

# MONTENEGRIN FOREIGN INVESTORS COUNCIL 2019

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# 10 YEARS & COUNTING

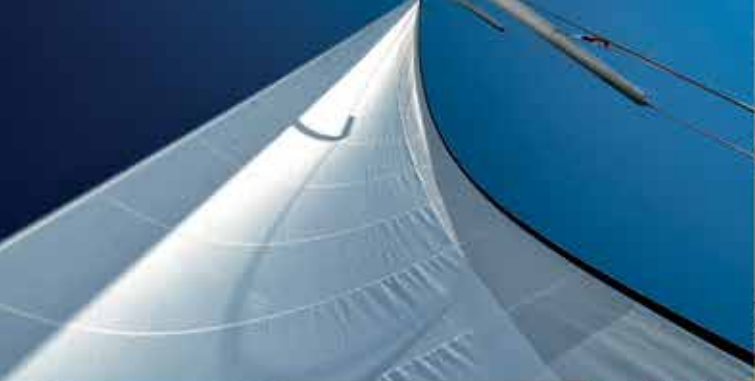
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## MFIC

## PROMOTING BUSINESS OPPORTUNITIES

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## CONTENTS

10	<b>GOVERNMENT EFFORTS COMMENDABLE COMMENT</b>		DARKO RADUNOVIĆ Montenegrin Finance Minister	48	<b>INNOVATION PROMOTER, STABILITY GUARANTOR</b> PÁL KOVÁCS CEO at crnogorska komercijalna banka (CKB)
12	<b>A TRUE PARTNER FOR REFORMS</b> CHRISTOPH SCHOEN President of the Montenegrin Foreign Investors Council	29	<b>SETTING THE NEW BENCHMARK IN THE ADRIATIC</b> RASHAD RASULLU Executive Director of Portonovi Resort Management Company	51	<b>FOUR WAYS TO INCREASE TRANSPARENCY</b> ANTONIS SEMELIDES MFIC BoD Member, CEO of Jugopetrol AD
16	<b>PROVIDING FOUNDATIONS FOR LONG-TERM STABLE GROWTH</b> MILUTIN SIMOVIĆ Deputy Prime Minister Responsible for Economic Policy and the Financial System; Minister of Agriculture and Rural Development	30	<b>WE JEALOUSLY GUARD OUR SPECIALNESS</b> PAVLE RADULOVIĆ Montenegrin Minister of Sustainable Development and Tourism	52	<b>OPERATIONAL PREDICTABILITY KEEPS INVESTMENT LEVELS HIGH</b> NELA VITIĆ MFIC BoD Member, CEO of Ocean Montenegro
20	<b>ENCOURAGING REFORM RESULTS</b> SUZANA PRIBILOVIĆ Montenegrin Minister of Public Administration	33	<b>SMART SOLUTIONS FOR MONTENEGRO</b> DINA TSYBULSKAYA Crnogorski Telekom CEO	53	<b>DIGITALISATION IS A GREAT CHANCE FOR MONTENEGRO</b> IVAN BOJANOVIĆ MFIC BoD Member, Director of SAGA CG
23	<b>THE FUTURE OF BANKING WILL NOT BE THE CONTINUATION OF THE PAST FOR WHATEVER MAY COME</b> MARTIN LEBERLE Chief Executive Officer of NLB Banka Ad Podgorica, Montenegro	34	<b>BANKING SECTOR STRENGTHENING CONTINUES</b> RADOJE ŽUGIĆ Governor of the Central Bank of Montenegro	54	<b>GOOD FOUNDATION FOR FURTHER IMPROVEMENTS</b> WHITE BOOK: Investment climate in Montenegro, 2018
24	<b>COMPANY EMPLOYEES ARE “GUILTY” FOR OUR SUCCESS</b> NEBOJŠA ŠČEKIĆ SAVA Osiguranje CEO	38	<b>ACHIEVEMENTS SHOULD BE JEALOUSLY GUARDED</b> EMANUEL SALINAS World Bank Country Manager for Bosnia-Herzegovina and Montenegro	56	<b>CLOSE COOPERATION LEADS TO BETTER ACHIEVEMENTS</b> IVAN RADULOVIĆ MFIC Executive Director
26	<b>TAX POLICY IN THE SERVICE OF DEVELOPMENT</b>	41	<b>PROMOTING SUSTAINABLE ECONOMIC GROWTH</b> FIC MONTENEGRO	58	<b>FOCUS</b>
		42	<b>MFIC RETROSPECTIVE</b>	62	<b>COMPANY REGISTER</b>
				64	<b>KEY MESSAGES</b>



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*Current levels of foreign investment, as well as the ratings given to the Government of Montenegro by the investor community already operating in the country, suggest that government efforts have been taken seriously. Nevertheless, the country's full potential has yet to be unleashed*



# Government Efforts COMMENDABLE

If FDI inflow is understood as a way in which investors vote, the Government of Montenegro has no reason to worry. The level of FDI reached 843 million euros in 2018, thereby confirming that the cabinet of Prime Minister Duško Marković has been taken seriously by the investor community and that fiscal

consolidation has been understood as the Government's determination to focus on the economy's long term perspective. Praise has been given by the World Bank and the business community: the MFIC Index for 2018 reached 6.49 on a scale of 1 to 10 (with 1 representing the poorest score), which indicates stability, "with a slight increase on the Doing Business index". Such a development "gives reasons to be optimistic in terms of the improvement of economic conditions and the business climate" - as stated at the presentation of the

White Book - the key document produced by the Montenegrin Foreign Investment Council, in which foreign investors evaluate the business environment based on their personal perception and highlight the challenges they face in Montenegro.

Yet there is still room for improvement in many important aspects that underpin the growth and prosperity of the economy. Some of them are well known and stubbornly present, such as the grey market, while others are newer, such as regulations on public-private partnerships, public procurement, the digital

transformation of public services, regulations on personal data protection and human resources. According to the White Book, but also according to the Doing Business Index, low scores in these areas must be a signal for the Government to place them at the top of their agenda in the period ahead.

**Statistics point to an improved business climate, one in which domestic and foreign investors are optimistic that the Government will exert further efforts to remove obstacles to dynamic and inclusive growth**

This means that regulatory obstacles to firms, red tape, and weak public institutions are still making it difficult for new entrepreneurs to launch new businesses or expand existing ones. Consequently, fiscal consolidation has to be followed by structural reforms if the Government wants to unshackle private sector growth, enable the creation of new jobs and improve living standards.

Another important field is education. According to the World Bank's Human Capital Index, a

child born in Montenegro today will achieve only 62 per cent of its productive potential in adulthood, compared to children born in the countries with the best education and healthcare. Indeed, improving the quality education and the relevance of educational programmes to the demands of the market is a precondition for improving the employability of the workforce, and is definitely one of the priorities in the period ahead. Furthermore, there is also a need to more strongly support innovation and entrepreneurship, as well as the start-up community. ■





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# A True Partner FOR REFORMS



## CHRISTOPH SCHOEN

PRESIDENT OF THE MONTENEGRIN  
FOREIGN INVESTORS COUNCIL, MFIC

*We will continue to support the Government of Montenegro during the reform process, as we strongly believe that we will achieve much more if the public and private sectors work together. Among the most important tasks in the coming period are combatting corruption, improving the consistency and efficiency of the judicial system and continuously fighting against the grey economy*

**T**he MFIC celebrates a decade of its work in Montenegro in 2019. We discussed this important anniversary with current MFIC president Christoph Schoen, who has headed this association since 2016. This was also an opportune juncture to discuss the MFIC legacy and future plans.

■ **Which achievements would you outline as being the most important for the development of the MFIC's organisational capacities?**

- The MFIC was established in 2009 by five companies as an association of the leading foreign investors doing business in Montenegro. We today have 40 members from different sectors and industries, and their collective turnover accounts for over 25 per cent of Montenegro's GDP.

In order to strengthen our organisational capacities to enable the implementation and follow-up of our activities, in 2016 we decided to appoint an executive director responsible for organising the Council's daily activities, its bodies, working committees and documentation. This resulted in efficient implementation of our strategies and policies, the coordination and execution of all MFIC activities. In 2014 we also established the ICT Committee, while in 2017 we established the Banking Committee

to enable our members to engage actively in decision making processes with the purpose of improving the transparency and predictability of the regulatory framework. The mission of the ICT Committee is to encourage innovation, economic growth and improvements in daily life for both citizens and businesses by enabling a transparent, predictable and sustainable business environment. The Banking Committee was established with the aim of providing a strong, unified voice and approach of the banks under foreign ownership that are doing business in Montenegro with the purpose of improving the business environment in the banking sector. In the near future, depending on the level of interest among our members, we are planning to establish two more committees – Regulatory Policy Committee and Committee for Combatting the Grey Economy.

■ **As somebody who has observed the development of the organisation closely and managed its work since 2016, how would you assess the role played by the MFIC in improving the business climate in Montenegro?**

- We are very pleased that the improvement of the business environment, which is necessary for rapid and sustained economic growth, continues to top the Government's agenda. The Montenegrin Foreign Investors Council



## IMPERATIVE

Business environment reforms in Montenegro need to be implemented more effectively in order to create a favourable business climate and to enable the entire Montenegrin economy to grow faster

## DIGITALISATION

We see digitalisation as a responsibility of the both state and the private sector, which should work together to create a sensible and smart framework that will allow digital transformation

## BANKS

In the area of financial services, attention in the coming period should be paid to further alignment with the EU and the introduction of the best European practises to the Montenegrin banking sector

will continue to further support the Government of Montenegro during the reform process, as we believe strongly that we will achieve much more if the public and private sectors work together.

Bearing this in mind, through our active participation in the work of the Government's Competitiveness Council - as the Government's main advisory body in the area of improving the business environment, which is led by Prime Minister Duško Marković – our efforts are aimed at ensuring that the recommendations provided by our members through the White Book, as well as through the work of our Committees, are included in the measures to be implemented by relevant state institutions in order to advance the business climate and create the same kind of business environment conditions that our member companies enjoy in their home countries.

The MFIC recently became a member of the Government's Commission for Combatting the Grey Economy, which is led by Deputy Prime Minister Milutin Simović, in order to work closely with our counterparts from the Government to further combat the grey economy, especially in the areas of the labour market, tourism and construction.

■ **Looking back on the index ratings of the nine editions of the White Book that you have produced, how would you describe the progress made by Montenegro in terms of reforms?**

- When it comes to the White Book – as our most recognised annual publication, which evaluates the business environment in Montenegro from the perspective of our members who are doing business in Montenegro – we can say that the business climate in Montenegro has been improving steadily.

Taking into consideration movements on the MFIC Index (the evaluation of the ease and effectiveness of doing business in Montenegro on the basis of our members' experiences), continuous improvement in the rating has been evident since 2011, with the exception of 2015, when a decline was recorded. The MFIC Index for 2018 amounts to 6.49 (on a scale of 1 to 10) and was the highest since the introduction of this kind of measurement in 2011.

Having this in mind, there is reason to be optimistic in terms of the

improvement of economic conditions and the business climate, but further attention also needs to be paid to the implementation of reform processes within analysed sectors, in order to achieve better business environment conditions, attract foreign investment and create conditions to improve



**The MFIC today has 40 members from different sectors and industries, with their combined turnover accounting for over 25% of Montenegro's GDP**

the economic standard of all citizens of Montenegro.

■ **How well were you personally accepted by the Montenegrin government as an interlocutor with experience in the EU accession process?**

- Coming from a country that joined the EU

in 1994, I always strive – even in my daily work – to transfer knowledge and best practises not only to the banking sector, but also to the management of the Council, in order to achieve the efficient and effective implementation of our strategies and policies. I have to say that we've had an exceptional relationship with our partners from the Government since I was elected MFIC President in 2016.

We believe strongly that close and continuous communication with the Government and public administration authorities remains an important tool of the Council in supporting the development of our members and enhancing their business operations in Montenegro. A timely dialogue in this context is essential for all stakeholders, which would allow them to increase efficiency in operational processes and avoid negative and harmful consequences for the entire business community.

■ **Which areas of EU market policies would you outline as those in which Montenegro needs to move the bar to a higher level?**

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

We also see the ICT sector as having growing potential for Montenegro and ICT solutions as a precondition for further development in all sectors. We therefore see digitalisation as a responsibility of both the state and the private sector, which should work together to create a sensible and smart framework that will allow digital transformation to enable the improved efficiency of government services.

Our members traditionally rate the following sectors: telecommunications/ICT, banking/finance, tourism, production/energy, trade/retail and transportation/logistics. In addition to those sectors, the following areas are also rated: labour market and employment, property development, taxation, corporate governance, the rule of law, the grey market and inspections, regulations on public-private partnerships, public procurement, the digitalisation of public services, regulations on personal data protection and human resources. The average rating of all these areas is between 5 and 6.5, and – on the basis of those results – we are of the view that business environment reforms in Montenegro need to be implemented more effectively, in order to create a favourable business climate and to enable the entire Montenegrin economy to grow faster. This will be achieved through a timely and open dialogue with the private sector in order to recognise its needs.

■ **To what extent is the overall macroeconomic situation conducive to growth?**

- We believe that the Montenegrin economy will continue to be strongly influenced by investments in the coming years. The implementation of public finance consolidation measures will also impact positively on the development of economic activities, as will measures aimed at optimising the public sector. On the other side, a limiting factor could be the lack of diversification of the Montenegrin economy, which could reduce the full positive effects of foreign investments. The Government of Montenegro has projected that the annual real economic growth rate will be 2.8 per cent in 2019, 2.3 per cent in 2020 and 2.4 per cent in 2021. Growth in Montenegro has been particularly strong in recent years, but the outlook for 2019-21 shows a slowdown, reflecting the government's fiscal consolidation plan in the face of high public debt. Investment growth will slow but economic

activity will continue to be supported by strong tourism inflows. Credit growth to households is likely to slow somewhat from current levels (around 12% year on year) but should remain quite robust in the next 2-3 years.

■ **How well aligned with EU standards is the financial sector? How resilient is the banking sector today, when there are some warnings that the next global financial crisis is looming?**

- Banks under majority foreign ownership are dominant in Montenegro's banking system, comprising 74 per cent of the assets of the banking sector, according to data from the Economic Reform Programme 2019-2021.

As was stated in the latest European Commission Report, Montenegro is moderately prepared in the area of financial services. Good progress was made on legal alignment and in addressing the high level of non-performing loans. In the period ahead, attention should be paid to further alignment through the adoption of acquis-compliant legislation by introducing the best European practises to the Montenegrin banking sector.

In terms of a possible financial crisis in 2020, I believe that today we are much safer than we were in 2008. Even though progress has been evident, more needs to be done, especially in monitoring closely potential new risks that may arise from a rapidly evolving financial market. Both banks and governments need to work closely to address potential systemic risks.

■ **How satisfied are you with the performance of your bank? How does 2019 look from your own business perspective?**

- I am very happy to say that, in 2018, Addiko Bank Montenegro recorded the best business result in its history. The focus on

retail customers and small and medium-sized enterprises is accompanied by innovations and digital advancements. We have for example developed an automated workflow for retail lending products, which would allow us to efficiently service our retail customers and would improve the customer experience and convenience for our clients

In 2019 we will continue to focus on our key segments, Retail and SME clients and further improve to deliver on our strategic goals, providing straightforward banking based on efficient processes.

■ **With the banking sector saturated, where are new foreign investments heading?**

- Further development of the Montenegrin economy is focused on three sectors: tourism, energy and agriculture. There isn't a single country that's dominating foreign direct investments in Montenegro but rather several markets, like surrounding countries, EU member states, as well as the United Arab Emirates, Azerbaijan, China and the United States. ■



**Addiko Bank Montenegro recorded its best ever business result in 2018. In 2019, we will remain focused on digitalisation and the further improvement of the client experience**





## RAMADA PODGORICA AND MALL OF MONTENEGRO OPERATING SUCCESSFULLY UNDER SAVANA HOLDING

Savana Holding, a company of exceptional tradition and renown in its field of operations in Europe, took over ownership three years ago of the Ramada by Wyndham Podgorica in Podgorica and the Mall of Montenegro shopping centre.

