

Guide

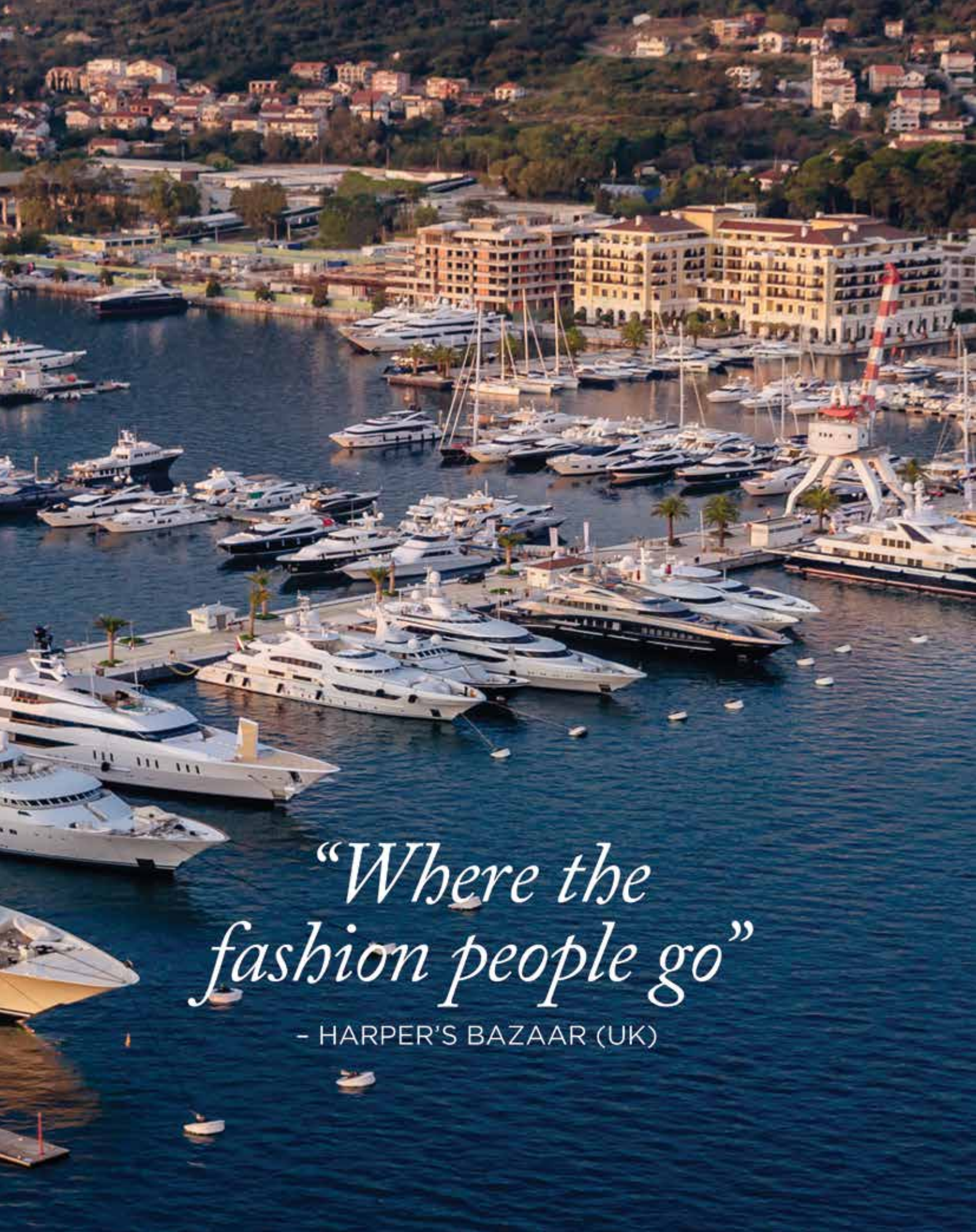
MONTENEGRIN FOREIGN INVESTORS COUNCIL

2017



MFIC

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Put To THE TEST

At this moment Montenegro represents a rare example, if not the only example in the region, of a good student who consistently fulfils its Euro-Atlantic and European integration commitments. This reassures investors that the country is heading in the right direction, but also imposes an additional responsibility for Montenegrin policymakers to stay the course

Entry into NATO as a member is undoubtedly of historical significance for Montenegro. This is especially so if, like many analysts, NATO membership is seen as the entrance lobby to the European Union. This progress has been achieved under conditions of major external challenges. The Western Balkans has gone from a good European student to almost overnight turn once again into a turbulent area in which politicians easily lose their democratic orientation, in which elections lower the bar, while governments and parliaments dissolve before managing to leave any trace of their work on improving the institutional framework.

In addition to external challenges, Montenegro has no lack of internal ones either. Major infrastructure projects, which should ensure the country's robust growth in the future, constitute a powerful counterweight to short-term development. That's why the government has the difficult task of resolutely implementing fiscal stabilisation and not endangering growth factors that are primarily based on the inflow of foreign investment, and less on domestic economic resources.

Montenegro has approached these internal challenges with open eyes and a pre-prepared government policy, which aims to send domestic and foreign market players a signal that the business environment will remain stable and supportive.

Foreign investors assess that the Montenegrin economy is moving in the right direction and that the unfaltering commitment of the government to continuing with EU integration represents a pledge that the country is on the right track.

However, considerable room exists to improve the business climate. Bureaucracy and complicated procedures still burden investors, especially at the local level. For example, the progress achieved in building permit issuance, despite some progress, is insufficient. This has a major impact on investors who are focused to a great extent on tourism and investments in the construction of elite,

highly sophisticated tourist facilities, changing the structure of the Montenegrin economy in favour of a more propulsive and highly profitable service sector.

Alongside the travel industry and energy, tourism represents the backbone of future economic growth. And that is not only in the more developed parts of Montenegro, but rather, thanks to transport links connecting the developed and underdeveloped parts of the country, also in its parts that have to date been less attractive to investors in tourism. This picture is now slowly changing, and the announced investments could contribute significantly to extending the length of the tourist season and, more importantly, ensure the balanced development of all parts of the country.

Montenegro is one of the few countries in the region that has not yet changed its labour law, which businesspeople consider as being too inflexible and not adapted to new business trends. The amending of this law has been announced for this year, while changes have been approached through consultation with all partners.

Likewise, Montenegro must do much more to make its workforce competitive and well educated for new occupations that are sought. And here a number of measures have been announced that have yet to produce results, if the country wants to exploit its potential and for all

citizens of Montenegro to feel prosperity equally.

The Government of Montenegro, judging by the attitudes of the business community, fosters a high quality dialogue with representatives of business. NATO membership and EU integration are seen by business representatives as further proof that the country is committed to strengthening the rule of law and a functioning market economy as a condition for raising the competitiveness of the country as an investment destination. This is not only the greatest challenge for Montenegro, but also for all countries of the region, and is also the only path that promises economic prosperity for all citizens. ■

Alongside the macroeconomic stability that the Montenegrin government intends to maintain with the measured management of fiscal stabilisation, investors impatiently await the new labour law and better educating of the workforce

Banking can be hard to understand.
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Addiko Bank

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We Are Open To COOPERATION



CHRISTOPH SCHOEN

MFIC PRESIDENT, CEO AT ADDIKO
BANK MONTENEGRO

Montenegro is a good investment destination that is moving in the right direction to utilise its high potential. The challenge is the way and pace at which that potential will be used. There is a lot of room for improvement and we are aware that this is a long-term process requiring the cooperation of all stakeholders. MFIC is ready to contribute as much as possible

The Montenegrin Foreign Investment Council welcomes the efforts of the Government of Montenegro to secure a stable macroeconomic environment and improve the business climate. MFIC is ready to contribute to all those efforts, including in areas such as education, the labour market and social policy, which are of the utmost importance to Montenegrin society, says MFIC President Christoph Schoen, (CEO of Addiko Bank Montenegro).

■ **What elements of the business climate do you consider as being the most encouraging for foreign investments and where is the potential for improvement?**

- First of all let me start by stating that the members of the Foreign Investment Council believe that Montenegro is a good investment destination that is moving in the right direction to utilise its high potential. The challenge is the way and pace at which that potential will be used. Montenegro continues to rapidly progress towards the EU and will become a member of NATO this year, which will provide long-term stability and safety, as well as significant economic benefits. In my opinion, that has to have a positive impact on the business climate, attract foreign investment and boost the economy. For Montenegro, as well as for the region, “integration” is a key word, and foreign investors, both current and potential ones, are highly interested in these

PROGRESS

Montenegro continues to rapidly progress towards the EU and will become a member of NATO this year

MEMBERS

Our members are reputable and recognised companies that operate in many countries around the world

ECONOMY

Montenegro's banking system will not be properly consolidated without the restructuring of the real economy

processes, in such a way that many business decisions will depend on them. In other words, acceding to the EU and NATO requires the adoption of a new system of values that implies the rule of law and a functioning market economy, which contribute directly to enhancing the competitiveness of an investment destination.

Understanding the need to constantly improve the business environment is recognised by the Government and appreciated by the private sector. On the other side, activities in that direction often require a more efficient approach, more training and less "bureaucratic" behaviour at all levels of public administration, in order to achieve proper implementation and positive results of reforms conducted in different sectors. Considering the importance of a predictable environment for investors, frequent changes, particularly in the legal domain, can be demanding and unattractive for investing.

It is important to mention the equal treatment of domestic and foreign investors in Montenegro, and the fact that the economy is very open to new foreign investors, as well as its pretty attractive tax system, with competitive fiscal overheads that are certainly stimulating.

There is a lot of room for improvement and we are aware that this is a long-term process that requires the cooperation of all stakeholders. The Government sets ambitious goals for reforms in areas like education, the labour market and social policy, special planning and construction, healthcare and the like, and MFIC is ready to contribute as much as possible.

■ To what extent is the overall macroeconomic environment conducive to foreign investments?

- It is evident that the Montenegrin Government is exerting a lot of effort in order to ensure macroeconomic stability, focusing in particular on fiscal stability by dealing with fiscal consolidation. The high unemployment rate is an issue of concern, particularly since a significant percentage of it comprises vulnerable groups. On the other side, the unemployment rate shows the need for foreign investors and the creation of new jobs, which is understood by the Government and provides one more reason for the authorities to deal seriously with the elimination of barriers to doing business.

One of the attractive macroeconomic indicators is low inflation and monetary stability, given that the country has used the euro as its official currency since 2002. Additionally, free capital flows and high foreign investments from over 100 countries, averaging around 19% of GDP in the last 10 years, places Montenegro among the countries with the highest net FDI per capita, and also sends a good message.

■ How does the Council contribute to promoting Montenegro's investment potential and supporting business development?



Acceding to the EU and NATO requires the adoption of a new system of values that implies the rule of law and a functioning market economy, which contribute directly to enhancing the competitiveness of an investment destination

- The Council is a great mechanism to represent the opinions and positions of foreign investors in Montenegro, as well as being a kind of "tool" that should be used in promoting common interests when communicating with different stakeholders. As our Statute defines, our intention is to improve the investment climate and support business development in Montenegro through cooperation and dialogue with official authorities for the purpose of overcoming current

and possible problems and obstacles that foreign investors (may) face, and to share the benefits and experiences of the world's best practises and tangible tools in order to facilitate business activities. Participating in consultations organised by state bodies and other

representatives of the private sector, which relate to legal regulations, and especially regarding the preparation of comments, proposals and suggestions as part of the public consultation process, are the main contributions of our Council and our Members.

■ **Are you satisfied with the dialogue you have with the Montenegrin Government and State institutions?**

- As I mentioned previously, the Montenegrin Government understands the importance of foreign direct investment for the development of the country. This is mentioned explicitly in the main public documents, strategies, action plans, public speeches and the like. That is certainly a good base to develop a productive dialogue, since both parties are willing and interested in cooperating. The MFIC communicates with state institutions via different mechanism on different levels, most of the time successfully.

What is most important is for dialogue to continue, which I am certain it will, because apart from all the improvements we have witnessed in previous years, there is still much additional work ahead of us if we want to catch up with modern societies that have high living standards.

■ **Which of your recommendations were addressed by the government in the previous period?**

- This year the MFIC published the seventh edition of its White Book, the publication that informs the Montenegrin public about the business environment, especially business barriers and recommendations for overcoming them, and provides concrete feedback to the Government regarding regulatory and structural reforms. Through this specific contribution, the MFIC provides the assessments and opinions of our Members regarding the country's overall investment climate. Since we all know that the regulatory framework of any modern economy should be designed to stimulate market development, create skilled jobs, boost productivity and attract investment, the White Book deals mainly with this area. The MFIC members listed recommendations to amend 19 regulations/laws that would improve business and further economic development (of 90+ recommendations, 64% are being considered or adopted by the Government).

■ **What are the most important changes in the sphere of public policy that MFIC intends to pursue through this dialogue in the medium-term period?**

- Considering that our members represent almost all industries, MFIC

is interested in a wide range of planned reforms. Some of the areas that have been in our general focus for years, and that will surely continue to be so in the medium term, include the rule of law, and particularly property development, the labour market and employment, taxation, the banking system, corporate governance, special planning and construction, education system reform etc. These areas directly influence businesses and impact on the successfulness of our members, and we will communicate our messages regularly to interested stakeholders.



MFIC members listed recommendations in the White Book to amend 19 regulations/laws that would improve business and further economic development

■ **How does the MFIC target new members?**

- The Foreign Investors Council currently has 34 Members and is expanding constantly. Our Members are reputable and recognised companies that operate in many countries around the world. They perform a variety of business activities and it is this diversity that allows us to gain insight into almost all important business sectors in Montenegro. Our Members come from sectors and industries such as banking, insurance, telecommunications, tourism, energy, production, construction etc. They employ around 8,000 employees and account for 30% of national GDP.

Our activities are the main reason we attract potential new members, which need to fulfil some preconditions related to the origin of capital and company reputation in order to become full Members. Our mission is not to have as many Members as possible, but rather to have ones that represent the best foreign companies in Montenegro, and which have long-term projects and plans to stay in Montenegro. Ultimately, Members need to be interested in the future development of the country and be willing to act as good examples of socially responsible businesses.

