, both in general and in terms of new investments?

- The second quarter of the year was characterised by economic and social closures, aimed at preventing the spread of COVID-19, and the implementation of numerous epidemiological measures to protect public health. In such an environment, a major economic decline of 20.2% was recorded.

The prolonged duration of the health crisis led to a great economic contraction in the summer months, when most of the tourist traffic is usually conducted and generates significant private and public revenue in the country. According to the Economic Reform Programme Implementation Report, real GDP decline in the first half of 2020 stood at 10.3%, while revenue from tourism in the first half of 2020 was down by 78.5% compared to the same period of 2019, with a high decline of 95.3% in the second quarter alone. On the other side, the net inflow of foreign direct investments in the January-July 2020 period amounted to €285.8 million, which is up 18.4% compared to the same period of 2019.

We believe that the Montenegrin economy will continue to be strongly influenced by investments in the coming years. The implementation of public finance consolidation measures will also impact positively on the development of economic activities, as will measures aimed at optimising the public sector. The government should continue the fight against the grey economy, which requires a decisive reaction from relevant institutions and is an important factor in ensuring fair market competition. We also would like to emphasise the importance



We are very active interlocutors and partners of the government in the field of improving the business environment.

of a predictable and transparent business environment for the further successful implementation of new investments. On the other side, a limiting factor could be a lack of diversification

of the Montenegrin economy, which could reduce the full positive impact of foreign investments.

■ How do you view your collaboration with the EU Delegation in Montenegro?

- The Montenegrin Foreign Investors Council and the EU Delegation in Montenegro have traditionally enjoyed good cooperation. The EU Delegation and MFIC exchange views on the economic development of the country on a continuous basis, so in that sense we coordinate our activities and initiatives towards decision makers in the direction of improving the business climate. We meet on a regular

basis with TAIEX and EU Commission representatives during their review missions regarding the preparation and implementation of the Economic Reform Programme of Montenegro, but also to share our experiences regarding the improvement of the business environment. During our most recent meeting with EU Ambassador to Montenegro H.E. Oana Cristina Popa, we agreed to intensify cooperation in the areas of business environment improvement, strengthening the rule of law and the EU integration process.

■ **As a member of the Competitiveness Council and other inter-ministerial working groups, which initiatives have you supported and how well were they received?**

- We are very active interlocutors and partners of the government in the field of improving the business environment. As a very active

of submitted recommendations. Of a total of nine activities, two have already been implemented, while the implementation of the others is underway.

We have also launched talks with the Government on forming a “digital coalition”, in cooperation with our partners from the American Chamber of Commerce, the Montenegrin Chamber of Commerce and the Association of Managers, bearing in mind that the digital transformation of business processes in public administration is key to improving the business environment.

■ **What are the most important messages of the 2019 White Book?**

- Last year was marked by the improvement of the business environment, which is reflected in the growth of the overall MFIC Ease of

Doing Business Index, pointing to the implementation of reforms aimed at improving economic conditions and the business climate. The MFIC Index for 2019 amounts to 6.9, on a scale of 1 to 10, and that rating indicates an improvement compared to 2017 and 2018, when the Index stood at 6.5, which was its highest result since this kind of evaluation was introduced.

When it comes to assessing key sectors in 2019, the telecommunications and ICT sectors have the highest index (7.6). The tourism, banking/finance and transportation/logistics sectors all registered growth compared to 2018, while the production/energy sectors remained at the same level as in the previous year. Telecommunications and ICT (+0.8) and banking and finance (+0.6) recorded the highest growth compared to 2018. Despite growth in five out of six sectors, it was only the banking and finance sector that recorded the highest index for 2019 compared to all previous years.

In order to evaluate individual significant categories, members analysed the extent to which the following categories impact positively or negatively

on their operations: the labour market and employment, property development, taxation, corporate governance and the rule of law. In general, all individual ratings for 2019 recorded growth, which explains the overall growth of the MFIC Index.

Taking into account the priorities of the Council's members, and in order to analyse the business environment in more detail, six categories have been introduced since 2016 that were recognised by Council members in the previous period as being areas that line institutions should pay attention to, given that they represent existing or potential barriers to business operations. These are: human capital, the grey market and inspections, regulations on public-private partnerships, public procurement, the digitalisation of public services



member of the Competitiveness Council in the previous period, we were focused on ensuring the implementation of recommendations provided by our members through the annual White Book, as well as through the work of our committees.

Through the initiative submitted to the Competitiveness Council, and with the support of the Ministry of Finance and the Secretariat of the Competitiveness Council, we are working intensively on the implementation of defined proposals for measures to eliminate barriers hindering the development of electronic services in the banking and telecommunications sectors. An interdepartmental working group comprising representatives of the Montenegrin Foreign Investors Council, the Ministry of Finance, the Central Bank of Montenegro, the Interior Ministry, the Tax Administration, the Police Administration, the Association of Banks and MFIC member companies prepared an Action Plan with established dynamics for the implementation

Rule of law has been recognised by all of our members as the most challenging prerequisite for the development of business operations.

and regulations on personal data protection.

Of the six analysed areas, we have seen an increase in three of them and a decrease in the ratings of the other three for 2019 compared to 2018. Minimum growth was observed in areas related to public procurement and the grey market and inspections, while growth of 0.2 was recorded for human capital. A decrease was observed in areas related to public-private partnerships (-0.5), the digitalisation of public services (-0.1) and regulations on personal data protection (-0.2).

■ **How would you assess your collaboration with the EBRD Secretariat in terms of promoting competitiveness?**

- The MFIC and the Secretariat of the Competitiveness Council have worked together on several projects. The previous period was characterised by intensive work and the implementation of the activities of the Competitiveness Council, primarily through the number of sessions held, materials submitted by the MFIC and supported initiatives, but also through the work of numerous active working bodies. Nevertheless, I would like to commend the Secretariat's engagement in the Working Group for defining measures to eliminate barriers hindering the development of electronic services, which was established at our initiative and aims – through direct cooperation between MFIC representatives and responsible state institutions – to contribute to improving the existing situation by proposing new measures and

amending existing legislation. The Secretariat recognises private sector initiatives and provides strong support in their implementation.

■ **What are your priorities for the period ahead?**

We are now in the process of preparing the next White Book: Investment Climate in Montenegro 2020, which will provide recommendations by MFIC members in different areas orientated towards the further improvement of the business environment and which will be presented to public by the end of the first quarter of 2021. Our Committees (Banking, ICT, Insurance and Regulatory Policy) will closely follow up on changes to the regulatory framework in their sectors and propose initiatives for improvements in areas relevant to the business operations of our member companies.

We will continue to be an active member of the government's Competitiveness Council and the Commission for the Suppression of the Grey Economy.

We will continue to be an active member of the government's Competitiveness Council and the Commission for the Suppression of the Grey Economy, as well as continuing to cooperate closely with the EBRD Secretariat to the Competitiveness Council with the aim of achieving our common goals and promoting our shared interests. ■

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Friendships Are Forged IN CRISES

**AMBASSADOR
OANA-CRISTINA POPA**

HEAD OF THE EU DELEGATION
TO MONTENEGRO

For Montenegro, as the most advanced EU membership candidate country, all the opportunities offered by the new methodology for accession are at the country's fingertips. I have no doubt that Montenegrin society is capable of doing whatever it takes to realise its future in the EU.



The COVID-19 crisis has changed our lives dramatically, putting our core values to the test. However, the European Union has clearly risen to the challenge. In these extremely difficult times, when many EU member states have been hit hard by the unprecedented health and economic crisis, EU citizens haven't failed to show their solidarity and extend substantial support to their fellow Europeans in Montenegro - says Ambassador Oana-Cristina Popa, head of the EU Delegation to Montenegro.

In the sea of difficult news at the end of this year that more or less all countries across the planet are struggling with, it is good to know that we have friends. In that context, our interlocutor quotes one of the founding fathers of the European Union, Jean Monnet.

Ambassador Popa cites Monnet's famous statement that "Europe will be forged in crises".

"I am sure that the European Union and its partners in the Western Balkans will weather this crisis and emerge stronger and more unified. The recent Sofia Summit, which took place on 10th November, reaffirmed that the Western Balkan region is at the heart

of Europe, and that its future lies in the European Union. That's why our engagement has been, and remains, so strong".

■ Earlier this year Montenegro opened the last chapter in the EU accession process. What are the next steps that the country should focus on?

- The focus will remain on the 'fundamentals' of the functioning of democratic institutions, public administration reform and supporting

The recent Sofia Summit reaffirmed that the Western Balkan region is at the heart of Europe, and that its future lies in the EU. That's why our engagement has been, and remains, so strong

economic reforms. Rule of law certainly plays a central role in the accession negotiations, and meeting the interim benchmarks set in chapters 23 and 24 is key for advancing in accession negotiations. In this regard, looking ahead, Montenegro should focus, in particular but not exclusively, on the functioning of the judiciary, the fight against

FOCUS

Montenegro should focus, in particular but not exclusively, on the functioning of the judiciary, the fight against corruption and for freedom of expression

SUPPORT

We will spare no effort to support Montenegro in doing as much as possible, as quickly as possible, and feeling the benefits of EU integration even before its actual accession

EQUALITY

I encourage all relevant institutions, political and social stakeholders in Montenegro to make every effort to create a safer and healthier environment for all women

corruption and for freedom of expression. In parallel, efforts should be exerted to develop a functioning market economy and improve the competitiveness and long-term growth of the Montenegrin economy by underpinning key structural reforms.

■ **While attention is usually directed to the chapters themselves, how would you rate the overall preparedness of Montenegro for membership?**

- Montenegro is the most advanced of the candidate countries in the EU integration process. We have learned from previous enlargements that this process has a major transformative power in the societies of the accession countries, which goes far beyond any administrative procedure.

The European Union is a community of values. Therefore Montenegrin society needs to demonstrate its commitment to European values across a range of political, social and economic areas. This can only be done through reforms in those areas, which takes a collective effort of the whole society. There is no other way around it. The more effort Montenegrin society invests in key reforms, especially in the area of the rule of law, the closer it will get to EU accession. Montenegrin citizens already feel very strongly that their country belongs in the EU, therefore the end goal is to see Montenegro as a fully-fledged member of the EU family.

■ **You have said that you and your team will spare no effort to bring the EU closer to Montenegrin citizens and Montenegrin citizens closer to the EU.**

What do you see as your most important steps in that respect?

- The EU accession process is about putting in place relevant European standards and rules to make sure that citizens have more opportunities, greater prosperity and better safeguards for their rights and freedoms. It is also about creating a safe and reliable environment for entrepreneurs and businesses to promote economic growth. The European Commission's annual report offers very good and detailed guidance on how to move closer to that goal. Progress on the rule of law is vital, as it underpins all other efforts to improve citizens' lives and ensure economic growth. While local ownership is key, we will spare no effort to support Montenegro in doing as

much as possible, as quickly as possible, and to help Montenegrin citizens and businesses feel the benefits of EU integration already now, without waiting for Montenegro's actual accession to the EU.

■ **How does the EU assist Montenegro in terms of urgent measures related to the pandemic?**



This is the time for all stakeholders to work together to bridge their differences so that Montenegro can earn its place in a community that has been prospering and growing for the past seven decades

- In order to help Montenegro cope with the COVID-19 crisis, the European Union has provided 53 million euros in grants to support the Montenegrin sectors and individuals worst affected by the crisis.

A significant portion of these non-repayable funds, or 12.5 million euros, has been allocated by the EU as a donation for the health sector,

providing Montenegrin health institutions with vital medical appliances and health workers with much-needed protective equipment. The remaining part of the grant funds, or 40.5 million euros, will be paid into the national budget in two tranches, through the Budget Support programme.

The first tranche, of 28 million euros, was disbursed in November. The second one will be paid during the first half of 2021, subject to specific conditions agreed with the national authorities during the preparation of the programme. The most important conditions are that the government provide access to funding to smaller enterprises through grant schemes, as well as social allowances for the most vulnerable sections of the population.

■ **The Montenegrin economy has been hit hard by the pandemic. How will the EU support the country in its efforts to sustain macroeconomic stability and return to a path of growth?**

- In addition to the 53 million euros in grants, the European Union has also provided up to 60 million euros in highly favourable loans, in order to help Montenegro limit the economic fallout of the Coronavirus pandemic. This is part of the EU's Macro-Financial Assistance (MFA) Programme for ten enlargement and neighbourhood partners, worth a total of three billion euros. These highly favourable loans will be disbursed in two tranches. The first tranche of 30.9 million euros, which is unconditional, was already disbursed in October. In order for this assistance to be fully implemented, Montenegro will have to demonstrate continuous respect for core democratic rules, including a multi-party parliamentary system and the rule of law, as well as to continue guaranteeing respect for human rights.

