



MFIC | Montenegrin Foreign
Investors Council

White Book

**Investment Climate in Montenegro – Opportunities
and Challenges**



White Book

Investment Climate in Montenegro - Opportunities and Challenges

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Foreword



This White Book is the second such annual publication by the Montenegrin Foreign Investors Council (MFIC). We intended it to inform both the professional and general public on the investment climate and business barriers experienced by foreign investors in Montenegro, and to extend our recommendations on overcoming them. This year, our ambition was to cover the observed period in more detail, with reference to unresolved issues highlighted in the White Book 2009, which have been burdening the Montenegrin economy for a long time. With the White Book 2010 we also extended the picture of the Montenegrin investment environment covering more industries compared to the last year's one.

The period between publishing the White Book 2009 and 2010 was characterized by numerous challenges in both the private and public sectors. Although still strongly influenced by the consequences of the global economic crisis, 2010 was also the year in which Montenegro officially came out of recession, and entered the process of gradual economic recovery. However, the government still needs to address obstacles hindering further development. At present, those obstacles affecting foreign investors the most are related to complex administrative procedures and a lack of skilled human resources.

Montenegro saw two major developments in 2010. One of them was the decision of the European Commission to grant the status of EU candidate country to Montenegro. The commitment to EU integration and the fact that the process has been given absolute priority in the Government's reform agenda, will enable introduction of European standards and the creation of an environment in which foreign investors can expect a stable, transparent and predictable business climate. The other is the establishment of the new Government. I take this opportunity, at the very beginning of its mandate, to encourage it to continue eliminating the remaining business barriers and reduce bureaucracy, thus taking the only path to the further growth and development of Montenegro. Our view, confirmed by the results of relevant research institutions, is that in recent years Montenegro has been the regional leader when it comes to foreign investment. Nevertheless there is still room for improvement. In that sense I find it compelling for the new Government to send a positive message to investors, to express its readiness for an intensive and constructive dialogue which would all result in a more attractive and efficient business environment.

One of the topics that could be regulated in an optimal manner through the expected private–public partnership and mentioned dialogue is improvement of Montenegrin legislation, which is still one of the stumbling blocks on the country's way to a developed and wealthy society. However, in spite of the fact that, according to the Doing Business Report (DB2011), Montenegro's rank in investors' protection increased by 1 place (Montenegro is now ranked 28th among the 183 surveyed economies) compared to the previous year, we have to emphasize that the Law on Foreign Investments does not provide enough protection for foreign investors and towards that end we hope that the State and local authorities will continuously work on improvement of legislation regulating such an important field, through dialogue with the Foreign Investors Council.

Finally, we hope that this publication will contribute to the activities of the Montenegrin authorities aimed towards the establishment of an investor-friendly business environment, tailored to its development needs. We, as foreign investors, are ready and fully dedicated to improving the business climate, as well as to contributing to the overall economic success of Montenegro.

By Daniel Szasz, Chairman of the MFIC Assembly

About the MFIC



MFIC | Montenegrin Foreign
Investors Council

The Montenegrin Foreign Investors' Council (MFIC), an association of leading foreign investors in Montenegro, was officially established in January 2009 although informal activities regarding the formalization of cooperation between foreign investors started in the summer of 2007. Our aim was to implement an already well-established practice seen in other transitional economies in South East Europe, regarding the adoption of a nation-wide formal association of foreign investors.

The MFIC is a non-governmental and non-profit organization, founded by five¹ foreign companies operating in Montenegro. It took us only a few months to grow to a total of 16 members with a tendency for further growth, representing various sectors, including banking/financial services, telecommunications, metallurgy and mining, hotel management, fast moving consumer goods (FMCG), manufacturing, audit, transportation, energy and retail.

We plan to reach our goals through meetings and dialogue with high ranking officials and government representatives; by putting forward initiatives to amend legislation that has proved to contain impediments for investors; through contact with local and international institutions and organizations; by providing relevant information to media representatives; by publishing the White Book which contains an overview of the most important issues and obstacles faced by our members and concrete proposals on how these could be overcome.

The MFIC will be working hard to foster dialogue between policymakers and investors in order to improve the Montenegrin business environment through both informal and formal events, such as forums, presentations, official meetings, etc.

Overall, it is our vision to make Montenegro a better place to live in and to work in as a result of our activities.

THE MFIC'S GOALS ARE TO:

1. *Improve the investment climate and support the business development in Montenegro;*
2. *Representing and expressing the opinions of its members for the purpose of promoting common interests and stimulating direct foreign investment;*
3. *Promote communication, cooperation and dialogue between the Council and the official authorities in Montenegro;*
4. *Cooperate with the Montenegrin authorities for the purpose of overcoming possible problems and obstacles which may be faced by foreign investors, including those concerning economic relations with other countries;*
5. *Connecting with other foreign organizations for investors within the SEE region for the purpose of:*
 - a. *Sharing benefits and experiences of best practice in the world and*
 - b. *Analyzing concrete tools in order to facilitate regional business and other activities.*

¹ - Crnogorski Telekom, Kombinat Aluminijuma Podgorica (KAP), NLB Montenegro Bank, Montenegro Stars Hotel Group, Daido Metal Kotor.

Investment and Business Environment

Introduction

In the latest *Global Competitiveness Report 2010-2011* prepared by the World Economic Forum (WEF), Montenegro is classified as being “Efficiency Driven” with a mark of 2 on a scale from 1 to 3, the same as last year:



This chapter gives an overview of where the country stands relative to its regional peers in south-eastern Europe (SEE) and globally, drawing on a range of macroeconomic data and survey-based evidence, with a special focus on progress made year-on-year. We will argue that notwithstanding the progress in recent years, there are still major challenges ahead that need to be addressed if the country is to continue to successfully compete for FDI and achieve sustainable levels of growth in the medium and long term.

Montenegro continued implementing business and investment-friendly reforms during the past year maintaining a relatively high level of foreign investment despite the negative trends both in the region and globally.

As research by the World Economic Forum (WEF) shows, Montenegro has kept improving its competitiveness over the past few years:

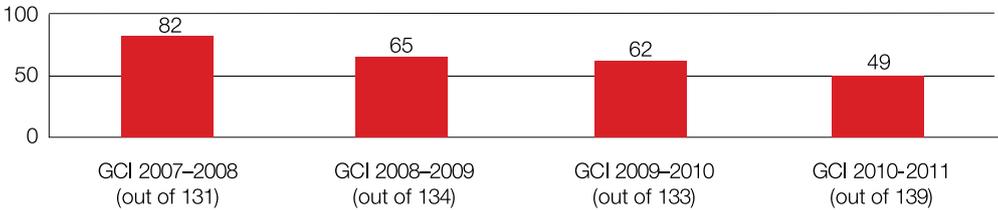


Figure 1: Montenegro’s Global Competitiveness Index ranking
(Source: the Global Competitiveness Report 2009-2010; World Economic Forum)

Despite the obvious progress, the country continues to draw criticism from domestic and foreign investors and businesspeople. This is due to perceived inadequacies present in the legislative framework or rather its implementation and also due to occasionally intrusive bureaucracy and a lack of adequate infrastructure and related services.

Heritage Foundation's Montenegro's World Rankings per category (out of 183 countries)

<i>Business Freedom</i>	No. 66	<i>Investment Freedom</i>	No. 75
<i>Trade Freedom</i>	No. 53	<i>Financial Freedom</i>	No. 70
<i>Fiscal Freedom</i>	No. 24	<i>Property Rights</i>	No. 73
<i>Government Spending</i>	No. 160	<i>Freedom from Corruption</i>	No. 69
<i>Monetary Freedom</i>	No. 82	<i>Labour Freedom</i>	No. 4

To illustrate the issues related to sometimes overly bureaucratic procedures, we will use the data from the World Bank's Doing Business survey for 2011². As the table below shows, the survey found that Montenegro is among ten countries in the world where paying taxes is done via the largest number of payments per year, out of 183 economies in the world surveyed by the World Bank:

Who makes paying taxes easy and who does not? (According to the number of payments per year)

<i>Fewest</i>	<i>Most</i>
<i>Sweden 2</i>	<i>Sri Lanka 62</i>
<i>Hong Kong SAR, China 3</i>	<i>Côte d'Ivoire 64</i>
<i>Maldives 3</i>	<i>Nicaragua 64</i>
<i>Qatar 3</i>	<i>Serbia 66</i>
<i>Norway 4</i>	<i>Venezuela, RB 70</i>
<i>Singapore 5</i>	<i>Jamaica 72</i>
<i>Mexico 6</i>	<i>Montenegro 77</i>
<i>Timor-Leste 6</i>	<i>Belarus 82</i>
<i>Kiribati 7</i>	<i>Romania 113</i>
<i>Mauritius 7</i>	<i>Ukraine 135</i>

On the other hand, Montenegro is also among the countries that improved the most out of all 183 surveyed economies in several categories regarding the procedures for paying taxes (see table below).

Easing compliance

Merged or eliminated taxes other than profit tax

Belarus, Bosnia and Herzegovina, Burkina Faso, Cape Verde, Hong Kong SAR (China), Hungary, India, Jordan, Montenegro, Slovenia, República Bolivariana de Venezuela

Simplified tax compliance process

*Azerbaijan, Belarus, Canada, China, Czech Republic, FYR Macedonia, **Montenegro**, Netherlands, Sierra Leone, Taiwan (China), Ukraine, Zimbabwe*

In addition, the Doing Business reported also noted a significant improvement in trading across borders when it comes to Montenegro, which found itself among the top ten countries which made the most progress in this area as well:

² - <http://www.doingbusiness.org/~media/FDPKM/Doing%20Business/Documents/Annual-Reports/English/DB11-FullReport.pdf>

Who improved the most in trading across borders?

1. *Peru*
2. *Grenada*
3. *Armenia*
4. *Montenegro*
5. *Nicaragua*
6. *Rwanda*
7. *Cambodia*
8. *Egypt, Arab Rep.*
9. *Spain*
10. *Philippines*

The general message carried by these findings fits entirely the one we noted when surveying our members – although many improvements have been made regarding the business environment that contribute to a much needed increase in the competitiveness of the Montenegrin economy, yet many challenges are still to be addressed. The MFIC expresses its satisfaction with the fact that the Government of Montenegro recognizes this and remains committed to continuing the work of making the country an even better place for investments and business.

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Macroeconomic background

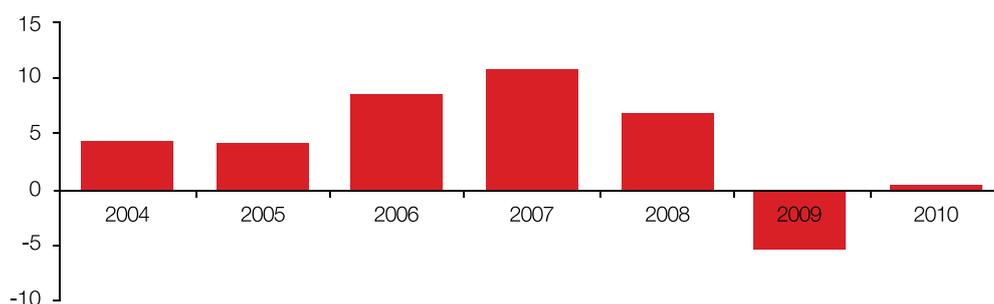


Figure 2: GDP growth (annual %) (Source: Monstat, 2010 Ministry of Finance estimate)

The impact of the crisis on the Montenegrin economy has been severe and fully unfolded during 2009, with annual GDP contracting by 5.7 per cent y/y. This trend was reversed to an extent in 2010, with estimates of GDP currently at a 0.5% increase³.