■ **How do you assess the situation in the financial market, and specifically the banking sector?**

- During the last couple of years, Montenegro has experienced a stabilisation of the banking sector and the gradual development of the capital market, thereby restoring consumer confidence in banks. However, Montenegro's banking system will not be properly consolidated without the restructuring of the real economy. As I have already stated, there is much room for improvement of the business environment, but we are aware that this is a long process that requires the cooperation of all interested parties. As one of the major foreign investors in Montenegro, our bank was recently elected to chair the MFIC, demonstrating our continued commitment to improving the local business environment. As investors, on the basis of our daily work, we see the good and

bad sides of business and the solutions offered for improvement.

As CEO of Addiko Bank, I can say that we are on the right track and are well-prepared to respond to all those challenges that the banking industry is faced with in these times. We have established a clear vision to ensure clear, simple and direct services, so-called straightforward banking, for our clients. And next year will be dynamic and will give our all to be a bank that operates quickly and efficiently.

■ How likely is banking sector consolidation in Montenegro?

- We are often hearing criticisms related to the level of the interest rates and the wiliness of banks to land money. We have to admit that at least part of the problem of interest rates is reflected in the fact that there are such a number of banks on such a small market. Due to this, some kind of consolidation would be desirable, and the first signs of this development are already present. A certain number of banks are definitely necessary to maintain healthy competition, but too many banks may have the opposite effect. This means that there is the same number of IT systems, an overlapping business network, a large number of employees in business support etc., and all of this represents a huge cost, which in the end should be covered by the prices of services and products paid to the bank by its customers.

■ How did Addiko Bank fare in 2016; and what are your goals in 2017?

- We are more than satisfied with the performance in 2016. Our bank went through a transformation, during which we built strong foundations and took important steps towards sustainable and profitable growth. We are continuing to focus on our mass market proposition to individuals, as well as financing the “real economy” in terms of micro businesses, SMEs and regional corporates. Innovation and improved technology are at the core of our strategy. We outdid our business targets in all segments, successfully reduced costs and introduced the new name. The new Addiko brand symbolises the Group’s efforts to build a new, modern bank, with the aim of providing straightforward banking, as the founding principle on which the Group will operate – focusing on the essentials, delivering on efficiency and communicating simplicity. This is what the Addiko brand stands for, and by applying these three principles, by keeping these three promises, Addiko will deliver straightforward banking.

■ According to the Central Bank of Montenegro, it seems that banking activity is growing. Does this translate into more loans to the business sector?

- Competition among foreign banks to win over good corporate clients will lead to further downward pressure on interest rates in this segment. We believe that good service to clients will become increasingly important in the next few years, and thus the amount of interest in itself will not be the only determining factor for

customers when it comes to choosing their banking partners. Speed and availability of banking services will make an important difference. However, it will be those banks that have the ability to improve their processes, demonstrate speed and efficiency, and find an appropriate balance between physical presence and digital offers that will be the most successful in the future.

Lending to the economy can be improved through continuously fighting against the grey economy, as well as improving financial reporting and transparency with regard to financial debt. What is specific for our bank is that the new owner Advent International and EBRD, with a long history of investing in the financial industry, is very market-orientated, and Addiko Bank is already working on principles of liberal credit policy in all aspects, the effects of which are already apparent and visible in the significantly higher credit activity of banks in 2016.

■ What are the most attractive products that Addiko Bank offers the business sector?

- In order to grow, companies need access to capital. We help them accomplish their goals and ambitions with our range of loan products. The most attractive products we offer the business sector are Investment loans. Financing investments helps companies implement their plans focused on business growth and development. Investment loans are provided for different purposes: purchase, construction and installation of equipment, buying other types of fixed assets, land



The new Addiko brand symbolises the Group's efforts to build a new, modern bank, with the aim of providing straightforward banking focused on the essentials, delivering on efficiency and communicating simplicity

and business premises purchases, construction of business premises for company use or for sale, renovation and expansion of existing business premises, refinancing existing arrangements... Loans are granted to all legal entities registered in Montenegro. We are focusing our energy on removing complexity for our clients, and we believe that what distinguishes our services are our faster and more efficient processes that deliver a superior customer experience. ■

Time For Dynamic **BUSINESS DEVELOPMENT**

Partner to every client and provider of comprehensive, top-level services



PÁL KOVÁCS

CEO AT CKB

Crnogorska Komercijalna Banka (CKB), a member of the OTP Group, is marking 20 years of successful operations in Montenegro

In this interview, company CEO Pál Kovács talks about the achievements of the banking market in Montenegro, as well as CKB's plans.

■ **What is your first impression of the business climate in Montenegro? What do you see as the biggest challenges facing the Montenegrin economy?**

- The investment climate and political situation in the country, with regard to the development of new market opportunities in all sectors of the economy, are stable and reliable. The country has made tremendous progress in the process of Euro-Atlantic integration, having become a member of NATO and soon to become, I believe, a member of the EU. Some of the major challenges that the Government has been working on include efforts to improve the situation in public finances, stability and the resilience of the financial sector, the implementation of structural reforms, successful and continuous engagement in attracting direct foreign

investment, particularly in projects that are of vital importance in tourism, agro-business and other significant branches of industry. I think we are on the right track, with the results visible. I can see the Government's efforts in attracting foreign capital in all sectors of industry. I hope that, in the period ahead, they will show even greater commitment to ensuring a safe legal and economic framework for foreign investors in Montenegro.

Investment in infrastructure is sure to contribute to regional development, whilst making stable economic growth even more dynamic, decreasing unemployment and raising income per capita to, I hope, the European level.

On the other hand, expansion of the SME sector may have an additional impact on the development of local markets and, simultaneously, the entire economy. Investment in SMEs should be the scaffolding of the Montenegrin economy, with banks there to help the Government in their development. Acknowledging the importance of this segment of the economy, the European Investment Fund (EIF) and CKB have signed an agreement guaranteeing support to SMEs in Montenegro in the Programme for the Development of Entrepreneurship and Innovation in the Western Balkans (WB EDIF). The Agreement on Guarantees for the Western Balkans aims to support SMEs in Montenegro under favourable conditions in the next two years by offering access to loan guarantees for a portfolio of 20 million euros.

■ Is Montenegro's banking-financial market stable?

- The banking market of Montenegro is characterised by dynamic changes, the implementation of contemporary regulations, international standards, internal procedures, a higher level of financial culture and service digitisation, as well as prominent competitiveness with a stable growth trend. Nevertheless, the profitability of the Montenegrin banking sector is gradually growing to the EU average.

The saturated nature of the Montenegrin banking sector causes the high impact of fixed costs, making market operations with a continuous drop in interest rate margins (the key source of profitability) unsustainable in the long run. I believe that the market should promote stable growth constantly, whilst simultaneously bearing in mind the level of acceptable risk. As such, we should bear in mind the global economic crisis and the circumstances in which Montenegrin banks

were the most affected in the Western Balkans, with respect to total loan/deposit coefficient, while the financial system faced the crisis with an underdeveloped structure and ceased external financing.

■ Do you think there are too many banks in Montenegro?

- Montenegro is breaking the regional record for the number of banks per capita. For instance, the Serbian market is nine times the size of the Montenegrin market and has twice as many banks, but they are also in need of a consolidation process. You may find a similar scenario in Croatia. There are also a large number of banks with a low participation rate. Desaturating the market may lead to greater efficiency and increase income.

Banks in Montenegro have high fixed operational and administrative

costs, while some of them do not have favourable sources of financing. Let us also not forget the deposit expenses, as well as other transaction costs. What contributes the most to the relative decrease in operational costs is desaturation, primarily through the effects of economy of scope.

I believe that an optimal number of banks in Montenegro would meet the needs of competitiveness of the banking system, which would consequently provide better quality, diversity and innovativeness of financial services, increased availability through the perma-

nent development of digital channels, as well as sustained innovation and technological development. I think that the Montenegrin market, in the long run, needs fewer banks and that consolidation would also benefit clients.

■ You say that the market is saturated. Why are interest rates in Montenegro still high? Do you anticipate a decrease?

- Further EU integration may cause a decrease in the medium term. However, in the short-term I do not anticipate a significant drop in interest rates, although the number of banks has been increasing recently. The reason for this lies in the fact that certain banks entered this saturated banking market without motivation to be competitive in retail banking, but rather decided to follow companies and investors in their realisation of projects relevant to Montenegro.

As such, I think we are already close to the level of low interest rates and that the local market will stay in alignment with global trends. Apart from retail banking, the market should focus on bigger companies, project funding and SME development in the next period.



Long professional banking career

Pál Kovács spent over ten years as the Deputy CEO of the second largest commercial bank in Hungary, K&H Bank, a KBC Group subsidiary. As Managing Director of OTP bank over the past 18 years, he was also responsible for different positions as the Head of the Loan Approval Directorate and, later, the Head of the Corporate Banking Directorate.

He spent six years working as the Chairman of the Supervisory Board of OTP Bank in Ukraine and joined CKB as its Chief Executive Officer in April 2017.

■ **CKB this year marked 20 years of its operations. How would you briefly describe these two rather dynamic decades and how do you see the bank developing in the coming years?**

- CKB has kept its leading position in most market segments with 15 banks and a market share ranging from 15 to 60 per cent in various business sectors. The first ten years of CKB were a period of rather dynamic, explosive growth, while the second decade was marked by consolidation, restructuring, transparent client relations and the establishment of a new foundation and a new business philosophy.

In the years ahead I expect that, as a hi-tech bank, we will sustain our partnership relations in major projects of the Montenegrin



economy and sustain our market distinctiveness based on trust, security and service efficiency, additionally solidifying the already developed and strong CKB brand.

■ **Have client relations also changed in these contemporary conditions?**

- The new understanding of business further complicates client relations, which have become very sensitive.

Nowadays clients expect a lot, even delivering greater value than promised, while simultaneously demanding additional effort on behalf of our helpful staff, as well as additionally saving both their money and time. The core of service will be up to several times more important than price itself. The service of new customers shows that we are doing the right thing.

The needs of new clients must be integrated into continuous and long-term partnership relations, while CKB is there to offer them a strong focus on stability, transparency, additional and high-quality services. In our relations with clients we place emphasis on the fact that a bank is not about interest rates but rather mutual trust, quality guarantees and positive service experience. We try not to be only a provider of services, but also a partner of each client.

CKB is the first bank in Montenegro to provide funding for renewable energy sources, while in the period ahead we plan to additionally strengthen the efficient and sustainable business environment

■ **CKB has invested a lot in the digitisation of its business. What has been accomplished so far and what are your further plans on the path to becoming a so-called digital bank?**

- The digitisation trend in banking is an unstoppable global phenomenon that allows the bank to automate and optimise its processes, while providing the clients with top-level, consistent service value delivered through contemporary digital channels.

OTP Group is one of the carriers of the technological innovation and digitisation of the CEE banking region, ready to meet the most demanding client needs, focused on the digital concept (i.e. cashless banking) and the development of advanced platforms. The last very successful exam-

ple is the foundation of FinTech start-up OTP eBiz, a cloud-based web application solution for SMEs that provides these enterprises with a full set of digital functionality and financial analysis in one platform.

We keep passing on and implementing modern technological systems that have already developed, as well as group knowhow on the Montenegrin market. We are aware that it is an additional challenge to meet the needs of the so-called “digital” generation, which has grown up in the period of great technological development and smart phones, and which expects to have each service provided on a “touch screen”.

■ **CKB has been recognised as a bank that cares about the wider community. What about your CSR business concept?**

- CKB has spent two full decades caring for long-term market development. It has managed the environment in a responsible and efficient manner and, as a socially responsible bank, it understands that this is the only way to build upon and improve the economic development of Montenegro. As has been the case to date, we will continue to support each quality project in culture, art, science and sport, as well as initiating socially responsible actions. Some examples of our permanent engagement in special care for children and youth include the sponsorship and co-organising of various events, investments in the Montenegrin

healthcare system and education, research and science.

Our CSR policy is shaped by the standards of the OTP Group, which pays great attention to the standards of social development, environmental protection, employee and client satisfaction and the affirmation of transparent operations with the aim of achieving sustainability and top-level services.

CKB is the first bank in Montenegro to provide funding for renewable energy sources, while in the period ahead we plan to additionally strengthen the efficient and sustainable business environment. One of the aims of our CSR in the coming period is to educate the youth in our community about responsible financial management and help them develop healthy habits in order for them to be able to make wise financial decisions in the future. ■



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DRAGICA SEKULIĆ

MONTENEGRIN ECONOMY MINISTER

One of our most important priorities is attracting strategic foreign investors for the implementation of development projects that represent the foundation of economic growth. That's why we're working continuously on improving the institutional framework, raising the competitiveness of our economy and developing high-quality infrastructure

The Government of Montenegro continually implements programmes that are aimed at attracting new investment, encouraging the development of business and increasing employment, with special emphasis on less developed municipalities, says Dragica Sekulić, Minister of the Economy in the Government of Montenegro.

■ What challenges is the Montenegrin economy facing today? What foundations will provide the basis for economic growth in the period ahead?

- The challenges facing our economy are not exclusive of Montenegro, rather they are the same challenges that also concern many developed countries, and those that are almost identical to the problems of neighbouring countries. We all strive to attract investment, strengthen the competitiveness of the economy and increase employment. One of the key factors on this route is strategic foreign investors for the implementation of development projects that represent the foundation of economic growth. With this goal in mind, we have already taken a series of important steps in order to continue with the policy that means extending the stimulating institutional framework. This means we have to work on improving the competitiveness of our economy, which implies continuously improving the business environment; we need to work on the development of high-quality infrastructure and in the long-term we need to emphasise the value of our natural resources through the implementation of development projects in the fields of energy, tourism, agriculture and the production/processing industries. Finally, we must work on strengthening macroeconomic stability.

■ The government has also launched a series of very ambitious projects in the energy field. What is the current status of these projects?

- Energy is one of the sectors in Montenegro that have really developed the most in recent years. If we start from the most important projects, that is certainly the undersea cable – forming its own kind of bridge for the transport of energy between the Western Balkans and Italy, or the European Union. Installation of the submarine cable from Villanova to Lastva, along with construction of the associated converter stations, is the responsibility of Terna, while construction of infrastructure in Montenegro, which will enable connection of the cable to the existing transmission network, is the responsibility of CGES. For now everything is going according to the planned dynamics and we expect the partners in this project to operate within the agreed deadlines. When it comes to infrastructure being built on the territory of Montenegro, if we say that the transmission line that extends throughout our territory is over 180km long, with over 650 transmission towers and over 130km of access roads, it is clear what parameters we are talking about.