Ramada Podgorica, hotel in the heart of the old part of the capital, offers 110 guest rooms, including 64 Standard rooms, 34 Executive rooms, 5 Grand suites, 4 Junior suites, 2 Garden suites, and 1 Diplomatic suite.

All conference rooms, starting from the most sought after Lesendro hall, are adjusted according to the type of event. Guests will enjoy delicacies from Mediterranean cuisine being prepared in the renowned Panorama restaurant on the top floor of the hotel.

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



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# Providing Foundations For Long-Term STABLE GROWTH



## MILUTIN SIMOVIĆ

DEPUTY PRIME MINISTER RESPONSIBLE FOR ECONOMIC POLICY AND THE FINANCIAL SYSTEM; MINISTER OF AGRICULTURE AND RURAL DEVELOPMENT

*Sustainable and inclusive economic growth, which will contribute to reducing the development gap of the country compared to the EU average, and to increasing the quality of life of all citizens, is a strategic development goal of Montenegro. That's why we'll strengthen the country's macroeconomic stability and work to eliminate the key obstacles to improving competitiveness*

At the beginning of its mandate, the Government of Montenegro prepared and launched the implementation of its the Plan for Recovering the Budget Deficit and Public Debt, but with a parallel plan for bringing dynamism to development. Seven months later, the Fiscal Strategy until 2020 was adopted, which implied additional fiscal consolidation measures of 2.8% of GDP by 2020. "These were ambitious, but also necessary, measures that yielded encouraging results," says Milutin Simović, Deputy Prime Minister for Economic Policy and the Financial System, and Minister of Agriculture and Rural Development. "Two years of this government's mandate were marked by real GDP growth of 4.7% and 4.9%, which positioned us as the fastest growing economy in Southeast Europe." In this context, says our interlocutor, it is also worth recalling the ratings of relevant international institutions, such as the World Bank and the IMF, regarding the positive effects of the Montenegrin economy. "As a result of increased economic activity, the strong inflow of foreign

direct investments and consistent implementation of fiscal consolidation measures, we have continuous growth in sources of budget revenues that enabled stability in financing all current expenditures of the state. We also have encouraging trends in 2019. Montenegro's credit rating was upgraded last year and confirmed again in this challenging year," says Deputy PM Simović.

### ■ How will these reforms reflect on economic growth in the next five years?

- The structural reforms that we're implementing have the goal of improving the quality of services for citizens and businesses, which will improve the overall business environment and conditions for achieving high rates of economic growth.

In line with the demanding nature and significance of reforms, the Government has included all segments of society in open and partner-based communication: social partners, representatives of the domestic



## PRIORITIES

We need strong and comprehensive structural reforms in the areas of public administration, health, education, the pension system and social policy

## EURO INTEGRATION

The progress we're achieving in the EU integration process represents additional certainty for foreign investors and the guarantee of a good business environment

## RECORD

At year's end 2018 we had the lowest average unemployment rate in the last seven years, at 15.2%

and foreign investment community, the expert and scientific community, the civil society sector, relevant international institutions etc. We consider that such a joint effort is essential for achieving high-quality and sustainable results.

NATO membership has brought stability that is essential for both the economy and the society as a whole. We don't view the progress we're achieving in the EU integration process as our obligation, but rather as the need of our society to achieve EU standards and values, which will make us a competitive member of this prestigious family of nations.

### ■ How will this growth be assisted by infrastructure investments? What are the government's plans for the coming years?

- Without adequate infrastructure, it is impossible to achieve dynamic development. That's why it's significant that the government was decisive and wise in choosing to construct the highway, as the largest infrastructure project in the history of Montenegro, which will link our development potentials in the north and on the coast, whilst also connecting Montenegro with the region and the EU in a high-quality and contemporary way. We will finish the first and most demanding section next year, while we're quickly creating the preconditions to construct the remaining sections. This also represents a significant place for international investors.

It is noteworthy that last year's budget revenue growth of 187 million euros, which came thanks to economic growth and increased fiscal discipline, covered the annual costs of the highway's construction, which amounted to 186 million euros.

With the laying of the undersea cable connecting Montenegro with Italy and further with the EU, the preconditions have been created for the development of the energy sector and capitalising on the natural value of huge sustainable hydro, wind and solar potential for the production of "clean" energy.

A significant need and development potential certainly lies in realising the full value of the potential of the airports of Montenegro, which should ensure our country's better aviation links.

There is ever stronger recognition among international investors of the significant potential of the Port of Bar, as a realistic regional logistics and transport hub.

### ■ Which of the most important results in the accession negotiation process with the EU during last year and this would you single out?

- For us, the EU represents the idea of unifying Europe, which creates – on the basis of the rule of law and democracy – a promising future for all its members. We also perceive the negotiating process as a kind of guide to strengthening and accelerating reform steps, creating a society based on the rule of law, improving the quality of life of our citizens and bringing it closer to the quality of life of EU citizens.



**We expect the realisation of the programme of economic citizenship to contribute additionally to economic growth, which will – through new investments – bring new added value to our economy**

We've to date opened 32 of a total of 33 negotiating chapters and provisionally closed three negotiating chapters. We expect to open the outstanding negotiation chapter, 8 – Competition, during the course of this year, given we fulfilled all the requirements for that back in 2018.

Montenegro showed in the previous period that it is ready and determined to share democratic values with EU members even in the most

sensitive political areas, such as the EU's Common Foreign and Security Policy, with which the decisions of Montenegro are fully harmonised.

I consider that we're on the right track to fulfilling the final measures in the coming period, and in this context we expect to maintain the continuity of Montenegro's advanced progression in the accession negotiations process.

## ■ How does progress on EU integration reflect on the inflow of foreign investment?

- Since the restoring of independence in 2006, when we also started preparing for the process of negotiating with the EU, we've been carefully building a business environment and the image of a prestigious investment destination, best testifying to which are projects like Porto Montenegro, Luštica Bay, Portonovi etc. These and similar projects are the best promoters of Montenegro and the investment environment we've created and are continually improving. Their success is proof and guidance for an ever increasing number of world-renowned companies from almost all areas that are expressing interest in launching projects in Montenegro.



From the restoration of independence to the present day, our overall GDP and GDP per capita have doubled. Net inflows of foreign direct investments exceeding six billion euros have been realised. FDI has contributed an average of 18% to GDP annually. And we expect a significant investment cycle in the 2019-2021 period.

## ■ How have these investments impacted on changes in the structure of the economy, employment and revenue growth, and improvement of public infrastructure as a whole?

- The greatest effects of both foreign and domestic investments are visible in the sectors of tourism, energy and agriculture, which represent our comparative advantages and strategic developmental branches of the economy.

Contracted capital tourism projects worth three billion euros are being implemented in Montenegro today.

With investments worth around 100 million euros in ski centres, which should be implemented by 2022, the Government launched the development of winter tourism in the North. Just the construction of

the modern cable lift and associated infrastructure in Kolašin, which was made operational three months ago, led to interest being generated among investors in building more high category hotels.

We are working intensively on the realisation of projects with which we will utilise the vast potentials of renewable energy sources. We signed a contract on the construction of one of the largest solar power plants in Europe, with a capacity of 250 MW, while final preparations are underway on tender documentation for the leasing of state land at the Brajići locality for the construction of a new wind farm, and we are also considering initiatives to call a tender for the construction of a new solar power plant on Valjevo Brdo near Podgorica. It is particularly encouraging that there is also significant interest among investors for the construction of large HPPs.

lary encouraging that there is also significant interest among investors for the construction of large HPPs.

In the agricultural sector over the past two years, with significant grants, we've seen the construction of numerous modern plants for primary production and processing that adhere to the highest standards.

In the past two years, with the aim of realising the full value of potential in agriculture, the Government has leased out 300 hectares of state-owned agricultural land. This project has resulted in new, modern production in protected areas, new olive groves, vineyards and the production of medicinal and aromatic herbs, as well as the creation of jobs. The government also intends to continue this project in the period ahead.

The development of agriculture, in conjunction with rising tourism spending, has certainty in placements and strengthens our tourism brand.

All of these investment activities have resulted in the creation of more than 15,000 new jobs in the last two years alone.

This is just one effect of dynamic economic growth. The state allocates more money for infrastructure, health and education. Compared to 2014, the capital budget has increased fivefold, and from it – alongside the highway – general road and rail infrastructure have been improved significantly. Works on national and regional roads alone are worth 132 million euros. Furthermore, new infrastructure capacities are being

built in the areas of education, health, sport and culture.

## ■ What do you consider as being key reforms for accelerating the achieving of a European quality of life – from the current quality that's 46% of the EU average?

- Sustainable and inclusive economic growth, which will contribute to reducing the development gap of the country compared to the EU average, and to increasing the quality of life of all citizens, is a strategic development goal of Montenegro. In order to achieve this goal, the Government of Montenegro will, in the medium-term period, implement two groups of economic policy measures. The first group refers

**Montenegro's traditional products, which fuse preserved nature and modern technologies and standards, represent strong support for strengthening our tourism brand and a great chance for increased sales for producers**



to strengthening the country's macroeconomic stability, fiscally and financially, while the second group of measures is directed towards the implementation of structural reforms, i.e. eliminating key obstacles to improving the country's competitiveness and increasing potential economic growth in the medium and long term.

We are decisive in our efforts to change and improve our practises, strengthen the rule of law, advance the business environment and the policy of attracting FDI, creating new jobs, reducing unemployment, encourage entrepreneurship, strengthening our education system, raising standards and the bar on goals aimed at creating a socio-economic framework that will enable an increase in the quality of life of all our citizens.

■ **During the past two years, Montenegro has made significant progress in terms of harmonising its agriculture sector with EU policies and standards, especially in the area of improving and affirming the quality of domestic products. What are your further plans?**

- With numerous generous support measures for enhancing competitiveness from the national budget and EU pre-accession funds, projects aimed at improving the quality of production, continuous education and cooperation with agricultural producers have been implemented successfully and have yielded notable results. And here I would like to emphasise that we are achieving such results in constant open and

partnership communication between the Government, valued producers and entrepreneurs and their associations, representatives of the profession and science, the civil sector and, of course, with our EU and other international partners.

We have harmonised regulations on quality with the regulations of the European Union and created institutional prerequisites for the protection of agricultural and food products. Today in Montenegro we have seven protected products: 'Pljevaljski sir' [Plevlja Cheese], 'Crnogorski govedi pršut' [Montenegrin beef prosciutto], 'Crnogorska stelja' [Montenegrin cured mutton], 'Durmitorski skorup' [Durmitor milk curd] and 'Kolašinski lisnati sir' [Kolašin leafy cheese] are protected by the designation of origin, while 'Njeguški prosciutto' and 'Montenegrin prosciutto' are protected under geographical indications of origin.

With a combination of exceptional natural beauty and potential, an exceptional geographical position, a carefully constructed business environment and prestigious tourism brand, numerous globally recognised and successful realised projects, as well as certain swift membership in the EU, Montenegro ranks among the most desirable investment destinations.

Also testifying to this claim is last year's ranking of Montenegro among the world's five most attractive tourist locations, with the best potential for investment, on the list of the Financial Times' specialised edition for FDI. ■

Compared to 2014, the capital budget has increased fivefold ... and works on national and regional roads alone are worth 132 million euros

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# Encouraging Reform RESULTS



**SUZANA PRIBILOVIĆ**

MONTENEGRIN MINISTER  
OF PUBLIC ADMINISTRATION

*The results achieved in public administration reform encourage us and confirm that we are on the right track, but also oblige us to work even more dynamically to create a more efficient administration that will provide proper service to citizens and the economy. This is not an easy process, but for us there is no higher priority than increasing our citizens' quality of life*

Public administration reform is also one of the key pillars of the current programme of fiscal stabilisation and European integration. We discussed the current phase of this important work with Suzana Pribilović, Minister of Public Administration in the Government of Montenegro.

“Montenegro has achieved significant progress in the area of public administration reform over the last two years, which is also confirmed by our partners from the European Commission, but we must also be aware that this is a long-term process,” says our interlocutor.

“The government's 2019 works programme envisages significant legislative activities, including amendments to one of the most important laws in the field of democracy: the Law on Free Access to Information, in order for us to improve the normative framework in this area and create the conditions for the more efficient realisation of the right to freely access information, but also laws and in the field of eGovernment,” says Pribilović. “Likewise, the adoption of the Law on Amendments to the Law on Inspection Oversight is also planned

for 2019, the aim of which is to introduce a higher level of quality and legality to work, given that this law applies to all administrative areas. This is especially important when it comes to deciding on the rights and obligations of citizens and other persons, or parties,” says Montenegro's public administration minister.

**■ A more efficient administration also implies a series of technical innovations. How much have you invested to date in e-services, and whose professional and financial support do you rely on?**

- Digitalisation is recognised in Montenegro not only within the scope of activities of the Ministry of Public Administration, but of the entire government. Strategic goals in areas of public administration reform and development of the information society need to rely on the activities of all bodies in public administration, so it is important that all bodies - each within its own scope of work – envisage financial resources and professional capacities that can respond to modern



## SUPPORT

The Ministry relies on the professional and financial support of many European and international institutions and organisations in the developing of E-services

## FOCUS

One of the key goals in the reform of public administration is improving the functioning of local government units and strengthening their capacity

## STANDARD

All activities that we implement in Montenegro are directed precisely towards providing higher quality of public services, which will enable our citizens to have a European quality of life

technological challenges. E-services are mostly provided through the eGovernment portal, which is the central point for the digitalisation of public administration services, and is therefore the greatest burden on the Ministry of Public Administration, which every year issues funds for the improvement of existing systems, but also for the development of new innovative solutions. However, considering the speed of technological development and the growing innovation trend in ICT, I consider that future investments should be increased significantly. In addition to budget allocations on an annual basis for the development of e-services, we receive support from the EC through sector-specific budget support in cooperation with SIGMA, while cooperation is also realised through projects that are applied for with the World Bank and the European Bank for Development Bank. Furthermore, long-standing cooperation with the UNDP has already resulted in financial assistance, but also the expert assistance provided by this organisation. On the other hand, the Ministry of Public Administration utilises regional cooperation mechanisms via RESPA projects, and it is also important to mention other programmes, such as TAIEX, IPA projects etc. It also shouldn't be overlooked that Montenegro's membership in many European support programmes, such as ISA2, cooperation within the framework of the programme implemented by the Western Balkan 6, provides an additional impulse for sharing experiences and applying good practise.

### ■ How close is the goal you've set for Montenegro to provide the European quality of public services?

- All activities that we implement in Montenegro are directed precisely towards providing higher quality of public services – quality that will enable our citizens to have a European quality of life. It is difficult to talk about numbers or percentages, or even the level of the current quality of public services. The major differences in government budgets for these purposes are not sufficient to draw a conclusion on the quality of services provided. A lower level of expenditure can be

a sign of efficiency in providing services to citizens and businesses, but it can also be a sign of insufficient funding, in which case certain activities can't be provided, or can't be provided in a high-quality way. Simultaneously, the lower level of these costs can also be the result of economies of scale in the administrative services of larger countries. Similarly to this, high expenditure can be a signal



**The Ministry of Public Administration coordinates the process of developing of E-services on a daily basis, and also works – in cooperation with other bodies – on improving existing services and developing new ones**

of significant inefficiency in the administration and “over-funded” government services, just as it may also point to the engaging of a large number of employees on certain jobs, disregarding the principle of economies of scale and the coordination of the activities of different institutions. This

is why we've focused in our analyses on two important indicators of GDP per capita in purchasing power parity, WGI – an indicator of the effectiveness of the government. The WGI Index for Montenegro is 2.6 and we are the best in the region, although we are below the EU average, where this index stands at 3.6.

### ■ You have been praised in EC reports for your innovative approach. What do the economy and citizens gain thanks to this approach?

- This primarily implies the possibility of all citizens being able, in the period ahead, to access any E-service, using material means

with which they can electronically prove their legal identity – with a new ID card. Likewise, in the same way they will also be able to sign any document electronically. For example, private citizens or registered companies will be able to open a bank account without being physically present, firstly by identifying themselves electronically, and then by electronically signing a contract with the bank. This also implies the possibility for private citizens and registered companies to realise all of their needs in contact with state administration bodies, without the need to bring any documents - “acting ex officio”.