Total industrial output returned to positive growth, increasing by 17.5 per cent in 2010, after dropping significantly in 2009 owing to a deteriorating performance in manufacturing and mining. Since April 2010, conversely, industrial production has turned positive again, expanding by an average of 27.2 per cent until August. These figures, however, are mainly attributed to a low base effect and the re-opening of the Nikšić Bauxite Mine and the country's sole thermo power plant, both of which had halted production temporarily in mid-2009.

The decline in private sector credit that marked 2009 continued although it was less steep at approximately 8 per cent in the first ten months of 2010, reversing the credit boom of recent years. After a record inflow of foreign direct investment (FDI) in 2009 of close to EUR 1 billion, according to preliminary data, net inflow of foreign direct investments over the past year amounted to EUR 542.4 million, which is 50.9% less than in 2009, although this is still a relatively high level of FDI as there were no major privatizations such as in 2009.⁴

According to the IMF's report "2011 Article IV Consultation Preliminary Conclusions of the Mission", published on February 21, 2011:

"After contracting 22 months, industry began to grow again in the second half of 2010, and tourism registered a relatively strong rebound during the summer of 2010. Going forward, the recovery is projected to gain momentum, supported by high world prices and demand for Montenegro's industrial exports, new tourism projects, and increased confidence in the financial system. Accordingly, real GDP is projected to grow some 2 percent in 2011 after an estimated 1.1 percent in 2010, while inflation is expected to remain below the level of trading partners."

In spite of a substantial slowdown in trade, the current account deficit remains relatively high at 8.6 per cent of GDP at the end of 2010, though well down from 30.1 of GDP at the end of 2009. Prices have remained moderate, and entered a period of disinflation in August when the consumer price index (CPI) declined by -0.1 per cent y/y, and according to data from the Central Bank was at a level of 1.1% in January 2011. According to the projections for 2011 by the Central Bank, the expected inflation rate will range between 2.3% and 4.3%, with a gradual recovery of the real sector and a steady acceleration of economic growth.

In the banking sector, credit growth continues to remain negative and the ratio of non-performing loans to total loans has risen to 17.6 per cent as of the end of the third quarter of 2010.

3 - Source: estimates by the Ministry of Finance

4 - 2009 was a record year due to receipts from the partial privatization of the national electric company, EPCG.

Public spending as a share of GDP remains high. According to the Ministry of Finance, in 2010 it reached as much as 46 percent of GDP. One third of that amount was spent on social welfare protection, and almost one quarter on salaries in the public sector. This is potentially a cause for concern, as it could curb the private sector and impede growth necessary for a full recovery.

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There is considerable uncertainty about the short-term outlook in Montenegro, not least because the lack of transparency in statistical data gathering and the absence of good quarterly indicators prevent a detailed analysis of short-term economic trends. The best guess at present is that economic output will recover slightly with modest positive growth in 2011, as domestic demand starts to pick up again⁵.

Montenegro is not yet a member of the WTO, although, as noted in the EC Analytical report for 2010: “However, it has concluded all except one bilateral negotiation and has finalized multilateral negotiations. In its WTO accession process Montenegro submitted its last schedule of commitments under the General Agreement on Trade in Services (GATS) in December 2008, and both horizontal limitations and sector-specific commitments are generally in accordance with those undertaken by the EU. However, the final commitments will have to be verified when the last outstanding bilateral negotiation is concluded. Whether Montenegro will have to consider modifying or withdrawing its WTO commitments upon accession to the EU depends on the final terms of accession to the WTO.”

Progress in transition

In an international environment in which bank credit has become scarce and it is not realistic to expect that Montenegro will significantly improve its export capacities in the short term, FDI becomes increasingly important.

While Montenegro has made substantial progress in reforms such as trade liberalisation and small-scale privatisation, deeper institutional reforms are needed in areas like corporate governance, competition policy, financial institutions and infrastructure services. Most of our members also emphasise that the implementation of laws remains an issue, especially when it comes to administrative procedures required for obtaining different licences, permits, approvals or registrations.

These points are brought out by comparing Montenegro’s scores on the EBRD transition indicator scale with those of its regional peers. Figure 3 shows that Montenegro’s average score is below all others in SEE except Bosnia and Herzegovina, reflecting low scores in a number of areas.

⁵ - According to the IMF’s latest available projections from February 2011 growth will be 2%.

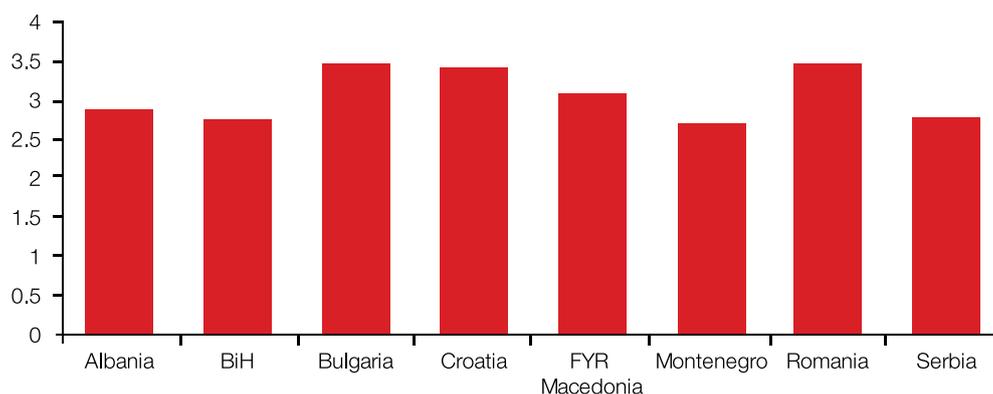


Figure 3: EBRD Transition Scores 2010 – SEE ⁶

As shown in Figure 4, the Transition Indicators, on the basis of on which the total Transition Score is calculated, highlight that Montenegro faces significant challenges in Enterprise restructuring, Competition policy, Securities markets & non-bank financial institutions, Overall infrastructure reform, Railways, Roads and Water and waste water.

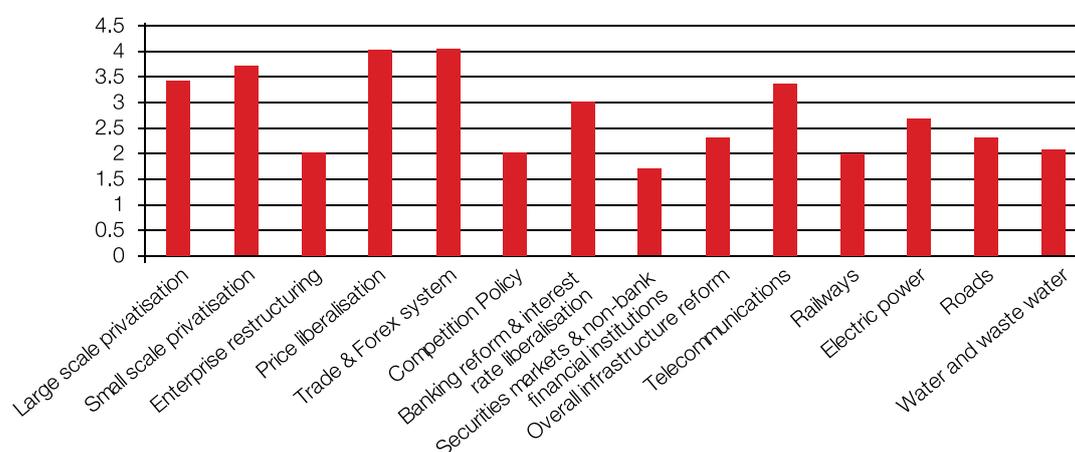


Figure 4: EBRD Transition Indicators 2010 - Montenegro

Business environment

Montenegro has had some success in creating a favourable business climate in recent years, which has attracted reputable foreign investors, mirrored in the record sum of EUR1 billion FDI inflows in 2009. However, this trend did not continue in 2010 and FDI has significantly declined since the beginning of 2010. This should however be interpreted with caution, as the Electricity company “Elektroprivreda” was bought in 2009 by the Italian company A2A for EUR 436 million, and according to the data from the Montenegrin Investment Promotion Agency (MIPA) if that arrangement is not taken into consideration, the FDI has actually increased by approximately nine per cent.

	2007	2008	2009	2010*
Direct investment, EUR million⁷	568	581	1066	543

6 - The EBRD scale goes from 1 (little or no reform) to 4.33 (the standard of an advanced market economy).

7 - Source: Central Bank, *preliminary data

According to MIPA, investors in Montenegro come from 88 different countries. There is also no single dominant country in terms of the amount of investment. Most of the investment comes from Italy, Norway, Austria, Russia, Hungary and Great Britain.

Between 2009 and 2010, the Montenegrin authorities facilitated a number of administrative regulations and procedures for business start-ups and introduced a single registration form for tax submissions. In addition, amendments were implemented to the corporate tax law and obligations for advanced payments charges for construction land were removed. Finally, the authorities have also made good progress in simplifying trade regulations by eliminating the requirement of presenting a terminal handling receipt for exporting and importing.

In spite of the global economic crisis, registration of new enterprises continued to be strong, though at a slower pace than in previous years. Between 2009 and 2010, the Montenegrin authorities facilitated a number of administrative regulations and procedures for business start-ups and introduced a single registration form for tax submissions. In addition, amendments were implemented to the corporate tax law and obligations for advanced payments charges for construction land were removed. Finally, the authorities have also made good progress in simplifying trade regulations by eliminating the requirement of presenting a terminal handling receipt for exporting and importing.

Notwithstanding these improvements, Montenegro could not maintain the reform momentum of previous years and fell behind slightly in the World Bank’s Doing Business Survey 2011⁸ by one notch to 66th place⁹. As indicated in Figure 5, however, compared to its regional peers, the country is performing relatively well in terms of creating a favourable business environment.

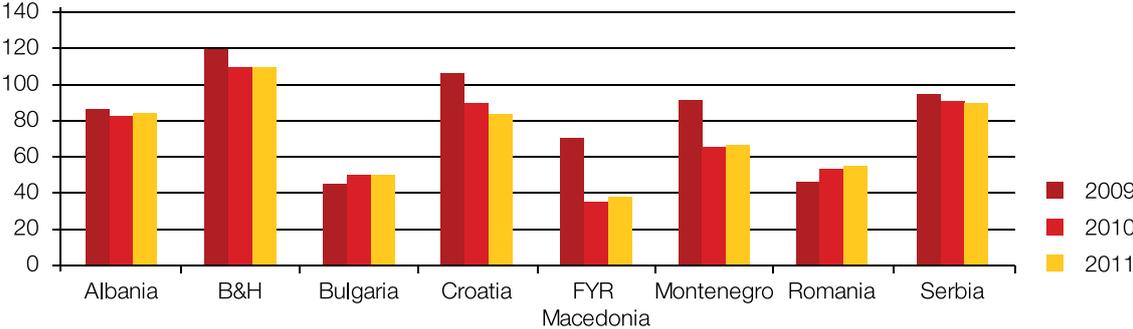


Figure 5: Ease of Doing Business Ranking 2009, 2010 and 2011 – SEE

The Doing Business sub-indicators enable a more detailed analysis of Montenegro’s business environment. The country is performing very well with regard to starting a business and has improved significantly compared to 2009. Further positive aspects of the business environment include Trading Across Borders, Protecting Investors and Getting Credit, with the latter being significantly constrained by the on-going credit crunch. However, Figure 6 also highlights several shortcomings, including administrative impediments when dealing with construction permits, registering property and enforcing contracts. In spite of improvements in the tax administration, paying taxes continues to be a major obstacle for businesses.