This year will see power from wind farms enter the Montenegrin energy system for the first time. Small hydropower projects are being implemented according to the planned dynamics, and it is known that we have committed ourselves to monitoring the implementation of signed contracts in the period ahead, as we are very close to the national target of a 33 per cent share in final consumption. We also have interest in large hydropower plants, especially on the River Morača. Apart from that, company Škoda Praha has presented an alternative solution for the financiers of the project for Block II at TPP Pljevlja. Along with that, CGES is planning the reconstruction of Block I with environmental remediation. Plans also include a major project to direct water from the River Zeta to Lake Krupac, the implementation of which will increase annual production

at the Perućica Hydro Plant by about 30 GWH, or, converted into financial terms, by 2.5 or as much as 3.7 million euros. A feasibility study for a hydro plant on the River Lim is also under preparation...

■ **Some energy sector projects also prompted calls from new interested investors from Slovenia, China and Turkey. Could you divulge some more details about that?**

- It is known to the public that at this point evaluations have been completed on the technical offer for a HPP on the Morača from Chinese company Norinco, which the government adopted as final. This project is also being discussed with several other interested companies from China, Turkey and Slovenia. So, the negotiation process is still ongoing, and precisely how many offers are submitted and how they are assessed will determine the dynamics and further order of steps related to the implementation of this project.

■ **In which areas does the potential exist to further attract investors to the Montenegrin economy; which of your ministry's measures will be aimed at encouraging investors already present to reinvest their profits?**

- I would remind you that the Economy Ministry is implementing nine programmes for supporting the economy, and that most programmes are based on financial support for investors, entrepreneurs, small and medium-sized enterprises, which are implemented according to the principle of

With the Decree on encouraging FDI we defined financial incentives for new investments in Montenegro. On the basis of this, six investors are already successfully implementing projects subsidised by the state

subsidies, partial refunds of resources or exemptions and reductions in charges and taxes – depending on the programme itself. Apart from financial support programmes, with its technical support programmes the Ministry wants to encourage entrepreneurs and SMEs to participate in programmes, providing them with advisory and logistical support.

■ **Which upcoming measures of your ministry could you announce that relate to improving the business climate and attracting new investment?**

- As I have stated, the Economy Ministry implements numerous financial and technical support programmes for domestic and foreign businesses. It is known that we used the Decree on encouraging FDI to define financial incentives for new investments in Montenegro. The third public call was announced in March and will last until May. On the basis of the first two public calls, six investors are already successfully implementing projects that were subsidised by the state.

With the project to develop business zones, which is also one of the Economy Ministry's programmes, we have defined the locations that represent unique entities on the territory of local governments, partly or completely equipped in terms of infrastructure, and which provide potential investors, apart from a shared space and infrastruc-

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ture, with additional tax breaks and administrative incentives at both the national and local levels. Those who are interested can find everything about this project on the website www.biznizsazona.me.

With the programme of incentives for the development of clusters in Montenegro financial support has been provided for companies that combine forces in clusters, while the programme for increasing regional and local competitiveness through compliance with the requirements of international business standards has the goal of providing financial support for enterprises, particularly from less developed municipalities, to increase their competitiveness as much as possible, primarily through harmonisation with the requirements of international standards for products and support for gaining certification for assessments of compliance. The programme for supporting the modernisation of industry is aimed at improving the operations of businesses through investment in the technical equipping of production capacities, or investments in equipment. Each of these programmes can strengthen our economy significantly, especially when it comes to SMEs, and if entrepreneurs were to utilise all or most of them, then we are really talking about serious assistance.

■ **The Economy Ministry conducts nine programmes for supporting the economy, including support for domestic investors, primarily in the SME sector. How effective are these programmes and how much do they contribute to GDP growth and job creation?**

- The Government of Montenegro continually implements programmes that are aimed at attracting new investment, encouraging business development and increasing employment, all with a special emphasis on Montenegro's less developed municipalities. The facts show that the programmes are focused precisely on the development of the economy, all of which will cumulatively contribute to GDP growth, and the creation of new jobs. It is precisely with the Decree on encouraging FDI that we are creating a more favourable business environment that will primarily enable the creation of new jobs.

The response of companies in the previous two years is the best indicator that we are on the right track: through two public calls we will implement six investment projects worth a total of around seven million euros, which also imply the hiring of 253 new workers. The Decree on business zones specifies the conditions for establishing business zones, defines incentives for prospective users, establishes a distinction between local and strategic business zones, introduces new rules related to infrastructure equipment and the like. Thus, for example, business zones users are exempt from paying contributions for compulsory social insurance on salaries, contributions to the Fund for the work and taxes on personal income for every person they employ within a business zone, and all of that for a period of five years.

I have also already mentioned the programme for encouraging the development of clusters and the programme for increasing regional and local competitiveness through compliance with the requirements of international

business standards. Both of these programmes are based on the awarding of state assistance on the principle of reimbursements worth up to 70% of the value of an investment, and in 2016 the Economy Ministry in this way supported six clusters via the first programme and 30 companies via the second programme.

■ **Will there be room to continue support for the economic development of less developed municipalities?**

- It is known that the Economy Ministry has launched the Business caravan – a caravan of good business opportunities in order to tour all municipalities in our country and familiarise businessmen with all business development support programmes that are conducted by the Economy Ministry. In this project we

once again received the support of the United Nations Development Programme (UNDP), with which we are jointly implementing the project “Improving the competitiveness of the economy in Montenegro”. The main objective of the project is to impact positively on the competitiveness of the economy and the overcoming of regional socio-economic disparities via the improving of the business environment, the activating of the SME sector, the attracting of new investors and the increasing of employment rates, especially in the country's less developed areas.

Apart from giving presentations and familiarising entrepreneurs with business development support programmes and ways in which they can improve their operations and strengthen their market position, local entrepreneurs in 23 Montenegrin municipalities will have the opportunity, in direct communication with representatives of the Economy Ministry and the Secretariat for Development Projects, to voice the problems they encounter when applying for inclusion in individual programmes or obstacles hindering their implementation.

■ **Prior to taking on the position of economy minister, you were in charge of energy efficiency. How important**

as area is that on your agenda today?

- The area of energy efficiency is very important for the whole of our society from every aspect, thus from the standpoint of efficient use of energy and from the position of informing the public and raising awareness about a sustainable attitude towards energy use.

Recognising the importance of our country's potential in terms of using energy from renewable sources and improving energy efficiency, the Economy Ministry is simultaneously implementing several projects that can be generally categorised into two groups – projects intended for public facilities in Montenegro and projects intended for citizens of Montenegro. In this way, energy efficiency measures are implemented both in public buildings and in the household sector. Tens of millions of euros have been invested in reconstructing schools, hospitals, health centres, nursery schools, student dormitories, resource centres etc. These projects now already have an established implementation schedule and method, which eases work, but this type of project certainly has an important place on the agenda of the Economy Minister. ■



In Montenegro the implementation of a series of important energy projects is underway, from the undersea cable to wind farms and large hydropower plants





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Measures Adopted FOR ECONOMIC STABILISATION

I'm convinced that we'll stabilise the economy and ensure growth



DARKO RADUNOVIĆ

MONTENEGRIN FINANCE MINISTER

The Government of Montenegro has adopted measures that will contribute to the stabilisation of public finances, while simultaneously preserving macroeconomic stability. The planned economic growth of the Montenegrin economy is based on a strong investment cycle that would also give better results despite the lack of diversification of the domestic economy and the mismatch between labour force supply and demand

With Montenegrin Finance Minister Darko Radunović we discuss fiscal stabilisation and other issues relevant to maintaining macroeconomic stability and dynamic economic growth.

■ **Montenegro's external debt is now over two billion euros, while the construction of the highway is expected, according to the Government's own estimates, to see the country's**

total indebtedness reach 68 per cent of GDP. What kind of austerity measures does this require of the Government?

- Considering that the two main fiscal aggregates are beyond the boundaries defined by numerical fiscal rules, the Parliament of Montenegro, under the auspices of the Budget Law for 2017, adopted a Plan for the recovery of the budget deficit and public debt in the 2017-2021 period. This fiscal consolidation plan, in relation to current and foreseeable parameters, represents the optimal combination of economic policy measures that

GROWTH

A strong investment cycle in key sectors of the Montenegrin economy will have a significant impact on increasing growth rates

STABILITY

Montenegro's tax system is characterised by consistency and stability, which are based on simple and clear legal solutions and procedures

RISK

The projected macroeconomic framework and our plans could be jeopardised by a slowdown in the dynamics of key investment projects

will enable the stabilisation of public finances, continued sustainable economic growth and preservation of the achieved level of social protection for the most vulnerable segments of society. The implementation of measures has the goal of reducing the budget deficit to below 3 per cent and slowing down the growth of public debt relative to GDP, given that public debt cannot be reduced to a level below 60 per cent in the medium term, due to the financing of priority sections of the highway. The aim of the rehabilitation plan is to achieve balance in the current budget, in order for future borrowing to relate only to the financing of capital projects that contribute to long-term economic growth.

■ Where do you see the most room for fiscal stabilisation?

- The measures envisaged by the Plan for the rehabilitation of the budget deficit and public debt relate to both the revenue and the expenditure side. Total fiscal adjustment in 2017 has a nominal figure of 126.9 million euros, which represents 3.2% of estimated GDP. Of this total, the effect of measures on the revenue side amount to 59.3 million euros, or 1.5% of GDP, while on the expenditure side they total 67.6 million euros (1.7% of GDP). The first effects are visible at the end of the first quarter, when we had, for example, increased revenue collection by about 12.7 million euros, or 4.5% higher compared to the same period last year.

■ In your opinion, will these austerity measures slow down economic growth, or will investments in infrastructure and other reform measures actually accelerate economic development. What do positive dynamics depend on the most?

- Our economic growth model will also be based on the intensifying of direct investment in the period ahead, along with the utilising of domestic potential. Another significant factor that will influence economic activity is fiscal consolidation and structural reform, which will impact on decreasing aggregate demand, and thus have an adverse effect on growth rates. A strong investment cycle in key sectors of the Montenegrin economy, worth around three billion euros in the 2017-2020 period, will have a significant impact on increasing growth rates, though that impact will be limited due to the lack of diversification of the domestic economy and the mismatch between labour force supply and demand. It should be noted that growth potential will increase with

the completion of investments, due to the increased quality of offers, new capacities and better infrastructure connectivity.

Fiscal consolidation measures have a negative collateral effect on economic growth in the short term, due to a temporary reduction in the real income of households and therefore a fall in consumer purchasing power. However, the effects of these measures will unquestionably be positive in the long run. Specifically, a stable fiscal position improves the investment climate. The impact of fiscal measures certainly also depends on who bears the burden of fiscal procedures.



Our economic growth model will also be based on the intensifying of direct investment in the period ahead, along with the utilising of domestic potential

■ You have announced more consistent customs controls and a stricter tax policy. To what extent does the government have instruments available to implement such measures?

- The tax and customs services have considerable authority to establish tax discipline. Customs administration regulations include a series of measures for the removal of irregularities, such as the seizure of cash and other property, the seizure of goods without origin, prohibiting the conducting of work duties, prohibiting the conducting of work duties due to failure to register employees, etc. In this sense, we will insist in the period ahead on the timely and consistent application of regulatory powers, particularly when it comes to collecting tax debts.

I would like to point out in particular the Law on reprogramming tax debt, which offers tax defaulters the advantage of paying their outstanding taxes in a relaxed manner, without the use of coercive measures, provided they accept the provisions of this law. Specifically, the law envisages the interest-free debt rescheduling of debt over several years, with the writing

off of interest already accrued. Thus, the law eliminates any further toleration of tax debts, especially if it dates back several months or even several years.

When it comes to customs procedures, it could be said that this is a quite effective state body that successfully performs the task of collecting excise duties, as one of the most important budget revenue categories. When it comes to international trade, there are always problems determining the retail value of goods, but in the period ahead efforts will be exerted in the operational implementation of applicable customs regulations, but also in their improvement.

■ **What is the scope of the grey economy and what measures can be taken to reduce its volume to a more reasonable level?**

- Any kind of informal operations are a source of direct losses to the state



budget, as a model for financing permanent state expenses and the needs of all citizens. On the other hand, the grey economy provides room for unfair market competition, which creates a disadvantage for operators who do business in a regulated way. It is, thus, clear how seriously the state must engage in the fight against the grey economy.

■ **How long could austerity measures last and will the Government implement them itself or seek assistance from international financial institutions?**

- The current plan for establishing the sustainability of public finances and reducing the budget deficit has been positively assessed by the International Monetary Fund and the World Bank, whose representatives spent time in Montenegro as part of the regular annual mission.

I personally expect consolidation measures to ensure an even better result than the one projected, considering that in our estimates we deliberately applied conservative methods. Here I mean both the financial effects and the dynamics of the Plan's implementation.

Otherwise, the rehabilitation plan envisages the budget deficit in 2019 being at the level of 3.8% of GDP, while we should already enter the zone of surplus in 2020. As far as public debt is concerned, we expect its decline trend to also begin in 2020.

■ **You came from the private sector to take on the post of finance minister. How useful is your past experience in the work you are doing at present?**

- Without false modesty, I think that, for the actual function of finance minister, I get a lot of use out of the knowledge I gained in the financial market, where I spent my entire professional career to date. Apart from that, working in the private sector provides the opportunity to examine the problems of everyday operations from a specific perspective. That

is a one-sided picture, but it is certainly usable and useful for a full understanding of market and economic mechanisms. However, it is only with the changing of perspective that you have the opportunity to complete the aforementioned picture. That's why I believe that communication between those subjects that are, so to say, working on "different sides" can provide a real synergistic effect.

The private sector is naturally more energetic and more efficient in the system of decision-making compared to the public administration, which is, out of necessity, subjected to procedural constraints, but also political accord even when it relates to non-political issues. When it comes to politically-induced slowdowns, I think we should draw a line between functions and tasks that require professional or "tradesman" operating, from responsibilities and issues where a political compromise is necessary. As a person who is drawn more to his profession than to politics, I "root" for extending the scope in which decisions will be made on the basis of professional and technical parameters.

■ **Do you consider your lack of experience in the public sector**

as a disadvantage or an advantage?

- I don't consider that any deficiency can be an advantage. I would probably have coped better with the position I now hold if I'd previously worked in the public sector, or rather if I'd been familiar with the technology of the work of the public administration.

On the other hand, it seems to me that on issues related to economic activity I am more "business-orientated" than my colleagues in the Government, so I can bring these topics closer to other members of the government in a way that is unusual for them, which often gives strength to my arguments.

