



MFIC | Montenegrin Foreign  
Investors Council

# WHITE BOOK

Investment climate in Montenegro **2021**





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## Investment climate in Montenegro 2021

March 2022

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# FOREWORD



**Christoph Schoen**  
PRESIDENT OF THE MFIC

**T**he Montenegrin Foreign Investors' Council is pleased to publish the 11th edition of the *White Book: Investment climate in Montenegro for 2021*, which represents the current business environment conditions from perspective of our members as well as from findings of respected international reports.

The *White Book* summarizes the MFIC members' business experience gained in 2021 and compares it with previous period, in order to follow up the trend and improvements. The *White Book*, therefore, provides an additional base for further decision making providing future investors with an opportunity to better understand the current state and business environment conditions. Furthermore, the *White Book* provides decision makers with guidelines to reduce recognized business barriers and provides support towards implementation of reform measures recognized by foreign investors.

When we analyze 2021, we can say that it was a very successful year in terms of economic recovery. Even though tourism was the main reason of historic recession of over 15% in 2020, tourism was the GDP recovery trigger of almost 11% in 2021. In that context, we can say that crisis management of the Government and the Central Bank was highly professional, efficient and well balanced to support the recovery.

In addition, income of the central government generated better results than planned mainly because of increased VAT collection and non-tax income. It is worth mentioning the Law on electronic fiscalization that ente-

red into effect in June 2021 and based on which further positive impacts of VAT collection are expected as well as suppression of informal economy.

I would like to point out to the importance of timely inclusion and proactive communication with business associations, especially international business community. Ongoing political turbulences affecting society and Montenegrin reputation abroad must not be the excuse for the lack of communication, slowing down of the key reforms and further postponing of the ambitious plan to join the EU.

When we talk about the most challenging precondition for business development, we can say that "rule of law" has been recognized by all of our members as the most challenging prerequisite for the development of business operations. Based on the experience of our members, the rule of law recorded a decrease by 0.4 points for 2021 with the score of 4.9 at the scale from 1 to 10. In 2020, there was a decrease by 0.4 points as well. By analyzing the results for these 11 years, we can conclude that the rule of law score is almost at the level of 2011 (4.8) when it was the lowest since this kind of measurement begun.

We believe that predictable business environment, which implies the transparency of the activities of administration is of crucial importance. Monitoring the implementation of activities to improve the rule of law will remain at the top of the Council's priorities in the coming years.

Based on the experience of our members, we have analyzed the ease of doing business in Montenegro and we calculated the MFIC Index for 2021 at 7 (on the scale from 1 to 10, whereas 1 is the worst rating and 10 is the best). 2021 result shows a significant growth compared to 2020 when it was 6.4. It is interesting that the 2021 Index is higher for 0.1 point compared to 2019 Index which was considered the best year regarding many segments. The Index increase by 0.6 is the largest annual increase so far and it represents an optimistic perception of the foreign investors coming after 2020 which had large negative impact to the country's economy.

In brief, if we analyze the years behind us:

- ▼ in the period 2015 – 2019 the Index shows that total business environment is stable and gradually progressing;
- ▼ in 2019 we have clear signal that foreign investors believe that the year was marked by more important, more specific improvements compared to previous years;
- ▼ the year 2020 has brought out all the weaknesses of the economy and indicated the necessity of systemic reforms, what was reflected in the MFIC Index of 6.4;
- ▼ Index increase in 2021 indicates that in small economies, recovery perception may be fast detected and in case of Montenegro, industries such as tourism, telecommunications-ICT and trade reported progress and thus had significant impact on Index increase which is 7.

Contrary to previous years, in 2021 there is increase of all individual industrial indices in all sectors: telecommunication and ICT, banking/finance, tourism, manufacture/energy, trade/retail and transportation/logistics, and this is understandable given overall increase of the MFIC Index.

In individual categories, we have recorded a decrease in four of them: property development, taxation, corporate governance and rule of law while the result for the labor market and employment remains the same compared to last year.

Besides the score for the rule of law, the score for the gray market raises concerns as well – it decreased by 0.2 points to overall score of 4.8. Such low score has not been recorded in the past and it demonstrates that the activities and commitments regarding the fight against grey economy which are visible on political level need additional efforts and strengthening of capacities in the respective institutions.

Scores for 2021 have confirmed the Council's long-standing message that serious reform processes must be

continuously implemented within the analyzed sectors, in order to further improve business environment, attract foreign investments and increase economic standard of all citizens.

Close and continuous communication with the Government and public administration authorities remains important task of the Council to support its members to develop and enhance their business operations in Montenegro. A timely dialogue in this context is essential for all stakeholders which would allow them to increase efficiency in business processes and to avoid negative and harmful consequences for the entire business community.

Our committees will closely follow up regulatory framework changes in their respective sectors and propose initiatives for improvement in areas relevant for our member companies' business operations.

We will continue to be an active member of the Government Competitiveness Council and relevant working groups in order to achieve our common goals and promote our common interests. Through active participation in Government working groups and by providing comments and suggestions to most important economic strategic documents we will work towards fulfillment of the Council's goals and creation of better business environment conditions.

Having in mind the importance of the EU integration process to both the economy and the society, closely following this process and establishing regular communication and alignment between the MFIC and the representatives of the diplomatic corps and international organizations will be one of the key objectives.

Montenegrin Foreign Investors' Council will continue to fully support reform processes in Montenegro and its integration into the EU.

In conclusion, on behalf of the MFIC Management team, I would like to thank all contributors who contributed to this edition of the White Book – while firstly our members that provided the data and inputs as well as state administration that provided updated status to our recommendations.







# EXECUTIVE SUMMARY

**W**e are proud to present the eleventh edition of the **White Book: Investment climate in Montenegro 2021** which summarizes the results of perception-based questionnaire about the ease of doing business in Montenegro. It also indicates the trend of business climate improvement and recognises and selects the most important regulations, procedures and business development challenges. The answers to the questionnaire were filled by the foreign investors, members of the MFIC, based on their personal experience and perception. After so-called Covid year of 2020, the year 2021 is particularly important because it has to show whether Montenegro is progressing towards economic recovery or not and if there is room for optimism.

By analyzing 80% of members' responses to the questionnaire, we calculated the MFIC Index for 2021 at 7 and it is the highest index since it has been launched (on the scale from 1 to 10, whereas 1 is the worst rating and 10 is the best). **2021 result shows a significant growth compared to 2020 when it was 6.4. It is interesting that the 2021 Index is higher for 0.1% than 2019 Index which was considered the best year regarding many segments.** The Index increase by 0.6 is the largest annual increase so far and it represents an optimistic perception of the foreign investors coming after 2020 – the year marked by COVID19 pandemics with large negative impact to the country's economy.

In brief, if we analyse the years behind us:

- ▼ in the period 2015 – 2019 the Index shows that total business environment is stable and gradually progressing;
- ▼ in 2019 we have clear signal that foreign investors believe that the year was marked by more important, more specific improvements compared to previous years;
- ▼ the year 2020 has brought out all the weaknesses of

the economy and indicated the necessity of system reforms, what was reflected in the MFIC Index of 6.4;

- ▼ **Index increase in 2021 indicates that in small economies, recovery perception may be fast detected and in case of Montenegro, industries such as tourism, telecommunications-ICT and trade reported progress and thus had significant impact on Index increase which is 7.**

Contrary to previous years, in 2021 there is **increase of all individual industrial indices**, and this is understandable given high total increase of the MFIC Index:

- ▼ the biggest index is recorded in telecommunications and ICT, at 7.7;
- ▼ for third consecutive year, members representing telecommunications and ICT industry within the MFIC gave identical average score 7.4 which is the greatest score in this industry since the evaluation is done in this way.
- ▼ tourism and trade industry record the highest increase by 0.8,
- ▼ transportation/logistics industry records an increase by 0.6,
- ▼ banking/finance records an increase by 0.4, and
- ▼ members representing banking sector with the MFIC (the banks) gave the score 7 to their industry in 2021 while all MFIC members rated it 7.2. Both scores have increased compared to 2020 and the banks increased their rating by 0.7%.
- ▼ Additionally, if we add the ratings of the insurance companies to the banking industry, we get the score of 7.7 which is a record year and is significantly higher than 2020 (2020:6.9).