8 - <http://www.doingbusiness.org/~media/FPDKM/Doing%20Business/Documents/Annual-Reports/English/DB11-FullReport.pdf>

9 - Economies are ranked from 1 to 183, with 1 representing the best position possible.

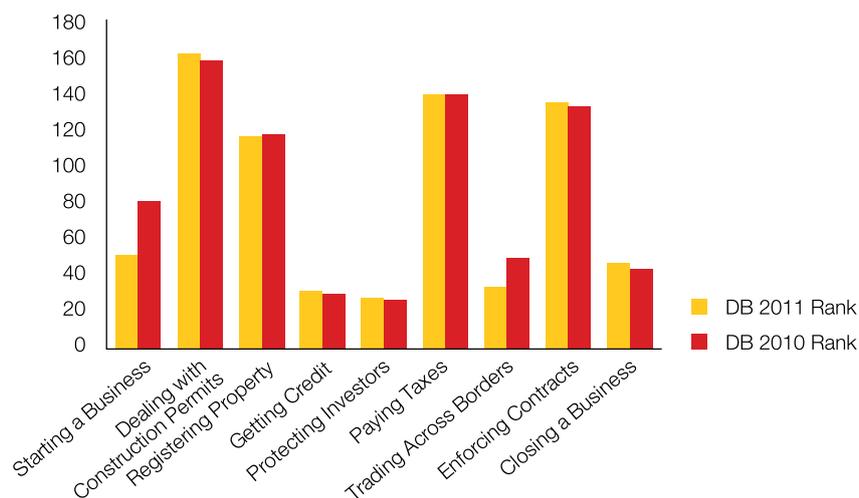


Figure 6: WB Doing Business 2011 - Montenegro by subcategories

In the chapter titled “Summaries of Doing Business reforms in 2009/10” of the World Bank’s Doing Business 2011 report, the authors emphasize three positive developments in Montenegro towards creating a better business environment:

Starting a business

Montenegro eliminated several procedures for business start-up by introducing a single registration form for submission to the tax administration.

Paying taxes

An amendment to Montenegro’s corporate income tax law removed the obligation for advance payments and abolished the construction land charge.

Trading across borders

Montenegro’s customs administration simplified trade by eliminating the requirement to present a terminal handling receipt for exporting and importing.

According to the Transparency International’s Corruption Perception Index 2010¹⁰, Montenegro ranks at 3.7, remaining 69th out of a total of 178 countries. It comes second in the region after Croatia and FYR Macedonia, which share 62nd place. This is a slight improvement from the previous year, when Montenegro was ranked at 3.5. The region as a whole is also at a relatively low level, with Croatia and Macedonia holding the best position in 62th place. Thus, corruption continues to have a negative effect on the business environment in Montenegro and remains a serious challenge to business operations.

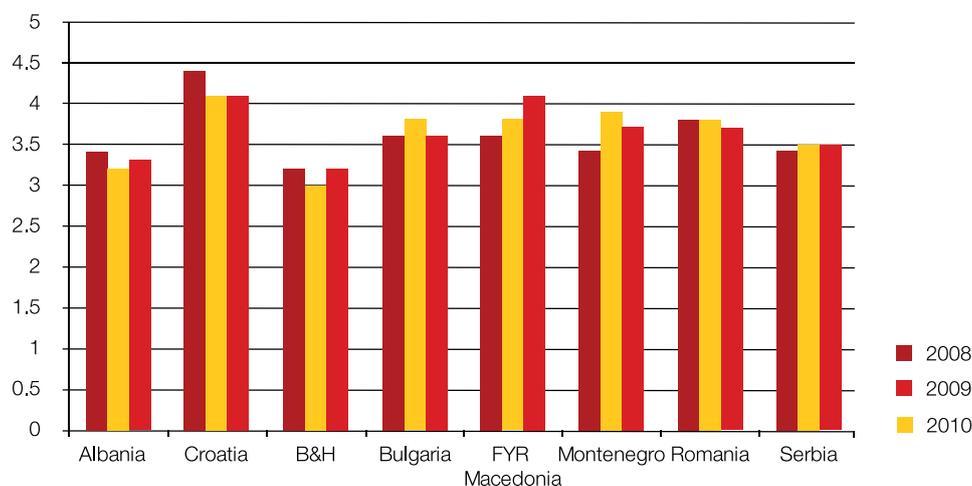


Figure 7: Transparency International Corruption Perception Index 2010 – SEE

10 - The TI CPI ranges from 0 to 10, with 0 representing the highest possible level of perceived corruption.

As noted in the report: *“With governments committing huge sums to tackle the world’s most pressing problems, from the instability of financial markets to climate change and poverty, corruption remains an obstacle to achieving much needed progress. The 2010 Corruption Perceptions Index shows that nearly three quarters of the 178 countries in the index score below five, on a scale from 10 (highly clean) to 0 (highly corrupt). These results indicate a serious corruption problem.”*

The attitude towards foreign investors remains generally favourable and with the continuation of promotion of a liberal investment framework, growth, employment and exports will be encouraged. Nevertheless, the continuing transition has not yet eliminated all structural barriers. But what is of crucial importance is that the Government recognizes the need to remove impediments, reform the business environment and open the economy further to foreign participation. The MFIC welcomes these efforts, emphasizing that there is more work ahead of us on the road to a full economic recovery and a continuation of development which will enable Montenegro to realize its vast potential in full.

Rule of Law

In several instances our members reported their concerns as regards the effectiveness of the rule of law in terms of the length of the proceedings before the Court of Law. Lengthy court proceedings can render the intent of the petitioner completely pointless, thus jeopardising the very foundations of the rule of law. It is not necessary to explain what a profound impact this has on the business environment.

According to the American Chamber of Commerce in Montenegro’s “2010 Business Challenges Report”, issued in November 2010: *“In the Area of the Rule of Law, AmCham Montenegro members responded to our survey by describing lengthy procedures and a court system inundated with cases. Cases are left pending for years, which leaves businesses without an efficient court system, where their cases can be heard and brought to resolution in a timely manner.”*



The European Commission assessed in its 2010 “Opinion on Montenegro’s application for membership of the European Union” that: “Montenegro has in recent years strengthened the legal and institutional framework of rule of law. However, implementation is deficient. The main concerns are related to the politicization of the judiciary and shortcomings in the functioning of law enforcement institutions, in particular in fighting organised crime and corruption.”

On the other hand, there are significant improvements in this area, noted by the relevant reports that cover this area such as the annual report of the European Commission on Montenegro’s progress in EU integration, especially in the period of the last few years. Still, much remains to be done, bearing in mind that the commercial court of Podgorica had a nearly 300% jump in cases in 2009¹¹.

The European Commission’s “Analytical Report” on Montenegro, issued November 2010:

“Administrative capacity of the judiciary is still weak. There is a positive trend towards improving efficiency. Yet many of these reforms are at an early stage.”

“The two Commercial Courts are the main institutions for contract enforcement. The situation has gradually improved in recent years. In 2008 and 2009, the courts registered some 1000 new cases annually, with a backlog of some 800 cases from previous years. In the meantime the backlog is slowly being reduced. The average length of procedures has declined from 6 months in 2008 to 5 months in 2009. At present, 90% of cases are being resolved within three months”

“Montenegro has taken measures to reduce the backlog of cases. Data presented by the Montenegrin

¹¹ - Commercial Court of Podgorica (2009).

authorities suggest a year-on-year reduction of over 75% at the beginning of 2010. Yet, there are concerns regarding the soundness of the approach and the transparency of the methodology used... The logistical and administrative capacity of the Montenegrin judiciary is broadly adequate for normal administration of justice. **Lack of infrastructure and equipment has hindered the judiciary's efficiency**, but efforts are being made by the authorities to remedy the situation. These need to be stepped up."

The European Commission's "Opinion on Montenegro's application for membership of the European Union", issued in November 2010:

"Reforms in the judiciary are being pursued. Achieved results include the setting up of new institutions such as the judicial and prosecutorial councils and measures adopted to improve independence and efficiency. However, serious concerns remain over the role of the parliament in appointing the judicial and prosecutorial councils and state prosecutors. **There are also concerns over the efficiency and accountability of the judiciary.**"

Review of 2010 Recommendations

Overview

One year after the first White Book was published our members operate in a generally speaking improved business environment. On the other hand, new challenges have come up and some of the old ones still persist.

Law on Foreign Investments

IMF's 2011 Article IV Consultation Preliminary Conclusions of the Mission from February 21, 2011:

“Private investment holds the key to economic growth and job creation. Given Montenegro’s small size, foreign investment is particularly important. It must be leveraged by improved domestic flexibility and cost competitiveness in order to avoid renewed overheating pressures and to spark off domestic investment, notably in labor-intensive SMEs. In order to benefit from swiftly recovering global capital flows Montenegro must quickly redress any impediments to investment and flexibility.”

The newly adopted Law on Foreign Investment presents a step forward in comparison to the previous law, and will in general contribute to further facilitation of foreign investments.

- The recommendation on decreasing the share of foreign capital from a level of 25% under the previous law to 10 % in order to receive foreign investor status was incorporated in the Law (Article 2).
- Last year we noted that: *“foreign investors are not fully equal with local business and residents when it comes to property rights. In particular this relates to some limitations regarding the acquisition of real estate (Article 415 of the Law on Property¹²)”*. That is why we suggested that the Law on Foreign Investment should state that national treatment should be applied if other laws do not limit the rights of foreign nationals. This has not yet found its way in to the Law.
- As we noted previously: *“It would be advisable for the government to pass relevant secondary legislation in order to define in detail the basis and manner of procedures and compensation payment deadlines. This deadline for damage compensation should be no longer than six months from the day of expropriation, or the day the foreign investor ceased to operate. Furthermore, the amount of compensation payable in a case of expropriation should be determined with regard to the value of any expropriated property at the time the decision on expropriation is taken.”*
- We also recommended that *“...Chapter V on the Registration and Promotion of Foreign Investments should also contain a provision which states that foreign investments which are not registered in a way defined by law will not be protected”*, which was also not included.

The most notable changes in the new Law relate to the legal status of the Montenegrin Investment Promotion Agency (MIPA), establishing a Foreign Investment Council and defining responsibilities in keeping records relating to foreign investments. Generally speaking, the Law provides for better statistics and records, better protection and reduces expenses and removes unnecessary administrative procedures, which are all welcomed by the members of the MFIC.

However, the MFIC encourages the Government to consider taking further steps in providing additional protection to foreign investors, in accordance with the recent trends in this area. This could be conducted within the future considerations of the amendments to the Law on Foreign Investment, or through other legal instruments.

12 - http://www.skupstina.me/cms/site_data/23_%20SAZIV%20ZAKONI/ZAKON%20O%20SVOJINSKO-PRAVNIM%20ODNOSIMA.pdf

Labour Law

"...judging by the experience of some MFIC members and other companies in Montenegro, more adequate enforcement of the Labour and Strike Laws is still needed"

this issue through either the General Collective Bargaining Agreement or a Branch Collective Agreement remains to be considered.

When it comes to a related issue, the abuse of sick leave, and our recommendation that "concrete solutions can be taken from those models which have already been implemented in the region", no improvements in practice have been noted.