Furthermore, the Economic and Investment Plan, which was presented by Commissioner Várhelyi in early October, provides Montenegro and other Western Balkan countries with considerable financial support. It is important to note that the EU is funding the same type of projects in the region that we are funding in our member states, which cover infrastructure, digital transformation and the green economy. In that way, Montenegro and the region are already receiving the same treatment as they would if they were part of the EU. I hope that Montenegro will make good use of these funds by preparing the necessary projects for a more modern, greener and more prosperous economy. The agreement of the six Western Balkan leaders, reached at the Sofia Summit, to develop the Common Regional Market, based on EU rules and standards, will further increase the attractiveness and competitiveness of the region and help bring it closer to EU markets.

■ **What, in that respect, do you see as the positive legacy of the previous administrations, and what are the tasks for the new one?**

- Notable progress has been made in many areas, but a lot of work still lies ahead. We therefore expect the new government to speed up political and economic reforms, to make more progress in areas where the country is lagging behind by building on the work



I encourage all relevant institutions, political and social stakeholders in Montenegro to make every effort to create a safer and healthier environment for all women, with equal opportunities for economic prosperity, political participation and leadership

of the previous administration. It is important to note that progressing on the EU-accession path requires a fully-functioning public administration and the retaining of previously acquired expertise to build on the progress that has been achieved over past years.

This is the time for all stakeholders to work together to bridge their differences so that Montenegro can earn its place in a community that has been prospering and growing for the past seven decades.

■ **How has the new methodology impacted on the overall process?**

- By placing more of a focus on the rule of law and fundamental reforms, the new enlargement methodology is making the EU accession process more dynamic and more predictable. It makes it clear to the enlargement countries that good progress in reforms will be rewarded with accelerated integration and phasing-in to individual EU policies, the EU market and programmes. On the other hand, in the case of a lack of progress or backsliding, negotiations can be put on hold, while benefits can be revoked and funding downsized.

For Montenegro, as the most advanced EU membership candidate country, all the opportunities offered by the new methodology for accession are at the country's fingertips. I have no doubt that Montenegrin society is capable of doing whatever it takes to realise its future in the EU.

■ **What other issues related to EU values does the new government have to embrace?**

- Some cross-cutting issues directly underpin the EU's core values. One of those issues is gender equality.

Montenegro clearly needs to do more to create equal opportunities for women's participation in social, economic and political life. We have seen a recent surge in domestic violence and are also witnessing negative trends in women's political participation.

It is not only a matter of respect for the core European values of equality, solidarity and justice, it is also a matter of social and economic progress, as no society can realise its full potential if half of its population is denied equal opportunities.

I therefore encourage all relevant institutions, political and social stakeholders in Montenegro to make every effort to create a safer and healthier environment for all women, with equal opportunities for economic prosperity, political participation and leadership.

The EU will continue to support Montenegro in those efforts. ■



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RADOJE ŽUGIĆ

GOVERNOR OF THE
CENTRAL BANK OF
MONTENEGRO

The Montenegrin economy recovered relatively quickly from the negative impact of the 2008 global financial crisis. With the discovery of a vaccine, we expect this crisis to be remedied in the foreseeable future. When that happens, it is realistic to expect the fastest recovery in the service sector, i.e. tourism and complementary activities, which were hardest hit during the crisis.

The Coronavirus Pandemic has had a negative impact on the Montenegrin economy's economic indicators, says Central Bank of Montenegro Governor Radoje Žugić.

According to the latest CBCG projections, the Montenegrin economy will contract by about 17% this year. This is a consequence of a reduction in the volume of activities in most sectors, especially those that are sensitive to external shocks, such as tourism, transport, trade, agriculture etc., as well as the lengthy duration of the pandemic. Developments in these sectors will also impact negatively on the labour market, with a decline of employment, or rather a growth of unemployment. This year will also be characterised by

a low inflation rate (around 0%), which is the usual companion of a recessionary environment.

■ **What are the strengths and weaknesses of Montenegro's macroeconomic position at present?**

- Montenegro has an inadequate economic structure that is predominantly dependent on tourism and complementary activities. This makes it vulnerable and very sensitive to external shocks, which was confirmed by the current situation. As a result of the fact that we don't have a sufficiently diversified economy, nor sufficiently developed activities characterised by a high degree of product finalisation, Montenegro

SUPPORT

The CBCG conducts daily monitoring of the situation in the banking sector and provides continuous support to banks with the aim of increasing their resilience against market shocks and other challenges

LIQUIDITY

Since the outbreak of the Coronavirus Epidemic, the Central Bank has implemented five packages of measures aimed at preserving the liquid positions of clients

INVESTMENTS

The net inflow of foreign direct investments in Montenegro for the first nine months of 2020 was 52% higher than during the same period of the previous year

has a deficit in its balance of payments. On the other hand, huge comparative advantages exist for the development of agriculture, the processing industry, wood processing, production based on base metals etc. A new growth model should be based on encouraging precisely these activities, the implementation of which would remedy the vulnerabilities of the real sector, strengthen the competitiveness of the economy and reduce dependence on imports, thus improving the country's balance of payments.

The weak side of our macroeconomic position is represented by vulnerable public finances, which - on the one hand - face falling revenues as a result of the decline in economic activity, and - on the other hand - the need for increased allocations in order to remedy the consequences of the pandemic.

It should nonetheless be emphasised that the Montenegrin economy is flexible and will recover rapidly following a reduction in the impact of external shocks. The fact is that interest in investing in our country among foreign investors was strong during the crisis, which is evidenced by the fact that the net inflow of foreign direct investments in Montenegro for the first nine months of 2020 is at a higher level compared to the same period of the previous year (by 52 %).

■ How liquid is the banking sector and how ready is it to support companies' exit from the crisis?

- On the basis of the latest available data, from the end of November, total liquid assets amount to more than a billion euros and represent over 20% of total assets. The surplus, i.e. the surplus of liquid assets in relation to that which is considered due liabilities, amounts to over 550 million euros. The aforementioned indicates banks' high potential to place new loans with citizens and the economy, without the risk of jeopardising the liquid position of banks. It is important to note that in the period since the outbreak of the epidemic, or from March until the end of October 2020, banks in Montenegro approved new loans to businesses amounting to a total of almost 400 million euros, which is only 6.9% less than in the comparative period of the previous year. Apart from this, through five

packages of anti-crisis measures adopted by the CBCG, citizens and the economy were able to utilise four moratoriums. Through the first moratorium alone, the liquidity of citizens and the economy increased by over 150 million euros. Likewise, through the fourth package of measures, the aim of which was to help overcome the impact of the

crisis on the hardest hit sectors of the economy, i.e. tourism, agriculture, forestry and fisheries, through several forms of assistance (moratorium, restructuring and the approval of new loans with the treatment of newly approved), on the basis of the latest statistics from the end of October 2020, benefits were provided in the total amount of 166 million euros, which represents 58% of total loans approved for the noted sectors. The fifth package of measures is directed towards easing the financial situation of individuals who lost, or will lose, their jobs as a result of the pandemic and whose earnings have been reduced, or will be reduced.

All of the aforementioned indicates that banks, as they were in the previous period, are ready and able to secure the necessary funds for the economy to overcome the crisis and to finance development projects.



Despite all the challenges, the banking system has remained liquid, solvent and ready to continue supporting the economy. However, we are aware that challenges for the financial sector are yet to come

■ What business results do you expect from the banking sector and what are the key factors determining such results?

- At the end of October this year, net profits of 27.3 million euros were achieved at the level of the banking system, which is down 49.5% compared to the comparable period of the previous year. The dominant

reason why profits decreased is the formation of additional reserves for expected credit losses in accordance with the IFRS, which represents a deductible item in income statements. The noted cost is 19.5 million euros, or 265% higher compared to the comparable period of the previous year. The formation of the mentioned reserves is a consequence of the conservative approach of banks, bearing in mind that there has been no significant growth in non-performing loans in the period since the outbreak of the epidemic, which at the end of October accounted for 5.69% of total loans and was 0.97 percentage points higher than at the end of 2019. It is to be expected that

the banking sector will operate at a profit at the end of 2020, but in a reduced volume compared to the previous year. Regardless of the reduced profitability, the system is stable as a whole.

■ What impact has the crisis had on the insurance sector?

- The operational indicators of Montenegrin insurance companies for the first 10 months of 2020 indicate that the functioning of this sector hasn't been endangered to date. With the aim of ensuring business continuity, insurance companies relatively quickly adjusted their operating processes to the new circumstances. During the first 10 months of the year, total gross premiums amounting to 79.2 million euros were invoiced, which is 0.8% less compared to the same period of the previous year, which was actually a record of the insurance market according to all parameters. The insurance market is thus stable, and - according to the data for the first three quarters of this year - all insurance companies are solvent, liquid and profitable. However, stressful periods like this one are challenging for all market players.

■ Where do you see the role of the central bank in this situation?

- Through its regulatory and supervisory activities, the Central Bank contributes to maintaining financial stability, which is its dominant jurisdiction, and also contributes indirectly to preserving macroeconomic stability.

Given that the banking sector's assets account for over 90% of the assets of the financial system, it is clear that a stable and secure banking sector is synonymous with the stability and security of the financial system. Furthermore, the banking system's performance is one of the components when it comes to forming the country's credit rating. If all of the aforementioned is taken into account, the extent to which the Central Bank contributes to creating a positive and secure environment for investors and creditors, residents and non-residents, is clear.

Under the conditions of the pandemic's strong impact on macroeconomic stability, the CBCG has implemented well-profiled measures in a timely manner, in close coordination with the Government of Montenegro and banks, managed to preserve financial system stability and secure additional liquidity to the real sector and population, with which it provided a strong contribution to preserving macroeconomic stability. Since the outbreak of the Coronavirus Epidemic, the Central Bank has implemented five packages of measures aimed at preserving the liquid positions of clients by redirecting liquidity from the banking system towards the economy and citizens, preserving the

liquidity position and the growth of banks' credit potential, as well as systemically resolving the long-term effects of the lasting reduction in the creditworthiness of clients.

■ How prepared were banks to offer their services online?

- One good side, and probably the only good side, of the pandemic is its positive impact on financial literacy, primarily of the population, and then also of the economy in Montenegro. Physical isolation and the subsequent need of clients, or customers, to seek contactless payment options, as well as the reduction in costs and fees for electronic banking

that banks offered during the crisis, had an unequivocal impact on this process.

There was a significant increase in the number of mobile banking users during the year, and the strongest impact of the pandemic was observed in the number of payment transactions undertaken by mobile payments, which by the end of April 2020 had increased by 49% compared to January 2020, including an increase of 73% among private individuals and 12.2% among businesses. In the January-April 2020 reporting period, the evident increase in the number of new mobile payment users totalled 14.73%. Standing out in particular is growth in the number of new users among private individuals, who agreed with the payment service provider on the use of an application installed on their mobile phone, which increased by 15% from January to the end of April. Cumulatively, the number of payment transactions with the payment service of credit transfers - initiated electronically, or internet-based payment transactions, increased by 15.1%, with growth in the number of internet payment transactions totalling 47.4% among individuals and 11.51% among businesses.

■ What could be brought in the long run by the accelerated flow of digital transformation in the financial sector?

- Technologies are removing barriers in the banking industry and opening the door for the entry of new financial service providers. It is evident that the stark lines between industries are slowly disappearing and that competition coming from FinTech start-ups, internet giants and non-banking industries is forcing banks to speed up their operations and adjust their business models in order to remain competitive in the digital arena, which is really extremely active. Likewise, digital transformation brings numerous benefits to the client. One of the key roles and responsibilities in this process is played by central banks, which must create an environment for the faster acquiring of knowledge and the strengthening of financial literacy. ■



One good side, and probably the only good side, of the pandemic is its positive impact on financial literacy, primarily of the population, and then also of the economy in Montenegro



Digital Transformation Is Key to DEVELOPMENT

We view the digital transformation process that drives change as a chance for the accelerated recovery and growth of the Montenegrin economy, as well as for reducing the country's dependence on tourism. With almost 25 years of doing business on the Montenegrin market, Telenor wants to be a leader in this process

The mass shift to working from home didn't represent something new for Telenor, and it enabled the company to provide citizens and business clients with numerous new services, says Telenor Montenegro GM Branko Mitrović.

"At Telenor we already had a strong culture supporting work from home for a certain number of days for all our employees. We were therefore fully prepared to face the crisis once it started. In situations and within roles where this is not entirely possible, such as in our retail segment and with our engineers in the field, we focus on providing the highest safety measures for both employees and customers. We use online working tools successfully and have built a strong culture of trust, responsibility and commitment, which is why we switched to the new way of working without any major challenges," explains our interlocutor. "Knowing how much the pandemic is affecting each person, family, company and the society as a whole, we have focused on those areas where we see our clear contribution. By building new base stations and upgrading existing ones at more than 50 locations in 2020, we have increased the coverage and capacities of the Telenor network to enable strong connectivity to Montenegro's citizens and institutions. We launched the Learn at Home add-on to support online

teaching, thus enabling students in Montenegro to access teaching content free of charge. We also provided for the paying of bills online without commission, through the My Telenor application, while our employees and the Telenor Foundation donated funds and protective equipment to the health system.