▼ manufacture/energy industry records an increase of 0.3,

▼ tourism industry records the lowest score of 6.1 in 2020 (especially challenging year for this industry) and in 2021 it records an increase of 0.8 and return to score 6.9 (2019 level),

▼ members representing tourism industry with the MFIC rated their industry 6.8 what is an increase by 1.5 but it is not at the level of 2019 and the score of 7.

To assess individual areas important for companies' operations and whose development is provided by the state institutions in Montenegro, foreign investors, the MFIC members, reported the following: **unlike above-mentioned optimism and index increase, in this part we have a decrease in 4 categories and the same result as in 2020.** The highest score in all categories in 2021 is 6.1 and it reminds that these areas are recognized repeatedly as priority by private sector but significant progress is not observed.

▼ **Unfortunately, this year's results raise concern regarding the rule of law which records a decrease by 0.4 and it is 4.9 what is close to the 2011 score (4.8) when it was the lowest since this evaluation applies.** The rule of law is the basis or prerequisite for country's competitiveness and attraction of investments.

▼ Property development - decrease by 0.3, score 6.1

▼ Corporate governance – decrease by 0.1 score 5.9.

▼ Taxation – decrease by 0.5 in 2021 at the level of 2014.

▼ Labor market and employment – rating for 2021 is the same as in 2020 - 5.9.

Six new categories were introduced since 2016 that the MFIC members recognized as important that need to be in focus of the state authorities and their answers or scores are given below:

▼ four categories record a decrease:

1. **With the rule of law score, black market score raises concerns as well – it decreased by 0.2 to 4.8 score; such low score has not been recorded before and it demonstrates that the activities regarding the fight against black market lack;**

2. Human capital records the highest decrease of 0.4, with the score 5.7 which is the lowest since this kind of evaluation was introduced,

3. digitalization of public sector has the score of 5.1 or decrease by 0.3,

4. regulations on personal data protection are rated 5.9 what is a decrease compared to 2020 score.

▼ Only public procurement recorded increase by 0.7 what is very positive,

▼ Regulations related to public and private partnership keeps the same score of 5.8.

It can be concluded that these categories have constant low score up to 5.9, with the exception of public procurement, and they have not recorded any increase since 2016. Decision makers should transform these messages into priorities and harmonize them with international standards and practices.

To better present the overall business environment in Montenegro, we dedicated the White Book's section "**Montenegro Overview**" to present important conclusions from international reports. Generally observed, in international frameworks Montenegro recorded a drop in 1 report while it progressed in 2 out of 5 most important reports. Until the publication of this White Book edition, the Report on ease of doing business of the World Bank and Global Competitiveness Index of the World Economic Forum for 2021 have not been published yet.

The following recommendations are important in this regard:

▼ more efficient reform implementation and further steps to improve tax procedures (payment of income surtax is special procedure implemented 12 times per year);

▼ significant modernization of the work of cadastral and notary services, especially when it comes to the respect of deadlines in the procedures, costs reduction and introduction of modern, electronic systems that would shorten the registration procedure;

▼ creation of foundation for further infrastructure investments, both traffic and communal infrastructure, but also implementation of intensive measures for future investments in key sectors of tourism and agricultural production;

▼ keeping up with the measures of labor market flexibility and freedom growth, improvement of education and healthcare policy with the creation of investments opportunities;

▼ continue with the improvement policy of the work of the administration and raising efficiency at all levels, especially in the part of a greater consistency in the implementation of policies at local and state level;

▼ further development of Montenegrin economy and society through digitalisation as development and transformation policy;

▼ creation of grounds for improved public finance policy with special focus on new investments that may contribute to stabilization of public finance with the reduction of deficit and maintenance of public debt.

**Evaluation of regulatory environment in Montenegro** is a very important part of the MFIC activities, and the conclusions are transferred from year to year in the White Book. The view of the investors still remains that despite efficient legislation that is in line with modern practice and adopted with involvement of the main stakeholders, “regulatory environment” considers implementation, execution and judicial practice as important elements and preconditions for attractive and stimulating environment in Montenegro. At the beginning of this chapter, broader topics are presented which are recognised as important foundation for regulatory environment improvement: business environment, process of adopting and implementing the regulations, public administration, digitalisation and e-services, informal economy, taxation and different amounts of fees and charges at municipal level.

The section “**Regulatory framework and MFIC Committees**” presents the work of the active MFIC Committees: ICT Committee (established in 2014),

Banking Committee (established in 2017), and Insurance Committee and Regulatory Policy Committee established in November 2019. The representatives of these sectors have found their interest in uniting within the MFIC and in creating a joint platform for mutual communication and for communication with the decision-makers. Key regulations of importance for business environment were analysed: the Law on electronic communications, the Cinematography Law, the Law on spatial planning and construction, the Law on Roads, the Law on using physical infrastructure for installation of electronic communication networks of high speed, the Law on archives, the Law on certification of signature, hand writing and transcript, the Law on electronic document, the Law on blockchain technology and crypto property, the Law on Consumer Protection – users of financial services, FATCA Law, the Labor Law, the Law on ID Card, and the Law on Internal Trade.

The section “**Implementation status of the accepted recommendations from the White Book 2020**” collects the answers of the line institutions to the recommendations of the MFIC members related to the amendments of the regulations from the White Book 2019. Out of 24 recommendations to amend the regulations, the implementation of 13 recommendations is ongoing (54%), 6 recommendations are implemented (25%) while 5 recommendations (21%) are considered not implementable at this moment.

## MEMBERS OF THE MFIC:

Addiko Bank



NLB Banka



karanovic/partners

Payten

Henley & Partners



HS HARRISONS



SAGA CG new frontier group



moravčević vojnović and partners In cooperation with schonherr



FINVEO



# INTRODUCTION

## MONTENEGRIN FOREIGN INVESTORS COUNCIL

The Montenegrin Foreign Investors' Council was established in 2009, as a non-governmental and non-profit organization aimed at the following:

- ▼ improving the investment climate and supporting business development in Montenegro;
- ▼ representing and expressing the opinion of its members, for the purpose of promoting common interests and stimulating direct foreign investments;
- ▼ promoting communication, cooperation and current dialogue between the Council and the official authorities in Montenegro;
- ▼ cooperating with the official authorities in Montenegro, for the purpose of overcoming possible challenges and obstacles that foreign investors may face, as well as taking part in economic relations with other countries;
- ▼ promoting the international business community interests in Montenegro and informing its Members and other stakeholders about possibilities regarding the investment climate in Montenegro;
- ▼ connecting with the other foreign organizations of investors within the SEE Region, for the purpose of:
  - ▼ sharing the benefits and experiences from worldwide best practice;
  - ▼ analyzing concrete tools, in order to facilitate regional business activities.

Starting with five founder members (Crnogorski Telekom A.D., NLB Montenegro Banka A.D., Montenegro Stars Hotel Group d.o.o., KAP A.D. and Daido Metal A.D.), the MFIC membership base has been constan-

tly expanding and today it comprises 42 members that represent around 30% of national GDP. The Council gathers together representatives of numerous and varied industries – banking and financial services, telecommunications, metallurgy and mining, energy, tourism and hospitality, the consumer goods sector, manufacturing, information and communication technologies, transportation and auditing.

## COUNCIL BODIES

The main bodies of the Council are the Assembly, the Board of Directors and the President. Since December 2016 in order to be more proactive and productive and to improve the organizational structure, the Council has the Executive Director as a full-time employee. The Council's General Assembly meetings are usually held once or twice a year, while consultations at the BoD level are held on a constant basis throughout a year.