■ **Given the state of public finances, is there room to relieve sectors of the economy?**

As a person who is drawn more to his profession than to politics, I "root" for extending the scope in which decisions will be made on the basis of professional and technical parameters

- Montenegro's tax system is characterised by consistency and stability, which are based on simple and clear legal solutions and procedures, as well as competitive tax rates. Supporting this claim is the fact that we do not have a single rate that exceeds the average value in the region or in Europe. When it comes to individual taxes, the rates are at an extremely low level.

When it comes to tax incentives, we are primarily guided by the need to affirm the undeveloped parts of the country, or the northern region. In this context, tax incentives have been introduced, both in terms of paying taxes and in terms of tax liabilities for new employees.

■ **At the same time, the salaries of those employed in the public sector should be reduced. How much could the government save with their reduction and what kind of effects could these wage cuts have on the availability of quality staff in the administration?**

- The amendments to the Law on Public Sector Salaries will not result in new savings. Specifically, the optimisation we planned via the suspending of compensation for previous work, beginning as of April this year, has been replaced by a reduction in all higher earnings. The cumulative effect of this reduction, which has already

I expect consolidation measures to ensure an even better result than the one projected, considering that in our estimates we deliberately applied conservative methods. Here I mean both the financial effects and the dynamics of implementing adopted measures

been materialised with the 2017 Budget Law, totals 2.8 million euros, which is close to the effect that we would have had with the suspension of compensation for previous work.

Considering the financial equivalency of savings brought by these two mechanisms, we decided to reduce higher earnings, having estimated that this would be logically consistent, from a social perspective.

■ **What are Montenegro's biggest challenges in the medium term?**

- The projected macroeconomic framework and our plans could be jeopardised by a slowdown in the dynamics of key investment projects, which would also render our fiscal projections over the medium term unrealistic. On the other hand, a failure to persevere in implementing financial consolidation measures, or failure to fulfil planned expectations, would have a negative impact on the budget deficit and the control of public debt, which would result in a new review of our financial capacity.

However, despite these real and potential obstacles and threats, I am convinced we have sufficient capacity, determination and strength to, through dedicated work, achieve the goals set and increase the dynamism of our growth and development. ■



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RADOJE ŽUGIĆ

GOVERNOR OF THE CENTRAL
BANK OF MONTENEGRO

Within the country there is a high consensus on the need for further fiscal consolidation, in the direction of strengthening financial stability. The way in which appropriate measures will be defined and implemented is the decision of the Government, as well as economic policymakers. For its part, the Central Bank of Montenegro will continue to work on strengthening trust in the overall financial system, with particular emphasis on fostering and maintaining the stability of the banking system

Radoje Žugić, governor of the Central Bank of Montenegro, has rich experience in the financial sector. Here we speak to him about his institution's recommendations when it comes to preserving macroeconomic stability and achieving economic growth.

■ **To what extent do you rely on the previous experience you gained as governor and finance minister when it comes to creating the policies of the central bank today?**

- The experience I gained while carrying out the duties of the governor and finance minister are really extremely useful and help me to more objectively observe all aspects of current economic issues. The tasks and objectives of both functions are interconnected and mutually conditioned. Specifically, fiscal policy, which is primarily the responsibility of the finance minister, is an important segment of the overall financial situation that impacts directly on the stability of the financial system, which is the responsibility of the governor of the Central Bank.

I see the opportunity to perform both of these extremely responsible functions as a privilege and I try, in a strategic way but also on a daily basis, to implement the experience I have gained in the decisions that are made by the institution which I head, and I do all of that in the function of achieving our primary goal – the growth and development of the economy.

■ **How much is your own assessment in agreement with the IMF's recent assessment of the state of the Montenegrin economy?**

- The evaluations of the IMF and domestic institutions on the state of our economy, as expressed through basic macroeconomic and fiscal indicators, are largely harmonised.

In addition to the aforementioned, the Ministry of Finance, the Central Bank of Montenegro and the IMF have also achieved a high level of harmonisation of stances when it comes to the fiscal and broader economic challenges faced by our country. More specifically, all sides have expressed a need for further fiscal consolidation, in the

GOAL

The CBM will oversee the maintaining of the stability of the financial system by monitoring the state of financial stability and carrying out activities aimed at preventing systemic risk

STABILITY

The banking system, as the dominant part of Montenegro's financial system, is relatively stable

COMPETITION

The main risk in the real sector this area is an inadequate level of competition, and that is due to poor diversification of the economy

direction of strengthening financial stability. The way in which appropriate measures will be defined and implemented is the decision of the Government, as well as economic policymakers.

■ **According to the estimates of the Central Bank of Montenegro, the country's GDP will rise by 3.6% this year, instead of the planned four per cent, due – among other things – to the fact that key growth drivers, such as large capital and infrastructure projects, have failed. How much will that impact on Montenegro's overall macroeconomic position?**

- According to the data of MONSTAT [the Montenegrin Statistical Office], GDP growth of 2.5% was achieved in 2016. During the last year we had a significant rise in imports and a slower pace of realisation of the highway project, and these two factors have led to a slightly lower than expected growth rate. In accordance with that, it is reasonable to

expect that intensification in the construction of the highway will have a positive impact on GDP growth in 2017. Furthermore, also contributing to the growth of the economy in 2017 will be the construction of tourism and energy facilities, as well as the stabilisation and restoration of industrial production, and an increase in agricultural production as a function of the reduction in imports.

It is essential for incentives to free up the huge growth potential, in order for us to achieve the main goals of economic policy

■ **What are the sources of the greatest risks to Montenegro's economic prosperity in the medium and long term?**

- Firstly, risks are present in the domain of the fiscal sector, which is reflected in the relatively high levels of the budget deficit and public debt. In the direction of reducing these risks, the Montenegrin Government responded by defining and implementing fiscal consolidation measures, which reduced the levels of these categories in 2016 compared to 2015. Higher budget revenues have been realised in the past year, while, on the other hand, budget expenditure



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has been reduced through the limiting of public spending. Although the measures taken do provide results, further fiscal adjustments are required in order to further reduce the present risks. To this end, the Government is currently working on the implementation of a credible rehabilitation plan, which is an extremely challenging task, given that it is necessary to implement measures on the revenue side of the budget, taking into account the possible risk of a spill-over effect on companies that are undergoing a quite fragile recovery phase. Simultaneously, special care should also be taken in defining measures on the expenditure side, in order for that not to jeopardise citizens' standard of living.

When it comes to the real sector, the main risk in this area is reflected in an inadequate level of competition, and that is due to poor diversification and the accumulative capacity of the economy. This makes it essential to continue activities aimed at strengthening competitiveness at the micro and macro levels, by improving the business environment, providing financial and institutional support to entrepreneurship, improving labour legislation, implementing structural reforms of the pension, social, health and education systems etc. These activities will result in increased productivity from domestic resources and strengthened competitiveness of the economy.

The third potential risk is represented by a possible slower pace in the implementation of investments. Specifically, any kinds of delays in the implementation of investment projects, be they new ones or those already started, would have a negative impact on the projected economic growth rate, and thus serve to deepen the existing problems of liquidity and solvency of the real sector as a result of the insufficient accumulation of gains.

■ To what extent can inflows of foreign investments and activities of the domestic private sector contribute to economic growth?

- For Montenegro, as a small and open economy, a significant impact of the international environment is achieved through capital flows, or foreign direct investments, the volume of which varies, but it is still significant, accounting for 10 per cent of GDP. Montenegro, thus, represents an attractive location for foreign investors, and this claim is supported by the continuous inflows of foreign direct investment from the country gaining independence in 2006 until today. A strong cycle of investments has currently been launched in Montenegro, primarily in the sectors of tourism, energy, transport, agriculture and infrastructure, which will generate more generous incomes in the near future and, consequently, a lower deficit, and thus more space to support new development projects. Likewise, investment spending also has numerous positive effects on employment and GDP.

On the other hand, it is known that the SME sector is an important element, sometimes even the driving force of every economy,

because their operations, through direct and indirect channels, contribute to job creation and generating added value.

■ The Central Bank of Montenegro has offered a number of recommendations to the Montenegrin Government related to leading economic policy during this year. To what extent do the intentions of the Government concur with your recommendations?

- The Central Bank has regularly, for many years, prepared and submitted recommendations to the Government regarding leading economic policy, which relate to four segments, namely: fiscal policy, the financial system and the real sector and statistics.

Our recommendations for 2017 support the incentivising of growth potential and increasing and improving the system's overall stability, while simultaneously clearing up all the vulnerabilities of our economy in a way in which they are set as priorities of the Government's economic policy.

■ What will be the central bank's key objectives during this year?

- The main objective of the Central Bank of Montenegro in 2017 will continue be to strengthening trust in the overall financial system. Towards the achieving of this objective, the CBM will oversee the maintaining of the stability of the financial system by monitoring the state of financial stability and carrying out activities aimed at preventing systemic risk.

With the aim of strengthening the financial system, a particular focus will be placed on promoting and preserving the stability of the banking system. In this context, we will continue to monitor and analyse the situation in the banking

system and, if necessary, we will take corrective measures, promote the strengthening of corporate governance and risk management in banks, and continue with the further implementation of internationally accepted standards and principles of operations in this domain.

■ How have the policies of the central bank to date contributed to Montenegro's economic stability?

- Financial stability is a prerequisite for the development of any economy. It makes a system stronger and more resilient to external shocks, which small and, consequently, open economies like Montenegro's are particularly exposed to.

With the aim of preserving and strengthening financial stability, the Central Bank of Montenegro is working continuously to identify potential risks and direct activities towards preserving stability in the banking sector. These activities, apart from controlling the operations of banks present on the Montenegrin market and leading the policy of mandatory reserves, also imply intensive regulatory activity, directed towards improving the existing legal solutions and overcoming problems



Our evaluation is that the growth rate in 2017 will range between 3.3 and 3.8%, with a central projection of 3.6%

encountered in practice, as well as working on the harmonising of banking sector regulations with the relevant EU directives and Basel standards.

■ **How would you evaluate the state of the banking sector?**

- The banking system, as the dominant part of Montenegro's financial system, is relatively stable. Financial risks have been reduced, but are still present at the individual level. The financial result of banks at the aggregate level is positive, while liquidity and solvency have improved and their levels are still well above the mandatory minimum. Compared to a year ago, almost all positions in banks' balance sheets have recorded growth, and that is in terms of: total assets, deposits, loans and capital.

However, banks are still leading a cautious lending policy in the real sector, relying mostly on their own liquid assets. A significant portion of new lending in the past year focused on restructuring and refinancing existing loans, which had a positive impact on the recovery of the economy. Bank deposits exceed the level of approved loans, which is evidenced by the fact that around 85% of deposits are used for the purpose of lending to the economy. Total bank loans and claims recorded a positive trend in 2016, alongside the realisation of a slight increase of 1.27% compared to the previous year. Interest rates continue with their tendency to fall, which began in late 2014.

■ **How would you assess the level of systemic risk in the banking sector, considering the percentage of non-performing loans?**

- The participation of non-performing loans in total loans has recorded a continuous decline in the last few years, and we expect this trend to continue. However, despite being in decline, this level (10.3% at year's end 2016) is still high, and this very fact is the cause of caution among banks when it comes to approving new loans.

The relatively high level of NPLs and low credit activity still pose certain risks, both for the financial and fiscal systems. I would point out, however, that from the aspect of the Central Bank this issue is more in the focus of the solutions of individual banks than at the level of the system and systemic risk, as was the case in the past.

■ **What is the situation like in the insurance sector and what trends do you expect in this sector?**

- Stability has been slightly strengthened in the insurance sector, while indicators point to positive growth rates in this sector, though still with the obvious dominance of mandatory forms of insurance. It could be concluded that there is plenty of room for the further development of this sector, which would have positive effects on the stability of the system in the period ahead. ■

Stability has been slightly strengthened in the insurance sector, while indicators point to positive growth rates in this sector, though still with the obvious dominance of mandatory forms of insurance



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Methodical Approach Brings **MORE TOURISTS THAN EVER**



PAVLE RADULOVIĆ

MONTENEGRIN MINISTER OF SUSTAINABLE
DEVELOPMENT AND TOURISM

Montenegro's natural attractions and a careful strategic approach to tourism have cemented the continuous growth of tourist visits from traditional countries like Russia and Serbia, but also from the UK, France, Germany, the Netherlands, Belgium, Sweden, Finland, Norway and Denmark. Priorities include attracting tourists from China, Japan, South Korea and the UAE, as well as continued development of elite hotel capacity

We spoke with Montenegrin Minister of Sustainable Development and Tourism, Pavle Radulović, about the strategic development direction of this exceptionally important business sector.

■ Tourism accounted for over 20% of GDP last year. What do you expect from this year's tourist season?

- Montenegro has seen continuous growth in the tourist trade in recent years. Around 1.8 million tourists visited Montenegro in 2016, six per cent more than in 2015. There were about 11.25 million overnight stays and estimated revenue totalled 881 million euros, 2.19% more than the previous year.

According to the latest report from the World Travel and Tourism Council (WTTC), tourism directly contributed 11% to GDP in 2016, while the total direct and indirect contribution was 22.1%, with growth of 6.3% in 2017 and forecasted average growth of 6.3% per year over the next decade, when tourism will account for 31.2% of GDP, with

projected revenue of 1.8 billion euros. We are looking forward to this year's tourist season with a great deal of optimism.

■ How much has Montenegro improved the promotion of its tourist potential of late, and which new markets do you hope to conquer?

- The Montenegrin National Tourism Organisation has presented the country's current tourism offer at all important international trade fairs and tourist industry exchanges, in London, Paris, Warsaw, Vienna, Herning, Belgrade, Berlin, Stuttgart, Moscow, Kiev, St Petersburg, Beijing, Prague, Naples, Tirana and, for the first time this year, Munich and Stockholm. We are about to launch a roadshow campaign in which we will be visiting the region's larger cities.

We are taking special care of internet promotion and also emphasise study tours of media groups and tour operators with a large audience.

There are also a large number of media articles in publications

OPTIMISM

We are looking forward to this year's tourist season with a great deal of optimism

INTEREST

There is a lot of interest for Montenegrin tourism expressed by the markets of Scandinavia and western Europe

INVESTMENTS

Right now in Montenegro a whole range of greenfield tourist projects are being carried out with the total value at around 2.5 billion euros

like The Daily Mail, The Telegraph, National Geographic, The Sun, The Mirror, The Guardian and many European, American and Asian magazines and portals where they write and talk about our country. Last May the BBC's Top Gear team did some filming in Montenegro to promote a new Jaguar model, which is another form of destination promotion, but one that confirms the offer's attractiveness and quality.