To quote the IMF's 2011 Article IV Consultation Preliminary Conclusions of the Mission from February 21, 2011:

"The labour market must be invigorated. The contrasting experiences of the tourism and heavy industry sectors offer salient lessons: the former, in which liberalized foreign employment is essential, was nimble in adjusting to the global recession and registered growth throughout the crisis. Meanwhile, heavy industry is subject to rigid labour regulation, contributing to the sector's fitful re-launch, despite buoyant world markets. Priority areas are:

- Demands to restrict the flexibility and availability of fixed-term contracts must be resisted. These contracts have mitigated employment deterioration during the crisis and introduced needed flexibility.*
- Opt-out clauses from the collective bargaining arrangements should be broadened. The separate agreement for the public sector will mark important progress and similar flexibility should be granted to other employers.*
- Poverty traps need to be addressed. At present, the unemployed stand to lose a host of benefits when taking on formal employment, a large disincentive for work in the formal sector. The recent more-than-doubling of the minimum wage (compared to the previous "minimum price of labour") aggravated this problem by depressing demand for low-skilled workers, thereby further marginalizing this vulnerable group.*
- Severance packages need to become affordable. The KAP package amounted to EUR 20,000, delaying needed restructuring to the detriment of viable job creation, especially if extended to other enterprises"*

Draft Amendments to the Labour Law

The Government's final decision not to include the previously considered, and the most contested issue, the stipulation on indefinite contracts for employees can be considered positive.

The first Draft anticipated an extremely rigid provision according to which an employee cannot be employed for more than one year on a definite-term contract. After numerous objections from employers this timeframe was extended to two years, and eventually the government gave up on changing the

"The first two drafts of the Amendments to the Law on Labour contained provisions on mandatory indefinite contracts for all employees. This represented a tremendous risk for employers, which could have negatively affected future decisions on new hirings. It only protected those who do not work."

*Zarko Radulović
Montenegro Starts Hotel Group*

provisions on employment contracts altogether. The procedure and legal framework for laying off workers as they are now, create an enormous burden for employers. In the current situation it is almost impossible to dismiss an employee who underperforms, and it is not difficult to imagine what problems businesses encounter in such an environment. Making these provisions even more rigid, would have been a huge step back.

There is a general understanding that the institution of definite contracts was abused and the MFIC expresses regret for such socially irresponsible behaviour on the part of some employers. However, the MFIC considers it would have been counterproductive to punish all employers because of the irresponsible behaviour of some of them.

“Frequent changes to the regulatory framework create an unstable business environment which discourages investments and entrepreneurship. When such changes are for the worse, the negative consequences are even stronger.”

In a delicate moment for the Montenegrin economy, at a time when the signs of recovery from a deep crisis have only just started to show, regulations that take us all not one but several steps back in creating a business environment that stimulates new investment, would have represented a dangerous move. In addition, frequent changes to the regulatory framework create an unstable business environment which discourages investments and entrepreneurship. When such changes are for the worse, the negative consequences are even stronger.

Other issues and recommendations

Under the current regulations, the **disciplinary procedure** is limited to three months, after which the procedure expires. In practice, this provision is frequently a source of serious abuse. For example, an employee who wishes to avoid possible consequences of such a procedure can take sick leave of two times 60 days, after which he or she can come back to work as if nothing happened.

In the previous White Book we discussed the issue of **suspected abuse of the right to sick leave**:

“...as their (KAP¹³) employees mostly live in agricultural areas, the beginning of the agricultural season coincides with the beginning of the sick leave “season” at KAP... an increase in sick leave that begins in May and ends in September... Over the last five years, KAP has lost EUR 4.2 million due to sick leave of up to 60 days, which has been paid for by the company. This raises serious questions about whether the right to sick leave is being abused. Expressing our concerns, we hope that the relevant authorities will initiate measures and put additional effort into resolving this issue.”

Thus far we have witnessed little to no results in terms of **controlling issuance of sick leave certificates**, although the Minister of Health Miodrag Radunovic did announce in November 2010 last year that this issue would be given due consideration. Nevertheless, until this serious issue is resolved, in order to prevent the abuse of the disciplinary procedure time limitation, we propose an amendment to the provision related to the time limit to read that the time limit is extended for the period of sick leave.

Abuse of sick leave is costly for the Government as well. As the Minister of Health, Miodrag Radunovic, recently stated: “Only during 2010, the state Health Fund paid close to three million Euros for sick leave of over 60 days. For every 100 employees that work, 1.89 are on sick leave at any given time. Each employee in Montenegro spends five days on sick leave per year”.

In order to reduce bureaucracy and wasteful use of resources, it would be advisable to **merge the leave for giving birth and maternity leave**.

13 - Aluminium Factory “Kombinat Aluminijuma Podgorica”

Article 92, which deals with redundancy issues is not specific enough and creates room for different interpretations. It also fails to name the legal document necessary for the procedure.

A general recommendation related not only to procedures from this Law, is to aim at simplifying to the maximum possible extent all the legal and administrative procedures. This would benefit everyone, the employers and employees on one side, and the institutions of the state which deal with this issue on the other.

Temporary Residence and Work Permits

“The MFIC expresses satisfaction that most of our objections and recommendations were not only taken into account, but also implemented in practice. This relates to, first of all, a significant reduction in costs but also to streamlining the procedure (for Temporary Residence and Work Permits).”

This is an area where the MFIC members note considerable improvements. The MFIC expresses satisfaction that most of our objections and recommendations were not only taken into account, but also implemented in practice. This relates to, first of all, a significant reduction in costs but also to streamlining the procedure. Nevertheless, our members did emphasise that room for further improvements still exists when it comes to the administrative procedures.

Permits and Licenses

Our members emphasize they generally encounter understanding for their needs at the highest levels of the government. They also note this understanding gradually decreases as one moves through the hierarchy of the government towards the local level, where, in many cases, understanding and willingness to support development decreases.

The MFIC members in the previous White Book were very critical when it came to administrative procedures regarding the issuance of permits and licences, particularly at the local, but also the national level depending on the type of the document in question. Despite

improvements in this area, which are always welcome and are a part of the Government’s regular activities in making Montenegro a better place for business, we consider not enough has been done. The issue seems to be the implementation rather than the legislative framework.

Last year we mentioned that the principle of ‘silence-is-consent’ has not yet been applied when it comes to bureaucratic procedures such as issuing various permits and licenses. The situation remains the same this year as well.

Modern business practices, increasing internationalization of business, frequent changes in technology and effects of globalization require businesses, but also the authorities, to be flexible at all times. Should the administration fail to follow up on such changes, this may endanger Montenegro’s economy in general.

Infrastructure

The MFIC encourages the Government to continue searching for models to improve this field, both when it comes to basic infrastructure such as roads and supply of electricity, and those more sophisticated such as telecommunications infrastructure.

Most of the issues we mentioned in the previous White Book remain unresolved, and, generally speaking, the infrastructure remains one

the most important limiting factors for further development of Montenegro. The MFIC encourages the Government to continue searching for models to improve this field, both when it comes to basic infrastructure such as roads and supply of electricity, and those more sophisticated such as telecommunications infrastructure.

Construction Permits

The announced Draft Law on Spatial Planning and Construction, which should establish the principle of a “one stop shop”, would contribute to a large extent to introducing more transparency into this field and bring about an absolutely necessary streamlining of the procedures. However, some of our members with experience in this area emphasize that most of the issues lie with the local administrations, regardless of established procedures and the legal framework. They add that any progress is more than welcome, but, on the other hand, they had learned from experience not to expect radical changes.

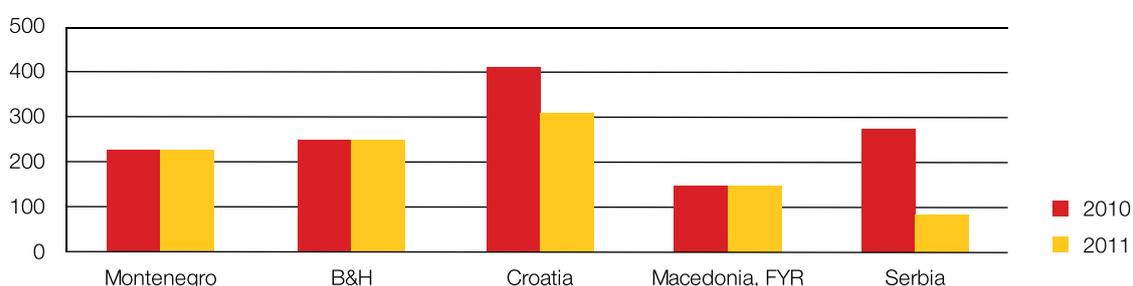


Figure 8: Comparison of the length of procedures for obtaining a construction permit in days for 2009 and 2010 according to a publication of the World Bank’s Doing Business, issues for 2010 and 2011).

- In the previous issue of the MFIC’s White Book we mentioned that the new Law on Spatial Planning and Construction stipulated an obligation to produce a website that contains the so-called spatial-technical requirements, listing all that these requirements include. Acknowledging the efforts by some of the municipalities in this regard, we encourage the Government to bring this idea to fruition.
- The issue of unequal conditions for issuing construction permits in different municipalities when it comes to the requirement of paying municipal fees and taxes still persists. On the other hand the situation has improved regarding the previously existing requirements of some municipalities for investors to pay in advance the municipal fees and taxes, before they have been issued a construction permit. Now all municipalities allow for payments in instalments over a period of 5 to 10 years. Furthermore, they offer discounts for one-off payments. This presents a good model of how investments can be encouraged and facilitated.
- The issue of cadastre plans that are not harmonized with detailed spatial plans (DSP), although this is stipulated by the new law, unfortunately has also not been resolved.
- Our recommendation to enable the registration of construction land within a deadline of a maximum of 15 days instead of the present 60 is still valid. This is an issue with cadastre, and calls for urgent action.
- Numerous problems caused by the obligation of investors to buy the land necessary for the completion of a land parcel as defined in the spatial plan when an owner refuses to sell, or sets unrealistic demands are still troubling potential investors.
- Last year we noted that: “perhaps the most challenging issue is the one related to the restitution. Procedures with former owners last far too long from the perspective of a potential investor.” It remains valid, and poses a threat to further real estate development.
- When it comes to the issue of cadastre plans not being up-to-date, in the sense of history of ownership, this still persists, although the procedure regarding technical requirements is on-going.

The MFIC encourages the Government to look into two additional issues that may contribute to further development in the construction industry and open the road for new investments. It would be advisable to implement market principles in the process of designing spatial documents for purposes of accomplishing the feasibility of potential projects that aim to develop certain areas covered by those plans. The other important consideration, which affects the macroeconomic situation through its connection with the banking system, is the issue of assessing the value of real estate. There are currently no standards implemented in practice, due to a lack of regulation in this important field. Introduction of internationally recognizable standards would enable a better foundation for further growth and development in the real estate market.

Regulatory Framework in Banking

Most of the issues related to the regulatory framework in this area are mentioned in the chapter on Banking in general. Our members have experienced improvements especially in the field of more flexible policies of the Central Bank which have contributed to a genuine recovery of the banking system. However the implementation of the International Accounting Standards, mortgage-related regulations and enforcement of collaterals continue to hamper banks' business operations.

Improving mortgage related regulation

Mortgage contracts should be executive documents, in order to render court proceedings unnecessary and expedite realization procedures;

The provisions of the law which regulates mortgage contracts as executive documents should contain rights and obligations for both the mortgage debtor and the mortgage lender;

In order to shorten procedures from initiation of a settlement to the point of executing an out-of-court sale, mandatory registration of the Notice on the Initiation of Settlement with the Real-Estate Directorate should be revoked – thus the time frame within which the sale of real estate can be conducted would be shortened by the duration of an entire administrative procedure;

Deadlines given to administrative bodies to implement requests by banks, or for making relevant decisions related to mortgages – for example regarding deadlines for urgent procedures should be shortened from 30 days to 15 days;

Harmonizing positions of competent cadastres with regard to changes in cadastre operations;

Make decisions by competent bodies in the second instance both final and executive, without the potential for either complaint or legal appeal;

Enable the involvement of a competent body from Internal Affairs to providing any necessary assistance in order to conduct settlement procedures, on the basis of a decision on the registration of a 'notice of sale' or 'contract of sale' for mortgaged property;

Define a price for which a mortgaged property can be sold out-of-court;

Define the rights of mortgage lenders to acquire ownership of mortgaged property in a more precise manner.