The President and members of the Board of Directors have one-year term of office and they are elected by all present members at General Assembly:

### DECEMBER 2020 – DECEMBER 2021:

Mr. Christoph Schoen (Addiko banka) President,  
Mr. Pal Kovacs (Crnogorska komercijalna banka),  
Ms. Nela Vitić (Ocean Montenegro),  
Mr. David Margason (Porto Montenegro) and  
Mr. Ivan Bojanović (SAGA Montenegro).

### DECEMBER 2021 – DECEMBER 2022:

Mr. Christoph Schoen (Addiko banka) President,  
Mr. Tamas Kamarasi (Crnogorska komercijalna banka),  
Ms Nela Vitić (Ocean Montenegro),  
Mr. Martin Leberle (NLB banka) and  
Mr. Branko Mitrović (Telenor Montenegro).

In line with the Statute, the MFIC Board of Directors

established specialized MFIC Committees within the Council:

▼ **ICT COMMITTEE**

(established in 2014)

▼ **BANKING COMMITTEE**

(established in 2017)

▼ **INSURANCE COMMITTEE**

(established in 2019)

▼ **REGULATORY POLICY COMMITTEE**

(established in 2019)

This mechanism is recognized as a proper one to identify the business barriers that the investors are facing and to find possible solutions thereto as well as to communicate them to relevant addresses. The ICT Committee Chairman is Mr. Ivan Bojanović, from Saga SG, and the Banking Committee Chairman is Mr. Christoph Schoen, from the Addiko Bank. The Insurance Committee Chairman is Ms. Nela Belević, from Uniqa insurance while the Chairman of the Regulatory Policy Committee is Ms. Ljudmila Popović-Kavaja from Telenor.

The possibility to establish new industry-based committees is open and depends on the interest of the members.

## COMMUNICATION WITH THE GOVERNMENT AND PUBLIC ADMINISTRATION

Since the Council was established, communication with the Government and public administration remains important task of the Council. Therefore, finding proper mechanisms and getting involved at different levels is essential and beneficial for both sides. One of the MFIC main missions is to be constructive and reliable partner to public administration, trying to understand the complexity and the duration of some processes that the Government is engaged in.

The Competitiveness Council, former Council for elimination of business barriers and the Council for improvement of business environment, regulatory and structural reforms, is one of the most important communication channels chaired by the Prime Minister since its estab-

lishment in 2009. The MFIC is a member of the Competitiveness Council since its establishment.

The Competitiveness Council was established on 1st June 2017 based on the Decision on its establishment. In February 2021, the Government of Montenegro confirmed the existence of this Council by adopting the decision on establishing the Competitiveness Council appointing as Chairman Jakov Milatovic, Minister of the Economic Development. This decision modifies the structure of the Council. The number of members is reduced from 36 to 20 with the larger participation of business associations – seven instead of 5 previous members (Montenegrin Foreign Investment Council, Chamber of Commerce of Montenegro, Montenegro Business Alliance American Chamber of Commerce in Montenegro, Employers Association of Montenegro, Women in Business Association, Women Entrepreneur Association). This increases the work efficiency of the Council. The latest amendments to the Decision of the Competitiveness Council from September 2021, the number of business associations increased for Managers Associations. The Decision on the Council establishment from February 2021, the role of the Secretariat to the Competitiveness Council was verified and the Rulebook on the Council operations was adopted.

For three years, the Council has a technical and professional Secretariat established by signing the Memorandum on cooperation between the Government of Montenegro and the EBRD. As of June 2020, the Government of the United Kingdom, through the British Embassy in Podgorica, provides support to the Secretariat. By establishing this Council, the role of the Secretariat to the Council is recognized for the first time. The Secretariat will continue to provide administrative and professional operations.

### Implementation of the Competitiveness Council Work Plan for 2021

The Council Work Plan for 2021 was adopted at 11th session of the Council held on 5th April 2021. The Work Plan 2021 implementation reaches 93.1%. The Council held three sessions while the fourth session scheduled for 22nd December, even though it is fully prepared, is postponed for 2022. The list of activities with the implementation in 2021 is given below with the implementation status. Two activities (6.9%) were not implemented – one of these referred to the Doing Business report which is cancelled under the decision of the World Bank.

## BOARD OF DIRECTORS 2021-2022



**CHRISTOPH SCHOEN**

President and President of the Board of Directors, CEO of Addiko banka



**NELA VITIĆ**

CEO of Ocean Montenegro



**TAMAS KAMARASI**

CEO of Crnogorska Komercijalna Banka AD Podgorica, member of OTP Group



**MARTIN LEBERLE**

CEO of NLB banka, President of the Executive Board and member of the Board of Directors



**BRANKO MITROVIĆ**

General Manager of Telenor Montenegro



**IVAN BOJANOVIĆ**

CEO of SAGA CG, Chairman of the ICT Committee



**NELA BELEVIĆ**

CEO of UNIQA Insurance, Chairwoman of the Insurance Committee



**LJUDMILA POPOVIĆ KAVAJA**

Head of Legal, Regulatory and Corporate Affairs in Telenor Montenegro, Chairwoman of the Regulatory Policy Committee



**IVAN RADULOVIĆ**

MFIC Executive Director

The MFIC submitted several documents for review at the sessions of the Competitiveness Council in 2021:

▼ **Presentation of the findings from the White Book: Investment Climate in Montenegro in 2020;**

▼ **Initiative based on which the working group for development of e-services in private sector was established (with three quarterly reports on the work progress);**

▼ **Initiative to establish the working group to prepare comparative analysis with the countries from the region and the EU regarding the fee for collective execution of copyright rights.**

Out of eight working groups that were established under the platform of the Competitiveness Council, the MFIC participates in the following three:

▼ **Working group for elimination of barriers for development of e-services in private sector (MFIC coordinator);**

▼ **Working group for following up the reform process of company registration, and**

▼ **Working group for tourism.**

## **Presentation of the White Book findings: Investment climate in Montenegro in 2020**

In its tenth White Book edition, the MFIC pointed out that the year 2020 was marked by deterioration of business environment reflected in the decrease of the overall Ease of doing business Index.

MFIC Index for 2020 is at 6.4 (on the scale of 1 to 10, whereas 1 is the poorest score and 10 the best). The result for 2020 shows a significant decrease for 0.5 which was not recorded so far but it was expected since the year 2020 was marked by COVID-19 pandemics which had negative impact to the economy of the country, especially tourism industry.

When it comes to the evaluation of key industries, telecommunications and ICT industry received the greatest rating, despite heavy drop. Compared to 2019, tourism industry records the highest decrease for 0.8, banking/finance for 0.6, transportation/logistics and production/energy 0.3, while trade has the smallest decrease compared to 2019 – 0.2.

MFIC members considered to what extent each of these categories impacts positively or negatively their business: labor market and employment, property de-

velopment, taxation/contributions, corporate governance, rule of law.

Like in previous years, according to the MFIC members **the rule of law** should be stressed out as an area of key importance for further improvement of business environment. By analyzing prior ratings and after three consecutive years with the stable rating of 5.6, there is a slight increase at 5.7 in 2019. The year 2020 had a negative impact in this domain where a **drop by 0.4** points is recorded. Monitoring the implementation of the activities to improve the rule of law will remain at the top of the MFIC priorities in the following years as well.

By taking into account the priorities of the MFIC members since 2016 and for more detailed analyses of business environment, six new categories were introduced: Human Capital, Black Market and Inspections, Regulations for Public-Private Partnership, Public Procurement, Digitalization of Public Services, Regulations on Personal Data Protection.

Out of six analyzed areas, we observe the rating decrease in three areas compared to 2019 (public and private partnership, black market and human capital). Minimum increase was recorded for public procurement, digitization of public services remained at the same level while regulations on personal data protection recorded an increase of 0.2 points. Generally observed, low ratings up to 6 are still observable and it is additionally worrying that we have not recorded growth since 2016 in any of these domains.