■ **What messages can be drawn from the current digital transformation in Montenegro and what should be the next steps?**

- By definition, digital transformation is the integrating of technology into all areas of business. It fundamentally changes the way we do

It is crucial to providing an adequate regulatory framework that will form the basis and act as an incentive for projects and cooperation among all relevant factors on the path of digital transformation, with the predictability and transparency of the business climate. We expect the drafting of the Strategy to set the pace for the digital transformation of Montenegro.

■ **In which areas does MFIC have the expertise required to assist in this process?**

- I would like to thank the Montenegrin Foreign Investors Council for supporting the electronic communications sector, and for working jointly with us on improving the business and regulatory environment. Through continuous dialogue with public institutions, we are working on overcoming the challenges faced by our industry, which are presented in detail in the MFIC White Book. During the previous period, the Council advocated actively for the abolition and revision

We believe that we will continue the practice of open dialogue and good cooperation with the institutions of the Government of Montenegro, with the aim of further advancing Montenegrin society.

business and brings extra value to customers. The situation with COVID-19 showed that digital transformation and an agile way of working represent the most adequate response to the altered circumstances. Montenegro has recognised this opportunity, which is why development of the 2021-2025 Digital Transformation Strategy of Montenegro is underway.

of local charges and other taxes, as barriers to doing business, and participated in the drafting of relevant by-laws. A relationship of trust, exchanges of experience and good business practices has been created among MFIC members, and this newly created strength should, and can, help in the process of digitally transforming society. ■



Tight SPOT

EMANUEL SALINAS

WORLD BANK COUNTRY MANAGER
FOR BOSNIA-HERZEGOVINA AND
MONTENEGRO

Over the medium and long term, the focus must be on improving the economy's resilience by addressing its internal and external imbalances and boosting productivity growth. While we expect growth to rebound in 2021, as the economy recovers, the timing and pace of recovery is highly uncertain.

Montenegro will face a strong recession due to COVID-19. We discussed the short- and long-term implications of this situation with Emanuel Salinas, World Bank Country Manager for Bosnia-Herzegovina and Montenegro.

“Let me start by saying that the economic crisis caused by COVID-19 is the deepest that the world has seen since World War II. We are still in the midst of the crisis and uncertainty is high. The strong second wave of the pandemic has put health systems under significant pressure, which prompted partial or complete lock-downs in many countries. The hardest hit are the countries with a large share of the service sector, such as Montenegro,” says our interlocutor.

“Montenegro’s heavy reliance on tourism, high public debt and limited fiscal buffers, as well as a lack of monetary policy, amplify its vulnerabilities. We estimate that Montenegro’s economy will contract by 12.4% in 2020, but there is a risk that this number could be higher.”

According to Salinas, the short-term implications of the crisis are increasingly evident. “Firstly, human losses due to COVID-19 are high and increasing, and health systems are under significant pressure. Secondly, the measures to contain the pandemic resulted in an

unprecedented loss of economic activity, especially in the tourism and hospitality sectors, which are source of jobs for many Montenegrins. Government support measures saved many jobs so far, but employment had nevertheless fallen by over 11 per cent by September. Thirdly, the crisis has reversed poverty reduction gains and welfare improvements; up to 20,000 people may fall into poverty, although government cash transfers cushioned the impact on the most vulnerable. Lastly, the crisis has strained public finances and will result in a surge in public debt, requiring very careful fiscal management in the medium term.”

■ How will the recession influence the level of public debt to GDP, and what options are at hand?

- High public debt remains a major concern – increasingly so in the context of the current financial shock. Even before the crisis, Montenegro’s debt burden was very high, but was expected to decline in the medium term. The crisis has, however, diverted Montenegro from its debt reduction path and brought debt sustainability issues to the fore, given higher debt service costs. Public debt is estimated to increase to exceed 90 per cent of GDP in 2020, as a result of increased borrowing

SUPPORT

The World Bank is looking forward to more intensive engagement with the government in supporting post-COVID recovery.

RECOMMENDATION

The government should exert efforts to attract FDI that comes to a country as part of global value chains and for exports.

RECOVERY

Vigilant debt management and a tighter fiscal stance will be needed to place Montenegro on a firm and accelerated debt reduction trajectory as recovery takes hold.

due to the crisis, but also because of a strong GDP contraction. Given its large fiscal imbalances and financial market conditions worsening in a global recession, Montenegro will need to adjust public spending.

■ How well has the government responded to the crisis?

The government adopted a broad set of support measures to mitigate the impact of the crisis. The scope of support, however, reflects the tight fiscal space the country has, i.e. how much money is actually available to respond to the needs created by the crisis. These measures included, among others, wage subsidies to the hardest hit sectors, IDF credit lines, cash transfers to the most vulnerable and additional support for the tourism and agriculture sectors. Though the measures, which tracked most EU policy responses, were well-targeted, a share of the vulnerable population – depending on the informal sector – may have received little support. Efforts are needed to identify this group of people and help them to maintain their livelihoods.

The government also presented a medium-term investment plan to support post-COVID economic recovery. However, it will need to reassess its medium-term fiscal strategy in order to achieve a balance between fiscal support for recovery and fiscal consolidation, adapting to a new reality that is still largely uncertain.

■ If the need exists for fiscal policy to be further tightened, how will this impact on large infrastructure development projects?

Overall policy space is tight, as Montenegro has no monetary flexibility, and its fiscal space has been largely exhausted, while public debt is expected to increase above 90 per cent of GDP. In 2021–22 amortisation of €745 million in public debt (15 per cent of 2021 GDP) is due, putting further pressure on public finance. Current inefficiencies in public spending leave room for expenditure adjustments that could create additional fiscal space by, for example, speeding up public administration reform, strengthening public investment management and continuing the reform of public procurement. The successful implementation of the fiscal consolidation programme is thus critical to creating more space over the medium-term to direct public spending towards areas that improve the quality of public services, such as infrastructure investments and

social services.

Public investment is critical to foster inclusive growth and development and build resilient and green infrastructure. Once the priority section of the highway is completed, fiscal pressures will ease. However, Montenegro has no fiscal space to embark on the completion of the remaining sections of the highway through its own financing, while



The junction of the economic crisis brought about by the COVID-19 pandemic and the political change are a source of uncertainty, but at the same time represent an opportunity to build a stronger and more resilient economy

further borrowing would jeopardise public debt sustainability. The need for fiscal consolidation in the coming years may weigh on public investment, but increasing its efficiency can compensate. And the efficiency can increase through improved public investment management that would identify priority projects with large economic and social returns.

■ How have the big players in tourism handled the crisis and how will this influence Montenegrin plans for FDI in the tourism sector?

COVID-19 and the measures to contain the public health crisis present an unprecedented challenge, with the leisure and hospitality sectors suffering a devastating effect. An almost complete collapse of international travel and tourism has taken place since late March. The tourism sector has, thus, been the hardest hit and will face more lasting effects of COVID-19 than other sectors. Its recovery depends largely

on when the pandemic is contained and a vaccine is available, but also on consumer behaviour and preferences that might have changed permanently. Also, tourism is heavily reliant on SMEs, which might find survival more challenging than SMEs in other sectors.

Montenegro has seen the worst tourism season on record: in the first nine months of 2020, the number of overnight stays of foreign tourists stood at just 14 per cent of the 2019 total, while employment in food and accommodation services fell by 28 per cent. To date, the tourism and energy sectors have been large sources of economic growth and have attracted foreign investment. Montenegro has so far largely attracted FDI that comes to a country seeking natural resources (mostly real estate), but going forward the government should put efforts into attracting FDI that comes to a country as part of global value chains and for exports. This type of investment can help Montenegro upgrade its industries and create better jobs, as well as fostering sustainable, inclusive and green growth.

■ **Is it time to reconsider the Montenegrin growth model, which relies mostly on tourism, or is this direction still the right one despite the crisis?**

- The time of the crisis is also a point of reflection. Even though we are still in the middle of the crisis and the governments of the region are mostly focused on mitigating the immediate negative impact, a longer-term perspective must not be lost from sight. As I mentioned, the crisis only exacerbated Montenegro's key vulnerabilities, such as a lack of diversification of the economy, a lack of fiscal space due to high public debt, a low production base and high import dependence of investment and consumption.

The pandemic has brought lasting disruption. What seemed to be a temporary shock back in April is now an obvious structural change. The challenge is how to build back, but not back to what we used to have before the crisis, but to build back in a better way. But this requires a long-term vision and planning, and determination to redirect the economy and solve the problems that were there even before the crisis. For Montenegro, this means strengthening its resilience through a broad-based, productivity-based and export-orientated growth model. However, this is not possible without a level playing field for businesses that enhances competition, innovation and research, and that creates higher quality and higher paying jobs; service- and merit-based public administration and an efficient welfare system; investments in human resources and green and digital infrastructure

that further creates economic opportunities, but at the same time preserves natural resources.

■ **Under such circumstances, what can the World Bank do to alleviate the pressure of the crisis?**

- We have been working closely with the authorities to respond swiftly to the increased challenges created by this crisis. Our focus to date has been on the following main areas:

Firstly, we have provided real-time advice to the Ministry of Finance and other authorities on options, programmes and policies that can be put in place to mitigate the impact of the crisis on people, enterprises and the economy.

Secondly, we have contributed to enhancing the ability of the authorities to respond to the impact of the crisis by helping the government to raise €250 million in financing. We did this by providing a guarantee for €80 million, which created confidence among commercial lenders to lend to Montenegro for longer maturities and at a lower cost. As part of the guarantee, we worked with the authorities to put in place reforms that are necessary to improve fiscal sustainability.

■ **How will current trends impact on the World Bank's overall engagement in Montenegro in 2021?**

- The reforms Montenegro embarked on before the crisis should remain on the agenda, while their implementation should be intensified to ensure macro-economic stability, create economic opportunities and ensure strong private sector-led growth that would benefit all Montenegrins. The World Bank has been supporting Montenegro on the implementing of reforms for better and inclusive growth. The junction of the economic crisis brought about by the COVID-19 pandemic and the political change are a source of uncertainty, but at the same time represent an opportunity to build a stronger and more resilient economy. The World Bank stands ready to provide support to Montenegro on this



We have offered financial assistance to mitigate the negative impact of the pandemic on the healthcare sector and the livelihoods of the most vulnerable people in the country

path and is looking forward to more intensive engagement with the government in supporting post-COVID recovery.

The 2016-2021 Country Partnership Framework (CPF) between the World Bank and the Government of Montenegro is a medium-term strategy that provides a framework for the Bank's engagement in the country and expires next year. A new CPF will be prepared for the 2022-2026 period and will result in a World Bank medium-term programme that fully reflects the development agenda of Montenegro and the priorities jointly agreed with the government. ■

Committed to VALUES AND CLIENTS

In the year 2020, which was marked by the COVID-19 pandemic, the Lovćen Group remained consistent in the implementing of its strategic goals and its own core values: simplicity, responsiveness and reliability.

Lovćen Group, which comprises insurance companies Lovćen Insurance JSC, Lovćen Life Insurance JSC and Lovćen Auto, forms part of the Triglav Group, which is the largest financial insurance group in Southeast Europe. For more than 120 years it has - with its knowledge, experience and financial power – justified the trust of its clients that it will take the best care of their safety and their future.

In the year 2020, which was marked by the COVID-19 pandemic, the Lovćen Group remained consistent in the implementing of its strategic goals and its own core values: simplicity, responsiveness and reliability.

The newly emerged circumstances have emphasised even more the need to modernise operations and introduce remote services. During the first wave clients were provided with an online shop for purchasing

and renewing insurance, reporting damages online, registering vehicles remotely etc.

Preparations are underway for the further improvement of the Lovćen Group's services, in order to gradually introduce solutions for remote and electronic signatures.

crucial than ever to provide partners with security in taking various risks and to maintain good relations with them. Lovćen Group staff are ready to continuously listen to the needs of clients and analyse possibilities for cooperation linked to the objective

The Lovćen Group is aware that it is now more crucial than ever to provide partners with security in taking various risks and to maintain good relations with them

This would provide success in reducing the need for administration and ensure the client has 24/7 access to policy completion. There are a number of challenges in this process that the group is gradually solving, bearing in mind that this type of service has not yet fully come to life in Montenegro.

Apart from improving services, the Lovćen Group is aware that it is now more

limitations caused by the decline in business activities. The Group will strive to provide the most flexible possible approach, all the time emphasising the importance of insurance, which is particularly pronounced during difficult times.

In this way, the Lovćen Group will continue carrying out its mission in Montenegro in 2021, creating a safer future for all of us. ■



We're Here TO HELP


JAAP SPREY

HEAD OF THE EBRD IN MONTENEGRO

The epidemic has highlighted that Montenegro requires a more diversified economy with less reliance on tourism, while the tourism sector needs serious measures to diversify and increase its competitiveness. As in other countries, the speed of Montenegro's recovery will depend on the ability of the state to contain the epidemic and the availability of an effective vaccine that can be deployed.