Taxes and Funding of Municipalities

As we mentioned in the last year's White Book, Montenegro's tax regime has become competitive with a 9% corporate profit tax rate. Nevertheless, as we also noted before, this is just a part of the story, as ad-hoc introduction of taxes and various fees at the local level hamper the Government's efforts in creating a business friendly environment. In this regard, the MFIC sees the new Law on Local Administration as a big step ahead that will enable a more stable and transparent environment in this regard.

The new Law on Local Administration revokes para-fiscal charges that municipalities had an autonomous right to impose in unlimited amounts, which varied from town to town. Now the system of financing municipalities will be different as a part will come from VAT and from real estate tax. It also introduces caps for the amounts of taxes, for example 13% for the income tax surcharge will be the maximum allowed percentage.

As we mentioned in several instances throughout the document, the understanding for the needs of businesses and investors decreases as one goes from the top levels of the national government to lower levels, and is almost non-existent in many local-level institutions. This is a serious issue for the general level of Montenegro's competitiveness, and the MFIC welcomes any action taken to remedy this issue.

Execution Procedures

No significant changes in this very important area have been noted. The last year's recommendations remain valid for this year as well:

"In general, the MFIC recommends a solution that has already been implemented in the region – that execution procedures should be outsourced to private executors. This would reduce the burden unnecessarily placed on the courts, thus making them more efficient. Apart from that, procedures would also be facilitated, and what is perhaps the most important, the incentive to cheat would be removed and the rule of law strengthened. As this procedure is new, lawmakers may choose the option of adopting a parallel system – private and court executors, to gradually introduce the new system.

In order to solve the issue of locating bank accounts, we recommend introducing changes to the law in order to make it compulsory for people to submit their birth certificate number instead of their bank account number."

Industry overview

According to Monstat and World Bank data, as cited in the World Economic Forum Global Competiveness Report 2010-2011, the following are the industry sectors with the largest value-added contributions to the Montenegrin GDP as a percentage:

Sectoral value-added as a share (%) of GDP

<i>Services</i>	73
<i>Non-Manufacturing Industry</i>	11
<i>Agriculture</i>	9
<i>Manufacturing Industry</i>	7
<i>Construction</i>	6.2
<i>Hotels and Restaurants</i>	4.2

Telecommunications and ICT Sector

Introduction

The telecoms industry did not entirely escape the effects of the recent global financial turmoil as noted by the contraction in mobile SIM card penetration. However the utility nature of most telecom services means the industry was largely unaffected. Montenegro's telecom industry has been liberalized and legislation introduced that adopts regulatory principles found in the EUs regulatory framework for communications, which promotes competition as the most efficient way to offer communications products and services while ensuring universal access. With less space for growth the competition becomes even more severe. As the Montenegrin market becomes more mature, operators must constantly implement new technologies in an effort to attract users.

Developments

The Market Analysis conducted by the Agency for Electronic Communications in 2010 found Crnogorski Telekom to be the operator with significant market power in all seven relevant markets¹⁴. As one of the outcomes, the Agency imposed the prices of leasing infrastructure on Crnogorski Telekom. The MFIC on one hand welcomes the underlying intent of the Agency to improve competitiveness in the telecom market, but on the other hand expresses concern that the current pricing level may do exactly the opposite. No individual operator now has interest in investing in its own infrastructure or in developing new infrastructure if it can lease it at the prices imposed by the Agency which are significantly below the market prices. In addition, the owner of the infrastructure, Crnogorski Telekom, also does not have an interest in further development of its infrastructure as no return can be expected on such investment. Furthermore, such a pricing structure does not allow Crnogorski Telekom to even cover its expenses related to leasing the infrastructure.

Last year saw the tender for Universal Service close. The Agency for Electronic Communications selected the operators of the Universal Service, but the procedure has not yet been completed as some of the participants in the tender considered the decision to be disputable and submitted complaints.

The infrastructure remains an obstacle to realising the full potential of the Montenegrin market. Further development of the ICT sector requires investing additional efforts through joint action of all

14 - <http://www.ekip.me/download/konsultacije/20090414odluka.pdf>

stakeholders. In that sense, the Foreign Investors Council considers the decision by the Government to consolidate the sectors of information society and telecommunications into one ministry to be a positive step.

“The infrastructure remains an obstacle to realising the full potential of the Montenegrin market. Further development of the ICT sector shall require investing additional efforts through joint action of all stakeholders. In that sense, the Foreign Investor’s Council considers the decision by the Government to consolidate the sectors of information society and telecommunications into one Ministry to be a positive step.”

In most developed countries the number of fixed telephony subscribers is constantly dropping due to the effect of the fixed-mobile substitution. For example, in the EU27 only during 2009 some one-fourth of fixed telephony users cancelled their subscriptions and switched to VoIP and mobile phones. Crnogorski Telekom at the end of 2010 had a 97.74% share of the market while the alternative operators had the remaining 2.26%.

At the end of 2010 mobile penetration in Montenegro, which is generally among the highest in the world, reached almost 200%. The mobile telephony market is highly competitive, with operators: Telenor, owned by Norwegian “Telenor Mobile Communications AS”, T-Mobile, which is a part of Crnogorski Telekom and M:Tel, owned by Telekom Srbija and Telekom Republike Srpske. 3G coverage is widely available with speeds of up to 21.5Mb/s available. Mobile broadband offerings present a new growth opportunity for mobile network operators given existing broadband penetration levels and increasingly affordable tariffs.

Last year the trend of broadband penetration growth continued also, reaching 35% at the end of 2010. ADSL is still the dominant technology of internet access. A general trend of increase in the number of users accessing the internet via mobile phones is still present, while the number of dialup users is decreasing.

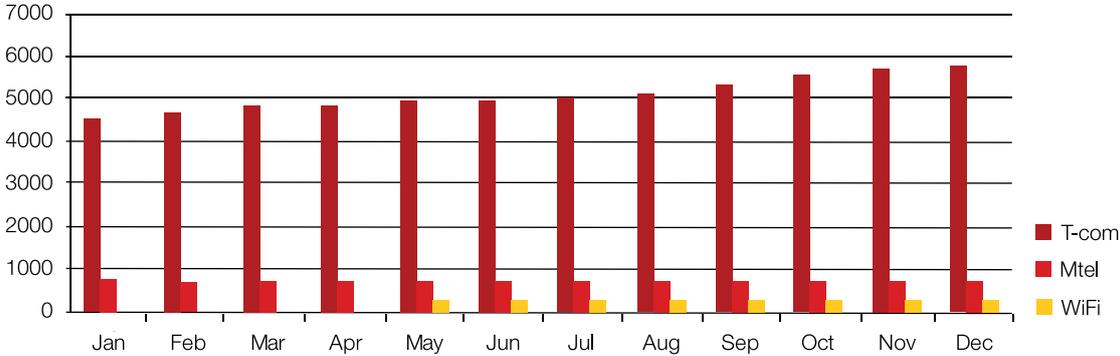


Figure 9: Increase of the number of broadband users per operator in 2010.

Development of cable television in Montenegro began in 2007. There are three large companies in this market: Crnogorski Telekom, Total TV and BBM, and several regional cable operators, all of which use several technologies (IPTV, MMDS, KDS, DTH). According to the latest available data from the Agency for Electronic Communications from the first half of 2009, the increase in penetration rates of this service from the beginning of 2008 until mid-2009 is 15.3%. The total number of users has reached almost two-thirds of the total number of households at the end of 2010. The transition to digital terrestrial TV is underway, with a tender awarded during 2010 to design the transmission network ahead of the analogue switch-off by 2013.

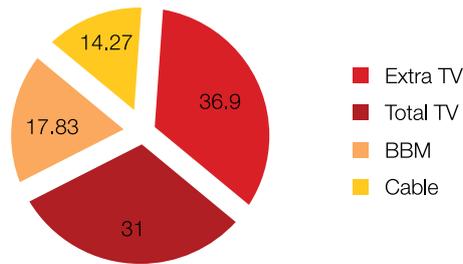


Figure 10: Market share of cable television providers in %, end of 2010

Challenges and obstacles to further development

Issues posing a threat to the further development of this sector in Montenegro have already been mentioned in this document, whereas in this section we would like to list a few industry-specific recommendations, of which some remain the same as in the previous White Book:

- The **infrastructure development** via public/private partnerships needs to be continued;
- **Simpler regulations;**
- **Cooperative national and local authorities** when it comes to licenses and permits for network development;
- A **lack of dialogue and exchange of information** between the stakeholders – the Ministry, Agency and the operators is a matter for concern. This lack of communication results in shaping the legislative framework in a manner that does not encourage further development, particularly further infrastructure development;
- Fast-paced technological changes which are a normal feature of the telecommunications sector require not only the staff of the operators to be up to date with the trends, but also that of **government bodies and independent agencies.**
- The **lack of understanding of the specific features of the telecom industry** can also be a challenge when it comes to appeals before the Montenegrin authorities.

Banking

Overview

Following a period of strong growth fuelled primarily by a large FDI inflow until the year 2008, the banking sector began facing the strong influence of global financial disturbances and certain risks associated with the real sector. Although not without some negative consequences, aided by support measures aimed at the stabilization and improvement of conditions and activities, this sector managed to overcome the negatives and consolidate during 2010.

The crisis in the real sector influenced both the business and residential clients' ability to service debt, which adversely affected the banking system. Gradually declining debtor solvency, a relatively high number of loan defaults and an increase of contaminated assets held by the banks influenced their growing caution when granting new loans.

	2009 IX	2010 IX
<i>Nonperforming loans (C, D, E) / total loans</i>	9.6	17.6
<i>Defaulting loans / total loans</i>	24.2	23.6
<i>Written-off loans / total loans</i>	1	5.5
<i>Loan loss provisions / total loans</i>	-6	-7.9
<i>Restructured loans / total loans</i>	7.1	11.1

Table 1: Basic indicators of credit activity of the banks, % (source: Central Bank of Montenegro)

Lack of sources of funding in conditions of pronounced illiquidity in the economy represented one of the key drivers of negative tendencies in the previous period.

Credit Growth per Sector, %	Q3 2010/Q3 2009
<i>Financial Institutions</i>	-36
<i>Businesses</i>	-16
<i>General Government</i>	2.3
<i>Residential Clients</i>	-9.0
<i>Other</i>	38.9
<i>Total</i>	-12.0

Table 2: Credit Growth per Sector in % (source Central Bank of Montenegro)

Nevertheless, the fact that the deposits by households have been on a slight upward trend since June 2009 is encouraging. In addition, liquidity of the banking sector is satisfactory.