## **Answers of the competent institutions to the recommendations from the White Book 2020**

The White Book: Investment Climate in Montenegro in 2020 published in March 2021 is the most important document of the MFIC and it describes the most important processes and regulations for business development and brings out the challenges faced by decision makers regarding further economic development. Based on regular practice of the Competitiveness Council, the Secretariat to the Council collected twice the answers to the responsible institutions to the recommendations given in the White Book. The White Book identifies 24 recommendations related to the public administration institutions.



## **Working group to eliminate barriers for development of electronic services in private sector**

### **COORDINATOR:**

Ivan Radulović, MFIC Executive Director

### **MFIC REPRESENTATIVES:**

Ivan Vučinić, Srđan Krežević, Dražen Stanković, Tanja Bokan, Zarija Milić

The representatives of the following institutions participate as well: Secretariat to the Competitiveness Council, Central Bank of Montenegro, Ministry of Finance and Social Welfare, Ministry of Public Administration, Digital Society and Media, Ministry of Economic Development, Revenues and Customs Administration, Ministry of Interior, Police Administration, Montenegro Business Alliance, Chamber of Commerce of Montenegro, Employers' Association of Montenegro, American Chamber of Commerce.

**Objective:** to identify the barriers for development of electronic services in private sector via dialogue between public and private sector and to define the manners for their elimination and measure implementation.

In 2021, the working group had several meetings and it defined the Action plan. The focus was on FATCA reporting to be submitted by all commercial banks in Montenegro and on the analysis of possibilities to develop money market. A special working group for FATCA reporting was established within the Ministry of Finance and Social Welfare in order to perform all the required activities timely. Several meetings were held regarding money market development and the analysis on money market development was completed by the lawyer's office Moravčević, Vojinović i partneri in cooperation with Schonherr and it was distributed to the members of the working group.

During the work of the working group for elaboration of the draft Law on anti-money laundering and terrorism financing, it was emphasized that it is needed to introduce the possibility to open transactional account for natural and legal persons without client's coming to the bank. These inputs are forwarded to the line ministry during the public debate.

## **Working group for following up the reform of company registration process**

### **COORDINATOR:**

Marija Šuković, Head to the Secretariat to the Competitiveness Council

### **MFIC REPRESENTATIVE:**

Milena Rončević Pejović

The representatives of the following institutions participate as well: Secretariat to the Competitiveness Council, Revenues and Customs Administration, Ministry of Economic Development, Ministry of Finance and Social Welfare, Ministry of Public Administration, Digital Society and Media, American Chamber of Commerce, Lawyers' Association, Montenegro Business Alliance, Chamber of Commerce of Montenegro, Employers' Association of Montenegro.

**Objective:** to continue working on implementation of activities previously identified as priority ones but also to include new members (representatives from the business associations being members of the Competitiveness Council).

All activities aim at providing complete electronic registration of all forms of business organisation what would simplify the procedures for private sector, accelerate the processes in the Revenues and Customs Administration and have positive impact on transparency.

In 2021 the working group defined the Action Plan. Meetings with the representatives of the Revenues and Customs Administration and the Ministry of Interior were held regarding the identification of foreigners, who are founders of companies.

The focus was on future improvements of the Law on Business Organisations and two workshops organised by the SCC were held with the CRCE employees with the presence of the representatives of the Ministry of Economic Development, Ministry of Finance and Social Welfare including guests / speakers. In addition, the inputs were gathered to amend the Law on Business Organisations regarding company registration to significantly improve this process.

The brochure „Simplifying the company registration process in Montenegro as a result of new regulations and modification of business rules “ was prepared. The brochure presents the reform progress following the steps needed to register a limited liability company.

The document „Information on the need to amend the organizational status of the CRCE“ was prepared. It was on the agenda of 12th meeting of the Council but it was not adopted in that form, as it was concluded that the establishment of a separate state body is not of priority at the moment.

## Working group for tourism

### COORDINATOR:

Ivana Đurović, State Secretary for tourism with the Ministry of Economic Development

### MFIC REPRESENTATIVE: Ivan Radulović

The representatives of the following institutions participate as well: Secretariat to the Competitiveness Council, National tourist organisation of Montenegro, Coastal zone management agency, National parks of Montenegro, Airports, To Montenegro, Ministry of Capital Investments, Chamber of Commerce, Ministry of Economic Development, Montenegro Business Alliance, Employers' Association, Association of women in business, Municipalities' Community of Montenegro.

Objective: to continue to a largest possible extent the implementation of ongoing and new projects for further development of better tourist offer of our country to develop new tourism product. Additionally, the objective is to better promote a stronger presence of Montenegro on outbound European and far tourist markets.

So far, the working group for tourism had important activities regarding the following:

- ▼ strengthening institutional and legislative framework (improvement of inspection supervision in tourist industry, drafting of new Law on tourism and hospitality),
- ▼ improvement of strategic framework for tourism development (elaboration of the Draft of the Tourism Development Strategy in Montenegro by 2025 with the Action Plan is in final phase, as umbrella document for future tourism development) and
- ▼ diversification of tourism product (within the Product of incentive measures in tourism – financial support for organisation of 29 events / festivals in total amount of 80.000,00€ and 38 projects from rural tourism).

## Initiative for establishing a working group with the task to prepare comparative analysis with the neighboring countries and the EU regarding definition of fee for collective management of copyright rights

At the 12th meeting of the Competitiveness Council, the MFIC submitted the material on the application of

the Law on copyright and related rights which refer to the collective management of copyright rights performed by the non-profit organization PAM CG (Organisation for protection of rights of music authors of Montenegro). The MFIC proposed to create a working group to be coordinated by the Ministry of Economic Development and composed of the representatives of the relevant sectors being MFIC members that pay the fee and of the PAM. This working group is supposed to make a comparative analysis with the neighboring countries and the EU and based on the generated results, the Law on copyright and related rights would eventually be amended in the part related to the definition of tariff and fee. The MFIC submitted the letter to the Ministry of Economic Development on 2nd June 2021 requesting this institution to review the legal basis for payment of the fee to the NGO Organisation for protection of rights of music authors of Montenegro (PAM CG). The letter addresses the justification of fee collection during the Covid19 pandemics as Article 332 paragraph 3 of the Law on obligations and torts defines that the debtor shall not be deemed in delay should they be able to prove that their delay with performance was due to Force Major or due to other circumstances for which they are not responsible. In addition, the letter states that there is no valid contract between the PAM and hoteliers, what does not prevent the PAM to invoice and charge fee to all the hoteliers (several thousand euros in some cases). The letter also mentions the fact that the hoteliers found out from the conversation with the music authors whose rights are represented by the PAM that the compensation disbursed by the PAM is so small that it should be rightly asked who PAM represents. In addition, it was pointed out that the same deals were contracted by the PAM with different hoteliers at different tariffs (different amount per bed / room and differently calculated number of months) even though these are the hotels of the same category which were open for the same number of months during the year. The MFIC reminded as well about the initiative to cancel the licence to the PAM which was initiated by business entities and resulted in licence cancellation, what was later annulled by the decision of the Ministry of Economic Development.

Based on this material and the related material submitted by the Employers' Association of Montenegro, four conclusions are made the implementation of which is ongoing:

- ▼ The Ministry of Economic Development shall be responsible, as coordinator, to establish a working group with members including representatives of business associations and organisations for collective manage-

ment of copyright and related rights in Montenegro, with the objective to make an analysis of current tariffs or fees for the use of copyright works or related rights in Montenegro with comparative practice and experience and to propose eventually their review,

▼ It is suggested to the SCC, according to their possibilities, to support the work of the working group in terms of expert support.

▼ The Chamber of Commerce, as a recognized business association, shall be responsible to initiate within 15 days the negotiations with the organisations for protection of copyright rights and related rights on the

fees to use copyright works and acts of related rights and to regularly inform the Competitiveness Council on negotiations rule out.

▼ The Ministry of Economic Development shall be responsible for initiating the procedure of work control of the Organisation for the Achievement of Reprographic Rights of Montenegro and the Organisation for the protection of music authors' rights in Montenegro and for verifying the requirements fulfilment to get work licence and the activities of these organisations regarding their authorities over business entities.