C OVID-19 has had a significant impact on Montenegro's economy, because of the country's strong reliance on tourism, which accounts for more than 20 per cent of GDP -- one of the highest percentages in the world, says Jaap Sprey, Head of the EBRD in Montenegro. According to the EBRD's September forecast, GDP will contract by 9.0 per cent in 2020 and recover by 5.0 per cent in 2021. Downside risks are significant, as social distancing and other lockdown restrictions may well continue into 2021.

"The government had no other choice but to intervene forcefully, and that's what it did", says Sprey. "While the measures successfully mitigated the consequences of the pandemic for individuals and com-

panies, they were expensive. As a result, EBRD economists expect Montenegro's public debt to increase from close to 80 per cent of GDP at the end of 2019 to 90 per cent of GDP by the end of 2020," warns our interlocutor.

■ **Given the new developments, how has the EBRD responded to the short term and long term challenges the country is facing?**

- The COVID-19 pandemic and its economic consequences present an unprecedented challenge, but the EBRD is well-placed to support its clients, partners and the regions where it works, and to support

SUPPORT

The COVID-19 pandemic presents an unprecedented challenge, but the EBRD is well-placed to support its clients, partners and the regions where it works.

GOAL

Improving Montenegro's connectivity to markets in the region and beyond is one of the EBRD's main objectives.

NECESSITY

The crisis and the resulting digital transformation made it clear that all parts of Montenegro need access to affordable, high-speed internet.

them through the crisis and prepare them for the post-virus era. The longer this crisis continues, the stronger we believe that overcoming the short term challenges and addressing the longer term challenges become one and the same: build a more sustainable, resilient, equitable and inclusive economy.

In March, the EBRD unveiled an emergency €1 billion "Solidarity Package" of measures comprising emergency liquidity, working capital and trade finance. The EBRD is today committing all its activity in 2020-21, expected to amount to investment of at least €21 billion, to help its regions counter the economic impact of the coronavirus pandemic.

But the EBRD is about more than "just" finance. We are also engaged in policy dialogue and offer extensive advisory services and technical cooperation.

We expect to invest over €160 billion in Montenegro this year: through a Resilience Facility for private sector clients with strong business fundamentals that experience temporary liquidity problems; an expanded Trade Facilitation Programme, where we increased our cooperation with Hipotekarna Banka and included NLB Banka; restructuring support for distressed clients, while maintaining high standards of accountability; enhanced frameworks with local partner financial institutions, such as Hipotekarna Banka and Alter Modus, to reach out to micro, small and medium-sized enterprises. We also increased our stand-by agreement with the Deposit Protection Fund; a Vital Infrastructure Support Facility with support to EPCG to finance working capital, stabilisation and essential public investment; advice for Small Businesses – training, in a virtual format, on liquidity and human resource management in the COVID-19 crisis. We scaled up our advisory on digital transformation, as well as through policy advice to the authorities, e.g. we are cooperating with the authorities to enhance the institutional capacity of business inspections, whereas our Secretariat to the Competitiveness Council has prepared a register of all levies in Montenegro.

■ To what extent did the EBRD have to adjust its original plan of intervention in Montenegro?

- We signed 10 projects and invested nearly €40 million in 2019. Early this year, prior to COVID-19, we had planned to almost double our business volume, to €75 million, in 2020.

In light of our extra support to fight the impact of the pandemic, we are now on track to at least triple last year's business volume, with nearly 20 investment projects.

Our Advice for Small Businesses programme continues to support SMEs in withstanding and recovering from the economic fallout of the pandemic by relaxing client contributions, refocusing ongoing projects on critical issues of financial management and business continuity, and promoting digital delivery of advice.

We have a pipeline in tourism & property that we aim to realise in 2021, and we will continue to strengthen agribusiness value chains and

backward linkages in the tourism sector. We are also focusing on investments in the renewables sector and strengthening public-private dialogue with the Secretariat to the Competitiveness Council.

■ How badly has the Montenegrin tourism sector been hit and how does this influence your focus on strengthening competitiveness in the tourism sector?

- The number of tourists arriving in Montenegro has been rising steadily in recent years. This year, however, the pandemic had a strong negative impact on tourism worldwide, including in Montenegro. Foreign tourist arrivals declined by over 80 per cent year-on-year in the country, while exports, consisting mostly of tourism-related services, recorded a fall of 35.5%.

The recovery of the sector will depend on how fast the epidemic can be contained, most importantly through effective vaccination and the severity and duration of still necessary containment measures.

The epidemic has highlighted that Montenegro requires a more diversified economy with less reliance on tourism, while the tourism sector needs serious

measures to increase its competitiveness. In our view, the country needs to further diversify the tourism model away from the "sun, sand and sea" model by developing other offerings, e.g. mountain or health tourism. This can also help extend the very short tourist season and diversify the range of countries sending tourists.

■ To what extent has COVID-19 spurred digital transformation in Montenegro, and how do you assist in this change?

- Digitisation has advanced worldwide as a result of containment measures. Remote working has become the norm for millions, while



The recovery of the tourism sector will depend on how fast the epidemic can be contained, most importantly through effective vaccination and the severity and duration of still necessary containment measures

e-administration and internet shopping progressed further. The advancement of digital transformation offers good opportunities where the IT sector is advanced, but is especially painful where physical work is a concern. It is possible to almost fully replicate an office at home, but it is not possible to assemble a car in your bedroom.

At the EBRD, we actively support SMEs that - in light of the lockdown - have turned to digital channels to maintain or innovate their business models. We have done so through our Advice for Small Business

- Regional integration of transport and energy infrastructure has been advancing gradually in the Western Balkan region. We have implemented motorway projects along the main transport corridors and financed several energy interconnectors for electricity and gas. In the case of Montenegro, a recent example is the undersea transmission cable to Italy, which has been operating since 2019.

Nevertheless, an upgrade and expansion of the networks will be needed to better connect the region to Central Eastern and Western Europe.



programme, which provides advisory support in ICT solutions as well as other areas, such as marketing, strategy and management. The number of applications for support to introduce e-commerce, improve companies' online presence or adjust the business model to new digital demands has risen significantly.

Besides providing direct advisory support, we also organise training and workshops for SMEs, where we also focus on digital transformation. As part of our COVID-19 response, we have launched the EBRD Know How Academy, a free of charge e-learning platform for micro and small businesses that offers advice and tools to companies for dealing with the impact of COVID-19.

The crisis and resulting digital transformation made it clear that all parts of Montenegro need access to affordable, high-speed internet. This is why, with the support of the Western Balkans Investment Framework, we launched a feasibility study on regional broadband development in Montenegro. The objective is to identify so-called white zones, i.e. rural areas that are currently without broadband infrastructure, with a view to develop models to have them fully covered, potentially with EBRD financing and support.

■ **How would you assess the current state of Western Balkan integration, in terms of the development of transport and energy infrastructure links both within the region and among neighbours? What is the status of projects supported by the EBRD?**

EBRD economists expect Montenegro's public debt to increase from close to 80 per cent of GDP at the end of 2019 to 90 per cent of GDP by the end of 2020

Improving Montenegro's connectivity to markets in the region and beyond is one of the EBRD's main objectives. In the energy sector, for instance, we are financing the overland power transmission line from Donja Lastva, where the link to Italy comes onshore, to the northern town of Pljevlja.

We are currently involved in various regional and local road infrastructure projects, such as Podgorica – Danilovgrad, Jaz – Tivat and Rozaje Spiljane and the local road Jezerine – Lubnice. We have also funded studies for the next sections of the Bar – Boljare Highway and the Blue or Adriatic Highway. However, we recommend serious consideration before going ahead with these projects, given the current lack of public fiscal space.

Besides a few projects in the railway sector, we supported the Port of Adria in the port of Bar and have expressed our interest in financing the modernisation of Montenegro's airports.

■ **How has your Women in Business programme supported female entrepreneurs during COVID-19?**

- Our Women in Business programme is a comprehensive programme designed to promote women's entrepreneurship by combining access to finance and knowhow. The programme has been active in Montenegro since 2014 and we have supported more than 100 women-led businesses to date, through direct advisory support with local consultants or workshops for enhancing entrepreneurial skills in areas such as finance management, leadership, digital marketing, ICT solutions and organisational development. We implement this programme in cooperation with two donors: Sweden and Luxembourg.

Women-led businesses are often more vulnerable to external shocks like the COVID-19 crisis. This is why in March, in cooperation with partner financial institutions Alter Modus and NLB Podgorica, we added dedicated women in business credit lines for a total amount of three million euros in order to provide female entrepreneurs with better access to finance, which is often a business barrier as women entrepreneurs have fewer assets or lack collateral. We also provided technical assistance to the partner institutions to help them offer financial products and better target the needs of women entrepreneurs. ■

Montenegro's New Idyllic WATERFRONT VILLAGE



With crystal-clear waters and a dramatic mountain landscape, the Montenegro coastal region is an investment opportunity that outmuscles southern France, Spain and Portugal

Over the last decade, Montenegro's coastal towns have been developed into high-end destinations by companies from across Europe and the Middle East. This investment has fuelled growth across the property, infrastructure and tourism sector, underpinned by upcoming openings from well-known brands such as One&Only, Ritz Carlton and Four Seasons.

Positioned at the entrance to the Bay of Kotor, Portonovi is the jewel in the crown of the Adriatic. Spread across 26 hectares, with 1.8km of stunning coastline, there are 214 apartments for sale here, including 10 private homes and 50 holiday residences for rent.

Centred around world-class restaurants, wellness facilities, the Portonovi Beach Club by Monument, shops, gardens and the world class Portonovi marina, Europe's first One&Only resort and Chenot Espace Wellness Centre are set to open here in 2021.

The Marina Residences at Portonovi offer you the chance to own a waterfront holiday home, representing an investment opportunity not to be missed.

Priced from 345,000 euros, these studios and one-, two-, three- and four-bedroom apartments feature Montenegrin craftsmanship infused with Mediterranean and contemporary touches.

Generous apartment sizes see one-bedroom residences providing around 80 square metres of modern living space, while three-bedroom apartments boast over 300 square metres of living space and an outdoor terrace.

With swathes of the Mediterranean having been traditional hotspots for holiday homes, the value proposition of owning a home on the Adriatic Riviera should be strongly considered. Montenegro's property transfer tax,

inheritance tax and estate tax are at a highly competitive three per cent. This transfer tax compares favourably to other parts of Europe, such as Portugal, where the rate is 6.5%, and Spain, where it is up to 10%. Tax regimes in the country are among the most competitive in Europe, with a rate of nine per cent applied to company profits, capital gains and personal income.

Portonovi offers a unique rental programme for those wishing to attain an income from their investment. Guests benefit from a 24-hour concierge, in-residence dining and an expert lifestyle team.

The lifestyle is unrivalled, with a gourmet supermarket IDEA, restaurants including Bloom, Perla, Oscars', GODO gelateria, an Art Gallery, nursery school, beauty salon, gymnasium and private swimming pools. Residents' favourites include the Maison du Monde, serving the finest French Cognac, and coffee shop Koffein, which transforms into an entertainment lounge with live performances during the evenings.

You can also enjoy hiking, skiing, scuba diving, mountain biking, sailing and kite surfing nearby.

Portonovi is accessible from every corner of the world. After flying into Tivat or Dubrovnik airports, you are just a 45-minute drive from your waterside residence. A helipad at Portonovi will be operational in 2021. Nautical enthusiasts can dock their yacht at the Marina, which has the capacity of 238 berths for yachts up to 120m long and offers duty-free fuel stations.

Montenegro is about discovery and adventure - experience it for yourself by investing in Portonovi.

For enquiries visit www.portonovi.com, call +382 31 353 375 or email enquiries@portonovi.com. ■

**PREDRAG LEŠIĆ**

CEO, DOMEN DOO



.ME and today's GLOBAL CHALLENGES

When we first launched .ME we knew it wasn't only an opportunity to develop a healthy business, but also a platform to raise awareness in Montenegro about the benefits of the digital world and equip people with the skills needed to successfully navigate that world. This has been an integral part of our company's strategy and mission over the last decade.

The domain management system has today become a critical infrastructure for every country, given that our everyday lives - both personal and professional - have become so connected to technology that communicates over Internet that it would be difficult to imagine to operate efficiently in the long term without using it.

Here are a few examples that we might not even be aware of. Medical equipment operates by exchanging data over internal networks and often also over Internet. Conversations with family and friends take place on a daily basis through applications that use the internet to transmit voices and messages 24 hours a day. E-commerce across all meridians of this planet allows us to launch the economy from any corner of that planet. In essence, all of these services are literally dependent on DNS servers and their ability to translate human needs into computer activities. It is because technological solutions have become part of our private and professional daily lives, and are based

on the IP protocol, that the DNS system has become a critical element of infrastructure today.

■ How would you briefly present your operations in the period from 2008 to 2020?