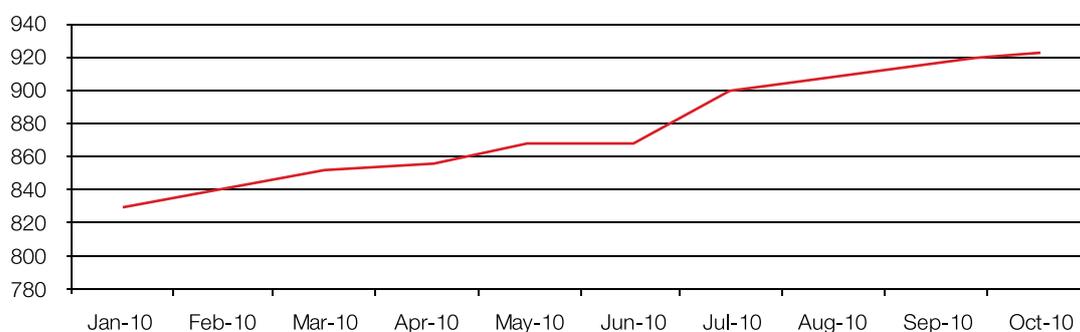


Figure 11: Deposits by households end-period balance, EUR (Source: Central Bank)

For purposes of improving conditions in the banking sector and enticing lending, the Central Bank has twice changed the level of mandatory reserves, which is now at 10%, while the banks have an option

to use up to 25% of the reserves to buy state securities. The banks were able to reduce the provisions for loans, restructuring of loans is subsidised, and so forth.

The latest temporary regulatory measures were introduced to facilitate calculations and provisions for potential losses of banks, caused by further deterioration of the loan portfolio. The purpose is to offer an adequate timeframe in which to intervene to increase the quality of the portfolio and consolidate liquidity.

In addition, on an initiative of the Association of Banks, several Decisions have been amended to enable a facilitated recovery of the banking sector which would in turn contribute to the economy in general. Several important laws have also been adopted to boost financial stability and independence of the Central Bank, harmonizing regulations with the EU and strengthening the system of deposits guarantees.

The Central Bank defined supervision strategies for resuming operations in conditions of crisis for four banks for which it was established that an increase in capital was necessary. Those banks have acted thus far in accordance with the strategy and increased their capital within the given time frame. Members of the Council consider that a step forward has been made with the introduction of more flexible policies by the Central Bank, which are now less conservative than it was the case in the previous period. Nevertheless, when it comes to the issues of provisions for losses and mandatory reserves of the banks, temporary measures introduced by the Central Bank would have to be actually only temporary, as otherwise, in some scenarios, with the current level of capitalization they could even be counterproductive.

Although an increase in capital was implemented in some of the banks, our members assess that the level of capital in Montenegrin banks is generally low, bearing in mind the current economic situation and the issue of bad loans. That is why a more significant increase in lending activities remains highly unlikely for the time being.

Remaining issues

- New instruments stipulated by the Law on the Central Bank need to be developed – **open market operations and the lender of last resort**. The Central Bank announced that a special part of its activities would be dedicated to drafting a **Plan for Emergency (Crisis) Situations**, while the National Plan would be drafted on the basis of plans by regulators of other financial institutions.
- **Implementation of International Accounting Standards (IAS)**. This is also a request by international financial institutions. The regulations for **provisions** are more rigorous than the international standards and **do not include collaterals**, making this category difficult to compare at the international level. Furthermore, the IAS better reflects the risk of default, because it takes into consideration the future cash flows of the borrower, as well as the cash flow from collateral.
- **Collateral enforcement** remains an issue in banking. No particular positive steps have been noted, and although possible, enforcement of collateral is still slow, which in turn slows down new lending activities. **Regulations which would have to contain timeframes for individual phases of the procedure** are an issue as well. In this situation there is significant room for abuse as any complaint further extends the procedure.
- For the upcoming period the activities of the Council for Financial Stability will be aimed at **preventing and moderating potential systemic risks in the financial system, diverting the negative influence and improving monitoring in the financial system**.
- At the moment the **Council of the Central Bank of Montenegro does not have a banker on its board**. The Foreign Investors Council considers that it would be purposeful to appoint one member to the Council who comes from the industry, in order to further the progress made in creating a favourable business environment.

Tourism

Overview

Montenegro is becoming a worldwide tourism destination with high potential for further development, and is one of the few countries to have achieved growth in the tourism sector during the current economic downturn. Tourism holds special significance for Montenegro's economy and is considered to be of strategic importance for the country's development.

In the 1960s, tourism began its initial growth, largely attracting visitors from Eastern Europe. War and sanctions in the early 1990s hit Montenegro hard. In recent years, a fast-paced recovery has taken place, somewhat dampened by the crisis. Montenegro experienced a rapid growth in tourism and tourism investment, particularly along the Adriatic coast, especially during the years since independence.

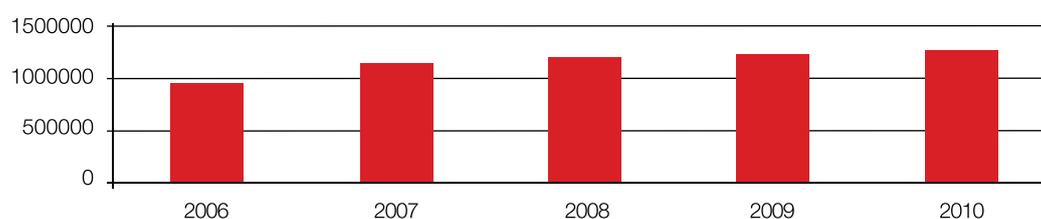


Figure 12: Number of tourist arrivals 2005-2009 (source: Monstat)

The independent World Travel and Tourism Council (WTTC) has repeatedly ranked Montenegro as one of the top-growing tourism destinations in the world.

T&T industry, 2010 estimates

		Percent of total	2011-2020 annual growth (%, forecast)
GDP (US\$ millions)	535	10.8	8.6
Employment (1,000 jobs)	16	9.3	5.4

T&T economy, 2010 estimates

GDP (US\$ millions)	1,002	20.3	6.9
Employment (1,000 jobs)	30	17.4	3.8

Table 3: Source: World Travel & Tourism Council, TSA Research 2010

According to the World Economic Forum (WEF) Travel & Tourism Competitiveness Report for 2011, Montenegro made the biggest progress of all 139 countries surveyed by the experts of this organization¹⁵:

“Montenegro sees one of the most impressive improvements this year out of all countries, going up by a full 16 places to 36th overall, just behind Croatia in the region. The country's policy rules and regulations for the sector have improved substantially and it is now ranked 10th in this area; it is also prioritizing the sector more strongly. Montenegro has a strong affinity for Travel & Tourism (ranked

15 - http://www3.weforum.org/docs/WEF_TravelTourismCompetitiveness_Report_2011.pdf

7th), perhaps not surprising given the importance of the sector for the country's economy. Yet while the tourism infrastructure is already well developed (ranked 25th), ground transport infrastructure (109th) and air transport infrastructure (62nd) could be further improved to reinforce the country's T&T competitiveness."

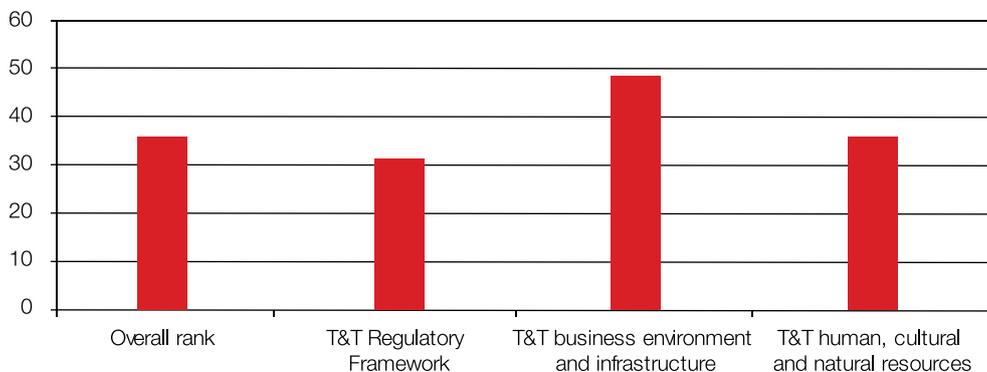


Figure 13: Montenegro's rank in the World Economic Forum research "Travel & Tourism Competitiveness" for 2011, per category and total.

However, the crisis has to a large extent influenced a slowdown in investment in general, and likewise in tourism. In order to re-establish itself, Montenegro will need to invest further efforts in building a climate that investors would find inviting. The first step would be to remove the barriers that continue to hamper existing investors' efforts and pose a threat to attracting new ones.

According to new legislation, investors building large five star hotels will have special conditions for investing. From 2012 until 2020 all investors who obtain a construction permit by 2012 and complete the construction of the hotel by 2015 will not be charged municipal infrastructure taxes and real estate taxes. For illustration purposes, if this was to be applied to, for example, Hotel Splendid the investors would have initially saved approximately EUR 15 million according to the currently valid prices. Such initiatives are more than welcome to foreign investors and may boost Montenegro's competitiveness in attracting FDI in tourism.

Montenegro is yet to see another large-scale project begin – except Orascom's Lustica which is also in its initial stages. In order to have more projects such as Porto Montenegro, which are the only chance for Montenegro to achieve its goals of becoming an elite destination, the administrative and all other procedures required for these projects need to be accelerated. In summary, Montenegro has yet to demonstrate a business-friendly mentality at the local level, such as already exists at the highest levels of its Government. Our members expressed their frustration at working with local government institutions. In some of them they encounter slow and lengthy procedures, lack of understanding of modern practices and a general lack of understanding of business, failing to appreciate

the fact that they are paid from the taxes levied on the businesses.

Positive developments, on the other hand include cutting the costs and shortening the procedure for employing foreigners. The reduced costs are welcomed by our members and will contribute to a more efficient business. The procedure itself, although shortened, could still be streamlined.

Nevertheless, introduction of policies that take us back to the age of socialism, such as those found in first two draft amendments to the Labour Law, are a step backwards and can do irreversible damage to the image of Montenegro.

Remaining Issues

- The **Law on Labour**¹⁶ contains inflexibilities that in a vulnerable moment for the Montenegrin economy, when it has just started showing signs of recovery, could be dangerous. If employers face extensive barriers to layoffs, the natural reaction would be to increase caution and decrease hiring rates in general. If employers cannot hire as many people they need, the investments will decrease. This can start a vicious circle that could endanger Montenegro's national interests.
- **Ad-hoc introduction of new taxes, such as the additional taxes on labour costs from last year, is harmful for businesses**, especially in the tourist industry which is labour intensive.

Labour-related taxes remain unreasonably high: in total, for every Euro paid to a worker, 67 cents goes to the state. This only serves to stimulate the grey economy – the employers show only the minimum salary for a particular position in the books, thus avoiding paying taxes for the full amount. The MFIC proposes to conduct an analysis on the effects of a significant tax cut and a simultaneous hike in the amount of fines. Our members believe that the results would be positive in terms of revenue for the state remaining on the same level or increasing. This would justify a move that would be welcomed not only by the employers, but the employees as well, and would benefit the whole Montenegro both directly and indirectly.

- MFIC members consider that **the work of inspections is below par**. This leads to an increase in the “grey area”, creating distortions in competition and poor perception. The issue is the competence of the inspections that is overlapping due to unclear regulation. This enables individual inspections to always blame each other. The sentence “it is not within our scope of authority” is one of the favourite excuses.
- A category should be included in fiscal receipts to introduce **an option for a guest using a credit card to pay a tip**, should he or she wish to do so, and that the state can tax it.
- The regulations should allow the hotels, restaurants and bars **to issue the fiscal receipts only after the guest asks to settle the bill**.