# EVENTS AND ACTIVITIES IN THE LAST YEAR

Some of the main events and activities in 2021 which make part of the regular annual agenda are presented below:

## FEBRUARY 2021

### Working together on further development of e-services

The Minister of Public Administration, Digital Society and Media, Tamara Srzentić met with MFIC representatives to discuss concrete activities that need to be implemented in order to improve digital business and achieve greater efficiency and transparency of public services.



The Ministry of Public Administration, Digital Society and Media is carefully listening to the needs of the business community, in order to reduce bureaucracy and simplify procedures with the aim to further develop digital economy in order to build an administration that is service-oriented and based on the needs of citizens and economy, highlighted Mrs. Srzentić.

Montenegrin Foreign Investors' Council will be a dedicated partner to the Ministry of Public Administration, Digital Society and Media in the implementation of digital transformation of business processes and further encouragement of digitalization and development of e-services. MFIC representatives have pointed out that it is necessary to strengthen the partnership between the business community and public administration in order to accelerate the digital transformation and continuously improve the investment environment.

### Government will be a reliable partner

The Deputy Prime Minister of Montenegro, Dritan Abazovic met with Christoph Schön, President of the Montenegrin Foreign Investors' Council (MFIC) and BoD members Nela Vitic, Pál Kovács, Ivan Bojanovic and David Margason and Ivan Radulovic, MFIC Executive Director.



DPM Abazović stated that Montenegro is a country of opportunities and although the situation with the corona virus is extremely specific, he is of a view that this is the right time to invest in Montenegro.

“We are open to investors and we want to send you a clear message that you have a reliable partner,” highlighted DPM Abazović. He said that the fight against corruption and organized crime is directly related to the improvement of investment conditions and that the Government will continue to work actively in that direction.

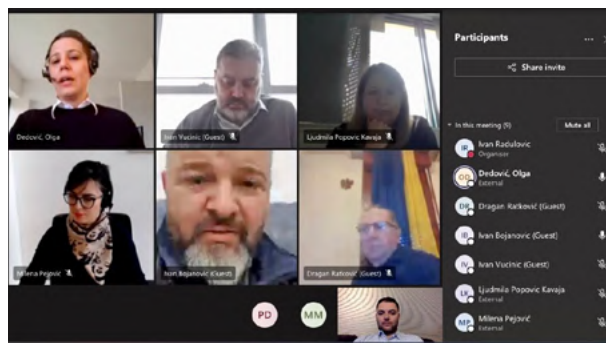
Montenegrin Foreign Investors' Council (MFIC) representatives have highlighted that the development of economy requires a healthy environment and promotion of favorable business conditions. In that sense, MFIC offered further support in the reform process, modernization and digitalization of society. The meeting was also an opportunity to discuss new investments as well as the problems that investors most often face.

## MARCH 2021

### Further improvement of digitalization process in Montenegro needed

Montenegrin Foreign Investors' Council ICT Committee meeting was held on March 12 at which priority measures for improving the digitalization process in Montenegro were discussed, submitted to the Ministry of Public Administration, Digital Society and Media.

At the meeting were also agreed further activities, as well as the need for definition of medium-term and long-term measures that will be determined in cooperation with the Ministry of Public Administration, Digital Society and Media. Members of the ICT Committee expressed satisfaction with the cooperation with the Ministry of Public Administration, Digital Society and Media.



### Elimination of business challenges needs to be continued

MFIC representatives met on March 19 with the Minister for Economic Development, Mr. Jakov Milatovic and his associates.

The meeting was an opportunity for representatives of the largest companies in the telecommunications, tourism and internal trade sectors to inform the minister about the challenges they face.

It was agreed to intensify future cooperation in order to define the most acceptable measures to overcome existing challenges.

Participants jointly concluded that the creation of a predictable business environment and its improvement should be imperative in the coming period.



## APRIL 2021

### 11<sup>th</sup> session of the Competitiveness Council

Competitiveness Council at its 11th session chaired by the President of the Council and Minister for Economic Development, Jakov Milatovic has discussed the findings and recommendations of the MFIC White Book: Investment Climate in Montenegro 2020.

Recommendations refer to more efficient implementation of reforms in the area of digitalisation, further steps in improving tax procedures, modernisation of work of cadastral and notary services, continuation of work on creating the basis for further investments in infrastructure, growth and labor market flexibility, improving the work of the administration and increasing its efficiency as well as further simplification of fiscal policy at the local level.



## Presentation of 10th edition of the White Book

Ease of doing business index has significantly dropped in 2020 compared to 2019, due to coronavirus pandemics which had negative impact on Montenegrin economy and tourism industry, said Christoph Schoen, the President to the MFIC.

At the presentation of the 10th edition of the White Book, he said that the last year presented huge challenges which were directly triggered by the global crisis due to pandemics. These challenges existed before as well and they just got greater and greater.

“The vulnerability of the Montenegrin economy was particularly expressed because of its strong focus on tourism and it is not surprising that the Index had dropped significantly compared to 2019. We cannot fix the damage previously done but it is up to us to do our best to get out of the crisis as soon as possible. We need to focus on timely dialogue between all the stakeholders to give full support to the business improvement”, said Schoen. According to Mr. Schoen, the focus should be on removing business barriers and joint fight against the virus. „We strongly support the measures of the Government aiming at making Montenegro a safe destination as well as immunization what is essential for the recovery”, assessed Schoen.



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## Dritan Abazovic, Deputy Prime Minister, attended the presentation of the 10th edition of the White Book

Deputy Prime Minister Abazovic said that he is very satisfied that the excellent cooperation and communication between the Government and the MFIC continues, reminding that the Government had several meetings with the MFIC in the previous period.

The presentation of the MFIC White Book was an opportunity that the Deputy Prime Minister and the MFIC exchange their views on the preparation of the coming tourist season, in the context of COVID-19 pandemics. The importance of mass immunization was stressed out to be ready for the beginning of the tourist season.

The MFIC expressed their readiness to help the Government in the action of mass immunization by proposing vaccination locations in attractive tourist places like Porto Montenegro, Porto Novi, Lustica Bay.

Dritan Abazovic, Deputy Prime Minister, thanked the MFIC for their generous assistance in the preparation of the tourist season and fight against the pandemics.



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## MFIC President and ED met with UK Ambassador to Montenegro

MFIC President, Christoph Schoen and MFIC Executive Director, Ivan Radulovic met on April 15 with the British Ambassador to Montenegro, H.E. Karen Maddocks and Deputy Head of Mission, Steve Arrick.

The meeting was an opportunity to exchange views about the current business environment conditions and busi-

ness obstacles that foreign investors face.

MFIC representatives informed the guests about the latest White Book recommendations and further activities within the Competitiveness Council.

Effective rule of law and predictable and transparent business environment are of utmost importance for further improvement of business environment and attracting foreign investments.

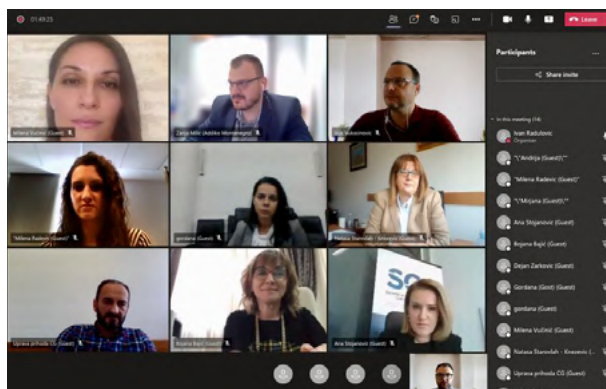


## Meeting of the Working Group for elimination of business barriers for development of electronic services in private sector

MFIC Executive Director, Ivan Radulovic chaired the meeting of the Working Group for elimination of business barriers for development of electronic services in private sector.