#### ■ Which services will be available to them this year?

- The Ministry of Public Administration coordinates the process of developing of E-services on a daily basis, and also works – in cooperation with other bodies – on the improvement of existing services and the development of new ones. This year it is important to mention the improvement of the e-participation system and the re-launch of the e-petition portal, which we hope will impact on the increased transparency of the work of state administration bodies, as well as the better quality participation of citizens in the process of creating public policies. Moreover, this year we've also improved the functionality of electronic scheduling, such that in the coming period we will agree with the bodies regarding services that will enable citizens to schedule appointments for services that are provided at the counters of institutions, thereby increasing the quality of services. When it comes to the improvement of services, we expect the greatest shift in increasing the sophistication of services that will be achieved through the implementation of electronic identification systems, electronic payments. With the implementing of these systems, electronic services will be more accessible and simpler, while the state will have insight into electronic payments of administrative charges, which is not currently the case. It is vital to improve interoperability via a unified system for the exchanging of electronic data, which will largely achieve the principle that data once entered into the original registers is entered will not have to be re-entered, but rather will be utilised through the electronic exchange of data. We are working in cooperation with the Ministry of Education on the implementation of a service to enrol children in pre-school institutions, and we are communicating intensively with local government units in order for us to recognise the services that will be offered to citizens by the end of the year.

#### ■ To what extent is public administration at the local level involved in this reform, which also implies the significant modernising of their services?

- The Strategy for the Reform of Public Administration is also directed specifically towards the development of local self-government, and one of the key goals in this area is improving the functioning of local government units and strengthening their capacity. This is a particularly important process that implies a series of activities that should ensure the more efficient provision of services on the



**Public administration reform is a long-term and continuous process, but it is true that we've set the realisation of certain activities by 2020, and I think we're on the right track to realising most of them**

part of municipalities and the more efficient performing of their tasks. In this direction, state administration bodies and local self-government bodies have both worked in the previous period on creating an appropriate legal framework and creating the conditions for its implementation. When it comes specifically to the modernisation of services at the local level, we have launched a series of activities in the field of advancing local government operations and monitoring contemporary trends, through the digital transformation of processes in local government and the transformation of key business processes in providing services through the utilising of information and communication technologies. In cooperation with local governments, and on the basis of information that we collect from them, plans include the conducting of analysis of the predisposition to exchange documents of state administration bodies with local governments, developing guidelines for the standardisation of local websites, creating a catalogue of electronic services at the local level and an E-services portal at the local level.

#### ■ This reform implies about 3,000 employees being made redundant, with severance pay provided for them to leave their positions in public administration. How much of a burden on public finances does that represent?

- The optimisation plan doesn't imply that everyone will leave the administration solely on the basis of receiving severance payments, because other mechanisms also exist, but there is certainly great interest in this type of redundancy and it will definitely be predominant in the coming period. This question is certainly sensitive from the financial perspective, which is why we are approaching it with special attention and considering all options in close cooperation with our colleagues from the World Bank. We think that we will ultimately establish a system that will help in the full implementation of the optimisation plan, and which will not financially endanger the system in the short or the long term. ■



# The Future Of Banking Will Not Be The Continuation Of The Past

## FOR WHATEVER MAY COME



*Montenegro will catch up with Western European standards within a very short period of time. NLB Banka is actively driving this process and is able to offer services and products – digital or analogue – that meet the ever-changing requirements*

relations with Montenegrin retail and corporate clients, we will be the preferred bank to cater for all of their financial needs – bringing European expertise to the market.”

■ **How do you see NLB's development plans in this regard? How important is digitalization for your operations?**

- The finance industry as a whole is very fast shifting into a new age of digital business and life. The future of banking will not be the continuation of the past. The challenge for all market participants in the financial sector is to be in a position to invest sufficiently in

This gives us immediate access to innovative products and services, and to already proven solutions that have been conceived, designed and developed by other members of the NLB Group.

However, despite the exponentially increasing consumer expectations and the continuous technological development of our lives, one area will always remain as the most important aspect of our business – the human factor! Our clients want to discuss important financial decisions in their lives with a competent and qualified person, not with a computer. Solving housing issues,

financing a car purchase or investing money for a pension are situations in life where the human relationship with a banker remains irreplaceable! As NLB Group, we have been serving our clients across the Western Balkans for many, many years. We understand our clients and have built up high-quality relations and trust. We are a group with our head and our heart in this region,

not elsewhere. In addition to all innovations and developments in the digital age, this will remain our main strength.

The scope and speed of evolution in regulation, customer behavior and technology mean that the future of banking will not be a continuation of the past. New technologies will transform banking as we know it, providing both opportunities and challenges for financial institutions. ■

**M**ontenegro is the youngest country in Europe. In the recent past, this relatively small economy has been marked by a very high number of commercial banks. According to

NLB Banka AD Podgorica, Montenegro CEO Martin Leberle, “it can be said that the number of banks is significant even compared to other countries in the Western Balkans. Also, if in fact only a small number of banks dominate the local market, the efficiency of banking operations in a highly fragmented market remains a huge challenge. The behavior and needs of

our clients have changed tremendously during last years, and they will continue to change”. People are now connected worldwide, both electronically and physically, and the NLB CEO believes that Montenegro will catch up to the European level within a very short period of time. “NLB Banka is prepared for this and is able to offer services and products – digital or analogue – that meet the ever-changing requirements,” says Leberle, continuing: “in

**We at NLB understand that the most important aspect of our business is and remains the human factor. NLB is the bank with its head and heart in this region**

new technology and knowhow. Our clients have an ever-changing behavior related to the way they deal with their financial needs and their money. In order to meet their requirements banks need major investments into the future – into a new level of technology. NLB Banka, as a member of the NLB Group, has a clear advantage: we can share our resources for new developments through our large network of banks around the region.

# Company Employees Are “GUILTY” FOR OUR SUCCESS



*Despite the fact that developing markets like Montenegro's are filled with challenges, over ten years of work we've managed to improve the company's operations significantly, and we are growing constantly in terms of levels of premiums sold and claims paid, as well as in the number of employees hired and newly opened branches around our country*

**T**he insurance sector still doesn't play a sufficiently significant role and its potential has yet to be recognised, but I think we've been on the right track in recent years and I hope that the joint engagement of insurance companies and the state will reduce this gap in the near future, says Nebojša Šćekić, chief executive officer of insurance company Sava Osiguranje. This company is constantly seeking new space on the market for its products and is achieving enviable results.

■ **You have ten years of successful operations behind you. What were the most important factors contributing to your success?**

- We last year celebrated ten years of the suc-

cessful operations of Sava Re on the Montenegrin market and summarised the results of that period. That's not an overly long period, but it's certainly long enough to have been marked by numerous events, especially for the kind of emerging market represented by the insurance market in Montenegro. During this time, we managed to improve the company's operations significantly, growing in terms of the amount of premiums sold and claims paid, as well as in the number of employees hired and newly opened branches throughout our country. In the last year we realised premiums worth 12.8 million euros and almost two million euros of profit, which is also the best result of the non-life insurance market in Montenegro in the last year. The chief “culprits” in achieving such excellent results are primarily our company's

employees, who brought successful operations to the company with their professional relations and excellent engagements from year to year. Of course, I must also mention the help and support of our parent company from Ljubljana, which always has understanding for our requirements. Sava Osiguranje always has clients in its primary focus, and we strive to provide our clients with as many products and services, which are designed to cater for their specific needs. We want to achieve this through the digitalisation and technological modernisation of our operations, in order to be as ready as possible for the future.

■ **You have announced a focus on property insurance. What kind of potential does this market segment have and**



### what kind of results do you expect in the long run?

- Our market is dominated by compulsory and vehicle insurance, and that situation hasn't changed much for years. Our intention to place an emphasis on property insurance in the future is primarily guided by the fact that this market segment is still insufficiently developed, while the potential is great. We expect to succeed in this in the period ahead, although a lot of time will be needed to achieve that. We will try to apply the experiences of our Group with the European market in order to provide our customers with a modern service and products that are offered on the most developed markets.

### ■ To what extent do citizens and the state recognise the potential of the insurance market?

- They don't recognise it enough. I can't say that the insurance market doesn't have a significant role in our country, but I can state with certainty that it doesn't play a sufficiently significant role and that its potential has not

yet been recognised. The average premium per capita, compared to some countries in our neighbourhood, is quite sufficient, but compared to Croatia or, say, Slovenia, we have a long way to go. And that's without mentioning the most developed countries in Europe, because that's still objectively

**We strive to provide our clients with as many products and services as possible that are designed for their specific needs, and that's also why we are committed to digitalisation and technological modernisation**

incomparable. Not to be a pessimist, I think we've been on the right track in recent years and I hope the gap will be reduced in the near future through the joint engagements of insurance companies and the state.

### ■ You recently received an award as the most successful manager in Mon-

### tenegro. How demanding is it to work in the insurance sector of a market that has yet to develop its potential?

- It is demanding, but at the same time challenging, because a market that's developing always brings some new situations that compel you to additionally engage. It's always necessary

to compare yourself with those who are better, so in insurance we look towards developed EU markets, and we can easily see what our faults are and what needs to be done to improve the situation. Sometimes there are also some existing things that we can't influence, which slow us down in these efforts, but it is necessary to be persistent. It is important that you strive to secure the best possible position for your company, to gain the best possible reputation on

the market and in society, to do business in a socially responsible way, which is important to us at our company, to take care of the environment and return something to the community you come from and in which you do business. Awards are confirmation that you are on the right track and provide you with the impetus and strength to continue. ■

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# Tax Policy In The SERVICE OF DEVELOPMENT


**DARKO RADUNOVIĆ**

 MONTENEGRIN FINANCE MINISTER
 

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*We are committed to building an attractive business environment, and especially creating a competitive and stable tax system that's based on simple and clear legal solutions and procedures, and an efficient administration*

**T**he development of Montenegro's economy is based on the development of service activities, primarily in the fields of tourism and hospitality, thus developing infrastructure on solid financial foundations has been recognised as one of the key priorities for improving the Montenegrin economy and citizens' quality of life.

During the period from 2006 to 2018, Montenegro concluded 48 projects with international financial institutions worth a total amount of 1,557.69 million euros, with 944.27 million of that total withdrawn. The cited funds were mostly invested in improving road and rail infrastructure, utilities infrastructure and water supply, social housing, the reconstruction of preschool institutions, energy and agricultural development.

"It is very important to emphasise that the Government of Montenegro concludes loan arrangements for the needs of implementing infrastructure projects with international financial institutions like the EBRD, IBRD, KfW, EIB, CEB, IFAD and others. These are arrangements that are characterised by considerably more favourable repayment terms, in terms of interest rates, grace periods and repayment deadlines, compared to conventional

loans granted by commercial banks," says Darko Radunović, Minister of Finance in the Government of Montenegro.

Likewise, in addition to the aforementioned projects, the highway project should also be mentioned as one of the most important infrastructure projects. The realisation of this project will greatly improve the tourist offer and transits of goods and services, as well as creating the preconditions for the stronger development in the north of Montenegro.

In line with projections of public debt movements in the coming period, public debt will have a downward movement and is expected to be below 60% of GDP in 2021. This will ensure the fulfilling of the Maastricht criteria, which stipulates that the amount of public should not exceed 60% of GDP.

■ **How do these results reflect on the position and credibility of Montenegro on the international financial scene?**

- Cooperation with international financial institutions to date shows that lenders see a reliable and credible partner in Montenegro. Supporting this



## INVESTMENTS

The aim of the government is to create an environment conducive to investing and the development of entrepreneurship, based on low tax rates that are competitive in the region

## TRANSPARENCY

We plan to establish effective oversight of flows in the grey zone, especially in tourism, construction and the labour market

## DIALOGUE

We are dedicated to strengthening dialogue with the economy and cooperating on overcoming the problems encountered by the business community

claim is the fact that all projects realised to date have been implemented in accordance with the defined objectives of those projects and that all credit obligations have been settled in accordance with the repayment plan. And that's why Montenegro has no outstanding obligations towards current creditors.

Supporting the good rating and credibility of Montenegro is also the fact that in April 2019 credit ratings agency Standard and Poors confirmed a credit rating of "B+/B" with a stable outlook, while ratings agency Moody's confirmed a credit rating of "B1" with a positive outlook.

### ■ Given the growth of external instability, how would you rate the resilience of the Montenegrin economy and the possible effects that the changes in international financial markets could have on external borrowing?

- When it comes to external factors that cannot be influenced, it is very important to analyse the situation on the market and use the most favourable juncture for ensuring the financing of budgetary needs. Montenegro implements this practise and strives, in accordance with market conditions, to realise transactions under the most favourable conditions, in order to render the sustainability of public debt as stable as possible, both in terms of its volume and in terms of repayment dynamics.

### ■ Considering the results of fiscal consolidation to date, what are your forecasts regarding further tax burdening of the economy? Considering the pace of economic growth and the influx of tax revenues, is there room to reduce taxes and cut contributions on earnings?

- The tax policy that is implemented by the Government of Montenegro, and that will be implemented in the coming mid-term period, is established on the creation of a competitive and stable tax system that's based on simple and clear legal solutions and procedures, competitive tax rates and an efficient and professional administration.

When it comes to the profit tax rate in Montenegro, it is set at a low level for a reason, having in mind the previously stated commitment to tax policy.

That which is described as a high tax burden for the economy in comparative analysis with the countries of the region and the EU is the tax burden on

labour costs. In line with this, the Government proposed an increase in the minimum wage by 15%, along with a simultaneous reduction in the rate of health insurance contributions charged to by employers by two percentage points. In addition to this, the "crisis tax" is to be scrapped as of 1st January 2020, in accordance with the Law on Income Tax, or the rate of personal income tax, returning to the proportional rate of nine per cent for all earnings.

### ■ What measures from the domain of the ministry do you propose regarding improvements to the business environment?

- With the goal of reducing fiscal burdens and creating favourable condi-



**The Government adopted the Programme of Incentives for Innovative Start-ups in Montenegro with the Action Plan for the 2019-2021 period to establish attractive framework conditions for Montenegro's innovative ecosystem, with a focus on innovative start-ups**

tions for doing business, in the previous period we prepared proposals for the Law on Administrative Fees and the Law on Local Communal Taxes. Both laws came into effect on 30<sup>th</sup> March this year. Their expected results are reflected in the reduction of operating costs (especially for micro, small and medium-sized enterprises) via the applying of reduced fees and a smaller number of payments, and the introduction of the possibility of electronic payments of administrative fees is envisaged by the end of the year. The aforementioned will have a positive impact not only on the

economy, but will also indirectly impact positively on citizens as well. Moreover, in the period ahead we will be dedicated to activities that will contribute to a better quality defining of decisions regarding administrative and communal taxes at the local level, which arise from these laws.

The issue of registering enterprises, with a special focus on creating conditions for registering companies electronically, was discussed in detail at the sessions of the Competitiveness Council. In this section, in cooperation with the competent state authorities, work is actively being carried out to simplify the process of establishing a business in terms of reducing the time and steps required for registering an enterprise. In parallel with this, work is being carried out with the aim of improving the database of CRPS and networking with other relevant databases in this field, and finally providing for the full electronic registration of companies.

Furthermore, in the process of creating policy, we are committed to strengthening the dialogue with the economy, via which the business community has the opportunity to point out, to both state and local administrations, the problems that business entities face when exercising their rights and performing business activities. In this regard, in June 2017, the Competitiveness Council was formed, the members of which include ministers, representatives of the academic community, business associations, the administration and representatives of the community of municipalities.

■ **How much are e-services available to citizens and the economy when it comes to settling tax obligations?**

- The Tax Administration established a service for submitting annual tax returns on personal income tax (GPPFL) electronically for taxpayers who perform independent activities – entrepreneurs in terms of real income and private persons who are VAT payers, thus rounding up an entire set of services for the electronic declaring of tax liabilities. A special priority in the work of the Tax Administration is represented by reductions in the administrative burden, with the aim of encouraging the payment of taxes, while special efforts have been exerted for many years in order to enable taxpayers to report their tax obligations in the simplest and quickest possible way. The number of taxpayers who use the electronic services of the Tax Administration is growing continually, and this illustrates the importance of services established over the past five years.