Our members face numerous “small” issues that create problems in daily operations, but they also sometimes present Montenegro in a negative light. Here are a few examples of almost paradoxical situations which our investors faced:

“Practices in notarization vary significantly in different Courts of First Instance, bringing about many practical problems in daily operations. One of the issues is the rigidity with which the rules are sometimes interpreted by the staff of these institutions – one obvious typing error is often a cause enough to send us back in the office to print and sign the whole documentation again. We lose several hours of our and the client's time for something that should not be of any interest to a notary clerk in the first place.”

“Some EU countries do not use a stamp on official documents which causes problems in working with local authorities, such as in registering property. We were asked in several instances to provide ‘a proof’ that a particular country does not stamp its official documents. It is then very difficult to explain to an investor from that country what it is that he or she is being asked for.”

All of these and similar examples are being resolved on a case-by-case basis in everyday work. Nevertheless, the sort of mind-set they come from is something that calls for a change.

¹⁶ - For further details see the chapter “Labour Law”.

Production/Mining/Energy

Overview

In a service-based economy, such as Montenegro's¹⁷, the export potential of heavy industry has special significance. Montenegro possesses significant natural resources necessary for its bauxite-alumina industry which remains one of its core industries. The main player in this area is the aluminium factory "Kombinat Aluminijuma Podgorica (KAP)" and its related industries, which together account for a vast 40% share of Montenegrin exports.

KAP's owner, the Central European Aluminium Company (CEAC), invested a total of more than EUR 40 million in technology and equipment. Investments made have been targeted at increasing KAP's productivity and competitiveness. Nevertheless, as a result of the impact of a historic decline in metal prices, KAP is presently facing a difficult financial situation, in which an arrangement has been made for the Government of Montenegro to take over 50 per cent of CEAC's ownership stake in KAP, and now the Government and CEAC hold an equal share of 29 per cent each.

Rudnici Boksita Nikšić (Bauxite Mines Niksic) is also a part of CEAC and was the first mining company founded in Montenegro. CEAC has also made investments in programmes at Bauxite Mines Niksic

"Year 2010 was a difficult period for the real sector, and the increase of commodity prices only prevented further deterioration."

aimed at modernizing equipment and introducing organizational and technical improvements. Once the restructuring process is completed, the plan is to turn Bauxite Mines Niksic into a company based on sound economic principles, operating in accordance with the highest international standards.

The Energy Sector of Montenegro is the backbone of the economy, because the country is rich in energy resources. At the same time, there is a need for advanced energy infrastructure as a prerequisite for development of other priority industries (e.g. tourism). The development of the Energy Sector is defined by the Energy Development Strategy of Montenegro until 2025, from December 2007. The Strategy is a key document identifying the main investment needs and opportunities in the energy sector of Montenegro. The primary objective set by the Strategy is to ensure a sustainable, safe and competitive supply of energy, simultaneously implementing energy efficiency measures and increased use of renewable energy.

Research conducted so far has demonstrated a strong potential for finding oil and gas reserves in the Adriatic. Oil reserves are estimated at an amount of approximately 7 billion barrels, and potential natural gas reserves at 425 billion m³. In case of discovery and commercial exploitation of natural gas and crude oil resources, the system of natural gas supply in Montenegro would develop much faster than in any other option which presumes the need to import these energy sources. On the other hand, since the investments in the development of a gas supply network are costly and the local natural gas consumption is limited, at least at the beginning, the Strategy foresees development of several smaller gas network systems using liquefied petroleum gas (LPG) as a natural predecessor of natural gas. The introduction of LPG systems for heating purposes in tourist facilities along the Adriatic coast would extend the tourist season. The LPG supply systems are also planned in other larger towns in Montenegro.

Remaining Issues

- **Inflexibility of the Labour Law**¹⁸ and other regulations from this field seriously hamper Montenegro's potential in the real sector, and impede the initiated restructuring process. This

¹⁷ - According to Monstat, services account for 73 per cent of value-added share of GDP.

¹⁸ - For more details see the section headed "Labour Law"

process must be completed in order to enable the companies to survive and continue developing and thus contribute to a faster and smoother return to growth of Montenegro's economy.

- Foreign investors, not only from this industry, frequently have problems in **assessing the creditworthiness of local companies** they co-operate with. Insufficient data in this field, especially when it comes to a lack of financial data, which should be mandatory, create an environment in which transparency is an issue.
- **Municipal taxes** – remain costly and are not transparent.
- **Liquidity and access to capital** continue to hamper efforts of the investors to develop at the desired level. This is presently a global issue, although more pronounced in Montenegro than elsewhere.

Trade/Retail

Heritage Foundation's 2011 Index of Economic Freedom ranked Montenegro 76th out of 183 countries, which is a drop from 68th place in 2009, although its score (on a scale of 0 to 100) was 62.5, decreasing by only 1.1 points since last year, primarily because of the growth of government spending. Trade Freedom scored 83.6 (on a scale of 0 to 100), an improvement of 0.4 points since last year: "Montenegro's weighted average tariff rate was 3.2 percent in 2009. Progress has been made in liberalizing the trade regime as Montenegro has worked toward joining the World Trade Organization, but some high tariffs, import restrictions, non-transparent standards and regulations and corruption add to the cost of trade. Ten points were deducted from Montenegro's trade freedom score to account for non-tariff barriers."

Overview

Montenegro's retail sector is still fairly fragmented, with the top five retailers accounting for approximately 45-50%¹⁹ of the total market. The market leader, with approximately 16-20% of the market share, is one of our members, Mercator-Mex, while the other member from this industry, Delta Maxi, belongs to the aforementioned top five. During the previous period the market experienced stagnation as the consequences of the crisis were still being felt, with the total amount of sales for Montenegro's retail industry at over approximately 900 million Euros in 2009²⁰. The crisis has influenced the shopping habits of Montenegrins as well. According to the analyses by our members, consumers are now more careful, they visit stores more often but buy less per visit, and buy more discounted products than before, which has lowered retailers' margins.

Figure 13 shows how Montenegro compares to SEE countries in the 2010 and 2011 World Bank "Doing Business" Reports in the area of trading across borders. It shows the ranking (from approximately 180 countries) that each country achieves in terms of the difficulty they face in cross-border trade.

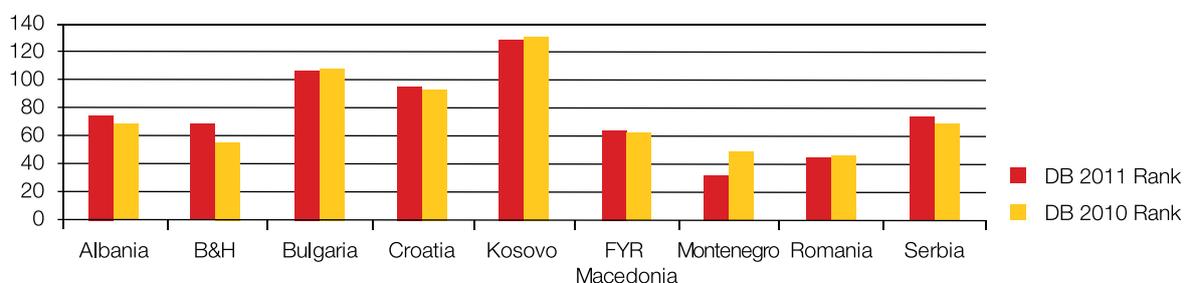


Figure 14: Doing Business 2011: Trading Across Borders – Regional Comparison

19 - MFIC own estimate, no official data is available.

20 - Source: Monstat.

Council members commended the financial legislative framework, assessing it to be flexible and more business-friendly compared to that of the rest of the region. Also, in their experience, relations with the administration at the national level have thus far been very good, reporting major improvements over the past years when it comes to procedures relating to incorporation and business registration. On the other hand, unequal implementation of the law and weak enforcement by the institutions, especially at the local level in some municipalities, continue to be a matter of concern.

Remaining Issues

- According to the information that our members have, allegedly some **larger retail chains do not pay social, pension and health insurance and contributions for their employees**, which comprises some 40 per cent of the employee-related costs. Should this be the case, it would enable them to offer a higher salary, at the same time keeping expenses lower. Such practices distort competition, as some retailers reap significant benefits giving them an unfair advantage over the other participants in the market which operate legally.
- **Price dumping**, decreasing prices below purchase prices. This also leads to market distortions, and is unsustainable in the long run.
- **Unnecessarily complicated and long import procedures.** Every single truck crossing the border is sampled for analysis even though the same goods, of the same brand and type have been imported for several years. This is especially an issue for perishable foods – a truck transporting eggs or fruit is kept for ten days at the customs during summer, after which the cargo is simply unusable.
- The importers are charged for all the mandatory procedures and analyses, which becomes a part of the retailers' expenses and **unnecessarily raises prices of products sold**, which is eventually paid for by the consumers.
- **Procedures for implementation of particular laws are not clear enough.** This creates room for making discretionary decisions, thus creating an unstable and unpredictable business environment.
- In dealing with municipalities, investors encounter numerous problems, ranging from **high and non-transparent fees, complicated bureaucratic procedures, to unreasonable, rigid and outdated regulation and a general lack of understanding of business.**

Recently, when the new Law on Excise came into force, the implementation created a considerable amount of confusion, producing additional and completely unnecessary expenses and a waste of resources. Instead of helping the businesses in fulfilling the requirements laid down by the Law, the state institutions in charge of enforcing the Law in some instances created additional confusion conveying contradictory instructions, of which some were even contrary to the Law itself.

Transportation/Logistics

Overview

In the World Bank's "Doing Business" 2011 Montenegro is commended for improvements in trading across borders: "Montenegro's customs administration simplified trade by eliminating the requirement to present a terminal handling receipt for exporting and importing". Below are the indicators used to evaluate this area of business operations:

Documents to export (number)	6
Time to export (days)	14
Cost to export (US\$ per container)	775
Documents to import (number)	6
Time to import (days)	14
Cost to import (US\$ per container)	890

Both transport and logistics face an intensely competitive environment in which market consolidation, slowing economies and the merging of public and private sectors have become critical issues. At the business level, operators must tackle such issues as globalization, consolidation, the complexity of information technology, pressures on profitability, surplus capacity, and increasing government regulation and interference. Integration into the European Union is bringing about a profound change in the sector. Local markets are coalescing into a single platform, with competitors operating at a European or even a global scale. In combination with customers' growing service expectations, the new competitive situation is increasing pressure on costs and performance, but at the same time the potential markets are expanding.

In import intermediation, cooperation with customs is one of the essential parts of the business, determining, to a large extent, efficiency and thus affecting the success of business operations. Our members emphasize that this cooperation in Montenegro is good and the problems in daily operations are being solved to mutual satisfaction as they arise.

Nevertheless, there are still issues that require attention, mostly related to implementation of laws and regulations. The legal framework in place is satisfactory, but enforcement requires more effort.

Remaining Issues

- **Unfair competition** still exists. Some companies in the sector offer unrealistically low prices and the general manner in which they handle business gives rise to suspicions that they are not registered and thus avoid paying taxes. This distorts the market and puts legal businesses in an unfavourable position.
- **Liberalization and shortening of customs procedures should be continued.** For example, fruits and vegetables and similar products should not be kept for customs procedures for more than one hour when exporting. Since exporters face enough non-tariff barriers outside Montenegro, at least the procedure in Montenegro should be as streamlined as possible.
- Customs branch offices should consider expanding the tool of "**In-house customs clearance**" to more companies. This reduces costs and the time required for completing customs clearance.
- **Different interpretation of the same regulation** by different branch offices of the same institution sometimes represents a challenge. In most of the cases this is resolved during the course of normal business operations, although it unnecessarily consumes resources.