Members of the Working Group exchanged information with regards to the implementation status of the measures defined by the Action Plan.

The Action Plan will be amended with activities aimed to foster digital transformation process and introduce new electronic services for citizens and economy.



## Consultation meeting with regards to preparation of the Digital Transformation Strategy of Montenegro 2022-2026 held

President of the MFIC Regulatory Policy Committee, Ljudmila Popović Kavaja participated at the initial consultation meeting with regards to preparation of the Digital Transformation Strategy of Montenegro 2022-2026, Cyber Security Strategy of Montenegro 2022-2026 and public debate consultations with regards to preparation of the amendments to the Law on Electronic Document, organized by the Ministry of Public Administration, Digital Society and Media.



## MAY 2021

### Memorandum of Understanding signed between MIA and MFIC

Director of the Montenegrin Investment Agency, Dejan Medojevic, and the President of Montenegrin Foreign Investors' Council, Christoph Schoen, signed on May 11 a Memorandum of Cooperation between the Montenegrin Investment Agency and the Montenegrin Foreign Investors' Council.

Director of Montenegrin Investment Agency pointed out that the cooperation with the Montenegrin Foreign Investors' Council will be based on the principles of partnership, transparency, responsibility and mutual exchange

of information. He also emphasized the importance achieved so far through the contribution that MFIC provides through the work of the Competitiveness Council, in which the Montenegrin Investment Agency participates.

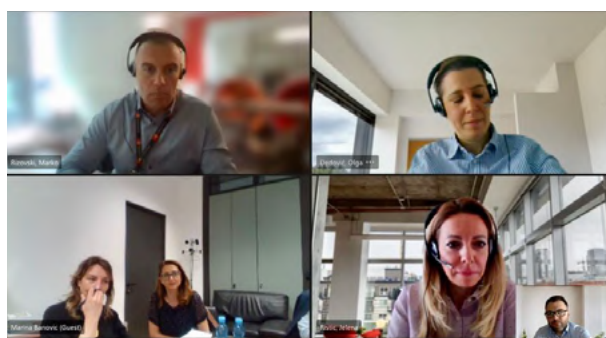
The President of the Montenegrin Foreign Investors' Council confirmed that despite the overall economic situation due to the COVID-19 virus pandemic, the member companies of the Council continued to invest, create jobs and regularly settle all obligations, and the continuation of their activities will have a vital impact on Montenegro's economic recovery.



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## Meeting between MFIC and Mastercard representatives and Ministry for Public Administration, Digital Society and Media

MFIC Executive Director, Ivan Radulovic and Mastercard representatives, Jelena Ristic, Country Manager for Serbia, Montenegro and Bosnia and Herzegovina, Olga Dedović, Account Manager and Marko Rizovski, Acceptance Development Manager met on May 12 with Marina Banovic, State Secretary in the Ministry for Public Administration, Digital Society and Media and her colleagues to discuss future cooperation.



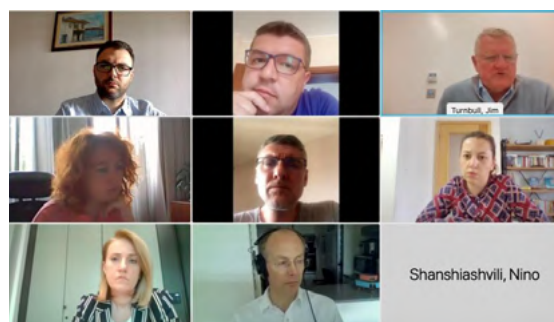
The meeting was an opportunity to exchange views and define further support in implementation of reforms which are oriented towards introduction of electronic payments for services provided by the public institutions. Montenegrin Foreign Investors' Council and Mastercard representatives have shown full support towards implementation of reforms which are aimed at introduction of electronic services and simplification of business conditions.

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## Introduction of MMM in Montenegro

On May 12 was held a meeting with the EBRD Capital Markets Development team, Selma Demirović, Gary Mclean, Jim Turnbull and Nino Shanshiashvili on potential introduction of the Money Market Development in Montenegro.

Meeting was attended by the Montenegrin Foreign Investors' Council ED, Ivan Radulovic, CK bank representatives, Drazen Stankovic and Bojan Dozic, Central Bank of Montenegro representative, Jelena Jankovic and Secretariat to the Competitiveness Council of Montenegro representative, Ana Stojanović.



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## Consultative meeting organized by the Ministry of Public Administration, Digital Society and Media with regards to the preparation of the Digital Transformation Strategy 2022-2026

President of the Montenegrin Foreign Investors' Council Regulatory Policy Committee, Ljudmila Popovic Kavaja, participated in a consultative meeting organized by the Ministry of Public Administration, Digital Society and



Media with regards to the preparation of the Digital Transformation Strategy 2022-2026. Participants have exchanged the views with regards to the conception of a working and consultative framework for the process of drafting the Strategy.



## JUNE 2021

### MFIC became the member of the UNICEF Business Council

On behalf of the MFIC, the Memorandum of Association was signed by Christoph Schön, MFIC President.

The goal of the Business council for children rights is to invest directly for children through easier coordination and joint activities of private sector and the UNICEF which will contribute to solving the urgent issues of children rights.



### 12<sup>th</sup> session of the Competitiveness Council

Competitiveness Council at its 12th session held on June 30 chaired by the President of the Council and Minister for Economic Development, Jakov Milatovic has adopted initiative of the Montenegrin Foreign Investors' Council regarding redetermination of the fee for collective exercise of copyrights defined by the Law on Copyright and Related Rights.

The Council has also adopted responses of the relevant institutions on the recommendations of the Montenegrin Foreign Investors' Council White Book: Investment Climate in Montenegro 2020.

Competitiveness Council has also adopted a Report on the implemented activities of the Working Group for elimination of business barriers for development of electronic services in private sector chaired by the Montenegrin Foreign Investors' Council.

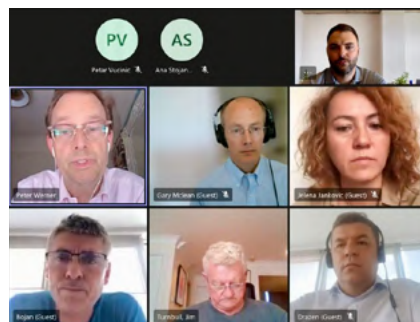


## JULY 2021

### Follow up meeting on Money Market Development in Montenegro

On July 19 we had a follow up meeting on Money Market Development in Montenegro. We thank our colleagues from the EBRD Capital Markets Development team, Gary Mclean and Jim Turnbull as well as Dr Peter M. Werner from ISDA on constructive dialogue and support.

Upon preparation of Informal Country Update on Montenegro, the assessment will be shared with all relevant stakeholders and further steps will be defined.



### MFIC donated 10.000 EUR to the Medical Center Podgorica

Mr. Ivan Bojanovic, member of the MFIC Board of Directors, said that he hopes that the donation will help medical workers to have better working conditions in renovated facilities and the citizens to have a better service.

„We have seen in previous months of the pandemics that it is very important to have a fast, efficient, functional and modernly equipped healthcare system“, Bojanović said.



Bojanović expressed his gratitude to member companies that participated in the donation: Crnogorski Telekom, CKB, Delta M, Domen, Fly Montenegro Ground Handling, Lovćen Osiguranje AD Podgorica, Ocean Montenegro and Saga CG.

„Even though the industry faces the recovery from coronavirus crisis, we believe that we should be active through diverse corporate responsible activities and help our medical workers and support further development of healthcare system“, Bojanović said.

## AUGUST 2021

### Meeting with the Ambassador of the Republic of Indonesia

Montenegrin Foreign Investors' Council President, Christoph Schön, member of the Board of Directors, Ivan Bojanovic and MFIC Executive Director, Ivan Radulovic met with the Ambassador of the Republic of Indonesia, H.E. Mochammad Chandra Widya Yudha, Head of Economic Affairs, Tri Aryadi and Defence Attache, Sri Adi Trio Wayhu Pramono.