The tax on profits is electronically registered by as many as 98 per cent of taxpayers, while 75 per cent of IOPPD forms and 70 per cent of VAT registrations are submitted electronically.

■ **How satisfied are you with tax discipline in the country? What measures do you envisage for the continuing struggle against the grey economy?**

- The level of arrears on the basis of taxes and contributions on employee earnings has experienced a downward trend in recent years, especially if we bear in mind that these obligations have the largest share in the struc-

ture of tax debt, and this data best testifies to increasing tax discipline.

We are also encouraged by the fact that the tax debt was reduced by 25 million euros during the past year, and by as much as 167 million during the last three-year period. The fight against the grey economy represents a special priority in the work of the Government of Montenegro, and the results of the Government's Commission for Combatting the Grey Economy are good and visible, though for now all of this is still a long way from the goals we want to achieve.



**We would also point out the existence of certain private initiatives and the example of company M-tel, which formed the first HUB for Start-up companies, bringing together a significant number of people**

■ **Considering strong growth in the start-up community and the pace of changes brought to the economy by digital operations, are you planning to liberalise regulations in this domain?**

- The government has prepared several important documents that should give new impetus, new content and a better environment for start-up entrepreneurship.

It was in December 2018 that the Government adopted the Programme of Incentives for Innovative Start-ups in Montenegro with the Action Plan for the 2019-2021 period. This programme aims to establish attractive framework conditions for Montenegro's innovative ecosystem, with a focus on innovative start-ups. This means removing legal barriers, developing advanced financial schemes, encouraging and attracting talented individuals, in order to intensify the creation of knowledge and new values, an entrepreneurial culture and access to markets for innovative and entrepreneurial projects.

The impact of this Programme should be visible through increases in the number of innovative start-ups with growth ambitions and their quality through more efficient use of the latest knowhow available in the country or abroad. The programme also activates certain current reform

processes that run in parallel within several ministerial departments, suggesting ways in which innovative start-ups can contribute to their realisation (S3 strategy, digitalisation, creating an encouraging business environment, opening up data to the public sector, strategically attracting foreign investment, practical teaching at universities, cooperation with the diaspora, public procurement innovations, economic citizenship etc.).

The government took significant strides and expressed a greater state, institutional and financial relationship towards this important need and key policy – the digital economy that is the economy of the future, which is extremely important for the Montenegrin economy and the acceleration of development, to which the government will be dedicated in the following period. Apart from this, we would also point out the existence of certain private initiatives and the example of company M-tel, which formed the first HUB for Start-up companies, bringing together a significant number of people. ■





# Setting The New Benchmark IN ADRIATIC

*Portonovi aims to promote the Bay of Kotor, and Montenegro as whole, across the entire world. It will provide the very best in service and understated luxury, and our target audience is impatient to experience it*

**T**he Portonovi Resort is approaching its 2019 launch date, following a spring period during which it has been exhibiting at numerous real estate and boat shows

## ■ Do you feel ready for the resort's D-Day?

- Azmont Investments, as the developer and investor in this exquisite multi-purpose resort, is proud and eager to see the opening of the Portonovi resort, in which we have invested substantial resources since 2012. Besides resources, lot of work has been done in terms of design, as well as on the creation of the experiences that Portonovi will offer.

Residents of the Portonovi lifestyle will have their choice of 214 residences during the development's first phase of waterfront, village and marina residences, including low-rise apartments, penthouses and townhouses, set among high-end boutiques, salons, shops, galleries and world-class maritime-inspired restaurants. As an integral part of the Portonovi Resort, the D-Marin Portonovi Montenegro Marina will operate from this year, providing Portonovi investors with privileged access to 10 other D-Marin sites in the Adriatic Sea and the wider Mediterranean area. This marina will offer a variety of services to potential customers, paying special attention to customer relations and providing a high level of services, equipped to cater for vessels with a length of up to 120 metres and with a berthing capacity of 238.

## ■ What impressions did you take away from the top tourism festivals at which Portonovi was presented?

- Among many, the global property market welcomed Portonovi at the renowned Private Wealth Forums in Stockholm and Geneva this March, leading to the long-awaited exhibition in London this May. Apart from this,

Honorary Consuls Conference in Podgorica.

Visitors to the Portonovi presentation worldwide have had an opportunity to experience the look and feel of the resort, as well as to get more information on investment opportunities.

## ■ What does the launch of operations at Portonovi mean for the promotion of the Bay of Kotor, Montenegro and its investment climate?

- Growing interest from different countries around the world already classifies Portonovi as one of the most sought-after residential and leisure destinations in the Mediterranean. Portonovi marks the beginnings of a new world for Montenegro and its people, and particularly those local to Herceg Novi. The country is enjoying its renaissance – waiting to be discovered and enjoyed in all of its authentic beauty and business opportunities for years to come. The more significant and reliable brands there are, the more are yet to come. This is the highest quality formula for any country wishing to become a reliable partner on the international scene, and we believe strongly that Montenegro is achieving that more evidently every day.

On top of this, it is important to remind readers that we've invested significant funds that contribute to the overall betterment of the area, especially when it comes to infrastructure and the tourism offer itself. Once the project is completed, Portonovi investments will total 969 million euros, including VAT. By the end of March 2019, Azmont Investments had already invested 435 million euros, including VAT. ■



**Growing interest from different countries around the world already classifies Portonovi as one of the most sought-after residential and leisure destinations in the Mediterranean**

Portonovi was also showcased at this year's MIPIM 2019, under the auspices of the stand and delegation of the Montenegrin Minister of Sustainable Development and Tourism, but also at the Moscow Boat Show, the International Boat Show in Düsseldorf and ICOMIA World Marinas Conference in Greece, together with D-Marin. Moreover, we are also sponsoring two important national events: the Festival of Real Estate Investments in Budva and this May's

that more evidently every day.

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# We Jealously Guard OUR SPECIALNESS



## PAVLE RADULOVIĆ

MONTENEGRIN MINISTER OF SUSTAINABLE  
DEVELOPMENT AND TOURISM

*The great results that we've achieved in tourism are a great source of joy, and also oblige us to exert efforts constantly in order to continue the growth trend and to be more competitive on the market. By improving the quality of our offers in hotels and hospitality establishments we are realising our strategic goal of becoming a high-quality destination with a year-round tourist offer*

Montenegro generated more than a billion euros in revenue from tourism for the first time ever last year. "Considering that interest in periods beyond the peak season is growing among tourists, as well as the fact that our country's airline connections have improved significantly, while accommodation capacities have increased and improved, I expect growth in all parameters again this year," says Montenegrin Sustainable Development and Tourism Minister Pavle Radulović.

### ■ What were the key factors of this success?

- Last year was a year of achieved goals and fulfilled expectations. We managed to generate more than a billion euros and to set a record in terms of tourist numbers: with over 2.2 million tourists visiting Montenegro in 2018. That's 10 per cent more than in 2017. Almost 13 million overnight stays were realised, representing annual growth of over eight per cent. Last year is also significant due to the fact that it was the first time that over a million tourists stayed in Montenegrin hotels. It should be noted in particular that the summer tourist season ended in November, while we opened the winter season on 25<sup>th</sup> December, with which we reduced the

seasonality that was previously as before. Contributing to the extending of the season were numerous events, a diversified tourist product, but also major tour operators. It also shouldn't be forgotten that the credit for these results belongs to the dedication and work of all stakeholders in tourism, from representatives of the tourism industry to local and state institutions.

### ■ In order to maintain good results, it is necessary to constantly raise the bar in terms of quality. With what kind of new capacity will Montenegro await this season?

- By enhancing the quality of our offer in hotels and other hospitality establishments we will achieve our strategic goal, which is to be a high-quality destination with a year-round tourist offer. Testifying to this aspiration is the fact that 25 new hotels opened during 2018, with a capacity of about 2,000 beds, including six five-star hotels, nine three-star hotels, eight three-star and two two-star hotels. Moreover, a total of eight new hotels have been categorised in Montenegro since the beginning of 2019, including one five-star hotel, five hotels categorised as four-star and two three-star hotels, which means that the upcoming tourist season will be around 500



## ECOLOGY

We want to provide tourists with high mobility and pristine nature, which is our most important resource

## REFORMS

Application to date of the Law on Spatial Planning and Construction has shown that we took the right step when it comes to the implementing of reforms

## INVESTMENTS

The economic citizenship programme will be an important instrument for stimulating investment in the field of tourism and balanced development

beds richer. I would note that back in 2006 we only had two five-star hotels, while today we have 20. The process of constructing a significant number of hotel capacity projects is currently underway, and what is certain is that the capacity of the Holiday Village Resort in Ulcinj will – thanks to the construction of new extensions – be increased by about 270 beds this year.

### ■ Most construction is still happening on the coast. How do things stand when it comes to developing capacities in the north of the country?

- Great interest in investing in the tourism industry in the north of our country exists, which is why the state is exerting considerable effort and investing money to create the infrastructure that is a prerequisite for the development of everything that would be a tourism product, and which would also improve the quality of life for people in the north. It is important to note that some hotels have enhanced their accommodation capacities, through reconstruction and adaptation, and those hotels today operate with more stars than before. I would cite as an example the Hotel Berane, which opened during the 2017 summer season and which, according to all indicators, works well and represents a major advance for the city of Berane in terms of the promotion of tourist capacities. Apart from this hotel, Berane will soon also be enriched with another adapted and renovated hotel – Lokve, under the scope of which a ski resort has been operating successfully for the last three years. A similar situation exists with the Hotel

Plavsko Jezero in Plav, which is currently being renovated and will be open by the beginning of the 2019 summer season. Apart from these hotels, there is a positive trend of opening new small hotels in other cities in the north as a result of family business ventures, in Mojkovac, Plav, Gusinje and Bjelo Polje. When it comes to the offer of accommodation capacities in Žabljak and Kolašin, the undisputed fact is that these two cities are already recognised as ski resorts that record high visitor numbers during both the winter and summer seasons. In terms of larger hotel facilities, one of the hotels that has improved its capacity is Four Points By Sheraton,

the former Hotel Lipka, which is a four-star facility and has a capacity of 150 beds, while the opening of the Kolašin 1600 ski resort created the necessary preconditions for new projects and new accommodation capacities.

■ Apart from top quality hotels, tourists also want to be surrounded by pristine nature, to have flawless services and, of course, excellent transport infrastructure. Can all of this be jointly reconciled, if we consider that the con-



In order for us to have a balanced distribution of financial investments and reduce possible burdens on taxpayers, we plan a phased realisation of investment and infrastructure developments for Chapter 27

### struction of the highway has been delayed due to ecological reasons?

- It is correct that we halted works on some sections, but those works were compensated for. I must note that the approach to the design of the Bar-Boljare highway, or the priority section that is now being built, was multidisciplinary,

with consideration given to all economic, spatial, ecological and other consequences of construction, with respect given to all limitations and conditions. When constructing such complex projects, problems often emerge that can slow construction, but they are resolved “on the go”, but the construction of the highway is not being disputed for environmental reasons. Ecological standards are respected because we don't want to ruin the special qualities of Tara, which is a jewel of Montenegro and Europe. Transport infrastructure is certainly as essential to tourism as the quality of the offer. Tourists are today becoming increasingly mobile, and when they come to a

destination they want to visit more places and experience everything that the destination has to offer. Improving transport infrastructure enables them to do precisely that, and to improve their experience of the destination. The completion of this highway will enable better access to the north of Montenegro not only for tourists, but also for investors wanting to invest in Montenegro.

■ **Late last year also saw you open one of the most difficult EU accession negotiation chapters, Chapter 27 - Environment and Climate Change. What is the next step for the country to be able to get to grips with this chapter?**

- Montenegro is defined by its Constitution as, among other things, an ecological state dedicated to protecting its environment, thus the opening of this chapter on the environment and climate change represents success on the European integration front. Applying European Union legislation is by no means an easy or simple process, but we want to implement it properly, which is why we've requested transitional periods when it comes to applying some of the most complex regulations. In terms of the next steps to be taken, we are continuously exerting serious efforts and resolving outstanding issues in this area, and here I'm primarily referring to the obligation to build the necessary infrastructure in the areas of waste management, then wastewater treatment plants, while special attention and focus is placed on reconstructing the worst areas of industrial pollution in Montenegro, as well as larger unregulated waste dumps. A very important task is also represented by the establishment of the NATURA 2000 ecological network of protected areas of importance to the European Union. According to our current projections, it will be necessary for us to invest around 1.4 billion euros in the field of the environment by 2035, while the main sources of funding will be the Eco-Fund, followed by EU funds, donations and funds from municipal and state budgets.

■ **How satisfied are you with the implementation of the Law on Spatial Planning and Construction?**

- Application to date of the Law on Spatial Planning and Construction has shown that we took the right step when it comes to the implementing of reforms in this area. Specifically, the situation in spatial planning is already changing for the better; we've simplified procedures but also got to grips with the problem of illegal construction. As you know, building and usage permits no longer exist as administrative acts (except for complex engineering structures), and

this allows for the faster implementation of investments.

■ **What are your expectations when it comes to the economic citizenship project? In which areas do you expect the largest number of investments and new jobs?**

- The economic citizenship programme will have numerous and exceptional benefits for Montenegro. This is an important instrument for stimulating investment, primarily in the field of tourism, so I expect new business ventures and financial resources that can be used for developmental projects primarily in the north of the country. This will mean the creation of new jobs and more balanced regional development. As for the direct inflow into the budget, it

will total more than 200 million euros. When it comes to facilities in the area of tourism in which investments are required, those are hotels or mixed tourist complexes in the coastal region and in Podgorica: with at least five stars and at least 60 accommodation units, in which the minimum investment totals 15 million euros and the hiring of at least 80 new workers. In the northern and central regions – with the exception of Podgorica – the criteria are for these to be hotels or mixed tourist complexes with at least four stars, 35 accommodation units, a minimum investment of five million euros and at least 25 new employees.

■ **Along with the creation of new jobs in tourism, a shortage of high-quality workers has also emerged. How are you dealing with this challenge?**

- Our tourist products and offers are advancing and diversifying year on year, while the number of accommodation capacities is growing, which is why the criteria for tourism personnel are also increasing. Service is actually a factor that can make a destination unique. For this reason, the Strategy for the Development of Human Resources in

the Tourism Sector envisages a significant number of direct jobs in the hotel industry, travel agencies and other areas. Due to our determination that we are a high-quality destination, the need for qualified staff in the hotel and hospitality sector is growing. This is why training is being provided for the vocational training of personnel, who will acquire the qualifications and competences required by the tourism sector. The fact that Montenegro has hotels like the Chedi, Regent, Splendid, Maestral, Aman Sveti Stefan, Four Points by Sheraton and other elite hotels certainly represents a great opportunity for our staff to learn from the best. In addition to budget inflows, I really consider learning and working to such high standards as a privilege. ■



I believe that a sustainable balance can be found between ecology and development, and that the development of infrastructure in Montenegro does not mean environmental degradation, and vice versa



# Smart Solutions FOR MONTENEGRO



*Crnogorski Telekom is an innovation leader in the area of smart solutions and the digitalisation of Montenegro, and it wants to be a reliable partner to both the country's government and its business sector, thus contributing to growth*

**B**usiness and society nowadays expect a lot more from telco operators than basic telecommunications services. We spoke with Crnogorski Telekom CEO Dina Tsybulskaya about how operators can contribute to the development of business and society.

## ■ To what extent is Crnogorski Telekom implementing smart solutions in Montenegro?

- Telekom is leader of innovation in the area of smart solutions and the digitalisation of Montenegro, to which we are fully committed and therefore want to be a reliable partner to both the government and the business sector in the country.

We are glad the Government of Montenegro understands that digitisation is the beginning of modern business, and we are happy to see new initiatives in this area, because they imply more efficiency in public administration and the provision of services to citizens. We are ready to lead this important process, and are

developing smart solutions to be in line with the needs of our partners, in order to improve their operations and accelerate their growth.

With partners from both the private and public sectors, we set up the first public e-station. We have previously implemented smart parking and desks, smart irrigation systems, and the monitoring of noise and air quality levels. We will certainly continue to develop smart solutions and promote the "green economy" and the sustainable development of Montenegro.

## ■ Telekom's business operations were marked by major investments during the previous period. What kind of benefits did that bring to your customers?