■ How faithful has Montenegro remained to its traditional tourists, like Russians for example?

- Montenegro has for years been a favourite destination for Russian tourists, which is shown by the fact that in 2016 Montenegro was visited by 317,000 Russians, with 2.8 million overnight stays, four per cent more than in the previous year. According to Russian tour operators, we can expect a large increase from their market this year, with a 30% increase in air traffic announced from Moscow and other Russian cities. I can cite the example of tour operator R Tours, which states that interest in Montenegro is double what it was last year, with over 50% of its arrangements already sold.

Besides the Serbian and Russian markets that make up an important part of our business and traditionally come back to us, a lot of interest has been expressed by the markets of Scandinavia and Western Europe.

■ As Montenegro is principally interested in elite tourism, where do you see the potential for further development of the tourist offer and extending the tourist season?

- The strategic goal for Montenegrin tourism is to become known as a high quality, year-round destination.

Last year's season showed that the pre- and post-seasons are increasingly successful and that in future we can count on them having an ever greater influence on Montenegrin tourism. Hotel industry parameters in other countries' experience have shown that seasonality falls as hotel categories rise. In Montenegro we currently have nearly 400 hotels with a capacity of over 40,000 beds. Last year alone 24 new hotels opened, twenty of them in the four or five-star category.

Activity has been intensified in developing and promoting special forms of tourism like MICE, active tourism, culture, health, rural, educational and similar, which are noted for visiting out-of-season destinations.

■ Where are we with the numerous greenfield tourist projects that were launched last year?

- Right now in Montenegro a whole range of greenfield tourist projects are being implemented. They are in various phases of investment and their total value is estimated at around 2.5 billion euros.

The Porto Montenegro project in Tivat is now an investment by the Investment Corporation of Dubai from the UAE, and about 42 million



Recommendations of eminent experts and reputable global media have for years rated Montenegro at the very top of the list of the most desirable must-visit destinations

euros has so far been spent on it. This project has breathed new life into the Bay of Tivat and the town itself, and created the internationally recognised image of Montenegro as a yachting destination.

Construction has started on the Luštica Bay project, the investor in which is Swiss-Egyptian company Orascom. Already during the

next couple of years we shall see a completely new town in this beautiful place, with exclusive tourist buildings and content, but with a homogenised architectural environment. The Ghedi will be the first of seven hotels, with construction planned in a tourist resort and worth some 1.1 billion euros.

In the Herceg Novi part of the Bay of Kotor at Kumbor we shall very soon have a completely new tourist resort - Portonovi. The value of this investment, which is being financed by Azerbaijani oil company Socar, is over half a billion euros. The particular appeal of this project, and not just for the project but I could mention for the

region and beyond, will be provided by hotel operator One&Only. With the project in Kumbor, one of the best known global hotel chains will establish its brand in Europe for the first time.

Besides this, we can also mention the project of Qatari company Qatari Diar at Plavi Horizont – Beyond the Horizon, which has a total value that will exceed 250 million euros; the future museum hotel Mamula and some key projects in the north of Montenegro, the launch of which we are expecting soon.

■ **You stated recently that regional cooperation is a chance to further develop the tourism offer. How far has this progress from an idea to more tangible plans?**

- We believe that the future development of the tourism industry lies in regional partnerships aimed at creating new opportunities for strengthening competitiveness and responsible and sustainable tourism development. A regional approach is especially important and applicable in the case of distant markets – China, Japan, Korea, the United Arab Emirates and others. When it comes to overseas markets, in order to better promote the tourism offer of Montenegro, we have already established cooperation with neighbouring countries and with the European Travel Commission, but also through the Initiative 16+1, which established cooperation between Southeast Europe and China.

■ **Montenegro faces numerous challenges that need to be overcome to ensure faster and more balanced economic development?**

- As we are proclaimed as being an ecological state by our constitution, we have to wisely manage the natural resources at our disposal, which provide a high quality of life for the present generation, making sure that the basis for development is retained for future generations. In that light, the Government of Montenegro adopted the National Strategy for Sustainable Development until 2030 (NSSD) in July last year, which responds to the challenges that await us on route to achieving sustainable development for Montenegrin society over the next 15 years. One of the NSSD's aims is to 'green' the Montenegrin economy, focusing in particular on agriculture, energy, forestry, tourism and construction.

■ **One of the key challenges Montenegro faces is providing a high quality water supply. What are your plans in this area?**

- The Government of Montenegro has given the highest priority to this

problem by supporting the regional water supply project and founding public company Regional Water Supply Montenegrin Coast, which will manage the project, and by adopting a lex specialis – The Law on Regional Water Supply of the Montenegrin Coast.

The best illustration of the importance of this question is that at the peak of the financial crisis (2008-2010), the Montenegrin government took an enormous financial risk and invested 80 million euros in building the first phase of the regional water supply system. Since then, the drinking water deficiency problem that lasted for decades on the Montenegrin coast has now been solved, and the foundations for sustainable tourism development and the general prosperity of this

region have finally been created. Realising this project simultaneously leads to further environmental improvements and provides the basis for intensive development and new investment, not only in this area, but throughout the country.

■ **Your ministry also deals with construction activities. How much have conditions for obtaining a building permit improved?**

- The World Bank's Doing Business reports used to continuously present Montenegro as an unfavourable place for obtaining building permits, which is the starting point of investment.

Amendments to the Law on Spatial Planning and Construction in 2011 introduced the single-window system and decentralised jurisdictions in issuing building permits.

This process continued with the introduction of monitoring and the education of officials employed in local authorities, which was noted in the 2014 World Bank Doing Business report, in which Montenegro was positioned 106th of 186 countries for the 'issuing building permits' indicator. Thanks to reforms implemented in this field, the 2017 World Bank Doing Business report ranks Montenegro in 93rd place in the global ranking.

■ **Your Ministry also has considerable responsibility for environmental protection?**

- In the last year we made a huge step forward in EU integration on Chapter 27, by adopting a national strategy by which Montenegro fulfilled the conditions for opening this chapter. I'd like to note in particular that in March this year the EU Council of Ministers, under the presidency of Malta, sent our country a letter stating that, after considering the report on fulfilment of the opening conditions for Chapter 27 by the 28 member states, the EU concluded that Montenegro is considered sufficiently ready to open negotiations on Chapter 27. Montenegro is thereby requested to submit its negotiating position so that an intergovernmental conference can be held to open this chapter. ■



We believe that the future development of the tourism industry lies in regional partnerships with the aim of creating new opportunities for strengthening competitiveness and responsible and sustainable tourism development

Good Results Are The Best RECOMMENDATION



Sava Osiguranje has been operating positively for years, which recommends this company to potential clients as a stable and professional partner



raise awareness about the importance of the insurance industry for every country.

■ **What changes are needed to ensure harmonization of the overall insurance market?**

- We can say that there is a good deal of room for improvement and harmonization with European standards.

Improving and controlling the application of existing regulations in certain segments would certainly give an additional impulse to growth of the insurance market, as it would allow all insurance companies to operate equally

in previous years. This somehow differentiates us from other players in the market and recommends us to our potential clients as a stable, professional and equal partner.

■ **Which Sava Osiguranje products from the company portfolio would you consider as the most attractive for your customers?**

- If we look at the individual clients segment, I would emphasize our system of technical inspections and agent service, by which we provide our customers with vehicle registration in instalments. If we are talking about business, I would say we

can practically offer any kind of insurance necessary for a company, regardless of which business they are in.

■ **What insurance services are foreign investors in Montenegro mainly interested in?**

- We are proud to say that we have participated in large number of completed foreign investment projects, and that we

are at the moment taking part in most of the current foreign investment projects. As most of them concern building, i.e. construction of tourist or business premises and infrastructure, we have specialised in providing all the necessary insurance packages for any such project. Numerous foreign investors have continued cooperating with us after the building phase of their projects, letting us be their partner in running the business itself. ■

Sava Osiguranje finished last year with €1.2 million of net profit, which is also a result of the trust that foreign investors showed the company. We talked with Nebojša Ščekić, CEO of Sava Osiguranje, about the market situation and the company's operations.

■ **As the president of the National Bureau of Montenegro Insurers, how do you see the present situation in this sector?**

- I think that we could call the situation in our market stable. Truth be told, our market is not yet at the level of development that we strive for, but I think that with joint efforts of all insurance companies, we can eventually reach the desired level. On the other hand, the Montenegrin insurance market is well below the average of EU member states in terms of development, and the share of gross insurance premium in GDP is still small. I see the potential first of all in the sale of property insurance and in continuing our joint work to educate and

We are specialised in providing all insurance packages required for foreign investors to realise large projects in building tourist or business premises and infrastructure

on the market, which would ultimately increase competitiveness leading to additional benefits for the end users of our services.

■ **Are you satisfied with Sava Osiguranje's performance last year and what are your expectations for this year?**

- Sava Osiguranje finished last year with 1.2 million net profit, a figure we can certainly be satisfied with, especially since this result is a continuation of excellent company results



**MARTIN
LEBERLE**
CEO, NLB BANK,
PODGORICA

Wind Of Change Ahead

► **Topic: Is it time to further consolidate the banking sector in Montenegro?**

It is certainly time for banking consolidation, but I wouldn't at all limit this issue to Montenegro! A sharp worldwide increase in regulatory requirements for all banks has a direct impact on increased complexity and costs for the operations of every single bank.

On top of that, the finance industry as a whole is currently facing a paradigm shift. The so-called Millennial generation has different and ever-changing behaviour related to the way they deal with their financial needs and their money. Companies – so-called “Tech Start-Ups” –

which are not regulated in the way banks are regulated, try to encroach on the market of electronic payments and services.

Banks have to find, and will find, the right responses to new challenges. But those challenges require the readiness for large investments in the future – in a new level of technology. And to make those investments reasonable, you need an economy of scale, meaning you need a sufficient market share and client reach to make those investments economically viable. This fact alone explains the need for consolidation and cooperation in the financial sector. In other countries you can see that this process already in full swing. In Montenegro – a smaller country with an already high number of market participants – we will see this as well.



MATJAŽ BOŽIĆ
CEO, LOVČEN
OSIGURANJA
(INSURANCE)

Importance Of Insurance Yet To Be Recognised

► **Topic: To what extent is the importance of insurance recognised in the economic sector?**

The insurance market in Montenegro has passed through a series of transitional changes, each of which left numerous scars on insurance as we know it today.

There were major ups and downs, all the way to complete collapse. On the whole, this market has shared the fate of the general social and economic atmosphere, and that is still the case today. Specifically, all research on this market shows that the achieved level – of 130 euros worth of insurance per capita – has a constant trend of slow but certain growth. Of course, that's not sufficient when we consider that comparable amounts are several times higher in developed countries. Every serious economic activity used to be insured here, so this market was dominated by the insurance of industry.

After the collapse of the 1990s and the re-emergence of industrial branches, insurance portfolios are dominated by obligatory forms of insurance, while property largely remains uninsured. As the economy transforms in ownership terms, and as multinational corporations invest in this region, so interest in insurance is being renewed. The entire insurance industry must work on encouraging the culture of insuring and thereby achieving greater a sense of certainty and confidence among decision makers in the economy. The very notion of insurance must be clear to anyone who takes out an insurance policy and not one segment of insurance offers and contracts must be allowed to remain clouded in mystery.

This is the only way to restore confidence in the industry and ensure it gains in importance like every essential business function. Only when economic decision makers stop seeing insurance as an expense, and become aware that it is a way to protect jobs against unforeseen influences that can cause catastrophic damage, will we be able to talk about insurance having achieved the required level of importance.

Proper Incentives Make Possibilities Endless

► **Topic: What opportunities does the Montenegrin tourism sector offer investors?**

Tourism has the best prospects and is a strategic industry sector in Montenegro, accounting for around 20 per cent of the country's GDP.

Foreign investors are firstly attracted by the scenic beauty of the country's coastline, its mountainous north, gorgeous lakes and natural diversity. As a second factor, the experience of existing investors regarding the business climate in Montenegro becomes an equally strong determining factor for the further development of the tourism sector. Actions such as the Government of Montenegro's decision to lower the VAT rate for tourist accommodation from a top rate of 19 per cent to seven per cent, improvements in areas like urban planning and environmental protection, as well as serious efforts aimed at improving administrative processes for investors and improving the country's infrastructure, should all incentivise further development in the Montenegrin tourism sector, provided they are executed properly in the time ahead.

Besides existing development projects in the country, Montenegro offers a great deal of opportunities to international and local investors. Available larger, coastal and northern opportunities are currently being promoted by the Government and, if presented appropriately to investors, could represent a significant drive – not only to the tourism sector, but to the entire economy of the country. Potential locations for elite tourist resorts, such as Ada Bojana, Velika Plaza near Ulcinj, Bjelasica – Komovi, Valdano, and several potential projects on Zabljak, are all highly attractive for potential investors. Alongside large developments, medium-sized and small investors from the region should be attracted through the Government of Montenegro's specialised programmes and initiatives focused on products like high quality boutique hotels, restaurants and other various food and beverage outlets, golf courses, sports and leisure parks, as well as other entertainment facilities, all in order to make Montenegro even more attractive and appealing to a guest and, hence, more interesting to an investor who is considering investing funds in Montenegro.



**PREDRAG
KOZIĆ**
DIRECTOR - EASTERN
EUROPE PLATFORM,
INTEGRATED EE
HOLDINGS D.O.O.



**PREDRAG
LEŠIĆ**
CEO DOMEN

.ME Is The Best Ambassador Of Montenegro

► **Topic: What has been brought to Montenegro by the model of Public-Private Partnerships in the management of the .me. domain?**

The decision of the Government of Montenegro to form a public-private partnership through a public call for proposals attracted the attention of the most experienced and most successful companies in the domain name industry and put the .me domain names on the map of attractive internet destinations even before the launch. This

partnership enabled a commercial approach to the .ME domain with intensive marketing activities that placed Montenegro on the home pages of the world's largest hosting providers. Best illustrating this success is the fact that since 2008 Montenegro has earned over 22 million euros from this virtual resource that Montenegro submitted for management.