The meeting was an opportunity to exchange views on business environment conditions in Montenegro, MFIC activities, developments in tourism sector and possibilities on improving economic cooperation between Montenegro and Indonesia.

MFIC representatives thanked for the invitation and confirmed their participation at the upcoming Indonesia-Central and Eastern Europe (INA-CEE) business forum.



## SEPTEMBER 2021

### First meeting of the Council for Electronic Public Administration

Montenegrin Foreign Investors' Council Head of Regulatory Policy Committee, Ljudmila Popovic Kavaja participated in the first meeting of the Council for Electronic Public Administration chaired by the Minister for Public Administration, Digital Society and Media, Tamara Srzentic.



Minister Srzentic pointed out that digital services must be tailored to the needs of citizens.

Council members stressed out the importance of this body in the upcoming digital transformation processes. Future activities will focus on development of electronic services for citizens, improved interoperability of government services as well as greater promotion of existing electronic services available to citizens.

## NOVEMBER 2021

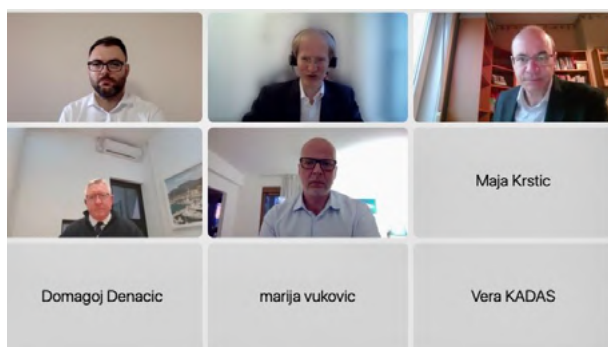
### Meeting with the International Monetary Fund representatives

Montenegrin Foreign Investors' Council BoD members met on November 11 with International Monetary Fund representatives during their Article IV mission to Montenegro. Meeting was an opportunity to discuss and exchange views on business environment conditions and foreign investments, minimum wage, social contributions and taxes, tax reforms and framework for anti-money laundering and terrorism financing.



### Meeting with the European Commission representatives

Montenegrin Foreign Investors' Council President, Christoph Schön and BoD members, David Margason, Maja Krstic and ED Ivan Radulovic met with European Commission representatives, Antonio Sanchez, Krzysztof Zurek and Vera Kadas during their 2022 ERP mission.



Meeting was an opportunity to discuss and exchange views on key structural challenges, such as high unemployment rate, administrative burdens and informalities affecting foreign investors business operations.



# MFIC MONTENEGRO BUSINESS ENVIRONMENT RATING INDEX FOR 2021

## 11<sup>TH</sup> ANNIVERSARY OF THE MFIC INDEX

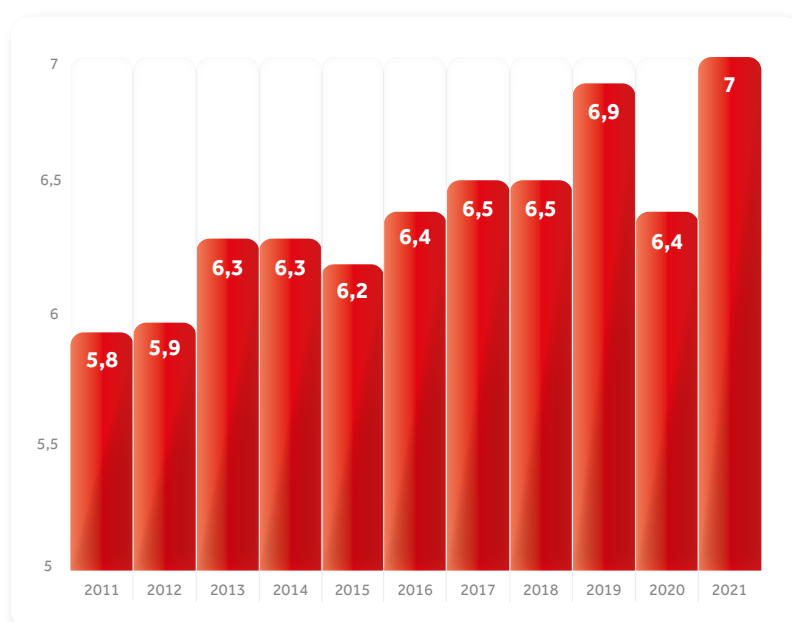
The MFIC Index or evaluation of ease of doing business in Montenegro by the MFIC members was conducted for the 11th consecutive year. The Index is based on the perception of the MFIC members who evaluate Montenegrin business environment by answering a tailor-made questionnaire. The evaluating form for the most of the questionnaire has remained unchanged for eleven years and in that sense, increasing or decreasing trend is taken as an excellent ground for business environment analysis. The Index aims at providing different stakeholders, starting from the present and potential new foreign investors and decision makers in Montenegro, with a quantitative overview of how investors, that already run a business in the country, perceive the business environment, priorities to improve and right or wrong direction of reforms. Based on current experience, decision makers take into account the data from the MFIC Index when defining economic policy and it is important to continue with such practice.

By analyzing 80% of members' responses to the questionnaire, we calculated the **MFIC Index for 2021** at 7 and it is the highest index since it has been launched (on the scale from 1 to 10, whereas 1 is the worst rating and 10 is the best). **2021 result shows a significant growth compared to 2020 when it was 6.4.** It

is interesting that the 2021 Index is higher for 0.1% than 2019 Index which was considered the best year regarding many segments. The Index increase by 0.6 is the largest annual increase so far and it represents an optimistic perception of the foreign investors coming after 2020 – the year marked by COVID19 pandemics with large negative impact to the country's economy.

Between 2015 – 2019 the Index showed that total business environment was stable, gradually progressing, reaching the year 2019 with the foreign investors believing that some specific improvement was made compared to previous years. Yet, the year 2020 has brought out all the weaknesses of the Montenegrin economy and indicated the necessity of system reforms, what was mirrored in the MFIC Index for the previous year (6.4). On the other hand, Index increase in 2021 indicates that in small economies, recovery perception may be fast detected and in case of Montenegro, industries such as tourism, telecommunications-ICT and trade reports progress and thus had significant impact on Index increase.

Certainly, the MFIC message remains that activities must be continuously undertaken in order to improve business environment, attract foreign investments and increase competitiveness of the country.



*Eleventh year  
of the MFIC Index*

# RATING THE INDUSTRIES

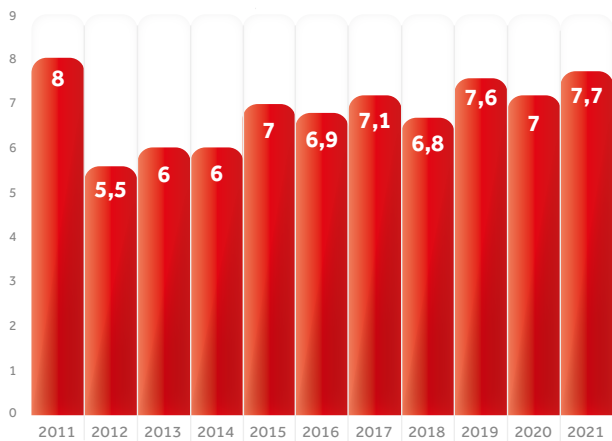


regulatory framework, business infrastructure categories like roads, education, etc. In other words, they evaluated conditions that are “provided” by the state institutions in Montenegro, and not the conditions regarding external and other factors impacting the economy.