- .ME domains began being freely registered in July 2008 and the extension was immediately recognised as being successful thanks to over 100,000 domains being registered in the first 48 hours. Apart from that, as the extension gained a good reputation and was promoted by renowned companies GoDaddy and Afiliis, it became a favourite for building new ideas and new communities among major brands. Today we have almost a million domains and users from all countries, with more than 350 accredited partners - registrars.

Throughout the course of all these years, our users have created a network of successful portals and services, and thus demonstrated in the best way the successful use of domains, which we are very proud of.

■ Where are the dangers in your industry?

- The registry system can be compromised in several ways, but generally speaking, these threats can be classified as commercial – untrusted domain extension and technical – technically unavailable domain extension.

The commercial aspect is based on the trust we gain among end users that the extension a.) will not disappear from the market and b.) will not be used to spread spam – unwanted messages and online scams, to create phishing websites, to connect the extension with problematic content etc. What we have noticed is that low cost of new domain registrations increases the number of domains used for abuse such as spam and phishing which is why it is essential to find the right balance between the commercial need for growth reflected by the revenue and the number of abusive domains created when the price is low. This is why we have to monitor registrars and registrants and suspend domains if the sole intention of the domain registration is abuse.

The technical aspect is based on the availability of both the EPP system and the DNS system. The most serious are so-called DDoS - Distributed Denial of Service, which cause the collapse of the system that is under attack due to the query overload. Such problems are mainly solved by positioning the equipment on nodes with high bandwidth, while traffic is regulated in cooperation with partners whose networks are the channel for attacks. And these are ordinarily attacks that mostly cause big problems for small registry operators, but attacks on large systems aren't isolated events either, example is attack on DYN DNS servers in 2016.

■ What are the benefits for Montenegro in this public-private partnership?

- Apart from the fact that Montenegro has gained extremely robust and secure infrastructure that the technical aspect of the business relies on, as well as renowned and globally recognised partners that form the basis of the commercial aspect of business, DOMEN DOO is registered in Montenegro and all business operations are conducted from Montenegro. Throughout all these years, the company has been a leader in the promotion of jobs of the future that are based on programming, and from day one it has had embedded into our genetic code to contribute to the development of the community and society in which it conducts its business operations.

The financial effect achieved during all these years is portrayed by the fact that 99% of the company's revenue comes from the exports, that thirty million euros has been paid to the Government of Montenegro in accordance with the agreement on the management of the .ME extension, that over five million euros has been paid through various types of taxes and contributions, and that over a million euros has been invested in Montenegrin society through various corporate social responsibility activities and contributions,

and that over a million euros has been invested in Montenegrin society through various corporate social responsibility activities.

■ What is the philosophy of your CSR strategy?

- Our CSR strategy is based on three major pillars: educating young people in a way that teaches them how to code and inspires them to pursue a career in tech; introducing the benefits of the digital world for Montenegrins, their businesses and everyday life; and sharing our experiences, contacts and knowhow to support our colleagues in the tech industry in Montenegro, as well as our friends and partners, in further developing their ideas.

We work directly with the start-up community, but also with investors and international organisations, to help build a healthy start-up ecosystem through improving legislation, encouraging foreign investments and providing advice



The registry has to date collaborated with representatives of U.S. and German security agencies, the FBI, Europol and Eurojust, but also Microsoft and Facebook when we participated in several of the biggest anti-cybercrime operations.

and mentorship. Some of the brightest examples of the Montenegrin start-up community developed their ideas and connected with their investors through relationships that we helped them establish. Every time we see them go a step further, we feel like our mission in Montenegro has grown stronger.

■ Where do you see the .ME domain in 2030?

- Provided the existing technological trends continue, the .ME domain will

be an even more important resource than it is today. The Company that manages this resource will have proportionately greater responsibility which will make commercial and technical challenges more complex. It is crucial to find the best possible response to these challenges. Having in mind that we proved to be capable of rising to all kinds of challenges and that we earned the trust of the customers and the society alike by operating the product responsibly, I believe that we have strong foundations for the future. ■

Welcome to Boka Place

PORTO MONTENEGRO

A glittering village infused with unexpected discovery and salt-kissed air, Porto Montenegro seduces people from all corners of the globe. Redefining waterfront living, it is a place of understated luxury, where adventure and creative fulfilment are found. An exquisite yacht club, bustling bars and bistros, elegant boutiques, live music and family entertainment adorn the shimmering streets and squares that surround the super-yacht marina and beckon you to the water's edge. The new gateway to this splendour is a vibrant and eclectic urban enclave of opportunity, friendship and verve – Welcome to Boka Place!



urban-inspired living meets the restorative nature of the Adriatic Sea.

Here life flows organically around a central square – where all elements connect and intertwine, where people meet and new synergies form. Spaces beckon you to stay, laugh and play in contemporary comfort and the company of friends. From SIRO, a wellness-infused hotel, to a leisure hub filled with boutiques, pop-up galleries and after-hours alchemy, everything you need to indulge all expected whims and any impulsive desires is here.

At Boka Place residents are offered bespoke lifestyle services and a wealth of amenities in which they can indulge. Free from the complexities of the modern world, yet still contemporary in design, you can choose from a range of SIRO-managed or private residences. All interiors are fresh, clean canvases, empowering you to create your own interpretation of extraordinary living, while communal spaces pulse with activity outside, providing the opportunity to forge enriching connections with neighbours and space for your family to grow.

Open-plan living spaces are flooded with natural light – which is both calming

and uplifting in equal measure. Sun soaked balconies present awe-inspiring views of Porto Montenegro's lively marina and soothing horizon beyond. Whilst SIRO-managed residences have been crafted to champion your well-being every day, with fitness elements discreetly embedded into the architecture, Boka Place's private residences offer a fresh perspective on luxury living with elegant finishes and exclusive access to hidden gardens and an infinity pool.

Boka Place welcomes, energises, comforts and inspires – it is open for everyone to enjoy. Designed to offer the best in urban living, this is a dynamic hub where modern lifestyles thrive – a concept that enriches the whole waterfront experience at Porto Montenegro. At Boka Place there is something for each instinct and every mood, a bed to rest and a place to dance. ■

For more information please
visit bokaplace.com, email
bokaplace@portomontenegro.com
or call +382 32 661 059.

Porto Montenegro's newest neighbourhood, Boka Place, is alive with activity, a friendly spirit and transformative wellness at its core.

A collection of spaces to eat, shop, relax and recharge, this is home to a diverse community founded on a desire to connect and share.

Porto Montenegro's newest neighbourhood, Boka Place, is alive with activity, a friendly spirit and transformative wellness at its core. A collection of spaces to eat, shop, relax and recharge, this is home to a diverse community founded on a desire to connect and share.

Boka Place sits on an elevated bank that overlooks the glamour and bustle of Porto Montenegro's waterfront village below. Set back from the Bay of Kotor, but close enough to be infused with marine views and salty air, this is the point where the vitality of



Government Should Back LOCAL COMPANIES

In order to accelerate the digital transformation process, it is necessary to continuously improve the investment environment for the technology sector. Montenegro recently saw the presenting of concrete measures and laws for stimulating investment in innovations, and it is crucial for their application to continue.

By following the standards of Deutsche Telekom Group, Crnogorski Telekom began applying preventative measures against COVID-19 as early as February. “Continuity in providing services to clients was the priority, as we perform activities that are of public interest. This included reorganising the work of shops and in the field, procuring protective equipment for employees, which we had in sufficient quantities even during the period of shortages on the market, which enabled us to help other companies and some government agencies on several occasions,” says Crnogorski Telekom CEO Dina Tsybulskaya. “The new circumstances have further emphasised the fact that we, as a company, have advanced in the digital transformation process.”

■ Which of Crnogorski Telekom's smart solutions and innovations were the most sought after by businesses and the government?

- Since the beginning of the pandemic we've been participating in the Government's complex educational project related to remote learning, while we realised numerous donations and helped the public sector and the economy during the first wave by increasing the capacity of internet access. We have developed our Cloud Call Centre as a

professional call centre solution for small and medium-sized businesses, and there has been great interest in tools from our business portfolio, such as Microsoft Teams and Office 365, which allowed companies to easily organise their work. We have also developed new tools that are yet to be fully implemented: Cumulus, an application

We see Crnogorski Telekom as a company that provides partners and clients with proven and reliable digital solutions, but that also provides all stakeholders in the society – including citizens and both the public and private sectors – with unobstructed and reliable access to the network

for digital accounting; and Folder X, for the management of digital documents and archives.

■ How can Montenegro speed up its digital transformation?

- The pandemic has resulted in the economy sustaining severe blows recovery from which will be slow, so it is necessary to find new business and regulation models in order to motivate investments where they will have a

real impact, thus moving the (digital) economy forward. Times have changed and the approach to regulating the telco industry should also change. Today regulators should treat these companies as local partners in building the digital future. The role of forming the digital future is taken over by major international players (Google, Amazon, Netflix and others) that don't pay local taxes, don't employ local people and are fully beyond the control of local regulations. Yet they are winning.

This is why governments should support local companies in their search for operational and investment efficiencies (various forms of cooperation between operators; the off-shoring part of operations). At the same time, the Government of Montenegro has the means to ensure that local subscribers are winning from these models. There are also clear schemes to ensure that the surplus is reinvested back into the benefits of the digital society at the local level.

This revision of regulatory practises, together with a focused effort to promote the digital economy, will change the country. For example, digital solutions should be promoted from the highest addresses as the first, or even only, choice of citizens, and not as an alternative to traditional ways of doing business. Only in this way can the essential digitisation process be accelerated. ■

Between A Rock And A HARD PLACE



Montenegro's economic output is expected to decline by 14.3% in 2020, according to a European Commission assessment from November. The forecast has been revised downward by 5.9% in comparison with the one issued in spring.

As the latest report suggests, following a relatively soft first wave of COVID-19 infections in spring, Montenegro faced a much bigger and extended second wave. Such a development impacted strongly on

Even before the full strength of COVID-19 hit the country, it was known that it would push Montenegro into a deeper recession than the global financial crisis. The main transmission channel is the collapse in tourism arrivals due to the breakdown of international travel. And it seems that even massive vaccination worldwide won't save the early summer season in 2021.

the economy, sending not only tourism and retail services into a deep minus, but also trade, investment, employment and public finances.

According to the baseline scenario, Montenegro is poised for a gradual recovery in 2021 and 2022, driven by planned investments in tourism and the energy sector, as well as public and private construction activity. Furthermore, the EC expects the country to see the revival of private consumption supported by rising employment, stronger remittances and credit growth.

But there are nonetheless caveats. The risk of default could rise in 2021, as a number of companies might be placed at risk of insolvency once public support ends. In contrast, the decline in imports and investment due to coronavirus-related disruptions and lower domestic demand is expected to help ease the trade deficit in 2020 and 2021.

Inflation is expected to remain subdued, enter negative territory in 2020, before some modest growth in 2021 and 2022, the Commission said.

Montenegro's economy is expected to contract by 12.4% in 2020, due to the COVID-19 pandemic, before bouncing back to 6.9% growth in 2021, the World Bank said recently.

The EC prognosis is somewhat more pessimistic than the one issued by the World Bank in October. According to this estimate, the country is increasingly vulnerable to external shocks and has limited fiscal buffers. Consequently, the World Bank projects that the economy will contract by about 12% in 2020, causing the deepest recession in decades. This is much worse than the World Bank summer report, which predicted that Montenegro's economy would contract by 5.6% in 2020, before growing by 4.8% next year.

Uncertainty is high, and Montenegro faces both fiscal and external risks, while the outlook depends heavily on the COVID-19 pandemic developments, the World Bank said.

According to the World Bank report, “the total output loss due to the crisis is projected to be fully recovered only in 2022, when the economy is projected to grow 4.2%. The anticipated tourism recovery will support export and consumption growth.”

The expected completion of the construction of the priority section of a key motorway in 2021 is projected to push investment in that year, but attenuate total investment in 2022, according to the report.

In summary, the government will face a complex situation in which external imbalances are expected to remain elevated throughout 2021. Yet once the import-dependent motorway section is finished and stronger exports led by the tourism recovery gain traction the current account deficit will fall to 11 per cent of GDP in 2022, the World Bank said.

Montenegro is the hardest hit economy in the Western Balkan region, which will face an economic decline of 4.8% in 2020 only to rebound in 2021, albeit at an average of just 3.5%.

This is not surprising given that the country is strongly dependent on tourism, a key source of GDP growth, foreign exchange, employment and fiscal revenues. The lock-down brought tourism and travel to its knees. The economic recovery is largely dependent on the pandemic and the recovery of this particular branch.

Along this line, the Vienna Institute for International Economic Studies – wiiw – concluded that the COVID-19 pandemic is exacting a heavy toll on the Montenegrin economy, largely because of the country’s reliance on its tourism sector, with arrivals down 77.9% in the first eight months of the year. This has had serious repercussions for employment and FDI. As expected, alongside Croatia, Montenegro became one of the CESEE countries to have been hit the hardest by

the pandemic. Luckily, a reversal of FDI flows is not expected considering the nature of investments, most of which are in real estate, construction and inter-company debt.