Apart from that, Montenegro – through its excellent examples of use of the .me domain name, such as Facebook (fb.me) and Facebook Messenger (m.me), Wordpress (wp.me), Time magazine (ti.me), PayPal (paypal.me), as well as services like About.me and Ele.me – has become a globally recognised digital destination, with the good reputation that can only be brought by internet giants. No other state extension can boast of having such partners.

Apart from money, as a material compensation establishes the full value of resources, Montenegro has also experienced global promotion. All those who first heard about the .ME domain were easily able to verify that it is the domain of Montenegro. Testifying to how popular domain names were in the first years is the fact that the BBC broadcast information about the “fastest growing new domains” through the rolling banner in its central news broadcasts. On the other hand, new younger generations who extensively use various internet-based services increasingly come across the .ME domain (and therefore also Montenegro) through various

examples that we have already mentioned. So we can say that .ME is the best ambassador of Montenegro on the internet, thanks to its active use.

We have all witnessed the impact of technology on our daily lives and that impact will be great every day, given the pace of technological development that is at the service of humanity. In such a world, in which information is relocating from traditional media (TV and radio) to the internet, Montenegro has secure global popularity and recognition with its .ME domain. Thanks to the fact that this domain name is in active use, after nine years of operations, as the company that manages the .ME domain we can say that we have succeeded in our mission of positioning and creating trust in the brand.

On the other side, the ambition of the company is not only to promote the .me domain in the world, but rather through a range of socially responsible activities we have impacted on the education of young people in Montenegro, in terms of digital technology. Even The Hill, the blog of the U.S. Congress, wrote a blog about our activities in STEM education, and in particular the school of programming that we have organised for eight consecutive years. In addition to that, in accordance with our intention to educate young people, we supported and sponsored the FIRST LEGO League, where children from primary schools compete in robotics, the Knowledge Olympics organised by the Faculty of Natural Science and, of course, for seven years in the Spark.me conference, which brings before students and young entrepreneurs each year an array of world experts and renowned speakers to inspire, motivate and educate.

We can state with pride that in the global domain name industry this public-private partnership has become one of the best examples of how a virtual state resource can be used in a high quality way and can contribute to the economy and education in various ways.

No Networks Of The Future Without Us

► **Topic: In the age of mobile telephony, where is the profit potential of landline operators?**

Regardless of the major changes in the telecommunications market, which primarily impacted on the landline service, its potential is still high and represents an important segment of our operations. Being a leader of technology doesn't only mean building network infrastructure, but also monitoring and promoting the latest technological trends. The Internet of Things (IoT) is one of them, and it is already our reality today.

It is estimated that by 2020 there will be 50 billion devices mutually interconnected with billions of people and the demands of such a huge quantity of data exchange at such a speed means that there will have to be a fixed-line approach. As such, the future of landline services is beyond question. It is certainly losing its significance in terms of providing traditional voice communication services, but a whole new area of technological development is opening up, which we are today witnessing through the concept of smart homes and cities, new solutions in healthcare, the security of data and the like.

Crnogorski Telekom also has the advantage of offering a fully integrated service of fixed and mobile telephony, internet and TV services, which is recognised as being of high quality and, as such, has earned the attention of a large number of our customers. With the offer we launched last year, better known as Magenta 1, we achieved remarkable results, and that tells us that integrated solutions are the future, because they are designed to suit users.

We have also devoted a lot of attention to the further expansion of our optics network, which is now available in over 57,000 households, but also to introducing innovative solutions for fixed broadband Internet access, such as DSL turbo. We also offer hybrid technology that combines two internet connections (4G and ADSL), which has the effect of increasing the speed and stability of the service. This is another example of how we can combine fixed and mobile services to offer a high-quality service.

We believe that with integrated services we can provide our clients with the best and that the future of telecommunications lies precisely in maximising use of the potential of both fixed and mobile telephony, and that neither one can or must exclude the other. The quality of services lies in highly developed technology for both segments and that represents a prerequisite for the development of future networks, and that is also where there is profit potential and the best user experience.



MILIJAZEKOVIĆ
CEO, CRNOGORSKI
TELEKOM

Better Law Means Better LABOUR RELATIONS



KEMAL PURIŠIĆ

MONTENEGRIN MINISTER OF LABOUR
AND SOCIAL WELFARE

Montenegro is expected to adopt a new, more modern Labour Law by the end of the year, which should enable a more flexible relationship between employers and employees, and better respond to the characteristics of the domestic labour market and the need to harmonise legislation with European standards

We spoke with Kemal Purišić, Minister of Labour and Social Welfare of Montenegro, about the new Labour Law, labour market trends and measures for combatting the grey economy in this area.

■ **You recently announced the possibility of adopting a new labour law. In which direction are considerations headed when it comes to improving this legislation?**

- The social partners, with the Memorandum of Decent Work from 2015, took it upon themselves to harmonise and adopt a new labour law, because they are dissatisfied with the applicable one, each for their own reasons. According to the government's Action Plan for Chapter 19 "Social Policy and Employment", the Programme of Montenegro's accession to the European Union and the Work Programme for the current year, it is planned for this law to be adopted by the end of the year.

The intention is for the law to be fully harmonised with the European acquis and conventions, and the recommendations of the International Labour Organisation in the field of labour relations, as well as to advance solutions that have proven to be lacking in implementation to date and which are recognised as business barriers.

The harmonisation of legal norms between social partners is currently underway, so is still a thankless task to predict the final solution and the scope of this law. What we can conclude with certainty is the fact that within the working group there is a determination on the part of all three social partners to develop a high-quality text for the Labour Law, which will be harmonised with European legislation and ILO Conventions, and which will be suitable for the needs of the Montenegrin labour market in taking on its integration into the EU market.

ACCORD

All social partners want to develop a high-quality text of the Labour Law, which will be suitable to meet the needs of the labour market in Montenegro and meet the needs of integration into the EU market

RECOVERY

The Montenegrin labour market showed mild signs of recovery in the previous year, as seen through almost all basic indicators for monitoring trends and relations on that market

HARMONISATION

The intention of the Government of Montenegro is for this to be fully harmonised by the end of the term of office, or until the end of 2019

■ How would you assess the state of social dialogue?

- This boils down to very complex relations between three parties that seemingly have different partial interests and goals, while they actually have a common interest in supporting the growth of the national economy through decent work. That's not easy to ensure, so social dialogue often has its ups and downs. In the previous year a standstill was reached in the dialogue, which is probably also a result of political relations in society and electoral activities. The results of the past few months show that we are once again on the upswing, and I appreciate that all three parties in the social dialogue are exerting efforts and showing good will in the further development of social dialogue. Testifying to this is the fact that we agreed, in a relatively short period of time, on the proposal of the new Law on Social Council, which further improved this area. We hope that this law, once enacted, will create good space for advancing social dialogue.

■ What are the key characteristics of the Montenegrin labour market and which type of personnel are most lacking on the market?

- The Montenegrin labour market showed mild signs of recovery in the previous year, as seen through almost all base indicators for monitoring trends and relations on this market. According to the Labour Force Survey conducted by MONSTAT, there have been very little increases in rates of activity and employment of the labour force in the segment of the population aged 15-64 and among young people, and in reductions in the unemployment rate among this segment of the population. The indicators are also similar with registered activity rates and employment rates, but also with rapid growth in the unemployment rate. A slight recovery of the labour market was created with the implementing of a series of Government measures and activities aimed at reviving economic activities and implementing an active employment policy. Key challenges in this area include insufficient economic activity of the labour force, especially younger and older workers and women, high unemployment rates, long-term unemployment, unemployment of university graduates and extremely high unemployment in the north of the country.

Due to rapid changes in the labour market and a changed economic structure, there are significant discrepancies between available and required knowhow and skills.

In the labour market the supply of most occupations significantly exceeds registered demand.

With most secondary school-level occupations, the workforce supply exceeds registered demand. In contrast to that, higher demand



A slight recovery of the labour market was recorded in the previous period, which is the result of the implementing of a series of Government measures and activities aimed at reviving economic activities and implementing an active employment policy

than supply was seen with the occupations of maître d', maid, bar tender, assistant cook, waiter, then carpenter, fitter, builder, concrete labourer, plasterer etc.

And when it comes to most higher education occupations the labour force supply exceeds registered demand. However, high-

er demand than supply was found for the occupation of natural mathematical sciences teachers, electricians, some occupational profiles from groups of educators and teachers of social sciences and humanities subjects.

■ What measures is the Ministry undertaking in order to improve the knowhow and skills of less employable groups of the population?

- Young people and women, people with low qualifications and,

in recent times, university graduates of certain professions, are among the harder-to-employ persons. The Ministry and the Employment Office monitor labour market trends and create active policy measures for the employment of these individuals. A limiting factor is the adaptability of these individuals to changing labour market needs, while a lack of specific professional skills, knowledge and competencies has been identified. This requires the implementation of activities that will enable them to acquire the missing knowledge and skills, as well as enabling their practical application in a real working environment, thereby raising their level of employability.

Within the framework of active employment policy measures, we are implementing:



- programmes of adult education and training for acquiring professional qualifications and key skills required to perform certain occupations,
- training programmes for work in specific workplaces,
- training programmes

for independent work for persons who are at a disadvantage on the labour market and who have completed full-time education and not yet gained work experience appropriate to their level of education in the past two years,

- professional retraining programmes for difficult to employ persons,
- public works programmes aimed at employing priority difficult to employ persons in socially useful jobs.

Likewise, with the aim of regulating labour market relations, innovative programmes have been created and implemented with the aim of increasing employment through the acquisition of entrepreneurial know-how and skills for the development and implementation of projects.

At this moment we are working on harmonising seven laws that are under our jurisdiction, in order for us to fulfil the closing benchmarks for concluding negotiations on Chapter 19 – Social Policy and Employment

■ How big is the black market's share in the sphere of employment and what is your Ministry doing to improve the situation in this area?

- It is known that the phenomenon of undeclared work is present everywhere, and to a significant extent. According to OECD data, around 60% of total employment in the world is in the domain of the informal economy.

In May 2016, the Government of Montenegro - Ministry of Labour and Social Welfare, in cooperation with UNDP in Montenegro, presented the Report on Development Tailored to Humans - Informal economy: overcoming exclusion and marginalisation.

According to the findings of this research, 22.3% of the total number of employees was informally employed, while for a sixth, or 10.3%, of formal employees only a portion of the appropriate taxes and contributions are paid, i.e., part of their earnings are paid "cash-in-hand".

The report also offers recommendations in the field of individual policies, the implementation of which would lead to the formalisation of informal work in Montenegro.

In accordance with recommendations, the Ministry of Labour and Social Welfare is carrying out activities to create conditions for greater labour market flexibility through the preparation of new regulations.

This relates primarily to activities on the adoption of the new Labour Law, but also strengthening active employment policy measures through amendments to the existing Law on Employment and exercising unemployment insurance rights. Moreover, work is underway on improving the focus of the current system of social transfers in a way that the system of social protection includes those who really need this protection, while other current users are helped through active employment policy measures focused on the labour market.

■ To what extent is the legislative framework in your department harmonised with European standards, and what are the most important tasks of the Ministry in this domain in the period ahead?

- At the Ministry of Labour and Social Welfare we are working actively on harmonising the regulations we apply with the EU acquis and other sources of international law and good international practice, according to the

dynamics defined in the Programme of EU accession. Thus, regulations are generally or partially harmonised with EU legislation. The intention of the Government of Montenegro is for this to be fully harmonised by the end of the term of office, or until the end of 2019. At this moment we are working on harmonising seven laws that are under our jurisdiction, in order for us to fulfil the closing benchmarks for concluding negotiations on Chapter 19 – Social Policy and Employment.

■ Which of the projects supported by EU funds would you highlight as being critical to resolving issues in your field of work?

- The Ministry of Labour and Social Welfare of Montenegro is responsible for monitoring the implementation of various projects in the field of employment and social policy that are financed using EU funds, primarily from the Instrument for Pre-Accession Assistance (IPA). Here I would point out the projects that are implemented within the Operational Programme "Human Resources Development" 2012-2013, which is worth about 6.5 million euros, such as "Active labour market measures for employability", the main goal of which is to increase the effectiveness of active employment policies in order to improve access to employment and remaining in employment, as well as the project "Cooperation between the Employment Office of Montenegro and centres for social work", with which we strive to increase the employability of people with disabilities and Roma and Gypsy populations, while simultaneously improving their access to the labour market.

In addition to the aforementioned, also of importance to improving the employability and employment of marginalised groups on the Montenegrin labour market are projects that are

implemented through the grant schemes of the noted Operational Programme, worth a total of about two million euros. There are currently 18 projects being implemented that are aimed at training and employing young people, women and long-term unemployed individuals, as well as persons living with disabilities and members of the Roma and Gypsy populations.

In accordance with recommendations, the Ministry of Labour and Social Welfare is carrying out activities to create conditions for greater labour market flexibility through the preparation of new regulations

■ What will be the Ministry's most important tasks in the field of social protection and the promotion of the rights of vulnerable groups?

- The Ministry of Labour and Social Welfare coordinates work on amending the Law on Social and Child Protection, and we plan to adopt this law by the end of the second quarter of this year. Amendments to this law are intended to further strengthen families and individuals

who are in social need, to raise the level of social services for the elderly and persons with developmental disabilities, to advance child protection and encourage the birth rate.

Apart from that, this law should encourage the development of services at the local level. ■

Welcome to the Ramada and Mall of Montenegro!

Ramada Podgorica with its facilities and service level is one of the leaders in the Montenegrin hotel market. As a member of Wyndham group that is present in more than nine hundred locations around the world, we strive to provide our guests during their stay with us with impressive and memorable moments. Hotel Ramada Podgorica is situated only three minutes from the main town square. It has a hundred and ten spacious guest rooms equipped in fashionable style and more than nine hundred square metres of space for conferences, meetings, party gatherings etc. The restaurant works according to the highest standards: besides delicious local and international specialties you can enjoy a panoramic view of the Montenegrin capital.



In close proximity to the hotel there is the shopping centre Mall of Montenegro with over fifteen thousand square metres providing our guests with a wide range of items to purchase that will satisfy even the most refined tastes. With the planned diversification of our service we will ensure that also in future we will continue to play an important role in the development and transition of the capital and truly reflect life in the world's largest metropolises that people in our region are keen to adopt, learning to adjust to the hectic pace of modern life. These are only a few of the reasons for you to choose Ramada and Mall of Montenegro for your holiday, business meeting, party, shopping... Indulge yourself and experience creativity and the uniqueness of our services.