**Investments in the network are investments in the customer experience and a guarantee of the quality of services we provide to the citizens of Montenegro**

- According to the latest measuring results, Telekom officially has the fastest mobile network in Montenegro, both in cities and rural areas. The reliability of our network is best illustrated by the fact that more than half of 4G internet traffic in Montenegro passes through our network.

At the same time, we were the first operator in Montenegro to achieve a record speed of 925 Mbps in the 4G mobile network, which is twice

as fast as previously measured in the country.

This, of course, is a result of continuous investment – Telekom has invested over 92 million euros in network development over the past three years. Given that applications and content occupy a major place in the everyday lives of us all, the speed of the network and the reliability of infrastructure have become key to providing a superior customer experience.

## ■ In addition to the modernisation and development of the network, Telekom also invests in community development and supports socially responsible projects. What is in your focus when it comes to sponsorships and donations?

- The company has to date, since privatisation, invested more than nine million euros in community development, via numerous sponsorship and donation projects.

We are particularly well known for the humanitarian programme "Za svako dobro", through which we have so far supported 29 projects of special

importance to the community. Education, environmental protection and digital inclusion will remain areas in which we focus our CSR activities.

We've been supporting the education system in Montenegro for 12 years, by providing free internet for all schools in the country. Apart from that, our attention is focused on the development of STEM skills and digital literacy in children and youth. ■

# Banking Sector

# STRENGTHENING

# CONTINUES



## RADOJE ŽUGIĆ

GOVERNOR OF THE CENTRAL  
BANK OF MONTENEGRO

*The banking system in Montenegro is characterised by stability, which is reflected in high capitalisation, liquidity and profitable operations. Improving the macroeconomic environment, positive results in the implementation of fiscal consolidation and preserved financial stability will serve to stimulate the operations of the banking sector in the current year*

The key balance sheet positions of banks record growth both in the comparative one-year period and in the period since the introduction of an interim administration to two banks (IBM and Atlas Bank), i.e. since December 2018. As such, over the period of one year, total assets increased by 9.61%, total loans by 12.75%, total deposits by 8.04% and total capital by 11.6%. Likewise, the percentage of non-performing loans continued to fall during this same period, such that the share of NPLs in total loans at the end of March this year amounted to 4.87%. The share of loans overdue by more than 90 days amounted to 3.01% of total loans, which represents a level comparable to the pre-crisis period.

“I would note in particular that developments at these two banks didn't impact negatively on trust in the banking system. This claim is confirmed by the fact that the average level of deposits recorded a constant increase in the period from December 2018 to March 2019, with the average balance of deposits in March 2019 having increased by 62 million euros compared to the average balance of deposits in December 2018,” says Central Bank of Montenegro (CBCG) Governor Radoje Žugić.

### ■ How prepared is the Montenegrin banking sector to handle possible external risks?

- The banking sector is highly capitalised and liquid. The solvency ratio at the level of the system stands at 17.29% and is significantly above the legal minimum. I would remind readers that the capital of banks plays the role of a reserve for unexpected operational losses. When it comes to the reserves that banks issue in accordance with international financial reporting standards (IFRS), and which represent reserves for expected credit losses, the situation is also favourable. Specifically, at the end of March this year, these reserves represented 83.68% of the total level of NPLs, which indicates the high level of issued reserves for expected credit losses. In addition to this, liquid assets accounted for 21.03% of total assets at the end of the first quarter of 2019.

### ■ What kind of effect will the further implementation of fiscal consolidation and the expected slowdown in economic growth have on the overall volume of banking sector operations in 2019?



## DEVELOPMENT

The new Law on Credit Institutions will contribute to the stability of the financial system and the further development of financial services

## CONTROL

The CBCG permanently monitors the operations of banks, through the performing of direct controls, but also indirectly, on the basis of reports that banks are obliged to submit

## LIBERALISATION

The CBCG supported activities related to the liberalisation of financial transactions and recommended that all relevant institutions first analyse this issue in detail

- Two factors will have a dominant influence on the growth rate of our economy in 2019 – the continuation of the strong investment cycle and continued implementation of intensive fiscal consolidation measures. As such, the focus of economic policy must be directed towards balanced development and the implementation of structural reforms, which – considering certain assumptions and in line with the latest CBCG projections – resulted in GDP growth of around three per cent in 2019.

I would accept with great reservations the assessment that this relates to an “expected slowdown” in economic growth, in the case that the comparison is based exclusively on the high growth rates of GDP of 4.9% achieved in 2018 and 4.7% in 2017. A growth rate of around three per cent is relatively high, especially when one considers that it comes from an increased base of the previous six years of continuous GDP growth.

### ■ What kind of recommendations has the CBCG given the government regarding the further advancement of macroeconomic stability?

- The CBCG identified key sectors and proposed measures which when realised would activate economic potentials, enhance competitiveness and the business environment, and ultimately stimulate macroeconomic stability.

Improving competitiveness is of key importance to the dynamism of economic growth, and an important direction of action is combatting the grey economy, and doing so via three segments: implementing enhanced inspection oversight, particularly in the fields of construction, tourism and other service activities; detailed analysis of tax policy in terms of the level of the rate of contributions for mandatory social insurance, in the direction of reducing it and increasing minimum earnings, which will have the cumulative effect of reducing the grey economy and the burden of employees' gross earnings, but also on raising the living standards of employees with the lowest incomes. We are thus pleased that the Government has authorised its members in the Social Council to propose a 15 per cent increase in minimum monthly earnings (from 193 to 222 euros).

Moreover, the CBCG has also suggested increasing administrative

efficiency at all levels of the state administration, the continuation of the digitalisation of public administration and the one-stop shop principle for services that are provided by institutions at the state and local levels.

Recommendations have also been given with regard to structural reforms, which relate to improving the efficiency of the institutional environment, labour market flexibility, the sustainability of the pen-



**Happenings at IBM and Atlas Bank didn't impact negatively on trust in the banking system. This claim is confirmed by the fact that the average level of deposits recorded a constant increase in the period from December 2018 to March 2019**

sion system and social benefits, as well as the effectiveness of healthcare and education systems.

### ■ How prepared was the Central Bank for the emergence of individual vulnerabilities in the banking system?

- The CBCG permanently monitors the operations of banks, through the performing of direct controls, but also indirectly, on the basis of

reports that banks are obliged to submit.

The term 'vulnerable banks' refers to banks that have received an opinion from external auditors with reservations regarding their financial statements. Three such banks were subject to special monitoring on the part of the CBCG. Bankruptcy proceedings were launched at two of these banks, while the third bank managed to advance and had a solvency ratio above 12%. This bank succeeded in reducing the fundamentals that led to external auditors giving an opinion with reservations regarding its financial statements. Under the scope of the regular monitoring of the operations of the afore-

mentioned bank, direct control of its operations has been carried out and the report of this control is expected to be finalised soon.

■ **The end of last year and the beginning of this were marked by work on new laws related to the work of credit institutions. What do they bring that's new compared to existing regulations?**

- At the end of last year, the Council of the CBCG adopted working versions of the Law on Credit Institutions, the Law on the Rehabilitation of Credit Institutions and the Law on Amendments to the Law on the Bankruptcy and Liquidation of Banks, which were submitted to the relevant Ministry for further action.

The Law on Credit Institutions regulates the harmonising of regulations governing banking operations with the EU Directive on the accession of the activities of credit institutions and additional supervision of the work of credit institutions, and creating the proper legal basis for the adoption of a set of by-laws with which the EU Regulation on prudential requirements for crediting institutions in banking regulation will be implemented. This will enable the applying of the new Basel Standards of Capital and Liquidity (Basel III), which are aimed towards strengthening capital requirements for banks, as well as the creation of a framework for new regulatory requirements related to liquidity.

The Law on the Rehabilitation of Credit Institutions will implement in Montenegro the legal framework developed by the EU Directive on the recovery and rehabilitation of credit institutions, with which instruments are secured for timely interventions in a credit institution facing difficulties, in order to ensure the continuation of the key functions of that credit institution, while simultaneously limiting the impact of its possible collapse on the economic and financial system to the minimum possible measure and minimising the possibility of the costs of rehabilitation being imposed on taxpayers.

The Law on Amendments to the Law on the Bankruptcy and Liquidation of Banks will harmonise the wording of this Law with the requirements of the EU Directive on the Recovery and Rehabilitation of Credit Institutions, specifically in terms of the order of priorities, according to which private individuals, micro, small and medium-sized enterprises should have more favourable treatment in the order of priorities than other creditors, which represents additional protection for the creditors of a bank under bankruptcy.

■ **How developed is e-banking and e-services in the sphere of the banking sector?**

- A growth trend in all electronic banking services is present in the Montenegrin banking system. The number of internet payments by users at year's end 2018 totalled 66,534, while the total number of mobile payment users stood at 43,626.

■ **How close is Montenegro to reaching an agreement with Pay Pal on this company's entry into the Montenegrin market?**

- Montenegro enabled the function of "sending money" as far back as 2014, which means that our country fulfilled the conditions prescribed by Pay Pal, in that all preconditions enabling the citizens

of Montenegro to take advantage of the option of "receiving money" have been provided. However, the decision to expand services to our country is part of this company's business policy.

The government recently formed an operational team that includes the CBCG and is tasked with continuing communication with Pay Pal, as well as being tasked with considering options for cooperation with other companies that provide services on the electronic sending and receiving of money, with the aim of improving the overall environment for e-commerce.

■ **The creation of an environment favourable to the operations of the growing number of start-ups in Montenegro has raised the issue of electronic payments from abroad for goods and services sourced in Montenegro. What is your stance on the liberalisation of financial transactions?**

- The powerful penetration of technology in conducting business activities contributes to increasing competitiveness, efficiency and profitability, not only of the enterprises that apply it, but also of the national economy. Considering the importance of electronic operations

on the international market, it has rightly earned the status of representing the development potential of the national economy. It is evident that the development of the banking sector in Montenegro is already influenced significantly by the applying of financial technology that changes the business models of traditional providers of financial services, with which the efficiency of the operation of service users improves significantly. However, when it comes to the applying of e-business operations within micro, small and medium-sized enterprises in Montenegro, the situation is notably different, possibly also due to insufficient education regarding the benefits of e-business operations. The CBCG supported activities related to the liberalisation of financial transactions and recommended that all relevant institutions first analyse this issue in detail. ■



**The CBCG identified key sectors and proposed measures which when realised would activate economic potentials, enhance competitiveness and the business environment, and ultimately stimulate macroeconomic stability**



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# Achievements Should Be **JEALOUSLY GUARDED**



## EMANUEL SALINAS

WORLD BANK COUNTRY MANAGER FOR  
BOSNIA-HERZEGOVINA AND MONTENEGRO

*The Government of Montenegro has achieved substantive progress over the past few years and our main recommendation is for it to stay the course and avoid the temptation of short-term actions that may play well with voters, but may prove unsustainable in the long run. It is important to maintain the credibility the government has gained with its efforts on fiscal consolidation and to build on that*  
– Emanuel Salinas

**T**he World Bank praises the Montenegrin government for the results achieved under the fiscal consolidation programme 2017-18, which led to a reduction in the general government budget deficit from 5.6% of GDP in 2017 to an estimated 3.8% in 2018.

“This was a positive signal of commitment that financial markets have welcomed and already have allowed easier access to capital markets for regular refinancing of liabilities that were coming due in 2018 and 2019-21,” says Emanuel Salinas, World Bank Country Manager for Bosnia-Herzegovina and Montenegro.

According to our interlocutor, it is vital that the government continues implementing the fiscal consolidation programme, in order to contain the growing public debt and create fiscal space to address development challenges and mitigate risks.

The successful implementation of fiscal consolidation also depends

on reforms that strengthen fiscal planning. The quality of medium-term revenue and expenditure planning must improve further, which will lead to more budget predictability and more efficient use of public money, while reducing the need for mid-year budget revisions.

A strong commitment to fiscal consolidation is also crucial because of Montenegro’s high dependence on external financing, which is likely to remain elevated in the coming years – given the country’s narrow production base and the high import dependence of current investments. In fact, despite a recent reduction of the 2019–21 refinancing needs, there is a risk of tighter financing conditions on international capital markets in the future. As such, prompt actions are required to reduce public debt.

■ **Considering that the Montenegrin government is considering further infrastructure investments through**



## CAUTION

More judicious spending can help create room to manoeuvre if and when resources are needed for urgent priorities

## COLLABORATION

We are very satisfied with the level of collaboration we have with authorities in Montenegro, in particular with the Ministry of Finance

## FOCUS

The focus now should be on stabilising public finances ahead of the high refinancing needs in 2019-2021, to allow for gradual adjustment and avoid further shocks to the society

### public-private partnerships, what would be your recommendations?

- Indeed, the participation of the private sector in financing large infrastructure investments through Public-Private Partnerships (PPP) or concessions can raise the efficiency of public spending and reduce the strain of large infrastructure projects on scarce public finances. What we have seen in many countries is that well-executed PPPs can indeed have very positive outcomes.

However, PPPs and concessions can carry fiscal risks that need to be well understood and managed. For example, we have seen PPPs that included government revenue guarantees for private partners that created liabilities that were beyond what was expected and ultimately became a strain on budgets.

The extent to which PPPs provide better value for money over the medium term depends on risk-sharing and other details set out in PPP contracts. An effective regulatory framework for PPPs and concessions, transparent reporting on the performance of active PPPs, and comprehensive monitoring and disclosure frameworks can help manage the risks and ensure value for money.

With regard to concessions, we think that these can be very valuable instruments to unlock the potential of assets that may not be sufficiently well developed under government ownership. This may be the case for airports in the country.

■ **Following Montenegro's very robust growth in 2018, the World Bank estimates somewhat slower GDP growth over the next three years. What should the Montenegrin government do to make the business environment more conducive to growth and job creation?**

- First of all, the government needs to make it easier for entrepreneurs to create new firms and for existing firms to grow. This requires eliminating unnecessary regulatory obstacles to firms, reducing red tape and strengthening competition to ensure that nobody benefits unfairly from special treatment. Secondly, we also need to boost innovation and entrepreneurship. We need to get to a stage where people aspire to work in the private sector or set up their own business, rather than aspiring to have a job in the government. This requires a change in mindset, but that can be achieved – as we have seen in other countries in Europe. Having adequate access to finance will also be necessary, so that those who have good business ideas and a willingness to pursue them also have the means to finance them. Finally, it will be important for the country to attract the right type of Foreign Direct Investment, which can bring in more and better jobs, and can strengthen the country's potential to export.

And, most importantly, we need to unleash the potential of the Montenegrin people. Unemployment is very high right now, especially among the youth, and a high proportion of people are entirely inactive (those that don't have a job and are not looking for one). This is an enormous loss of potential and talent that the country simply cannot afford.



Some segments of agribusiness and better linkage between agriculture and tourism seem to have potential for growth

■ **According to your estimate, when might investments in the development of the Eastern part of Montenegro yield results in terms of growth?**

- We currently don't have estimates on the time-frame for the development of this part of the country. From our experience in other countries, we know that investments in less developed parts of a country can help bring growth and jobs to those regions, and [in this case] to diversify the growth bases of Montenegro. Experience has shown that better connecting regions that lag behind to urban centres and international markets can be a powerful development tool.

■ **How would you rate the resilience of the Montenegrin economy, and specifically that of the financial system in the case of external risks?**

- Montenegro's economy is vulnerable to external shocks. Montenegro is a small, open economy with a large tourism sector that relies heavily on capital inflows from abroad to stimulate its growth. The high depend-

ence on external financing is driven by the high import dependence of current investments. Montenegro also does not have its own currency, so it primarily relies on fiscal policy for counter-cyclical stabilisation efforts.

However, growing debt and fiscal deficits in recent years have limited Montenegro's fiscal space to respond to external shocks. It is thus critical that the government continues implementing the fiscal consolidation programme in order to create fiscal buffers to mitigate risks.

■ **Montenegro will enter a new election cycle next year, which – as in the case of the economies of the region – might mean some internal risks and delays in pursuing the reform agenda. What are your recommendations when it comes to the soundness of reform policies?**



- The government faces important development challenges to enable the high and inclusive economic growth that's necessary to improve living standards for Montenegrins. First, it must continue implementing the fiscal consolidation programme. Second, it

must embark on a structural reform programme that unshackles private sector growth and leads to the creation of more and better jobs. Both reform areas require immediate actions, but also long-term commitment.