Recent Developments

Montenegro EU candidate country

“EU integration can surely contribute to creating business practices, standards and a general climate that is conducive to new investments, growth and, even more importantly, development. However, a long road lies ahead for Montenegro, with even more challenges to come.”

After the European Council, on 17 December 2010, gave its approval to Montenegro’s application for the status of an EU candidate country, Montenegro has entered a new stage of its development. The MFIC wishes to congratulate the Montenegrin Government and people for this extraordinary success. In a country in which EU integration has the overwhelming support of the population and unanimous support by the political parties, the awarding of candidate status has been seen as an historic event. EU integration can surely contribute to creating business practices, standards and a general climate that is conducive to new investments, growth and, even more importantly, development. However, a long road lies ahead of Montenegro, with even more challenges to come. According to the opinion of the European Commission, further reforms are needed in seven key areas before the country can start the accession negotiations.

This is going to be a major task for the new government, led now by the former Finance Minister Igor Lukšić, whose cabinet was approved by the Parliament on 29 December 2010, following the resignation of Milo Đukanovic on 21 December 2010. In his appointment presentation, Lukšić said that his government would adopt the same priorities as the outgoing one, and remain committed to the European integration requirements and Euro-Atlantic objectives. The MFIC sees the appointment of the new government as a new potential for continuing improvements to the business environment, building upon the strong foundations laid by the outgoing government that has already produced impressive results.

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Capital Markets

Overview

The Montenegrin stock market has a single address as of 10 January 2011. After the technical implementation of the decision taken in August 2010 by the shareholder’s assemblies of the two Montenegrin stock exchanges to merge, the stocks will now only be listed on “Montenegroberza A.D.”

“Since the shareholder’s assemblies of two Montenegrin stock exchanges adopted the decision to merge in August 2010, the Montenegrin stock market has a single address. The MFIC welcomes this move, assessing that it will contribute to increasing transparency, simplifying investments, facilitating integration into regional markets, thus enticing more interest from investors.”

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As the President of the Securities and Exchange Commission, Zoran Đikanović recently stated for the press that the merged stock market would start

performing a supervisory role and would be more rigorous towards brokers, the Central Depository Agency and companies quoted on it. This will hopefully lead more companies to issue financial reports and publish their business results on a quarterly, half-yearly and yearly basis. So far the number of companies who follow such good business practices has not been sufficient, which has dissuaded some investors from coming to Montenegro, especially large institutional investors whose presence could be of great relevance for further development in this field.

It is realistic to expect that the merged stock exchange will also be more interesting for other larger regional exchanges. This will enable Montenegrin companies to have access to more liquid markets, while on the other hand they will have to adhere to more strict standards, thus bringing a new level of quality to the Montenegrin market.

Regardless of this, we are yet to see a much needed increase in the transparency of the business results of the majority of companies quoted on the Montenegrin stock market.

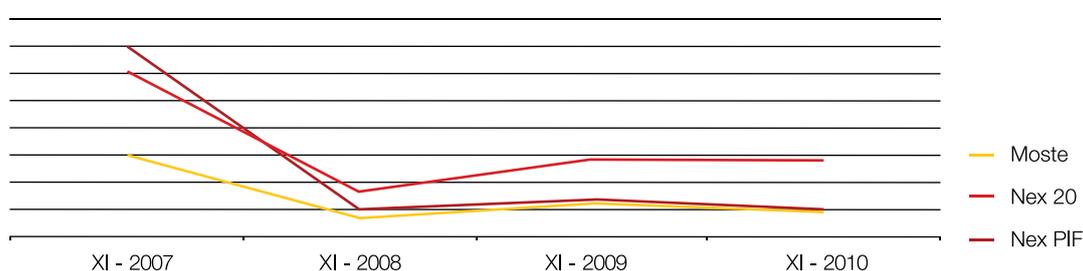


Figure 15: Stock market indices in November from 2007 through 2010. Source: Central Bank of Montenegro

“Regulations Guillotine”

Overview

MFIC welcomes the “Regulations Guillotine” project, which we consider will benefit the whole of Montenegro. Any such reforms directed towards creating a business environment that will enable businesses to be more efficient especially in a period when the economy is just emerging from a recession is more than desirable. This regulatory reform is aimed at reducing the number of complicated, time-consuming and expensive administrative procedures.

The Government has announced that under the regulatory reform project, the Regulations Guillotine, administrative fees would decrease by approximately 25 per cent by 2011, while the estimated annual savings for the whole economy would make up between 0.22 and 1.68 per cent of GDP. The savings include not only direct expenses but also the time required to complete the procedures with the authorities. The Montenegrin legal system is overly regulated, partly due to the remnants of the socialist system. In an interview for Montenegro Business Outlook Quarterly²¹, Montenegrin Prime Minister Igor Lukšić said: “We are currently implementing activities aimed at amending regulations on the financing local government. The Law on Business Environment Improvement, developed by the Ministry of Finance, was recently adopted, amending provisions of ten other laws, with the overall objective of reducing both the deadlines and the number of procedures, decrease in fees and other barriers to business, paving the road for the process of improving business regulations”.

21 - <http://www.mf.gov.me/en/news/101357/MBO-INTERVIEW-with-Igor-Luksic-PhD-Deputy-Prime-Minister-and-Minister-of-Finance-of-Montenegro.html>

MFIC Cooperation with the Government

Overview

The Government's Council for Regulatory Reform and Improvement of the Business Environment reviewed the MFIC's first White Book at its session held in July last year.

Our recommendations regarding, among others, issuing construction permits, business registration, the Law on Foreign Investments, taxes and financing of municipalities, mortgage regulation, executive procedure, the banking sector and others were assessed as being mainly in line with what the Government is planning, or has initiated in improving the business environment. It was assessed that political and expert support for resolving the remaining issues is in place. In addition, what we consider to be of great importance is that the Government is aware of the issues in particular fields which are not swept under the carpet and there is strong and visible action being taken.

In an interview for the daily newspaper Pobjeda, Milorad Katnić, the then Deputy Minister of Finance and now Minister of Finance, assessed that the MFIC was an important partner of the Montenegrin Government in creating a business environment that would enable Montenegro to be more competitive. The MFIC wishes to express its readiness to further the existing cooperation in any field where the Government might find such cooperation beneficial.

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Business and education

“...we might learn one more lesson from the crisis: human capital and its quality are crucial. People who are used to having a safe job in the state administration while relying on somebody else to solve their problems (usually the state) do not contribute to solving the problems caused by a crisis, but make them even more difficult.”

“South East Europe after the Economic Crisis: a New Dawn or back to Business as Usual?” Chapter II

Both foreign and national investors in Montenegro today face the difficult challenge of the lack of a skilled and educated workforce. Although many of them note an improvement over the past few years, the general remark is that this positive trend should be encouraged more than is the case now. On the other hand, the numbers tell a different story: according to Monstat data, the number of enrolled students in the 2009/2010 generation was over 21,000. Furthermore, this number has more than doubled since the 2002/2003 academic year when it was 8,333. Only in 2009, more than 3.200 students graduated from university, more than 1,300 completed some form of postgraduate studies, while a total of 18 are defending their doctoral theses²². But still, many of our members hire people from outside Montenegro, not only during the tourist season, but throughout the year as well, both for general service staff and higher positions which require specialized skills and knowledge. It seems that one of the issues at hand here is that it is not the quantity that is insufficient, but the quality.

In one of his columns from the daily newspaper “Vijesti”²³, Prof. Veselin Vukotić, Dean of the University of Donja Gorica (UDG), talks about the “red carpet policy”. After they graduate from university, a number of students still expect that somebody will now put a “red carpet” in front of them and they can just walk through their career up to the highest positions. This belief has been created and nurtured through the years of the communist-run economy when everything depended on the state and was provided by the state “free of charge”. More than twenty years after such beliefs proved to be an illusion, some of the attitudes it brought about still persist. In today’s global environment, in which competition becomes or is already global, and Lao-Tzu’s²⁴ quote on giving and receiving rings ever more true: “If you would take, you must first give, this is the beginning of intelligence”.

Speaking in general about the whole South-East Europe region, the Organization for Economic Cooperation and Development (OECD) in its publication titled “Investment Reform Index 2010” in the chapter on human capital development concludes that: “Governments in SEE must address skills development on an urgent basis given the long response time of human capital policies and the global increase in demand for skills... While reforms are occurring in different parts of education and training systems in many countries, evidence suggests considerable misalignment between the profile of skills supplied and the needs of employers. SEE governments also need to tackle weaknesses in the connections between industry and academia more broadly. For instance, many governments need to assess how truly inclusive their consultative processes are and why, in some cases, private-sector participation is limited.”

In order to vindicate this mentality, to have students actually realize what is meant by the famous phrase “there’s no such thing as a free lunch”, Montenegro needs to continue implementing reforms that make its education system a more flexible and modern learning environment which would be better equipped to respond to the needs of the economy.

At the moment, many of the institutions of formal education have already recognized that this needs

22 - In the 2009/2010 academic year, 1.656 students enrolled in specialized studies, 931 started their MA studies and 60 their doctoral studies.

23 - Published in April 2010 – “Samopouzdanje” Kolumna En

24 - Philosopher from ancient China, 6th century BC, traditionally considered the founder of Taoism.

to be a system that encourages the students to be more than just passive observers, but rather active participants in the process. A system that focuses on memorizing data and facts in the age of the Internet when practically any piece of information is just a click away loses its meaning. Today's environment needs people who are able to use the information that is easily accessible to create an added value. Today's economy needs creative individuals, needs new ideas.

Part of the solution surely lies in formal education, but it does not end there. It is also a responsibility of the employer to enable its employees to grow both professionally and personally.

In the end, it is not just the formal education system that bears the responsibility to help facilitate the much-needed shift towards a way of thinking that is more up-to-date with global challenges, which are at the same time also opportunities, employers also need to take part. Our members are well aware of this, and they stand ready to cooperate in this field with Montenegrin universities and schools.

"In Zetatrans we insist on education of our employees. We consider human resources to be the key factor in our line of business. That is why our HR Department keeps special records of our key and most promising staff members which are under the closest attention of the company's top management. We organize internal workshops, mainly run by our partners and colleagues from the region. We also use the HR expertise of our group (Intereuropa) and send our staff for training and for the purpose of exchanging experiences within the Intereuropa Group subsidiaries. "

*Dragan Racković
Deputy Executive Director, Zetatrans*

Crnogorski Telekom allocates 2% of its budget for employee-related expenses for various education-related activities, which amounts to half a million Euros per year. As a part of a large system, the employees are able to take advantage of and take part in training sessions organized in other parts of the Deutsche Telekom Group. On the basis of annually produced training needs assessments, staff attend different training programmes, ranging from basic ICT skills to specialized programmes for engineers. The employees of Crnogorski Telekom also have access to scholarship programmes for postgraduate and MBA studies.

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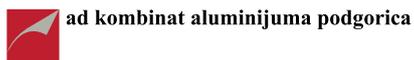
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Links

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Ministry of Economics: www.gov.me/minekon

Ministry of Finance: www.gov.me/minfin

Monstat: www.monstat.org

Montenegrin Investment Promotion Agency (MIPA): www.mipa.co.me

Central Bank of Montenegro: www.cb-cg.org

Securities Commission: www.scmn.me/

CEED Consulting: <http://www.ceed-consulting.com/en/>

Institute for Strategic Studies and Prognoses (ISSP): www.isspm.org

Montenegro Business Alliance: www.visit-mba.org

EBRD Montenegro: <http://www.ebrd.com/pages/country/montenegro.shtml>

Agency for Electronic Communications and Postal Services: <http://www.ekip.me/>