We Have A New PLAN FOR MONTENEGRO

In the coming period the EBRD will be focused on enhancing the competitiveness of the private sector, improving connectivity and regional integration by expanding cross-border transport and energy links, and fostering the transition to a green economy, including sustainable tourism

EBRD will soon present its new four-year strategy for Montenegro. Prior to that, we spoke with Giulio Moreno, MFIC Board Member and Director of the EBRD Country Office for Montenegro, about the most important priorities of the EBRD, as well as the country's overall economic prospects.

■ How would you evaluate overall macroeconomic policies in the country?

- As Montenegro has unilaterally adopted the euro as its legal tender, the country has a limited ability to perform monetary policy. This implies even greater pressure on its use of its fiscal tools for managing business cycles. Persistent fiscal deficits in recent years have led to a significant increase in public debt. At the same time, the government implemented certain welcome measures on fiscal tightening, such as a VAT increase from 17 to 19 per cent, a wage tax increase for above average earnings and a freeze on public employees' salaries and pensions. Nevertheless, fiscal policy needs to be tightened even further, as public debt is projected to rise to around 80 per cent of GDP by 2018. While Montenegro's growth prospects are good, fiscal surpluses (excluding spending on the highway project) in the coming years will be important to provide reassurances about the country's long-term debt sustainability.

■ Which projects in Montenegro would the EBRD like to get involved in within the infrastructure sector?

- Depending on the commitment of the government, fiscal space and the general structure of projects, the EBRD is keen to provide debt financing of a new terminal building and manoeuvring area at Tivat Airport, loans to support national road rehabilitation and upgrades, financing for projects and initiatives that strengthen the connectivity of regional roads (e.g. the Ionian-Adriatic route) and a possible gas pipeline (IAP route).

tourism sector; 2) Improving connectivity and regional integration by expanding cross-border transport and energy links and 3) Continuing to foster transition to a green economy, including sustainable tourism.

■ To what extent can Montenegro today rely on its own private sector, and in which segments does it have significant potential?

- Tourism is certainly among the most important sectors of the economy that will drive future economic growth. However, key tourism assets are still in state hands, while significant potential can be unlocked if pursued with the privatisation of state-owned companies like the Health Institute in Igalo, the Port of Bijela, Budvanska Rivijera etc. We also see great potential in the agribusiness sector, but challenges still persist and need to be addressed, particularly regarding the enhancement of backward and forward linkages between local producers and the tourism sector.

Also, the utilities sector, primarily electricity generation, is relatively important for the Montenegrin economy, and with the current energy projects in the pipeline we expect it to become a key growth driver in the future. The potential benefits from developing a regional electricity market are high. The country is rich with hydro potential, while the installing of an underwater electrical cable between Montenegro and Italy will open up the markets for exporting electricity. ■

Montenegro can unlock significant potential in tourism if pursued with the privatisation of state-owned companies... It has great prospects in agribusiness and in the utilities sector, primarily electricity generation

■ What are the most important themes of your new four-year strategy for Montenegro?

- The Bank is currently in the process of finalising the new country strategy for Montenegro for the 2017-2020 period, and our focus will be on the following three strategic priorities: 1) Enhancing competitiveness of the private sector, including by developing agribusiness value chains and backward linkages in the



Mutually Beneficial PARTNERSHIP

The Montenegrin government did a good job reforming the economy. We at the MFIC believe we can help, with our expertise and knowhow, in overcoming challenges and improving the national economy

Our ambition is to set new standards, not only within Montenegro, but also across the entire Mediterranean, says Rashad Rasullu, Executive Director of Portonovi Resort Management Company, Board Member of Azmont Investments and member of the MFIC Board of Directors.

■ What are MFIC's priorities when it comes to advancing business operations in Montenegro?

- The micro- and macro-economic situation is certainly very challenging and still influences all industries. Having so many experienced companies with different backgrounds at the MFIC, I believe we can help with our expertise and knowhow in overcoming challenges and helping improving the national economy. This also not only helps the State and its citizens, but is valuable for us as companies, as we learn from each other and make partnerships that are mutually beneficial.

■ How satisfied are you with the pace of works on the Portonovi project and how does it fit into the development of elite tourism in Montenegro?

- Portonovi is already perceived as a new Montenegrin gem. This is a huge responsibility for us, but also provides the impetus

for us to make it as envisaged and to ensure its long-term growth and quality. We are looking into openings that will be done in phases as of this year. To remind readers, we are creating a destination that will exceed expectations, providing some of today's most enriching experiences that will become tomorrow's benchmarks. The 26-hectare resort will comprise 275 properties, from luxurious, spacious townhouses and apartments set in the heart of its Mediterranean-style village, via stylish villas in landscaped gardens, to sleek penthouse apartments and sky-rise villas with infinity pools overlooking the marina. At the same time, it will be the home of the first One&Only Resort in Europe.

Along with Portonovi, which is already perceived as a new Montenegrin gem, Azmont Investments also recently established a new commercial bank, Nova Banka AD Podgorica

■ How favourable is the country's institutional framework in the real estate domain when it comes to enticing foreign investors?

- We all need to acknowledge the work that the Montenegrin Government has done – since 2006, when Montenegro regained its independence, the whole country has been busy working to build the economy, focusing on tourism and real estate developments, which highlight the beautiful coastline of

the Adriatic Sea. As an investor, we want to contribute to this work and our ambition and wish is to put Montenegro on the high-end tourism map. It is important to say that our work on this journey is supported by many initiatives of the Government here: Montenegro is becoming an increasingly easy place to travel to; undoubtedly, it has also for many years been perceived as a nation that offers a stable and secure government, both for Montenegrins and foreign residents.

■ You recently also entered the banking sector. What are your main objectives in this sector?

- As a newly established bank in Montenegro, Nova Banka AD Podgorica is registered with capital worth 11.98 million euros and is headquartered in Podgorica, as of 2016. Being a commercial bank, Nova Banka will offer services to corporate and private clients. Furthermore, from the investor's perspective, this investment will provide new growth opportunities and connections with companies – both

those already established in Montenegro and others established abroad that operate on this market. The mission or long-term goal of Nova Banka is to establish global standards in its operations, placing special emphasis on ethical principles, treating customer satisfaction as a primary goal. To this end, as a member of the Montenegrin banking sector, Nova Banka will contribute to the strengthening of bilateral economic and trade relations between Montenegro and Azerbaijan. ■



We Will Be The Mediterranean's LEADING PORT FOR LUXURY YACHTS

With development potential and dynamics of investment, the marina and resort of Porto Montenegro today represents one of the most important projects in Montenegro, with an impressive international reputation

We spoke with Savo Đurović, Director of Legal Services at PORTO MONTENEGRO, about the development of the concept of elite tourism in Montenegro.

■ How much is elite tourism supported institutionally in Montenegro?

- The Government of Montenegro recognised from the start the idea of Montenegro positioning itself, through the Porto Montenegro project, as the leading super-yacht destination in the Mediterranean, and provides support in the implementation of a clear strategy for the development of nautical tourism in Tivat and the Bay of Kotor. Porto Montenegro has contributed to changing the perception of Montenegro around the world, significantly increased state revenues from tourism and created thousands of direct and indirect jobs. After the departure of Canadian investor Peter Munk, the Investment Corporation of Dubai is the ideal partner that will raise the resort to the next level and maximise its huge potential. The Bay of Kotor, but also Montenegro as a whole, has a favourable economic framework for investors, primarily when it comes to tax rates, following the greatest natural resource – beauty, nautical history and potential for development. These kinds of advantages are significant incentives for yacht owners, who choose the Porto Montenegro

marina and resort as the destination for the home port of their vessel or to purchase real estate.

■ Where do you see your advantages compared to that which is offered by your competitors in Italy, Greece and the South of France?

- Yacht owners from Russia, the UK and many other European countries, but also Australia and the United States, have leased berths for the next 15 - 30 years in the marina, which is located just a 10-minute drive from the international airport in Tivat. The British Yacht Harbour Association (TYHA) awarded Tivat Marina this year's prestigious Marina of Distinction Award. In addition to the 450 berths that have already been built and are fully occupied, and with ap-

- The nautical village of Porto Montenegro is international – owners of residential units come from various parts of the world, from North America to Japan, the UK to Russia. Superyachts come under the flags of all the world's countries, especially during the summer tourist season, when they cruise the Mediterranean.

This year's strategy for positioning in the United Arab Emirates provides an excellent opportunity to present a new project: the condominium-hotel facility Regent Hotel Residences, which will open during the summer and which represents an investment of €37 million.

The largest low-cost carrier in the Middle East, flydubai, has already officially announced three new destinations for the coming summer season that includes Montenegro, with direct Dubai-Tivat flights.

Exhibition appearances and new business connections confirm that the market of the United Arab Emirates is attractive and extremely interesting for Montenegro, in the field of tourism and business

■ How would you assess Montenegro's long-term tourism potential, and where do you see your company in five years?

- So far some €447 million has been invested in the construction of the Porto Montenegro superyacht marina and nautical village, while in the next phase of the project's development – to include a shipyard, casino and new residential and commercial buildings – a further €100 million will be invested.

Our goal isn't only to realise the multi-million-euro project of the village and marina, but rather this is a project of Tivat, the local government and all local citizens. Porto Montenegro lives with Tivat, and together we are a city of the future. ■

proval already granted for the construction of an additional 400 berths, with the possibility of building facilities covering an area of up to 280,000m², the resort has the potential to double in size and become the Mediterranean's leading luxury port for yachts.

■ Who are your most important clients and how do you target them?

We Have Yet To Utilise MARKET POTENTIAL



UNIQA continuously develops and introduces new products and services that will bring additional quality and safety to its clients, in both their private and business life

Despite the slow development of the economy and the long-term presence of the risk of illiquidity of the real sector, the financial sector has recorded slow but stable development. However, the insurance sector is still underdeveloped, says Nela Belević, member of the MFIC Board of Directors and executive director of Uniqa non-life insurance.

■ How do you assess the overall situation in the financial sector in Montenegro?

- What is typical for the financial sector in Montenegro is the fact that this sector is dominated by banking, while the share of the non-banking financial sector is pretty small. The fact that the share of the insurance market is at a modest two per cent of GDP is contrary to the situation in EU countries, where that share is up to three times higher, or even the share of leasing, which accounts for less than one per cent of GDP, the scarcity of financial instruments, the very low activity of investment funds etc., indicate the existence of an underdeveloped and still quite conservative financial market. This is not characteristic only for Montenegro, but also for the entire region. It should not be

forgotten that economic momentum, with strong development of the financial sector, is largely disrupted and slowed down by the global economic crisis, the consequences of which continue to be felt.

■ What potential exists in the field of non-life insurance on this market?

- If we start from the fact that in our country an average of about 120 euros per capita is spent on all types of insurance, while in the EU that figure is nearly 2000 euros, or from the fact that only 10-15% of citizens have insured their apartment, then we can say that

The development of non-life insurance is directly related to the degree of development of the economy and the purchasing power of the population, which is still at an insufficient level

the potential is great. This primarily relates to types of insurance that are not linked to motor vehicles, such as property insurance, insurance of houses and apartments, facilities under construction, employees, voluntary health insurance etc. However, the development of non-life insurance is directly related to the degree of development of the economy and the purchasing power of the population, which is still at an insufficient level compared to developed Western European countries.

■ Which products have you identified as being the most attractive for your clients?

- UNIQA continuously develops and introduces new products and services that will bring additional quality and safety to our clients in both their private and business life, while in parallel we are working on educating companies and citizens in an effort to raise awareness about the need and importance of protecting life, health and property.

We are the first insurance company in Montenegro to introduce voluntary health insurance in order to provide additional healthcare options and increase the content, scope and standards of medical care. We have established partnership relations with health institutions, including hospitals, polyclinics, specialist clinics and laboratories, throughout Montenegro and a doctor is available to our clients 24 hours a day.

■ What about digitisation in the insurance industry?

- Following the latest communications trends, UNIQA Group decided to invest significant resources in digitising, in order provide a new generation of customers with quick and easy access to insurance products. With awareness for the fact that the internet is a place for informing and making purchasing decisions, and increasingly a channel for making purchases, our website is adapted to all platforms and devices. We are currently working on the redesign of a web shop, to further simplify the purchase model and make it more understandable and more attractive to our clients. ■

We Strive For **BUSINESS EXCELLENCE**


MARIJA ŠUKOVIĆ

MFIC EXECUTIVE DIRECTOR

The Council gathers together representatives of numerous and varied industries, with the aim of improving the investment climate and supporting the development of business in Montenegro. All companies operating in Montenegro that represent foreign capital and have a good reputation are welcome to join the MFIC

We spoke with Marija Šuković, MFIC director, about the main goals of the association, its internal organisation and the way it advocates for a better business climate in Montenegro. We also discussed major publications like the MFIC White Book, Guide to MFIC, MFIC Investment Guide and the brochure “Montenegro – Why invest in MNE”, as a useful guide for potential and new foreign investors. As of April, MFIC has a redesigned website, which represents another useful source for potential investors, as well as presenting special benefits for its members.

■ **What are the MFIC’s basic principles and who can become an MFIC member, and under which conditions?**

- The Montenegrin Foreign Investors’ Council, an association of

the leading foreign investors in the country, was established in 2009 as a non-governmental and non-profit organisation aimed at helping to improve the investment climate and support the development of business in Montenegro. The MFIC represents and expresses the opinions of its members regarding topics of common concern, as well as stimulating foreign direct investment. Therefore, promoting the interests of the international business community in Montenegro and informing members and other stakeholders about the investment climate in Montenegro are among the main goals of such an association. Additionally, connecting with other foreign investor organisations in the SEE region, for the purposes of sharing the benefits and experiences of worldwide best practice and analysing concrete tools to facilitate regional business activities, are also very important activities of the MFIC.

All companies operating in Montenegro that represent foreign capital and have a good reputation are welcome to join the MFIC. The procedure to become a member is pretty simple and the final decision is adopted by our Board of Directors.

■ **How many members does the MFIC have today and how much do MFIC members contribute to Montenegro's GDP and employment levels?**

- The Council brings together representatives of numerous and varied industries – banking and financial services, telecommunications, metallurgy and mining, energy, tourism and catering, the fast-moving-consumer-goods sector, manufacturing, transport, legal services and auditing. The Council's membership base is constantly expanding and at present we have 34 members, representing almost 30 per cent of GDP and employing up to 8,000 people. The MFIC's mission is not to have as many members as possible, but rather to expand slowly, accepting only significant foreign companies that can bring the best business practises to Montenegro.