Already in 2019, Montenegro's GDP growth was somewhat weak, with 3.6% y-o-y, down from the 5.1% expansion recorded a year earlier. The main growth contributions came from private consumption and net exports, both supported by an exceptionally good tourism season boosting the performance of net exports, the EC report suggests.

As the Economist Intelligence Unit report suggests, an IMF deal has avoided a payments crisis, but the country’s large twin deficits mean that the government will need to return to international bond markets and tap additional financial assistance to close the gap in 2021.

Even before the full strength of COVID-19 hit the country, it was known that it would push Montenegro into a deeper recession than the global financial crisis. The obvious reason for this is, of course, the collapse of tourism arrivals due to the breakdown of international travel following the lock-down measures implemented in many countries, which virtually halted the tourism and travel that accounted for some 25% of Montenegro’s GDP. Consequently, the collapse of tourism impacted strongly on domestic consumption and investment. After previous forecasts suggesting that the tourism season would be saved by guests coming from neighbouring countries proved to be overoptimistic, due to the pandemic, even a modest recovery in the third quarter became almost an illusion.

A swift recovery of the economy in 2021 is also no longer in sight, as it seems that a vaccine won’t take a foothold before the next tourism season. ■



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Years To Be REMEMBERED

Here is a non-comprehensive list of some of MFIC's milestones, major achievements and activities in the period between 2009 and 2020.

The Montenegrin Foreign Investors Council - MFIC - was established in 2009 as an association of leading foreign investors in the country by five companies: Crnogorski Telekom A.D., NLB Montenegro Banka A.D., Montenegro Stars Hotel Group d.o.o., KAP A.D. and Daido Metal A.D. Today it has 40 members from different sectors and industries that have a combined turnover accounting for more than 25 per cent of Montenegro's GDP.

The Council was established as a non-governmental and non-profit organisation aimed at improving the investment climate and supporting business development in Montenegro.

2020

White Book: Investment Climate in Montenegro 2019

According to the latest edition of the annual White Book, 2019 was marked by the improvement of the business environment, which is reflected in growth on the overall MFIC Ease of Doing Business Index, pointing to the implementation of reforms aimed at improving economic conditions and the business climate.



Meeting with EU Commission representatives

Representatives of MFIC met with EU Commission representatives during their 2021 ERP preparatory mission to Montenegro. They exchanged views concerning key structural challenges, particularly in the areas of the long-term unemployment of women and young people, strengthening the regulatory environment, digitisation, e-fiscalisation, the government response of COVID-19 and formalisation of the economy.



Meeting with the new EU Ambassador

The EU Delegation to Montenegro and MFIC decided to intensify cooperation in the areas of improving the business environment, strengthening the rule of law and the EU integration process, according to an announcement made after the meeting between MFIC representatives and the new EU Ambassador to Montenegro, Mrs Oana-Cristina Popa.



MFIC donates to the Institute for children's diseases

MFIC focused its CSR activities on the youngest members of the society, especially those in a precarious health condition. "Working for and with children always ennobles and provides an additional motive for our further social engagement. We are proud that, through the procurement of new beds, we have contributed to improving conditions of staying in hospital for the youngest patients and their parents," said MFIC President Christoph Schön.



2019

MFIC 10th Anniversary

MFIC celebrated its tenth anniversary with 40 members from different sectors and industries that have a combined turnover accounting for more than 25% of Montenegro's GDP.



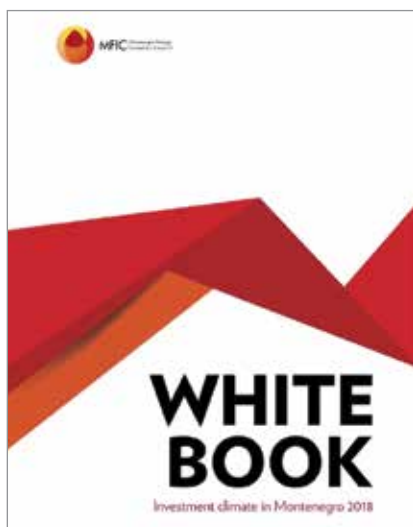
Exchange of opinions with EU Commission representatives

MFIC Members met with European Commission representatives during their mission to assess Montenegro's Economic Reform Programme 2019-2021, sharing experiences with regard to public-private dialogue, the regulatory framework and business environment conditions.



White Book: Investment Climate in Montenegro 2018

The year 2018 marked a period of stability "with a slight increase on the ease of doing business index", what provided reason to be optimistic in terms of the improvement of economic conditions and the business climate, but it was also noted that further attention needs to be paid to the implementation of reform processes suggested by the MFIC White Book.



MFIC joins Commission for suppression of the grey economy

MFIC representatives met with the Commission for the suppression of the grey economy, chaired by Deputy Prime Minister for Economic Policy and Financial System Milutin Simović. The meeting included discussion of the need to strengthen the capacities of the competent inspection authorities, while emphasis was placed on the need to address the lack of selectivity in their approach, thus enabling the consistent implementation of relevant laws.



MFIC Guide Published

On the occasion marking the publishing of the MFIC Guide 2019/2020 - 10 Years and Counting, MFIC President Christoph Schön said that this association will continue to support the Government of Montenegro during the reform process, as it believes strongly that much can be achieved in cooperation between the public and private sectors.



MFIC Annual Assembly 2019

MFIC held its annual assembly in 2019 to celebrate a decade of work in Montenegro



2018

White Book scope increases to cover more sectors

In addition to areas that have traditionally been evaluated since 2011 – such as the labour market and employment, property development, taxation/contributions, corporate governance and the rule of law – the eighth edition of the White Book (2016-2017) included several new categories: the grey market and inspections, regulations on public-private partnerships, public procurement, the digitalisation of public services, regulations on personal data protection and human resources.



Closer Cooperation Agreed with the Chamber of Commerce of Montenegro

MFIC and the Chamber of Commerce of Montenegro decided to intensify their cooperation and utilise their synergy to improve the business environment in Montenegro. The agreement was reached at a meeting held between the presidents of these institutions on 14th March 2018.



MFIC GUIDE 2018 Published

MFIC published its third investment guide, in which it evaluates the business environment and investment climate in the country and highlights areas requiring additional intensive work.



2017

MFIC and the Prime Minister: Together for a Better Business Environment

At a meeting between MFIC representatives and Montenegrin Prime Minister Duško Marković the PM expressed his government's readiness and openness to cooperate with foreign investors, emphasising the importance of direct foreign investments for GDP growth and the improvement of living standards for all citizens of Montenegro.



MFIC Reaches 35 Members

MFIC had attracted 35 members by the beginning of 2017, accounting for around 8,000 jobs and around 30 per cent of the country's GDP.



Banking Committee Established

The MFIC Banking Committee was established with the idea of creating a unified platform for all members from the banking industry to exchange opinions internally, but also to facilitate their communication towards different external stakeholders, with the purpose of improving the business environment in the banking sector.



Education Minister Meets with MFIC Members

It was on 17th March 2017 that Montenegrin Education Minister Damir Šehović Ph.D. presented the directions of education reforms at all levels to MFIC members, stating that major changes are expected in higher and secondary education – both fields in which the support of industry would be appreciated.



MFIC and Capital City Podgorica Sign Joint Cooperation Protocol

At the initiative of the Bureau for Economic Cooperation and Support to the Business Community of the Capital City of Podgorica, a Protocol on joint cooperation for the improvement of the investment environment in Podgorica was signed by numerous business associations in Montenegro, including MFIC.



2016

MFIC Reaches 33 Members

MFIC gained its 33rd member in 2016 and thus accounted for around 8,300 jobs in the country and a combined annual turnover representing around 29 per cent of Montenegro's estimated GDP.



Foreign Investors Council Publishes Second Guide to MFIC

In cooperation with Belgrade-based regional publisher alliance international media (aim), the Guide to MFIC was published for the first time in 2016, with the aim of providing an opportunity for MFIC members to evaluate the business environment and investment climate in the country, as well as to highlight those areas requiring additional intensive work.



ICT Committee Established

The MFIC ICT Committee was established in order to have "one strong voice" towards relevant stakeholders, with the purpose of improving the business environment (transparency and predictability) for the ICT industry in Montenegro and maximising the ICT sector's potential to contribute to Montenegro's development.



2015

MFIC Gains More Members

MFIC reached 25 members in 2015, ensuring that the association accounted for around 5,730 local jobs and an annual turnover equating to for around 19% of GDP.



Memorandum on Cooperation Signed Between MIPA and MFIC

A Memorandum on Cooperation between the Montenegrin Investment Promotion Agency (MIPA) and MFIC was signed on 10th December 2015. It defines elements of cooperation that detail the common goal of achieving the stability and growth of the Montenegrin economy, with support for foreign direct investments.



Mayor Bogdanović Joins MFIC Meeting as Special Guest

The Montenegrin Foreign Investors Council session of 15th March 2015 included a special guest speaker in the form of Aleksandar Bogdanović, President of the Executive Board of the Union of Municipalities of Montenegro and Mayor of the Old Royal Capital of Cetinje.



Prime Minister Đukanović Participates in MFIC Meeting

Prime Minister Milo Đukanović participated in the MFIC meeting of 15th December 2015 as a special guest speaker. PM Đukanović used this meeting to learn about the expectations of MFIC members regarding the Government and additionally intensify and improve communication with leading representatives of the Montenegrin business community in the area of its potential impact on improving the country's investment climate.



2014

Prime Minister Đukanović Participates in MFIC Meeting

Prime Minister Milo Đukanović was a guest at the MFIC regular meeting of 4th December 2014, where he spoke with representatives of the investment community about economic trends and the investment environment in Montenegro, development projects and plans for the coming period.



Number of MFIC Members Rises to 22

MFIC amassed 22 members by the end of 2014, with the association's members accounting for around 4,792 local jobs and with a combined annual turnover equating to around 19 per cent of GDP.



Economy Minister Participates in MFIC Meeting

Montenegrin Economy Minister Dr Vladimir Kavarić participated in the MFIC meeting of 7th May 2014. Minister Kavarić used this opportunity to inform MFIC members that the Montenegrin Government's economic policy places a strong emphasis on supporting investment and the implementation of capital projects.



Ambassador Drobnič Participates in MFIC Meeting

Head of the Delegation of the European Union to Montenegro, Ambassador Mitja Drobnič, participated in an MFIC meeting. Ambassador Drobnič used this meeting as an additional channel to communicate directly with the leading representatives of the Montenegrin business community in the area of his potential influence on improving the country's investment climate.



MFIC Publishes First Investment Guide

The first edition of the MFIC Investment Guide was published with the aim of encouraging foreign investment in the country and providing potential investors, as well as investors just launching their operations in Montenegro, with information that they might find useful.



2013

MFIC Meeting Attended by the Minister of Development and Tourism

Montenegrin Minister of Sustainable Development and Tourism Branimir Gvozdenović attended an MFIC meeting as a special guest. The meeting included discussion of the business climate in Montenegro.



Minister of Justice discusses the state of rule of law with MFIC representatives

At a meeting with MFIC members, Justice Minister Duško Marković said that the key goals of his ministry are rationalisation of the judicial network, advancing notaries, introducing public executors to the legal system of Montenegro, strengthening alternative dispute resolution options and regulating lobbying as an anti-corruption activity.



MFIC Member and UPCG meet to discuss economic challenges

The implementation of sustainable policies and measures that support the operations of companies (domestic and foreign) and the development of business is vital for the economic recovery of Montenegro and the creating and preserving of jobs, as was concluded at the meeting of the President of the Union of Employers of Montenegro (UPCG) Predrag Mitrović and the President of the MFIC Assembly and Board of Directors Ruediger Schulz.

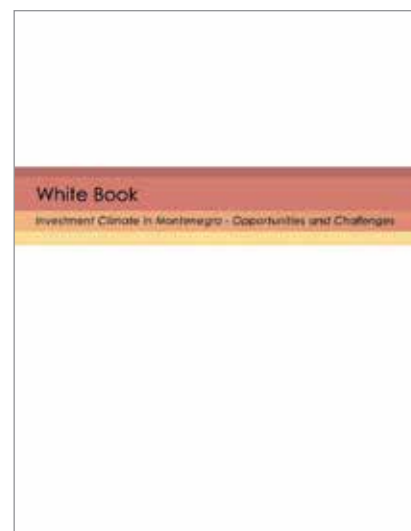


2010

First White book Published

The key document of MFIC is the White Book, an annual publication that informs the general public and all stakeholders about the business environment and hindrances to doing business as experienced by foreign inves-

tors in Montenegro and, more importantly, provides recommendations for removing the obstacles identified with the aim of increasing the attractiveness and competitiveness of the Montenegrin economy. The first MFIC White Book was published in 2010.