■ **As you have mentioned, there is a need for further structural reforms in the area of the labour market, social sectors and the public administration. How well have reforms in these sectors been implemented to date?**

- The fact that many Montenegrins struggle to find well-paid jobs has been one of the country's most important long-standing development challenges. While some progress has been achieved recently, it is

critical to continue implementing key structural reforms that unleash private sector job creation.

How can this be done? First, by eliminating unnecessary regulatory obstacles to firms, reducing red tape and strengthening the public institutions that safeguard fair market competition, to ensure that nobody benefits from special treatment—this would make it easier for entrepreneurs to create new firms and for existing firms to grow; second, by improving the quality education and the relevance of educational programmes, such as TVET, to raise the skills of the workforce; third, by improving the effectiveness of programmes that support innovation, entrepreneurship, access to financing for (potential) start-ups, and foreign investments that have greater potential for strong linkages with domestic markets and companies. The successful implementation of

these key reforms will ultimately depend on transparent and accountable policymaking that strengthens the rule of law and the predictability of policies.

These are all challenges that the government has already identified and started to address.

■ **Apart from your support to public sector management, you are also supporting projects in the environment, agriculture, education and energy efficiency. Which of them seems to record the most satisfactory results?**

- We work with the Government of Montenegro across a wide range of issues and have been supporting Montenegro across many different sectors. We have invested 30 million euros to improve the competitiveness of agriculture and fisheries. We have retrofitted 49 schools and hospitals with better insulation, lighting and heating, and this has saved a lot of money on energy costs, but also – most importantly – has provided better conditions for 80,000 schoolchildren and hospital patients. In Education, we are working to enhance the quality of university degrees, to enhance research and to support the development of new technologies, processes—all of which is very important for Montenegro's competitiveness, economic growth and job creation. In terms of the environment, we are working to reduce the contamination of Montenegro's natural resources and public health risks of exposure to this contamination from industrial waste disposal sites at Bijela, Gradac and Maljevac.

■ **How satisfied are you with the cooperation you have with the Government of Montenegro?**

- We are very satisfied with the level of collaboration we have with authorities in Montenegro. In particular, the Ministry of Finance has been a very proactive and engaged counterpart and principal interlocutor for our work. I personally believe that our engagement in Montenegro has evolved substantively over previous years, from a situation in which the assistance requested from the World Bank focused on infrastructure investments, to the present one, in which we are asked to partner with the government on complex challenges, such as the creation of more and better jobs for the Montenegrin population. Over the past years, we have also been partners on efforts to support fiscal consolidation. ■

**After having been focused on infrastructure investments, we are today partnering with the government on complex challenges, such as the creation of more and better jobs for the Montenegrin population**



# Promoting Sustainable ECONOMIC GROWTH



*The MFIC's main objective is to promote sustainable economic growth by improving Montenegro's investment landscape. MFIC members believe strongly that the path to sustainable growth lies in public policies shaped through transparent dialogue between the business community and policymakers*

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

The Council was established as a non-governmental and non-profit organisation aimed at the following:

- Improving the investment climate and supporting business development in Montenegro;
- Representing and expressing the opinions of members for the purpose of promoting common interests and stimulating direct foreign investment;
- Promoting communication, cooperation and ongoing dialogue between the MFIC and authorities in Montenegro;
- Cooperating with the authorities in Montenegro for the purpose of overcoming possible problems and obstacles that foreign investors may face, as well as in economic relations with other countries;
- Promoting the interests of the international business community in Montenegro, and informing MFIC members and other stakeholders of possibilities regarding the investment climate in Montenegro;
- Connecting with other foreign investor associations within the SEE region for the purposes of:
  - sharing the benefits and experiences of worldwide best practises; and
  - analysing specific tools in order to facilitate regional business activities.

The MFIC's key document is the White Book, an annual publication that informs the general public and all stakeholders about the business environment and obstacles to doing business that confront foreign investors in Montenegro and, more importantly, provides recommendations for removing identified obstacles, aimed at increasing the attractiveness and competitiveness of the Montenegrin economy. The MFIC brings together representatives of numerous and varied industries – banking and financial

services, telecommunications, metallurgy and mining, energy, tourism and hospitality, the consumer goods sector, manufacturing, transportation and auditing. The MFIC's membership base is constantly expanding from one meeting to the next.

The main bodies of the MFIC are the Assembly, Board of Directors and President. MFIC meetings are usually held monthly, while consultations at the BoD level are held on a constant basis.

MFIC member companies believe that a dialogue between policymakers and the foreign investment community lies at the very heart of successfully improving the climate for investment, while stimulating the development of the Montenegrin economy.

Senior people from member companies come together and dedicate their time, individually or by participating in the FIC's various committees, where they debate, discuss and agree on common positions to be presented to Montenegrin policymakers regarding issues important to both foreign and local investors. The MFIC's main objective is to promote sustainable economic growth by improving Montenegro's investment landscape. MFIC members believe strongly that the path to sustainable growth lies in public policies shaped through a transparent dialogue between the business community and policymakers. The MFIC is interested in a constructive dialogue and efficient and transparent consultations with the public authorities. This dialogue should concern nationally relevant issues of importance to the public and the business community alike, and should be a bedrock for sustainable development.

Over the years, MFIC members have shared their knowledge and expertise with Montenegrin policymakers and are regularly consulted when legislation is enacted that will have an impact on the business climate. The MFIC is an independent organisation with no political affiliation that works together regularly with other business associations, representatives of international organisations and members of the diplomatic corps in Montenegro. ■

# MFIC RETROSPECTIVE



## MFIC 10<sup>th</sup> Anniversary

2019

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

## Closer Cooperation Agreed With The Chamber Of Commerce Of Montenegro

2018

The Montenegrin Foreign Investors Council and the Chamber of Commerce of Montenegro decided to intensify their cooperation and utilise their synergy to improve the business environment in Montenegro. The decision was announced at a meeting held between the presidents of these institutions on 14<sup>th</sup> March 2018.

It was concluded that the Council and the Chamber share their perception of the country's economic development and recognise the necessity to coordinate joint activities and initiatives towards decision makers in order to impact on improvements to the business climate.



## Number Of Sectors Covered By The White Book Increases

2018



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

## MFIC And The Prime Minister: Together For A Better Business Environment

2017

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







## MFIC Members Attend French Business Forum

2017

The French embassy in Podgorica and the Economic service of the French Embassy, based in Belgrade, organised an economic forum on business opportunities in Montenegro on 15th May 2017. This forum brought together more than 50 participants, including representatives of French companies based in Montenegro, Serbia or France, Montenegrin companies invited by the Chamber of Commerce of Montenegro and willing to establish business relations with their French counterparts.

## Banking Committee Established

2017

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



## MFIC Reaches 35 Members

2017

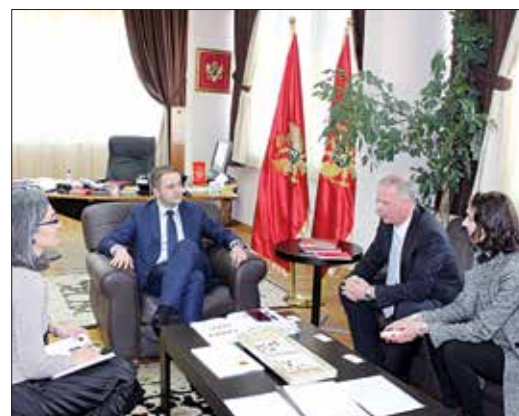
The MFIC had attracted 35 members by the beginning of 2017, accounting for around 8,000 jobs and around 30 per cent of national GDP.



## Education Minister Meets With MFIC Members

2017

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



## MFIC And Capital City Podgorica Sign Joint Cooperation Protocol

2017

At the initiative of the Bureau for Economic Cooperation and Support to the Business Community of the Capital City of Podgorica, a Protocol on joint cooperation for the improvement of the investment environment in Podgorica was signed by numerous business associations in Montenegro, including the MFIC, on 27<sup>th</sup> February 2017.



## MFIC At UK Chevening Business Forum

2017

MFIC Executive Director Marija Šuković participated in the Montenegro–UK Chevening Business Forum, joining a panel discussion entitled 'State Interventions to Improve Approaches to Development - A Helping Hand or a Cold Shoulder?', held in Tivat on 24<sup>th</sup>–25<sup>th</sup> February 2017.

The main topics addressed were overall assessments of the present investment environment, cooperation between the state and the investment community in defining new rules and regulations, the types of investment that should be incentivised and the principles of sustainable development and social inclusion in business regulations and the operations of companies.



## Foreign Investors Council Publishes Second Guide To The MFIC

2016



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

## MFIC Reaches 33 Members

2016

The MFIC reached a total of 33 members in 2016, accounting for around 8,300 local jobs and a combined annual turnover representing around 29 per cent of Montenegro's estimated GDP.







## ICT Committee

### ICT Committee Established

2016

The ICT Committee of the Montenegrin Foreign Investors Council was established in order to have “one strong voice” towards relevant stakeholders, with the purpose of improving the business environment (transparency and predictability) for the ICT industry in Montenegro and to maximise the ICT sector’s potential to contribute to Montenegro’s development.



### MFIC Gains More Members

2015

The MFIC reached a total of 25 members in 2015, accounting for around 5,730 local jobs and an annual turnover accounting for around 19% of GDP.

### MFIC Publishes Second Investment Guide

2016

The second edition of the MFIC Investment Guide publication, containing updated information and basic facts on Montenegro, was published in order to help acquaint prospective investors with the business climate in Montenegro.

## MFIC INVESTMENT GUIDE



### Memorandum On Cooperation Between MIPA And MFIC Signed

2015

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



## Mayor Bogdanović Joins MFIC Meeting As Special Guest

2015



The Montenegrin Foreign Investors Council session of 15<sup>th</sup> March 2015 included the special guest appearance of Aleksandar Bogdanović, President of the Executive Board of the Union of Municipalities of Montenegro and Mayor of the Old Royal Capital of Cetinje. The session saw the Council's members present their views on the current business environment in Montenegro, while they also took the opportunity to learn more about Mayor Bogdanović's assessment of the status and quality of the organisation of local governments and their intention to contribute to easing the business environment in Montenegro.

## Number Of MFIC Members Rises To 22

2014

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



## Prime Minister Đukanović Participates In MFIC Meeting

2015

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



## Economy Minister Participates In MFIC Meeting

2014

Montenegrin Economy Minister Dr Vladimir Kavarić participated in the MFIC meeting of 7<sup>th</sup> May 2014. Minister Kavarić used this opportunity to inform MFIC members that the Montenegrin Government's economic policy places a strong emphasis on supporting investment and the implementation of capital projects, while previous experience indicates that investors recognise the energy sector, tourism, transport and agriculture as key economic areas in which Montenegro has comparative geographical and other advantages.







## Ambassador Drobnič Participating In MFIC Meeting

2014

Head of the Delegation of the European Union to Montenegro, Ambassador Mitja Drobnič, participated in the meeting of the Montenegrin Foreign Investors Council of 14<sup>th</sup> March 2014. Ambassador Drobnič used this meeting as an additional channel to communicate directly with the leading representatives of the Montenegrin business community in the area of his potential influence on improving the country's investment climate.

## MFIC Publishes First Investment Guide

2014

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



## First White Book Published

2010

The key document of the MFIC is the White Book, an annual publication that informs the general public and all stakeholders about the business environment and obstacles to doing business experienced by foreign investors in Montenegro and, more importantly, provides recommendations for removing identified obstacles with the aim of increasing the attractiveness and competitiveness of the Montenegrin economy. The first MFIC White Book was published in 2010.



## Montenegrin Foreign Investors Council Established

2009

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

The Council was established as a non-governmental and non-profit organisation aimed at improving the investment climate and supporting business development in Montenegro; representing and expressing the opinions of its members for the purpose of promoting common interests and stimulating direct foreign investment; promoting communication, cooperation and current dialogue between the Council and the official authorities in Montenegro; cooperating with the official authorities in Montenegro for the purpose of overcoming possible problems and obstacles that foreign investors may face, as well as in economic relations with other countries; and promoting the interests of the international business community in Montenegro and informing members and other stakeholders about the possibilities of the investment climate in Montenegro.



# Innovation Promoter, **STABILITY GUARANTOR**



**PÁL KOVÁCS**

CEO AT CRNOGORSKA KOMERCIJALNA BANKA (CKB)



*We see our leading position as an additional responsibility towards clients, the market and the Montenegrin economy. We remain a guarantor of stability, an innovator and a promoter of changes in all segments. Montenegrin economy will benefit from this acquisition*

Following the signing of an agreement on the purchase of Société Générale Montenegro, 2019 has become an historic year for CKB. In this interview, company CEO Pál Kovács talks about MFIC recommendations and CKB's strategic challenges and plans, as well as future trends in the banking sector and on the financial market of Montenegro.

■ **This year sees the MFIC celebrates its 10<sup>th</sup> anniversary. What is your vision for the next decade?**

- Summarising the past ten years, I really feel proud and satisfied because we did a lot within the MFIC. I see the shortening of the transition period with the creating of a new, dynamic investment environment as a particularly valuable contribution and as being in the mutual interests of both foreign investors in Montenegro and the Government of Montenegro and its bodies. Today, we don't only have a critical attitude towards the environment and

a need to merely point out the challenges, but rather – as active participants, together with all relevant players – we provide advice and recommendations, and share examples of good practise. We are very satisfied to have partnerships with all relevant people, especially the President and Prime Minister of Montenegro, but also other economic and business decision makers. Our vision remains the same over the next decade – we will be initiators of good practises, creators of the investment environment, a stronghold of stability and a reliable partner to the state in developing new opportunities in all sectors of the economy.

■ **How do you see the business environment and its impact on the banking sector? Which of the MFIC White Book's recommendations for further improving this environment would you highlight in particular?**

- The business environment is characterised by the application



of modern regulations and standards, but infrastructure modernisation and strengthening in the EU accession process must be orientated completely towards the preservation of confidence in, and the stability of, the banking sector. Our recommendations are always aimed at improving the legal framework and financial culture, additional and concrete measures – from deposit protection, impact studies and stress tests for risk assessment, to cooperation with regulatory bodies in measuring indicators and reporting standards.

■ **How do you see the performance of your bank under conditions of the expected relative slowdown in economic growth?**

- Montenegro has for more than two years been one of the fastest growing economies in the region and beyond. After the completion of major infrastructure projects, a slight – albeit expected – slowdown of economic growth is set to follow. Nevertheless, with the stability and additional strengthening of the financial sector, and completed infrastructure serving regional development, we have all the prerequisites for the further expansion of investments in tourism and the hotel industry, energy, agribusiness, SMEs and

other service activities. Our credit support will be directed towards these sectors. I always like to point out very attractive credit lines for support to smaller companies based on EU guarantees, commercial factoring as a form of support to trade, and other

sectors that generate additional liquid funds for the Montenegrin economy in a way that has long been used in the countries of the European Union. We have numerous opportunities to make Montenegro's economic environment more dynamic and attractive through the support of good projects in the economy and the concept of project and investment financing.