■ **How is the MFIC's work organised and how do members participate in the association's activities?**

- The MFIC is organised in the following manner: Assembly - representing all member companies; Board of Directors – currently comprising Addiko Bank, Uniqa Insurance, EBRD, Azmont Investments and Adriatic Marinas; President, appointed for a one-year period, with the possibility of re-election – currently Mr Christoph Schön, CEO & CFMO of Addiko Bank, Executive Director and four Committees – ICT, Tourism, Insurance and Banking.

Assembly meetings are usually held every two/three months, while consultations at the BoD level are held on a constant basis. Our members initially all participate through the aforementioned MFIC bodies, as well as through specially organised activities including different publications, site visits, conferences, involvements in public debates etc.

■ **What does the MFIC offer its members?**

- In general, associations that gather together and represent the private sector, with their common interests and goals, but usually most importantly with their common problems and obstacles to operating, are, in my opinion, very significant to the improvement of a country's business climate. The MFIC is an excellent "instrument" to exchange experiences among the most representative foreign companies in the country, to find areas of common interest and, through the MFIC bodies, communicate them with other stakeholders.

The Council's key document is the White Book, an annual publication informing the general public and all stakeholders about the business environment and the obstacles to doing business experienced by foreign investors in Montenegro and, more importantly, providing recommendations for removing the identified barriers, aimed at increasing the attractiveness and competitiveness of the Montenegrin economy. By contributing to the White Book, members have the possibility to list all of their suggestions, comments and complaints, and to be sure that the "message" will be sent to the right address.

■ **How does the MFIC maintain communication with state institutions, the domestic and foreign business communities, and the broader public?**

- Regular and efficient communication with state institutions, other associations that represent the private sector, and the public in general, is crucial. Besides ad hoc meetings that are held to address specific topics or events, the MFIC is a member of many state bodies and working groups, of which I would just mention the newly formed Council of Competitiveness that is presided over by the Prime Minister. By signing protocols, agreements or letters of intent, we have established several platforms for common initiatives and actions with the most significant associations in Montenegro, and that cooperation is in most cases excellent. Relations with the municipalities are still a challenge, but by signing the Protocol on joint Cooperation for the Improvement of the Investment Environment in Podgorica we can see an improvement with the capital city.



The MFIC mission is not to have as many members as possible, but rather to expand slowly, accepting only significant foreign companies that can bring the best business practises to Montenegro

■ **You recently launched a new website. What do you offer visitors interested in investing in Montenegro and what do you have for existing MFIC members?**

- One of the most important ways to communicate with stakeholders is our website, www.mfic.me, which was redesigned in April. In addition to basic information about the history and mission or the organisation, instructions on "how to become a member", MFIC activities and similar, we have a list of members that is linked to their original websites, the possibility for members to post news items and job vacancies, a "members only area" etc. The website also contains all MFIC publications, the White Book, Guide to MFIC and MFIC Investment Guide, and, finally, the section "Montenegro – Why invest in MNE", which may be useful for potential and new foreign investors. ■

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Dynamic GROWTH

New, Redesigned Website Launched

April 2017



The launch of the redesigned website WWW.MFIC.ME, covering new sections such as a members' area, members' news, job vacancies, what they say about us, committees etc., was very well received by Members and will be used as an instrument to communicate both between members and with the public.

New Committees Established

March 2017

MFIC established new committees and launched more activities for the existing ICT committee, as decided at the regular Assembly held this March. The idea is to have industry-based committees as the platform to provide MFIC with the opportunity to communicate, directly and concretely, on our biggest issues and common interests internally, but also with different stakeholders. The current MFIC management intends to encourage a more focused approach to dealing with open issues, and the forming of "specialised" committees is seen as one of the ways. The Council started with the most commonly represented industries among members, but remained open for discussion for any other "industry- or topic-based committee". This led to the establishing of industry-based committees for Banking, Tourism and Insurance.



The Montenegrin Foreign Investors Council was established in 2009, with five founder members, while today it has 35 member companies that provide around 8,000 jobs and account for around 30% of national GDP. The main role of the Council is to use a proactive approach to establish a more stimulating and more favourable business climate in the country, as well as establishing cooperation and dialogue with decision-makers at the national and local levels.

Some of the main activities in the last year include:

Strategy On Legal Regulations, Spatial Planning And Construction

April 2017

Montenegro Business Alliance, Union of Employers and MFIC draft Strategy on legal regulations concerning spatial planning and construction, with a view to this area's importance and announced government changes in this area.



Working Meeting With Montenegrin Education Minister Damir Šehović

March 2017

In a meeting organised with Montenegrin Education Minister Damir Šehović, it was concluded that cooperation between the education system and the economy, aimed at creating opportunities for youngsters to acquire practical work-based knowledge even during their studies, is vital to education reform, the labour market and the economy as a whole. MFIC recognises the importance of education, as the driving force behind overall development, and will contribute to the reform of the education system at all levels. Accordingly, MFIC will consider ways of creating opportunities for young people to gain practical knowledge within its member companies.





MFIC Signed Protocol On Joint Cooperation For Improvement Of Investment Environment

February 2017

Protocol on Joint Cooperation for Improvement of Investment Environment in Podgorica was signed by MFIC, alongside other private sector associations, with the Capital City of Podgorica. The priorities for joint activities and cooperation include: reorganisation of the business environment for small and medium-sized companies; removal of barriers to economic growth and development; increasing economic competitiveness, information access and the promotion of partners' activities; regular and timely communication and exchange of information that will help deal with identified priorities (meetings at least once a month).

White Book

January 2017

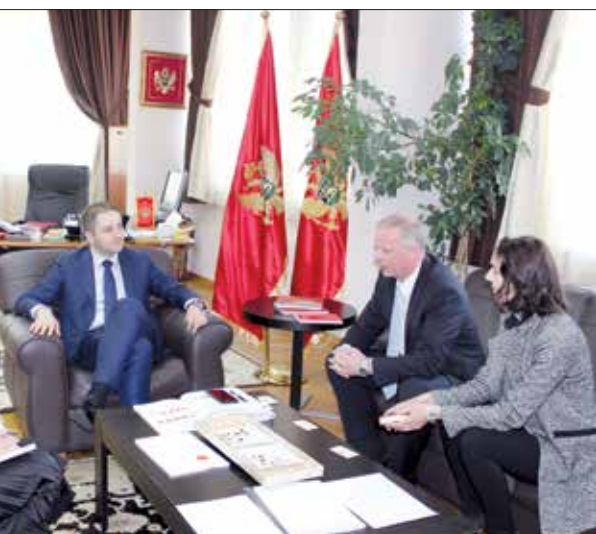
MFIC published the seventh edition of the White Book, the most significant document of the Council, which provides an overview of the investment and business climate in Montenegro from the perspectives of the largest foreign investors, members of the Council. More specifically, a business index indicates their assessment of the ease of doing business in Montenegro, based on the perception of members. Alongside MFIC representatives, the press conference for the launch of the White Book was also attended by top Montenegrin Government officials Pavle Radulović, Minister of Sustainable Development and Tourism, Bojana Bošković, Deputy Finance Minister, and Goran Šćepanović, General Director at the Economy Ministry.



MFIC Introduced The Position Of Executive Director

November 2016

By changing its Statute, MFIC introduced the position of Executive Director, with the main goals of achieving faster implementation of existing strategies and policies of the Council, and assisting in creating and implementing new strategies and long-term plans.



The 4th Diplomatic Regatta In Porto Montenegro

October 2016

The Fourth Diplomatic Regatta was organised in Porto Montenegro in October 2016, during which MFIC members and guests had the opportunity to exchange views on the Montenegrin business environment and share with ambassadors all ideas about how they could be more involved in, and supportive of, processes aimed at improving the business environment.



For more information, visit our website: www.mfic.me

KEY MESSAGES

DARKO RADUNOVIĆ,
MONTENEGRIN FINANCE MINISTER

Measures Adopted For Economic Stabilisation

"The Government of Montenegro has adopted measures that will contribute to the stabilisation of public finances, while simultaneously preserving macroeconomic stability. The planned economic growth of the Montenegrin economy is based on a strong investment cycle that would also give better results despite the lack of diversification of the domestic economy and the mismatch between labour force supply and demand".



CHRISTOPH SCHOEN,
MFIC PRESIDENT, (CEO AT ADDIKO BANK MONTENEGRO)

We Are Open To Cooperation

"Montenegro is a good investment destination that is moving in the right direction to utilise its high potential. The challenge is the way and pace at which that potential will be used. There is a lot of room for improvement and we are aware that this is a long-term process requiring the cooperation of all stakeholders. MFIC is ready to contribute as much as possible."



DRAGICA SEKULIĆ, MONTENEGRIN ECONOMY MINISTER

Strategic Investors Ensure Development

"The challenges facing our economy are not exclusive of Montenegro, rather they are the same challenges that also concern many developed countries, and those that are almost identical to the problems of neighbouring countries. We all strive to attract investment, strengthen the competitiveness of the economy and increase employment. One of the key factors on this route is strategic foreign investors for the implementation of development projects that represent the foundation of economic growth".



PAVLE RADULOVIĆ, MONTENEGRIN MINISTER OF SUSTAINABLE DEVELOPMENT AND TOURISM 11500

Methodical Approach Brings More Tourists Than Ever

"Montenegro's natural attractions and a careful strategic approach to tourism have cemented the continuous growth of tourist visits from traditional countries such as Russia and Serbia but also from Great Britain, France, Germany, Holland, Belgium, Sweden, Finland, Norway and Denmark. Priorities include attracting tourists from China, Japan, South Korea and the UAE, and a continued development of elite hotel capacity".

RADOJE ŽUGIĆ,
GOVERNOR OF THE CENTRAL BANK OF MONTENEGRO

We'll Continue To Be An Anchor Of Stability

"Within the country there is a high consensus on the need for further fiscal consolidation, in the direction of strengthening financial stability. The way in which appropriate measures will be defined and implemented is the decision of the Government, as well as economic policymakers. For its part, the Central Bank of Montenegro will continue to work on strengthening trust in the overall financial system, with particular emphasis on fostering and maintaining the stability of the banking system".



KEMAL PURIŠIĆ,
MONTENEGRIN MINISTER OF LABOUR AND SOCIAL WELFARE

Better Law Means Better Labour Relations

"Montenegro is expected to adopt a new, more modern Labour Law by the end of the year, which should enable a more flexible relationship between employers and employees, and better respond to the characteristics of the domestic labour market and the need to harmonise legislation with European standards. There is a determination on the part of all three social partners to develop a high-quality text for the Labour Law, which will be suitable for the needs of the Montenegrin labour market in taking on its integration into the EU market".



PÁL KOVÁCS, CEO, CKB

Time For Dynamic Business Development

"The country has made tremendous progress in the process of Euro-Atlantic integration, having become a member of NATO and soon to become, I believe, a member of the EU. Some of the major challenges that the Government has been working on include efforts to improve the situation in public finances, stability and the resilience of the financial sector, the implementation of structural reforms, successful and continuous engagement in attracting direct foreign investment, particularly in projects that are of vital importance in tourism, agro-business and other significant branches of industry. I think we are on the right track, with the results visible".



SAVO ĐUROVIĆ, DIRECTOR
OF LEGAL SERVICES AT PORTO
MONTENEGRO

We Will Be The Mediterranean's Leading Port For Luxury Yachts

"The Government of Montenegro recognised from the start the idea of Montenegro positioning itself, through the Porto Montenegro project, as the leading super-yacht destination in the Mediterranean, and provides support in the implementation of a clear strategy for the development of nautical tourism in Tivat and the Bay of Kotor. Porto Montenegro has contributed to changing the perception of Montenegro around the world".



NELA BELEVIĆ, MFIC BOARD
MEMBER, EXECUTIVE DIRECTOR OF
UNIQA MONTENEGRO

We Have Yet To Utilise Market Potential

"UNIQA continuously develops and introduces new products and services that will bring additional quality and safety to its clients in both - the private and business life.

Despite the slow development of the economy and the long-term presence of the risk of illiquidity of the real sector, the financial sector has recorded slow but stable development. However, insurance sector is still underdeveloped".

GIULIO MORENO, MFIC BOARD MEMBER, DIRECTOR OF
THE EBRD COUNTRY OFFICE FOR MONTENEGRO

We Have A New Plan For Montenegro

"In the coming period the EBRD will be focused on enhancing the competitiveness of the private sector, improving connectivity and regional integration by expanding cross-border transport and energy links, and fostering the transition to a green economy, including sustainable tourism. EBRD will soon present its new four-year strategy for Montenegro".



NEBOJŠA ŠČEKIĆ, CEO SAVA OSIGURANJE

Good Results Are The Best Recommendation

"Sava Osiguranje has been operating positively for years, which recommends this company to potential clients as a stable and professional partner. Our market is not yet at the level of development that we strive for, but I think that with joint efforts of all insurance companies, we can eventually reach the desired level. The Montenegrin insurance market is well below the average of EU member states in terms of development, and the share of gross insurance premium in GDP is still small. I see the potential first of all in the sale of property insurance and in continuing our joint work to educate and raise awareness about the importance of the insurance industry for every country".

RASHAD RASULLU, MFIC BOARD MEMBER (EXECUTIVE DIRECTOR OF PORTONOV
RESORT MANAGEMENT COMPANY AND BOARD MEMBER OF AZMONT INVESTMENTS)

Mutually Beneficial Partnership

"Montenegrin government did a good job in reforming the economy. We at MFIC, believe we can help with our expertise and know-how in overcoming challenges and help improving the state economy. As an investor, we want to contribute to this work and our ambition and wish is to bring Montenegro to the high-end tourism map. It is important to say that our work on this journey is supported by many initiatives of the Montenegrin Government".



MARIJA ŠUKOVIĆ, MFIC EXECUTIVE DIRECTOR

We Strive For Business Excellence

"The Montenegrin Foreign Investors' Council, an association of the leading foreign investors in the country, was established in 2009 as a non-governmental and non-profit organisation aimed to improve the investment climate and support business development in Montenegro. The MFIC represents and expresses the opinion of its members about the topics of common concern and stimulates direct foreign investment. Therefore, promoting the interests of the international business community in Montenegro, and informing its members and other stakeholders regarding the investment climate in Montenegro is one of the main goals of our association".



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