2009

Montenegrin Foreign Investors Council Established

The Montenegrin Foreign Investors Council - MFIC - was established in 2009 as an association of the leading foreign investors in the country by five companies: Crnogorski Telekom A.D., NLB Montenegro Banka A.D., Montenegro Stars Hotel Group d.o.o., KAP A.D. and Daido Metal A.D.





We Maintain A High Level Of QUALITY

The government considers the MFIC's role very seriously and respects the work of the council at a very high level, as one of the most credible business associations in Montenegro. I'm unfortunately unable to confirm the same when it comes to the relationship between the Government, or more precisely the Ministry of Transport and Maritime Affairs, and Ocean Montenegro.

Maritime affairs is a branch of industry in which the degree of business success depends largely on the ability to adapt quickly to situations. Of course, the global challenge of COVID-19 has not bypassed our company either - says Nela Vitić, CEO of Ocean Montenegro.

Following the declaring of the epidemic, the Montenegrin government opted to keep the Port of Bar open to international maritime traffic. "Unlike some activities, this enabled us to continue providing services without hindrance, but due to the nature of our work it was not possible to replace 'work from the office' with 'work from home'. Considering that Ocean Montenegro deals in activities of public interest, which implies the guaranteeing of an uninterrupted service at the level of 24/7/365 to all users and without exceptions, the aforementioned crisis has brought us a new challenge - providing a public service under extraordinary circumstances," explains our interlocutor.

"The fact is that over the past decade we've raised the standards of the securing of port services in Bar to the world level. And with that we are obliged to maintain a high level of quality of services and professionalism, with an additional emphasis on the safety and protection of our employees, as the company's most valuable resource," says Vitić.

"On the other hand, I consider that the status of a secure partner of the Government of Montenegro is also justified through the company's social policy, which we also harmonised to address the current challenges and thus provided support to the local administration. Our aim is to preserve a positive spirit within the company and additionally motivate employees through various training courses, education and specialisations with an emphasis on digitisation,

council at a very high level, as one of the most credible business associations in Montenegro. This is reflected in the public-private dialogue and our active participation in the Competitiveness Council, but also in the participation of all working bodies in the drafting of laws, strategies and other acts that are important for the Montenegrin economy.

I'm unfortunately unable to confirm the same when it comes to the relationship between the Government, or more precisely the Ministry of Transport and Maritime Affairs, and Ocean Montenegro. Even despite the recommendations of European institutions warning that it is extremely risky for the safety of maritime navigation in the Port of Bar to award more concessions for maritime transport services, especially given the constant downward trend in the number of ships docking over

the last six years, and at a juncture when the maritime economy is suffering additionally, which is also further reflected on our port, the Ministry is awarding two more concessions for the provision of the same services that are provided by our company.

Of course, we will not allow such decisions to demotivate us, regardless of how unacceptable they may be. We certainly remain consistent to our own criteria. ■

I can proudly state that we are among the few companies that didn't implement a redundancy programme or reduce employees' salaries, despite significant declines in the volume of work

which we would not be able to dedicate ourselves to the same extent under normal circumstances," notes our interlocutor.

■ **How satisfied are you with the quality of dialogue between foreign investors and the Government of Montenegro generally?**

- The government considers the MFIC's role very seriously and respects the work of the

CKB - Driver of INNOVATION



PÁL KOVÁCS

CEO OF CRNOGORSKA KOMERCIJALNA
BANKA AND MFIC BOARD MEMBER

With the integrating of Crnogorska Komercijalna Banka and Podgoricka Bank, companies and the state have gained a stronger partner to support development projects, while the society will benefit through the Bank's socially responsible actions and the support of parent company OTP, as the dominant regional banking group.

However, he adds, “despite all those changes and challenges to the organisation of our activities, I am proud to announce that we completed the integration project on time. There will always be risks in business, but the reaction and agility matter.”

■ **You initiated the consolidation with the thesis that large banks in a small market can provide greater efficiency of the economy and better support the country's economy and its projects. What exactly will this mean for your clients?**

- I do believe that a large bank in a small market can provide greater efficiency. Global trends of enlargement under many financial and other brands and markets prove that. The benefits of integrating CKB and Podgoricka Bank will be felt the most by our clients. The integrated bank will offer a wide range of products and provide quick services and innovative digital products. A larger number of branches than before will be at the service of our clients. At the 35 branches of the new CKB network throughout Montenegro, and through 115 ATMs, the bank will provide broad market coverage, high service quality and quick responses to clients' requirements, in line with the recognisable standards of the OTP Group.

■ **When it comes to the long-term recovery of the Montenegrin economy from COVID-19, is it more crucial for the country to focus on foreign investors who are already present or to attract new ones?**

- I would say that focusing on both of these is equally important. Montenegro has been one of the fastest growing economies in the region for

In the midst of the pandemic, Crnogorska Komercijalna Banka completed its merger with Podgoricka Bank. Yet Pál Kovács, CEO of Crnogorska Komercijalna Banka and an MFIC board member, didn't see this integration project as a risky one. The process began more than a year and a half ago and is just completed. “Our goal is to build a modern, digital, customer-orientated bank that will best serve the needs of our clients, the state and society as a whole. Regardless of the current circumstances and despite the pandemic, we have been building an even bigger and stronger bank in Montenegro, although our activities would be easier if they were conducted in a regular environment,” admits Kovács.

“The epidemic period certainly changes the usual way of doing business,” says our interlocutor. “We are doing our best to protect employees by organising work from home whenever possible, clients are also being protected with the introducing of measures in branches, while we are introducing more digital solutions for them, cancelling fees for online payments when needed, accepting moratoriums on loan repayments etc.”

a few years, which has attracted foreign investors. What's needed now is to stay on this path by maintaining stability and progressing towards the EU. The introduction of more EU regulations and policies will help overcome the damage caused by COVID-19. This will contribute to the creation of a favourable environment for new investors to arrive, but also for those already present to expand their activities and perhaps enlarge their existing investments. Many periods of crisis throughout history have also been shown to have been opportunities.

■ **Considering that Montenegro has been largely dependent on the tourism sector and that many other economic activities were connected with this branch, how do you assess the overall economic situation, as both a banker and as an executive?**

- The pandemic situation has already presented new challenges to be solved, and not only in the area of health, rather in each segment of society and the economy worldwide. As a small economy mainly oriented towards tourism and related industries, Montenegro is also facing challenges. The period ahead of us will provide answers about the kind of restructuring that will be needed, but it's evident that turning to sustainable projects and green energy usage might be a solution, as well as an increase in food processing and enhancing agriculture, which will provide high quality products for the needs of Montenegro and for export. Enhancing small and medium-sized businesses will be also needed, and our bank will be there to support every sound and justified project. I always point out the credit lines we provide as support to smaller companies based on EU guarantees, and I think this kind of support will now be even more important and useful.

■ **What are your expectations of the new Government of Montenegro when it comes to incentive measures for the economy?**

- I expect that Montenegro will continue on its path towards the EU. The further strengthening and improving of the rule of law, governance system, rules of accession and the modernisation of infrastructure should remain important goals, as they will help Montenegro to stay attractive for investing. The new winning coalition also confirmed that it will be retaining the system's stability and respecting international arrangements, such as ones stipulated with the WBM, EIB etc.

On the other hand, as a bank, CKB will remain a catalyst for good business, modernisation, innovations and the improvement of the business culture and environment. I hope that our company will contribute to the further development of the country and the implementation of the highest European standards of business.

■ **How would you assess the work of the banking sector and how do you cooperate with the Central Bank?**

- The Montenegrin banking sector is stable and liquid, and having a healthy banking sector that is a driver of economic growth is crucial, because it supports development and the preservation of businesses and jobs. Not so long ago, in 2009, banks were the cause of the crisis, but

now they are the drivers of recovery and stabilisation. Our banking sector responded proactively to the COVID crisis by offering a moratorium on loan repayments, both to individual and corporate clients and in accordance with that which the regulator prescribed. This project showed the good synergy of the Central Bank and commercial banks, which helped overcome the unexpected consequences COVID-19 that hit the finances of our citizens and companies. Our bank was more than ready to help the National Coordination Body for the fight against disease (NKT), with donations to help the citizens and our community. Under the most difficult working conditions, we enabled continuity without interruptions to operations. CKB has excellent cooperation with the regulator and always respects its measures, harmonising with recommendations and contributing to the stability of the banking system and contributing to the stability of the banking system.



While maintaining regular operations and achieving good results, CKB completed the integration project with Podgoricka Bank. We showed our ability to adapt even in the most demanding situation.

■ **Many banks have invested heavily in the digitisation of services for both citizens and business clients. What are your priorities in this segment?**

- CKB is known as a bank with a culture of high innovation, including dig-

itisation. We have our digital teams, which have already been working for years, in order to monitor the latest global trends and offer our clients modern versions of digital solutions. CKB is the first to make innovative digital moves in Montenegro... Apple Pay, CKB GO - mobile banking, participation in Digital Kiosk - these are all CKB digital innovations. The CKB Mobile banking platform is among the best in the banking industry. Montenegro is becoming more digital every day and it is our duty, as responsible bankers, to continue supporting our clients in their daily activities by creating and providing them with only the best and simplest digital solutions for their business activities and personal finances. ■



We Turn Challenges Into OPPORTUNITIES

We adapted to the outbreak of the pandemic and thus continued our business activities without any interruptions. Our main objective was, and still is, to protect the health and well-being of our employees and customers.

Immediately prior to the outbreak of the pandemic, MFIC BoD member and Jugopetrol AD CEO Antonis Semelides was declared the most successful manager among large enterprises and joint stock companies in Montenegro. We first asked Mr Semelides how challenging his job is under the current circumstances.

"First of all I would like to say that being awarded among many successful managers and leaders is a very special honour that reflects entirely on the success of Jugopetrol AD and all of its dedicated employees, my colleagues, as we share the same ideas and business goals. When you share knowledge, experience and responsibilities, even the most challenging situations become opportunities from which you can learn lessons and improve the way you conduct your business. Certainly, under these difficult and demanding circumstances, the job of a manager has become extremely challenging, but through teamwork, focusing on priorities and frequently assessing the changing conditions, the best possible results under the circumstances may be achieved.

■ How has this year been for you and what are your predictions for 2021?

- This year is particularly challenging, as the situation with the novel coronavirus is certainly unprecedented and very unpredictable. From

the outset we respected and followed all the measures and recommendations of National Coordination Body and Institute of Public Health of Montenegro, but also our own internal policies, as our main objective was, and still is, to do everything we can to protect the health and well-being of our employees and customers.

Having established from the very beginning that our most important priority has to be the health of our employees and customers, we still

MFIC has for years been an organisation whose opinions and suggestions for the improvement of the business environment carry considerable weight, and which the State institutions are willing to consider seriously for adoption.

needed to handle our normal business activities under these extremely adverse circumstances.

We adapted to these new circumstances by changing priorities and modifying certain business processes, and therefore managed to continue with our business activities and other projects without any interruptions. All of our filling stations remained open and continued to serve our customers, while our project for the reconstruction of stations also went ahead as per plan, with only minor delays. We have

opened one new EKO petrol station in Berane and will soon open a brand new filling station on one of the main city boulevards in Podgorica.

As is the case every year, we have also realised different CRS projects, given donations and established new partnerships. We paid special attention, of course, to the needs arising from the COVID-19 crisis by making targeted donations and providing support to the National Coordination Body and the Red Cross.

It is very difficult to make predictions for next year, as the situation is still very volatile and unpredictable. We can only express hope that vaccinations will become widely available everywhere and allow for a gradual return to normality.

■ How can MFIC help its members?

- MFIC can provide valuable assistance to its members, which are of course foreign investors doing business in Montenegro. MFIC is a rich source of

information on various important matters that are essential for businesses, such as how public administration functions, the applicable legal framework, the tax system, labour laws and relations, company law, construction law and so many others.

MFIC offers a forum to its members, through which they can collectively discuss issues that impact on their operations and then address them to the State in an organised, comprehensive and efficient manner. ■

We Must Work MORE AND SMARTER

Montenegro has attracted foreign investment worth hundreds of millions of euros in recent years, which is indeed a kind of confirmation of a good strategy, but it is very important to continue at an even stronger pace in order to be able to talk about new investments to the same or a greater extent five years from now.



Thanks to its geopolitical position and beautiful nature, Montenegro will always be an attractive place for business. It is up to Montenegro to make it more or less excellent, and we will best achieve that (apart from through continuity in stability - which is very important to every investor), by transferring our traditional hospitality to the basic needs for doing business more simply in the 21st century - says MFIC BoD member and Saga CG Executive Director Ivan Bojanović.

According to our interlocutor, this relates to all phases of doing business: from registration and obtaining the necessary permits, via everything implied by the daily functioning of a company, to an efficient system for resolving disputes and arbitration.

"Montenegro has made plenty of progress in all of the aforementioned fields, but very strong competition exists in the countries of the region and beyond, which also have, and continue to create, an advantage through competitive tax rates, great progress on "doing business" lists etc.," notes Bojanović.