**Our vision remains the same over the next decade – we will be initiators of good practises, creators of the investment environment, a stronghold of stability and a reliable partner to the state in developing new opportunities in all sectors of the economy**

■ **On the last day of February this year, you announced the purchase and start of the acquisition process for Société Générale Montenegro? You then received, during May, the approval of the Central Bank of Montenegro. What will be the market consequences of this process?**

- During the last ten years, the OTP Group's position in Europe has strengthened in all segments. We finished last year by achieving an ambitious profit target of as much as a billion euros. In the previous year and a half, the OTP Group has been



**CKB is the best bank in 2019**

**It is a privilege to be the first**

Prestigious financial magazine Global Finance has declared CKB the best bank in Montenegro in 2019

CKB Trusting each other!



expanding in the region of Central and Southeast Europe. We finalised numerous acquisitions and opened on the markets of Albania, Moldova and Slovenia. By merging our two banks in Montenegro, we will additionally strengthen an otherwise stable banking sector. However, strengthening our market share is not based solely on quantitative parameters, rather it is based above all on qualitative growth. We base market opportunities on four basic principles of the OTP Group – stability, liquidity, innovation and profitability. Business operations based on these principles are also applied successfully and fully in Montenegro. We are slowly entering the process of merging

■ **You recently became the recipient of the award for the Best Bank in Montenegro for 2019 from prestigious financial magazine Global Finance. And you recently also received an award from the President of Montenegro as the most innovative company for 2019 for CKB GO – the service of the new generation of mobile and internet banking. How important are innovations and digitalisation today when it comes to successful positioning in the banking sector?**

- This prestigious Global Finance award for the best bank was received by a bank from Montenegro for the first time. I'm

overjoyed that, with this acknowledgement, we've become a member of the club of the most respectable banks in Central and Southeast Europe. This award is recognition for the results achieved, which we base on exceptional relations with clients and the local community. Likewise, it is a special honour to be the laureate of the Chamber of Economy of Montenegro for 2019, and the winner of this prestigious award for the most innovative company. I am proud that the award came for the CKB GO service, and this is certain confirmation and the result of great efforts exerted on the introduction of the most innovative internet and mobile banking service, not only in Montenegro and the region, but also further afield. This service is simultaneously also one of the most used banking applications in Montenegro, the backbone of, and first step towards, the full digitalisation of our business operations. As in all other spheres of social life, innovation and digitalisation have a great impact on banking and finance. By operating within the OTP Group, we have the privilege of testing numerous innovative solutions in Montenegro even before other members of the Group.

By developing a digital concept, we are ready to respond to the most demanding customer needs, create new market opportunities and increase customer satisfaction continuously. I always emphasise that the development and application of modern digital

solutions requires a lot, and primarily an excellent product, good marketing, readiness for implementation, and a dedicated and creative team. We at CKB, on the road to achieving our strategic goal of even greater influence and leadership in the domain of innovation, possess all of the aforementioned qualities. ■



the two banks, which means additional investments in research and development, the identifying of new market segments, as well as a stable framework for achieving our vision. We want to keep the position of promoters and leaders in innovation and digitalisation, in order to satisfy our clients and to be a pioneer in new products and services in Montenegro, but also in the region of Central and Southeast Europe. Our new banking concept is based on the application of innovative new solutions, but primarily on maintaining a traditional and recognisable relationship with clients. Led by this business philosophy, I have no doubt that this acquisition in Montenegro will create multiple benefits and represent a stable partner to clients, citizens and companies, and that this strong bank will be a reliable partner to the Government and the state.

**During the last ten years, the OTP Group's position in Europe has strengthened in all segments. We finished last year by achieving an ambitious profit target of as much as a billion euros. In the previous year and a half, the OTP Group has been expanding in the region of Central and Southeast Europe**



# Four Ways To Increase TRANSPARENCY



*Jugopetrol being one of the biggest companies in the country with large interaction with the State Administration, can contribute a lot to the aims of MFIC*

One of the areas in which Jugopetrol AD (JSC) can contribute the most to the MFIC White book is related to the issuance of construction permits, as we have extensive experience in the construction of petrol stations and other installations. This can be a very complex issue, and involves many stages before reaching a successful conclusion. It starts with the issue of possessing a valid and approved DUP (detailed urban plan) for the area to be developed, and to verify what kind of development is permitted on particular plots. Then there are issues concerning ownership of the plot, with plots sometimes bordering urban plots do not coincide with the borders of the cadastral plot (ownership plot), or part of a plot (which can be very small) belonging to somebody else. Another possible problem can arise relating to any mortgages that might burden a particular plot. Other issues can arise due to restricted construction lines within a

plot, as well as limited building coefficients. Once these issues are resolved, a detailed design progress commences, based on regulations applicable specifically to the development in question. In some cases these regulations are not yet harmonised with the latest European guidelines. Once the detailed design is completed, it must undergo revision by a company approved by the state, and then submitted to the state to await issuance of the construction permit. Once consent is given by various state institutions and utility providers, the construction permit will be issued.

Another important issue Jugopetrol can contribute with is tax audit. Over the last few years we were subject of various inspections and our accumulated experience can be utilized by other Companies facing challenges in this area. Focus needs to be given in shortening the audit duration,

**We can provide positive contribution to the areas of construction permits, tax audits, customs controls, and fuels consumption statistics**

especially in concluding cases in which there are objections and appeals on the part of tax payer that are accepted by the second instance bodies (Ministry of Finance).

Customs authorities are responsible for verifying and collecting excise duty applicable to fuel sales. Excise duties contribute a very substantial sum to the national budget every year. The Customs department is also responsible for verifying volumes and

prices of fuels subjected to VAT charges.

The necessary controls and checks should always be improved, continually strengthened and streamlined, in order for the State to be able to guarantee absolutely that there is not lost income. The aim should be to harmonise with EU regulations and practises. International petroleum companies with a presence in other European countries can share experiences and provide consultation to the Customs department.

Various State Agencies are responsible for providing statistical information regarding the sales and distribution of fuels within the country. For this purpose, each petroleum products seller/trader is asked to report its sales to the agency annually.

The aim is to provide an accurate picture of the volume of petroleum products sold/distributed in the country. Each petroleum products seller/trader reports its total sales volumes, though it is not adequate to merely report total sales, as substantial cross-selling occurs between petroleum trading companies, which creates double-counting.

The Agencies may more frequently (i.e. quarterly) request that all petroleum products sellers/traders report their sales, but also separately according to specific sales channels, i.e. (a) Retail sales (directly to vehicles at petrol stations); (b) Sales to other petroleum products sellers/traders (e.g. Petrol Company A sells to Petrol Company B); (c) Sales to other customers (commercial, industrial, offices, hotels etc.) who are final customers, i.e. the fuel is for their own use. ■

# OPERATIONAL PREDICTABILITY

## Keeps Investment Levels High



*Montenegro is showing that it is developing in the right direction, as most institutions, public officials, administrative personnel, media outlets and the courts are doing their job well and helping the economy to have stable operations. We had the opportunity to confirm this for ourselves in the case of our company, which is facing challenges in the predictability of operations*

institutions, the media and courts continue doing their job well.

### ■ How satisfied are you with your company's operations in 2019?

- Ocean Montenegro had a good start to the year. We continued providing services at the highest level, as has been the case to date, and we have also been more active in policy activities than before, as we consider it our role to contribute to the further stabilising of the market through our contribution to creating the regulatory framework. This year we

but also that we can definitely help with the expertise of the international and European associations to which we belong.

Ocean Montenegro is also constantly focused on preserving the certainty and safety of waterway navigation and continuously educating employees, as the company's most valuable resource, and this year we will exert efforts to further educate our employees. When it comes to expected challenges, this year started quite dynamically precisely from the aspect of operational predictability. Specifically, the Ministry of Transport and Maritime

Affairs continued with its problematic initiative of announcing a new, or additional, concession for the provision of port services at the Port of Bar. This initiative is an extremely aggravating factor for the entire sector, as it contradicts both the rules of the EU and the laws of Montenegro, and is harmful in both micro- and macroeconomic terms, harming public revenues at all levels, but also the image of Montenegro as a healthy investment destination. We've

exerted significant efforts over the last few months to inform all relevant institutions and partners about this, given that the Ministry did not take into account the arguments and facts that we presented to it. Fortunately, most institutions have shown the attention of a good host and listened very seriously to our legal and economic arguments, which incontrovertibly show the harmfulness of this initiative of the Ministry of Transport and Maritime Affairs. ■

I feel great personal responsibility, but also honour, that I have - since last year - been part of the board of the organisation that comprises the largest investors

in our country, says Nela Vitić, CEO of Ocean Montenegro and Member of the MFIC Board of Directors, who represents the nautical transport and port services sector.

### ■ How would you rate Montenegrin business environment in terms of predictability and transparency?

- Predictability and transparency are extremely important factors, both for attracting high-quality companies to one country and for retaining them. In addition to the predictability that is crucial for planning and for stable operations, the most important factor is the operational certainty that is guaranteed by developed institutions and good rule of law. It is very important that, even in the event of occasional occurrences of certain unpredictable adverse initiatives of some institutions, other

**As the only female member of the MFIC Board of Directors, I want to promote equality not only within our association, but also to provide a positive example and support to other women managers in Montenegro**

will also be far more dedicated to representing Montenegro within world associations in our domain of business, primarily in the European Tug Owners Association and the European Maritime Pilots' Association and European Boatman's Association. We also expect to play a formal role in the creation of new national regulations governing shipping agents and ports, given that we really possess not only practical knowledge from this sector,



# Digitalisation Is A GREAT CHANCE FOR MONTENEGRO

*We, at the MFIC, want to join forces with the government to create a Digital Montenegro, which will be attractive to foreign companies, but will also a better, faster, more effective and a more advanced state for its citizens. This is a great chance for small states and small, adaptable systems like ours*

**D**igital transformation is an important prerequisite that needs to be met in order for companies, but also countries, to become and remain competitive on the market. „Most companies operating in the world today, including in Montenegro, have taken this trend seriously and are committed to transforming their business models,“ says Ivan Bojanović, member of the MFIC Board of Directors and Director of Saga CG.

Montenegro is a state that's only in its infancy when it comes to digital transformation, which is why Bojanović considers that “it is very important that we create conditions as soon as possible for transformation that will move us closer to developed countries, but also to the countries of the region that have already done a lot in this field.”

In this regard, our interlocutor considers, both the public and private sectors must cooperate closely when it comes to this field. “The experience brought by the private sector, particularly foreign companies that operate in Montenegro, can be of incalculable value to our country. The dialogue between the Government and local self-governments, on one side, and the private sector, on the other, can speed up the digital transformation process,” says Bojanović.

■ **What kind of potential does Mon-**

**tenegro have for transforming into a knowledge-based economy?**

- Montenegro, as a small country in terms of population and territory, can profit greatly in the era of the digital economy. Natural beauty and tourism, which we depend on the most, are an excellent basis, but are insufficient for making progress in an economic sense. Montenegro must implement education re-

**The MFIC, as an association of foreign companies, can be very helpful in conveying the experience of countries from the region, Europe and around the world when it comes to accelerating the overcoming of obstacles in the digital transformation process**

forms, and must focus primarily on educating personnel who will bring added value, and who are in short supply both in our country and around the world. Computer literacy is an essential precondition for progress in this regard, so when I mention education reform I mean the reform of basic primary school education, in terms of integrating informatics into school curricula from the very beginning.

Every change brings with it fears, and the new revolution – in an economic sense – has

caused the most fear when it comes to losing jobs, given that many jobs are expected to be lost by digitalisation and automation, and that many tasks and processes will be automated. Although that fear is justified, this is a great opportunity – particularly for small states like Montenegro and small, adaptable systems like ours. This is a chance to recognise which occupations will disappear and which are emerging of will emerge, and to work – through the aforementioned reform of education, but also through retraining programmes for the existing workforce – to create an “island of knowledge” that will be a place where the world's largest companies open their representative offices.

■ **What can the MFIC do for the promotion of the ICT sector and it being recognised as having growing potential for Montenegro?**

- The MFIC is an association of foreign companies and, as I've already mentioned, the experience of these companies is invaluable for our country. The Council already does a lot on promoting the ICT sector, but there's still plenty of work ahead of us. I believe that the current government has already recognised a partner in us in this regard, and it is up to us to preserve that trust and to get involved, as much as possible, in the government's activities in this field. ■



# Good Foundation For **FURTHER IMPROVEMENTS**



*The year 2018 indicates a period of stability and gives reasons to be optimistic in terms of the improvement of economic conditions and the business climate – according to the ninth edition of the annual MFIC White Book*

**B**y publishing the ninth edition of the White Book, the Montenegrin Foreign Investors Council (MFIC) celebrates its tenth anniversary as a non-governmental and non-profit organisation that represents the interests and expresses the opinions of its members for the promotion of shared interests and the stimulating of foreign direct investments, as well as the improvement of communication and cooperation with official bodies in Montenegro.

The White Book is a key publication produced by the Council, in which foreign investors assess the business environment on the

basis of their personal perception and highlight the challenges they face in Montenegro.

The year 2018 indicates a period of stability “with a slight increase on the ease of doing business index”, which provides reason for optimism in terms of the improvement of economic conditions and the business climate. However, further attention needs to be paid to the implementation of reform processes within analysed sectors, in order to achieve better business environment conditions, attract foreign investment and create conditions for the improvement of the economic standards of all citizens of Montenegro.

The White Book presents the MFIC Index, an evaluation of the ease and effectiveness of doing business in Montenegro, based on the experiences of MFIC members. The MFIC Index for 2018 totals 6.49 on a scale of 1 to 10 (with 1 representing the lowest score). When evaluating the business environment, the ease of

edition of the White Book includes several additional categories – important areas that should be in the focus of public institutions in order to eliminate potential business barriers: the grey market and inspections, regulations on public-private partnerships, public procurement, the digitalisation of public services, regulations on



personal data protection and human resources. The scores for those categories are relatively low, which should be a signal for the Government to include them among its top priorities in the period ahead, as well as to implement reforms in those areas in accordance with the best international standards and practises. On the other hand, these results show that the noted categories will be a priority for the Council in the period ahead, and both the Council and our members are ready to provide support in their development and reform processes.

The Montenegrin Foreign Investors Council will continue to monitor the activities of government bodies in an effort to ensure that the recommendations of the members of the Council are included within measures envisaged for implementation, with the aim of creating business environment conditions in Montenegro that corresponds with the level investors enjoy in developed economies. It is therefore of particular importance to continue the implementation of measures in the areas of the rule of law and the efficiency of legal

performing daily operations and difficulties faced by investors due to the general business climate and regulatory environment were taken into account.

The 2018 rating indicates increased stability compared to 2017, when the Index stood at 6.47, representing the highest level since the introduction of this kind of evaluation.

MFIC members rated the following sectors: telecommunications/ICT, banking/finance, tourism, production/energy, trade/retail and transportation/logistics.

The best results, as in the previous year, were recorded in the sectors of telecommunications/ICT, tourism and banking/finance (ranging from 6.78 to 6.82), while the poorest results were recorded in the sectors of production/energy, trade/retail and transport/logistics (ranging from 5.86 to 6.55).

It is important to note that the top-rated sectors recorded a decline in 2018, and due to the increase in ratings in sectors that have been ranked low for years (production/energy, trade/retail and transport/logistics), 2018 saw the recording of the lowest overall growth of the MFIC Index.

In addition to areas that have traditionally been evaluated since 2011, such as labour market and employment, property development, taxation, corporate governance and the rule of law, the ninth

**The 2018 rating indicates increased stability compared to 2017, when the Index stood at 6.47, representing the highest level since the introduction of this kind of evaluation**



protection, the improvement of economic conditions and the business climate, the improvement of infrastructure and the realisation of new infrastructure projects while maintaining stability and preserving confidence in the financial sector. ■

# CLOSE COOPERATION

## Leads To Better Achievements



**IVAN RADULOVIĆ**

MFIC EXECUTIVE DIRECTOR

*Timely public-private dialogue is of crucial importance to the further improvement of cooperation between the private and public sectors. The MFIC will continue to nurture good and productive cooperation with the Government of Montenegro and to provide further support to the reform process*

**T**he MFIC – an association of leading foreign investors in the country – was established in 2009 by five companies, while today we have 40 members. The Council gathers together representatives of numerous and varied industries – banking and financial services, telecommunications, metallurgy and mining, energy, tourism and hospitality, real estate, the petroleum industry, port services, legal services, the FMCG sector, logistics, manufacturing, transportation, auditing and ICT. We spoke with MFIC Executive Director Ivan Radulović about the development plans of the Association.

■ **Considering the increase in the number of MFIC members and the sectors from which they hail, have you considered establishing new committees?**

- Taking into account expansion of the Council, besides two committees that are already operational – ICT Committee (since 2014) and Banking Committee (since 2017) – we have plans to establish two more committees – the Regulatory Policy Committee, tasked with reviewing and comment on existing regulation, as well as regulation going through the public consultation process that might cause potential obstacles to doing business and to provide support to the government in designing and delivering an effective, efficient and business-friendly regulatory framework - and the

Committee for Combatting the Grey Economy – aimed at contributing to further reducing the grey economy by working closely with our counterparts in government through the implementation of activities envisaged by the Montenegrin Government's Commission for Combatting the Grey Economy.