■ To what extent has digital transformation advanced in Montenegro? In this context, what are the main recommendations of your ICT Committee?

- We have been hearing that digital transformation represents a great opportunity for Montenegro for a long time, in various places and from people of varying profiles. I'm afraid that, despite so much talk, we might get into a situation where we miss out on that great chance. There are shining examples of projects that, with their results, really represent a true representation of what digital transformation means and should be, but we can't be satisfied with the end result when we take into account the serious amounts that the

The year that's ending has - primarily due to the pandemic - brought us all new perceptions of how to view business, and I sincerely believe that this can be the trigger for some new (r) evolution. We need to find a way to be part of the sharing of this new "cake".

state invests in ICT projects. This primarily relates to the utilising of the benefits of technology in state institutions, accessibility and the use of e-services by citizens and the economy, not to mention strategic projects (such as e-citizen) that have brought huge benefits to some countries.

I think it would be of great strategic importance to form a ministry for digitisation, because there's almost no sphere of life in which digitisation doesn't provide benefits. The experience with the Ministry of Public Administration certainly shows how ICT shouldn't be treated in Montenegro.

■ Considering the very specific economic situation, to what extent do the recommendations contained in the White Book represent long-term goals and how much are they intended for the present moment?

- The White Book represents a compilation of the individual experiences of our members, which can of course sometimes also represent a subjective judgement. Naturally, when you subliminate these experiences into a single document you receive statistics that should fairly faithfully present the situation for the period to which they relate.

And that is precisely how one should view the White Book and its recommendations: as valuable statistics and, I believe, a realistic picture of the situation, including the one in which we find ourselves.

On behalf of MFIC, we remain - as has been the case to date - at the disposal of the Government of Montenegro with all of our knowledge and experience. ■

Trust and COOPERATION



IVAN RADULOVIĆ

MFIC EXECUTIVE DIRECTOR

Despite the pandemic, Montenegro remains attractive to foreign investors. As such, member companies of the Foreign Investors Council continue to invest in the fields of tourism, energy, telecommunications and other areas.

and varied industries: banking and financial services, telecommunications, metallurgy and mining, energy, tourism and hospitality, real estate, the petroleum industry, port services, legal services, the FMCG sector, logistics, manufacturing, transportation, auditing and ICT.

■ **Considering the COVID-19 pandemic and the decline in economic activity around the world, what investments are MFIC companies planning in Montenegro in the period ahead?**

- Montenegro has become increasingly attractive to foreign investors since 2006, and I believe that the investment activities of MFIC member companies have contributed to Montenegro being recognised today as a modern country and an attractive destination for foreign investors.

The pandemic did not disrupt our plans significantly. The member companies of the Montenegrin Foreign Investors Council continue to invest in Montenegro and, with the implementation of planned investments already announced, in the 2020-2022 period they will invest approximately 1.5 billion euros. These are planned long-term investments aimed at completing projects already launched, as well as improving existing business processes.

According to the investment plans of our member companies, the largest investments are expected in the sectors of tourism (approximately 640 million euros), energy (approximately 166 million), electronic communications (approximately 90 million), trade (approximately 10 million), insurance (approximately 9 million) and the maritime domain (approximately 4 million), while the EBRD's investments will amount to approximately 300 million euros.

■ **In your opinion, what is the significance of the adoption of the Digital Transformation Strategy of Montenegro 2021-2025?**

The new Montenegrin government is confronted by many challenges that have been brought by the pandemic, but the Foreign Investors Council considers Montenegro an attractive investment destination and its members intend to continue expanding their operations and making new investments in a number of sectors. They are also ready to provide the Government with constructive support in building up and improving the business environment, says MFIC Executive Director Ivan Radulović.

■ **How many members does MFIC have today and which sectors do they come from?**

- MFIC – as an association of the leading foreign investors in the country – was established in 2009 by just five companies, while today we have 43 members. The Council gathers together representatives of numerous

- Digital transformation in the telecommunications industry globally, as well as here in Montenegro and indeed in any other country, is a constant journey, because innovative consumer products and services are being delivered and created all the time. In addition, the situation with the Coronavirus pandemic has indicated that information and communication technologies represent a turning point for modernisation and have the potential to further develop all sectors in Montenegro.

Transformation requires a digital transformation strategy that, like any strategy, looks at the goals, the current situation and how to move forward on a transformational journey in a way that makes sense and connects all relevant elements. The basic preconditions for a successful digital transformation here in Montenegro are an adequate legal framework that enables the application of advanced solutions that are applied in a highly developed world. It is therefore important that the government pays special attention to digital transformation in the coming period. Of course, we see digitisation as the shared responsibility of the public and private sectors, who must create a reasonable and smart mechanism that will enable digital transformation aimed at improving the efficiency of administration, first and foremost, and then contribute to the sustainable development and growth of companies in the digital age. It is very important that the government has also recognised the importance of these processes, so it started drafting the Digital Transformation Strategy, the preparation of which also includes the participation of an MFIC representative.

Successful digital transformation represents a great chance for the economy, which has been shown by the examples of other small countries and the countries of the region. Further development of the Montenegrin economy and society implies digitisation as a development and transformation policy, and we expect digital transformation to be one of the government's key policies in the period ahead.

■ What does the Montenegrin Foreign Investors Council expect from the new Government of Montenegro?

- The new government is confronted by many challenges, given that the situation with the pandemic has led to changes in business policies and has resulted in the decline of economic activity globally in the sectors of tourism, transport, energy etc., while on the other hand it has stimulated the development of the ICT sector. In the coming period, courageous, responsible decisions should be taken to stimulate the economy's development in all sectors. We believe that the new government will respond to these challenges in the right way, and that it will continue its partnership with the business community in Montenegro, in order to build a stimulating business environment.

The Montenegrin Foreign Investors Council expects the new Government of Montenegro to continue activities initiated to improve the business environment and the competitiveness of the economy, primarily through the work of the Competitiveness Council and competent institutions. In the previous period we started talks with the government on the forma-

tion of a digital coalition, which would initiate and accelerate the digital transformation of business processes in public administration, especially in the context of the digitisation of e-services related to the economy. In that context, the adoption of the Digital Transformation Strategy is of special importance. We believe that the new government will recognise these priorities in the context of the current economic situation and the need to overcome the consequences of the Coronavirus pandemic.

■ What are the most important messages you have for the Government of Montenegro when it comes to improving the business environment and attracting foreign investments?

- Close and continuous communication with the government and public administration authorities remains an important tool of the MFIC in supporting our members in developing and enhancing their business operations in Montenegro. A timely dialogue in this context is essential for all stakeholders, as it would allow them to increase their efficiency in operational



It is very important that the government has also recognised the importance of these processes, so it started drafting the Digital Transformation Strategy, the preparation of which also includes the participation of an MFIC representative.

processes and avoid negative and harmful consequences for the entire business community. It is fair to say that this understanding is shared among stakeholders who are committed to continuing it in order to achieve the proper implementation and positive results of reforms introduced in different sectors. Due to the sensitivity of any investment to frequent changes in the legal and





regulatory framework, this mutual commitment is crucial to the economic progress of Montenegro in the period ahead.

During our eleven years of work, continuous and timely communication with the government and public administration has remained an important task of the Council. Therefore, finding proper mechanisms and getting involved at different levels is essential and beneficial to both sides. One of the main missions of the MFIC is to be a constructive and reliable partner to public administration. ■



MFIC Montenegro Foreign
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MFIC | Montenegrin Foreign
Investors Council

Promoting a Sustainable Business Environment

Since its establishment, the Montenegrin Foreign Investors Council has been guided by the same set of principles – consistency, transparency, equality and predictability. Today, as in the past, the MFIC is an agile promoter of a predictable and clear business environment, a level playing field and sound business ethics.

The MFIC prides itself on being a strict guardian of the business community's interests, while at the same time being a reliable partner of the Government of Montenegro and other relevant stakeholders.







CHRISTOPH SCHOEN,
MFIC PRESIDENT (ADDIKO BANK CEO)

EVERY CRISIS ALSO HAS OPPORTUNITIES

We believe that the Montenegrin economy will continue to be strongly influenced by investments in the coming years. It is therefore of particular importance for the new government to continue implementing measures in the areas of the rule of law and the efficiency of legal protection, as well as improving economic conditions and the business climate.

AMBASSADOR OANA-CRISTINA POPA,
HEAD OF THE EU DELEGATION TO MONTENEGRO



FRIENDSHIPS ARE FORGED IN CRISES

For Montenegro, as the most advanced EU membership candidate country, all the opportunities offered by the new methodology for accession are at the country's fingertips. I have no doubt that Montenegrin society is capable of doing whatever it takes to realise its future in the EU.



RADOJE ŽUGIĆ,
GOVERNOR OF THE CENTRAL BANK OF MONTENEGRO

WE PROVIDE OUR MAXIMUM CONTRIBUTION TO STABILITY

The Montenegrin economy recovered relatively quickly from the negative impact of the 2008 global financial crisis. With the discovery of a vaccine, we expect this crisis to be remedied in the foreseeable future. When that happens, it is realistic to expect the fastest recovery in the service sector, i.e. tourism and complementary activities, which were hardest hit during the crisis.

BRANKO MITROVIĆ,
GENERAL MANAGER, TELENOR MONTENEGRO



DIGITAL TRANSFORMATION IS KEY TO DEVELOPMENT

We view the digital transformation process that drives change as a chance for the accelerated recovery and growth of the Montenegrin economy, as well as for reducing the country's dependence on tourism. With almost 25 years of doing business on the Montenegrin market, Telenor wants to be a leader in this process.



EMANUEL SALINAS,
WORLD BANK COUNTRY MANAGER FOR BOSNIA-HERZEGOVINA AND MONTENEGRO

TIGHT SPOT

Over the medium and long term, the focus must be on improving the economy's resilience by addressing its internal and external imbalances and boosting productivity growth. While we expect growth to rebound in 2021, as the economy recovers, the timing and pace of recovery is highly uncertain.

JAAP SPREY,
HEAD OF THE EBRD IN MONTENEGRO



WE'RE HERE TO HELP

The epidemic has highlighted that Montenegro requires a more diversified economy with less reliance on tourism, while the tourism sector needs serious measures to diversify and increase its competitiveness. As in other countries, the speed of Montenegro's recovery will depend on the ability of the state to contain the epidemic and the availability of an effective vaccine that can be deployed.



PREDRAG LEŠIĆ,
DOMEN DOO CEO

.ME AND TODAY'S GLOBAL CHALLENGES

When we first launched .ME we knew it wasn't only an opportunity to develop a healthy business, but also a platform to raise awareness in Montenegro about the benefits of the digital world and equip people with the skills needed to successfully navigate that world. This has been an integral part of our company's strategy and mission over the last decade.

DINA TSYBULSKAYA,
CRNOGORSKI TELEKOM CEO



GOVERNMENT SHOULD BACK LOCAL COMPANIES

In order to accelerate the digital transformation process, it is necessary to continuously improve the investment environment for the technology sector. Montenegro recently saw the presenting of concrete measures and laws for stimulating investment in innovations, and it is crucial for their application to continue.



NELAVITIĆ,
MFIC BOD MEMBER; OCEAN MONTENEGRO CEO

WE MAINTAIN A HIGH LEVEL OF QUALITY

The government considers the MFIC's role very seriously and respects the work of the council at a very high level, as one of the most credible business associations in Montenegro. I'm unfortunately unable to confirm the same when it comes to the relationship between the Government, or more precisely the Ministry of Transport and Maritime Affairs, and Ocean Montenegro.

PÁL KOVÁCS,
MFIC BOARD MEMBER; CRNOGORSKA KOMERCIJALNA BANKA CEO



GOOD SYNERGY

With the integrating of Crnogorska Komercijalna Banka and Podgoricka Bank, companies and the state have gained a stronger partner to support development projects, while the society will benefit through the Bank's socially responsible actions and the support of parent company OTP, as the dominant regional banking group.



ANTONIS SEMELIDES,
MFIC BOD MEMBER; JUGOPETROL AD CEO

WE TURN CHALLENGES INTO OPPORTUNITIES

We adapted to the outbreak of the pandemic and thus continued our business activities without any interruptions. Our main objective was, and still is, to protect the health and well-being of our employees and customers.

IVAN BOJANOVIĆ,
MFIC BOD MEMBER; EXECUTIVE DIRECTOR OF SAGA CG



WE MUST WORK MORE AND SMARTER

Montenegro has attracted foreign investment worth hundreds of millions of euros in recent years, which is indeed a kind of confirmation of a good strategy, but it is very important to continue at an even stronger pace in order to be able to talk about new investments to the same or a greater extent five years from now.



IVAN RADULOVIĆ,
MFIC EXECUTIVE DIRECTOR

TRUST AND COOPERATION

Despite the pandemic, Montenegro remains attractive to foreign investors. As such, member companies of the Foreign Investors Council continue to invest in the fields of tourism, energy, telecommunications and other areas.



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***VIŠE KILOMETARA,
MANJE GORIVA!***



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