■ **The 9th edition of the White Book also brought new topics that were addressed. In which way are members involved in the compiling of this publication?**

- The White Book is a key document produced by the Council, in which foreign investors assess the business environment on the basis of their personal perception and highlight the challenges they face in Montenegro.

The ninth edition of White Book, in addition to the areas/sectors that are analysed each year, also analysed and presented the fiscal obligations of local self-governments, especially those present in legislation impacting on investors at the local level – Law on Municipal Charges, Law on Administrative Charges, Law on Roads, Law on Spatial Planning and Construction and Law on Tourist Organisations. We believe there is a lot of room to improve and increase transparency in terms of fiscal burdens at the local level and in the work of local self-governments. A large number of various fiscal burdens – imposed as taxes, surtaxes, fees and charges – make it difficult for foreign investors to predict the costs of investments.



Our members participate by responding to a questionnaire, and on the basis of their ratings we initially calculate the overall MFIC Index – as an evaluation of the ease and effectiveness of doing business in Montenegro, based on their experience. Our members also rate the industry in which they operate, as well as individual areas that we have identified as being the most important to influencing the attractiveness of a business environment.

A very important part of the White book is the evaluation of the regulatory environment in Montenegro, which is conducted in such a way that MFIC members state observations, make comments and propose suggestions regarding specific issues that can be further improved to better accommodate the needs of business and economic development.

#### ■ How important is the White Book as a tool in advocating for the changes you propose?

- Through active participation in the Competitiveness Council led by the Prime Minister, which represents the Government's main body for dealing with the business environment, we are involved directly in the decision making process. After being presented publicly, the White Book is submitted for the next session of the Competitiveness Council, where members of the Council have the chance to familiarise themselves with the edition and discuss its findings and recommendations. Following discussions, the Ministry of Finance and the Competitiveness Council Secretariat, in cooperation with ministries, are obliged to prepare responses to the recommendations given in the White Book and to inform the MFIC on which recommendations have been accepted and will be implemented.

We are also satisfied with the fact that the consideration and implementation of measures and recommendations given by our members via the White Book continues increasing constantly.

#### ■ Given that you have enviable experience of working in government, can you tell us how you see opportunities to further improve cooperation between the administration and the business sector?

- I believe that timely public-private dialogue is of crucial importance to the further improvement of cooperation between the private and public sectors. In our opinion, there is plenty of room for improvement and the MFIC will continue to nurture good and productive cooperation with the government, and to provide further support during the reform process, as we believe strongly that we will achieve much more if we work together closely. Timely and open dialogue between the public and private sectors aimed at understanding and recognising common interests, and then individual interests, is key to a stimulating business environment that results in economic development and a better standard of living for all citizens.

#### ■ What does the MFIC offer its members when it comes to representing their interests?

- The MFIC is the only association exclusively comprising foreign investors that are doing business in Montenegro. Our primary goal is to represent and express the opinions of our members, for the promotion of shared interests and to stimulate foreign investments, as well as the improvement of communication and cooperation with official bodies in Montenegro. We do this not only through the work of our committees and through participation in the government's working bodies, but also on a daily basis, through our communication with officials of the public sectors at both the central and local levels, as well as through continuous communication with our



**Our members propose regulatory changes in order to eliminate business barriers and bring regulations in line with modern international standards and best practises**

international partners in Montenegro – the EU Delegation, World Bank, International Monetary Fund, Organisation for Economic Cooperation and Development and representatives of diplomatic missions in Montenegro.

We will continue to monitor the activities of government bod-

ies in an effort to also include the recommendations of our members within measures envisaged for implementation.

#### ■ In which ways is the MFIC involved in promoting Montenegro's investment capacities?

- The promotion of the investment potentials of Montenegro, as well as the promotion of the interests of the international business community in Montenegro, are among our priorities.

The MFIC cooperates closely with relevant public institutions responsible for providing incentives and attracting foreign investments. Also, through our continuous communication with existing and potential foreign investors, we provide information regarding the relevant legal and institutional framework, with the aim of encouraging future foreign investments. Moreover, we also provide information on the most attractive investment potentials in the country, as well as practical information that's useful when establishing and expanding operations in Montenegro. ■

# DECADE OF WORK

## Remembered For The Good



*During the ten years of its existence, the MFIC has achieved significant success in the two most important fields: it has managed, along with other business associations and the Government of Montenegro, to create an atmosphere of trust and a desire to work together to improve the position of Montenegro as a place for investment; and on the internal front it has built an association that's trusted and supported by its members*

The reputation enjoyed today by the MFIC has been constructed carefully and is a result of fundamental work undertaken on both connecting all stakeholders in the society that can contribute to improving the economy and on dedicated work on the contents of the White

Book, which has become a document that also consults investors considering investing in Montenegro and policymakers at the national and local levels who considering how to make Montenegro even more attractive for investment and closer to European standards.



**PREDRAG LEŠIĆ**  
CEO, DOMEN

## Faster Transfer Of Knowhow Needed

If development teams from abroad came to Montenegro, and worked together with our experts on the development of new products and services, I believe we would very rapidly have significant effects in the transfer of knowledge. It is in this that I see the key role of the MFIC

**F**oreign investors generally come from more technologically developed environments and economies, where the level of digitalisation is higher. This isn't necessarily true in all segments, but if we look at the basic services available to both citizens and the economy, it is generally the case. As such, any kind of initiative on the transfer of knowledge is welcome, both in educational workshops and in the implementation of projects that have already yielded results in investors' home countries. We decided, as a company, to bring lecturers to Montenegro and in that way give citizens an opportunity to hear about global trends in business and technology. Our example is not the only one – there are other investors doing similar things. However, I personally consider that perhaps cooperation that would

bring development teams from abroad to Montenegro, who would spend a certain amount of time residing in Montenegro working on the development of new products and services, and providing an opportunity

for domestic experts to get involved, would quickly create a chain effect leading to the accelerated development of Montenegrin society generally. We have a handful of tourist capacities that are unexploited out of season that we could use for this purpose. Being literate today means knowing the English language

and knowing how to work on a computer, while having some skills with university literacy is not what employers seek. Today, apart from all of the aforementioned, the ability to solve problems is also sought, and that is achieved through practise, regardless of the time.

As a company we try to improve digital literacy in the country by bringing foreign lecturers to Montenegro, thus giving citizens an opportunity to hear about global trends in business and technology





**MARTIN LEBERLE**  
CHIEF EXECUTIVE  
OFFICER OF NLB BANKA  
AD PODGORICA,  
MONTENEGRO

## MFIC Inspires Country's Development

The MFIC represents the joint efforts of companies coming from different spheres and contributes to local development by bringing European experience to the market. We are glad that we are one of the members of the MFIC, and that – based on our knowledge and experience – we participate in creating a better business environment in Montenegro

A business association like the MFIC best represents how joint efforts and responsible relations with companies from different business spheres and with different business structures can contribute to the development of the entire business and social environment.

MFIC members, with their positive practises, contribute to strengthening all the key frameworks of the society, which provides new possibilities for networking among businesspeople, exchanges of know-how with foreign partners and strength-

ening of the image of the country.

We are glad that we are also one of the members of the MFIC and that – based on our knowledge and experience that we draw from tradition – we participate in creating a better business environment in Montenegro.

Local markets can only develop by combining the preparing of a state-of-the-art environment for international investors with the simultaneous provision of local businesses with a fair chance to compete at the European level.



**VESELIN MIJAČ**  
SAVANA AB EXECUTIVE  
DIRECTOR

## Excellent Platform For Improving The Business Environment

Thanks to the work of the MFIC, companies can jointly advocate for the improvement of the business environment and point out barriers to doing business to relevant institutions

# Development Partners

Since its inception, the MFIC has developed excellent cooperation with all business associations in the country and the Government of Montenegro, and it works in partnership on the creation of a high-quality and competitive business environment

**S**ince its establishment, the MFIC has been very consistent in implementing its mission in Montenegro – to improve the investment climate and support the further development of business in Montenegro. In its membership it has gathered together the most eminent companies operating in the Montenegrin economy, all of which recognised Montenegro as an open economy that is progressing steadily towards the doors of the EU. Through dedicated work, the MFIC has managed to create an indestructible bridge of cooperation and partnership between the business community and the Government of Montenegro, with the common goal of creating a stable and competitive business environment. MFIC members have an opportunity – through regular meetings, workshops and Committees – to submit their proposals and suggestions on

the topic of barriers to doing business and the further improvement of legislation. Through the umbrella publication known as The White Book, the MFIC evaluates the business environment very transparently and highlights the main challenges confronting companies in their operations. Excellent cooperation has been established with all business associations in the country, as well as cooperation with universities aimed at promoting business development opportunities in Montenegro. The progress of MFIC is confirmed through its constantly growing membership, which brings with it new ideas and experiences. This kind of structured decade-long work and organisation created a sound basis for the further development of the MFIC community and its permanent action aimed at improving the overall investment climate in Montenegro.









**NELA BELEVIĆ**  
CEO, UNIQA OSIGURANJE  
(INSURANCE)


















**H**otel Ramada Podgorica and the Mall of Montenegro are part of Swedish company Savana AB, both of which participate actively in the work of the MFIC. Here I will highlight a few details that are important for us. The MFIC gives us the opportunity to connect with other foreign investors in Montenegro, to join forces, through this association, in creating a stimulating business environment, harmonised with both the values of the host country and those of European. Through contributions and comments that are published in the White Book, we have an opportunity to highlight business barriers to relevant institutions and, even more importantly, to receive responses, recom-

**Foreign companies in Montenegro work under stimulating business conditions, and via the MFIC they can themselves contribute to improving conditions for the arrival of new investors**

mendations and guidelines for adopting them. The MFIC is a valuable business association, a good platform for reviewing and improving the business framework, as well as for representing the interests of foreign investors in Montenegro. What we hear constantly from Montenegrin officials is that Montenegro needs as many high-quality foreign investment as possible, in order for the country to be recognised in a wider context. I find it especially important that existing foreign companies in Montenegro work under stimulating business conditions, but also that they can forward their messages to relevant sections of the public via the MFIC association.

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## KEY MESSAGES

**CHRISTOPH SCHOEN,**  
PRESIDENT OF THE MONTENEGRIN FOREIGN  
INVESTORS COUNCIL, MFIC



### A True Partner For Reforms

*The MFIC celebrates a decade of its work in Montenegro in 2019. We will continue to support the Government of Montenegro during the reform process, as we strongly believe that we will achieve much more if the public and private sectors work together. Among the most important tasks in the coming period are combatting corruption, improving the consistency and efficiency of the judicial system and continuously fighting against the grey economy.*

**MILUTIN SIMOVIĆ,**  
DEPUTY PRIME MINISTER RESPONSIBLE FOR ECONOMIC  
POLICY AND THE FINANCIAL SYSTEM; MINISTER OF  
AGRICULTURE AND RURAL DEVELOPMENT



### Providing Foundations For Long-Term Stable Growth

*Sustainable and inclusive economic growth, which will contribute to reducing the development gap of the country compared to the EU average, and to increasing the quality of life of all citizens, is a strategic development goal of Montenegro. That's why we'll strengthen the country's macroeconomic stability and work to eliminate the key obstacles to improving competitiveness.*

**SUZANA PRIBILOVIĆ,**  
MONTENEGRIN MINISTER OF PUBLIC ADMINISTRATION



### Encouraging Reform Results

*The results achieved in public administration reform encourage us and confirm that we are on the right track, but also oblige us to work even more dynamically to create a more efficient administration that will provide proper service to citizens and the economy. This is not an easy process, but for us there is no higher priority than increasing our citizens' quality of life.*

*Public administration reform is also one of the key pillars of the current programme of fiscal stabilisation and European integration.*

**DARKO RADUNOVIĆ,**  
MONTENEGRO FINANCE MINISTER



### Tax Policy In The Service Of Development

*We are committed to building an attractive business environment, and especially creating a competitive and stable tax system that's based on simple and clear legal solutions and procedures, and an efficient administration.*

*The development of Montenegro's economy is based on the development of service activities, primarily in the fields of tourism and hospitality, thus developing infrastructure on solid financial foundations has been recognised as one of the key priorities for improving the Montenegrin economy and citizens' quality of life.*

**PAVLE RADULOVIĆ,**  
MONTENEGRIN MINISTER OF SUSTAINABLE  
DEVELOPMENT AND TOURISM



## We Jealously Guard Our Specialness

*The great results that we've achieved in tourism are a great source of joy, and also oblige us to exert efforts constantly in order to continue the growth trend and to be more competitive on the market. By improving the quality of our offers in hotels and hospitality establishments we are realising our strategic goal of becoming a high-quality destination with a year-round tourist offer.*

*Montenegro generated more than a billion euros in revenue from tourism for the first time ever last year.*

**RADOJE ŽUGIĆ,**  
GOVERNOR OF THE CENTRAL BANK OF MONTENEGRO



## Banking Sector Strengthening Continues

*The banking system in Montenegro is characterised by stability, which is reflected in high capitalisation, liquidity and profitable operations. Improving the macroeconomic environment, positive results in the implementation of fiscal consolidation and preserved financial stability will serve to stimulate the operations of the banking sector in the current year. The key balance sheet positions of banks record growth both in the comparative one-year period and in the period since the introduction of an interim administration to two banks (IBM and Atlas Bank), i.e. since December 2018.*

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



## Achievements Should be Jealously Guarded

*The Government of Montenegro has achieved substantive progress over the past few years and our main recommendation is for it to stay the course and avoid the temptation of short-term actions that may play well with voters, but may prove unsustainable in the long run. It is important to maintain the credibility the government has gained with its efforts on fiscal consolidation and to build on that.*

**ANTONIS SELEMIDES,**  
MEMBER OF THE MFIC BOARD OF DIRECTORS,  
CEO OF JUGOPETROL AD



## Four Ways To Increase Transparency

*The introduction of a formal directive with detailed procedures and guidelines related to the tax audit would increase trust and cooperation between the authorities and taxpayers. One of the areas in which Jugopetrol AD (JSC) can contribute the most to the MFIC White book is related to the issuance of construction permits, considering its extensive experience in the construction of petrol stations and other installations.*



**NELAVITIĆ,**  
MFIC BOD MEMBER, CEO OF OCEAN MONTENEGRO

## Operational Predictability Keeps Investment Levels High



Montenegro is showing that it is developing in the right direction, as most institutions, public officials, administrative personnel, media outlets and the courts are doing their job well and helping the economy to have stable operations. We had the opportunity to confirm this for ourselves in the case of our company, which is facing challenges in the predictability of operations.

**PÁL KOVÁCS,**  
CEO AT CKB

## Innovation Promoter, Stability Guarantor



We see our leading position as an additional responsibility towards clients, the market and the Montenegrin economy. We remain a guarantor of stability, an innovator and a promoter of changes in all segments. Montenegrin economy will benefit from this acquisition.

Following the signing of an agreement on the purchase of Société Générale Montenegro, 2019 has become an historic year for CKB.

**IVAN BOJANOVIĆ,**  
MFIC BOD MEMBER, EXECUTIVE DIRECTOR OF SAGA

## Digitalisation Is A Great Chance For Montenegro



We, at the MFIC, want to join forces with the government to create a Digital Montenegro, which will be attractive to foreign companies, but will also be a better, faster, more effective and a more advanced state for its citizens. This is a great chance for small states and small, adaptable systems like ours.

Digital transformation is an important prerequisite that needs to be met in order for companies, but also countries, to become and remain competitive on the market

**IVAN RADULOVIĆ,**  
MFIC EXECUTIVE DIRECTOR

## Close Cooperation Leads To Better Achievements



Timely public-private dialogue is of crucial importance to the further improvement of cooperation between the private and public sectors. The MFIC will continue to nurture good and productive cooperation with the Government of Montenegro and to provide further support to the reform process.

The MFIC – an association of leading foreign investors in the country – was established in 2009 by five companies, while today we have 40 members. The Council gathers together representatives of numerous and varied industries – banking and financial services, telecommunications, metallurgy and mining, energy, tourism and hospitality, real estate, the petroleum industry, port services, legal services, the FMCG sector, logistics, manufacturing, transportation, auditing and ICT.



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