This year as well, our members analysed how easy or difficult their daily operations are due to the general business climate and regulatory environment. They also evaluated other factors such as administration, re-

The MFIC members rated Telecommunications, Banking/Finance, Tourism, Production/Energy, Trade/Retail, and Transportation/Logistics. When we talk abo-

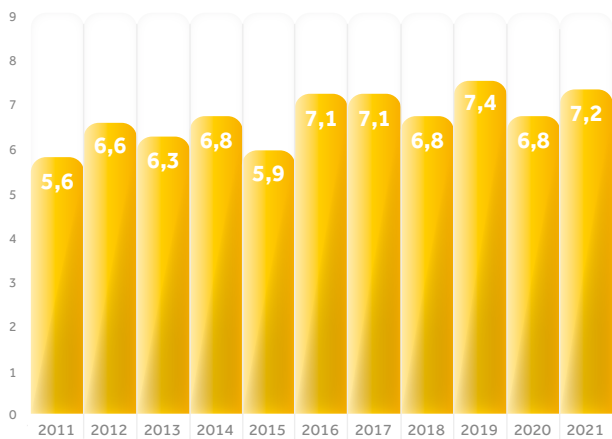
**TELECOMMUNICATIONS / ICT**



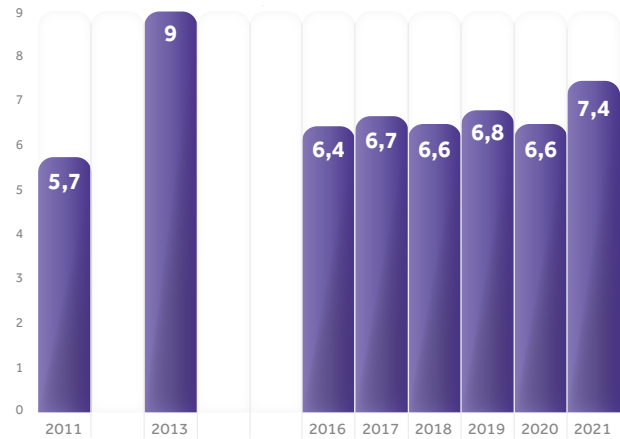
**MANUFACTURE/ENERGY**



**BANKING / FINANCE**



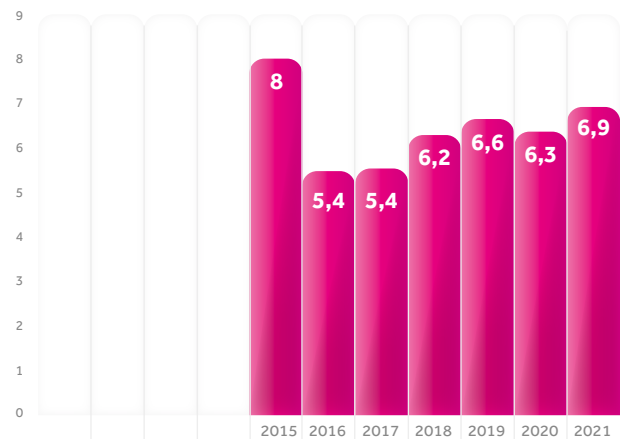
**TRADE / RETAIL**



**TOURISM**



**TRANSPORT / LOGISTICS**



ut the year 2021, the growth of all indices is observed and this is understandable bearing in mind the overall MFIC Index increase. Accordingly, **the biggest index is recorded in telecommunications and ICT industry, increase by 0.7%. Compared to 2020, tourism and trade industry records the greatest increase by 0.8%, transport/logistics have increased by 0.6%, banking/finance increased by 0.4% and manufacture/energy records the increase by 0.3%.**

## 1. TELECOMMUNICATIONS AND ICT

The data show that Telecommunications and ICT have the scores higher than other industries for years already and from 2012 to 2019 the business environment in this segment has been improving. While the score for 2019 was record one (7.6) and 2020 rating dropped for 0.6 points, 2021 rating has increased to 7.7. The industry has the highest rating compared to other sectors.

## 2. BANKING/FINANCE

After record year 2019 and score of 7.4, banking/finance industry records a decrease of 0.6% in 2020 followed by increase by 0.4% and score 7.2 in 2021 which is still below 2019 score.

## 3. TOURISM

Tourism industry had a very challenging year 2020 with the lowest score of 6.1. Still, there is an increase by 0.8% in 2021 so the score of 6.9 is a return to 2019 score. Bearing this in mind, we see that tourism rebound has started, that we had a successful season and the government support measures helped this industry.

## 4. PRODUCTION/ENERGY

Production/Energy industry records low ratings for these eleven years of evaluation, the lowest ratings compared to other industries. In 2021, the score increased to 5.9 (increase by 0.3%) but the same trend in comparison with other industries remains.

## 5. TRADE/RETAIL

Trade/retail industry had a big increase in 2021, by 0.8% and in that sense, this industry is an indicator that this industry suffered less damage in pandemic year (the decrease was only 0.2 at that time). Current score is above the scores recorded since 2016

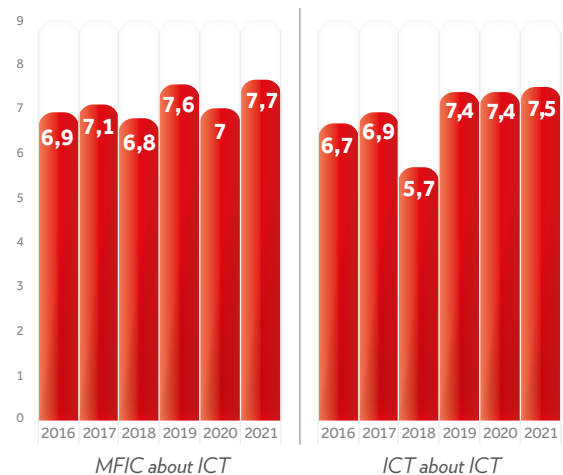
## 6. TRANSPORTATION/LOGISTICS

Transportation/logistics, similar to trade industry, records an increase by 0.6 in 2021 and has the score of 6.9. This score is above the scores recorded since 2016.

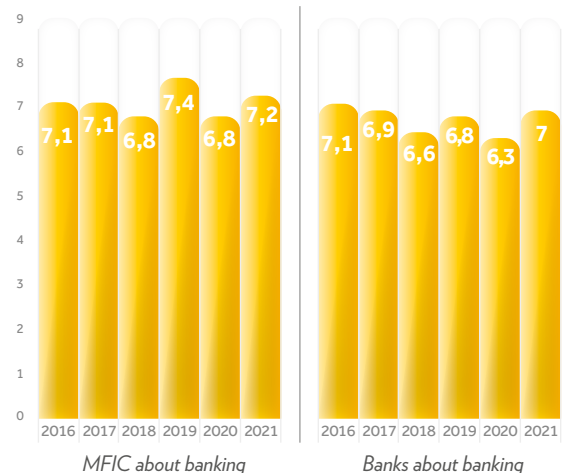
An important part of the analysis is how representatives of the industries perceive their own industry. The evalu-

*The opinion of the MFIC members representing telecommunication and ICT sector, banking and finance industry and tourism on the situation in their respective industries from 2016 to 2021:*

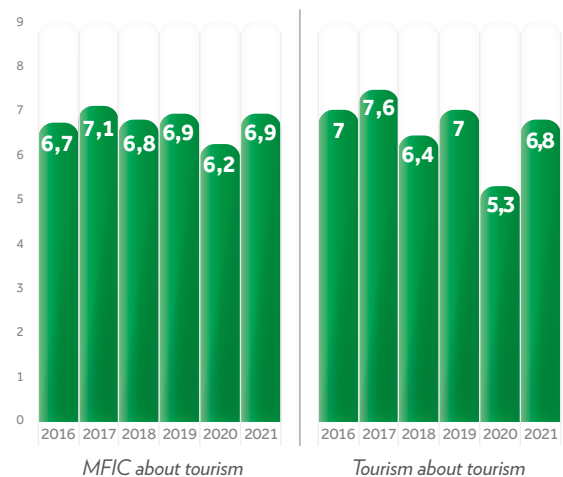
What ICT sector in MFIC thinks about development of ICT environment?



What banking sector in MFIC thinks about development of banking environment?



What tourism sector in MFIC thinks about development of tourism environment?



ations of the representatives from ICT, banking and tourism on the environment in their respective industries from 2016 to 2021 are given below:<sup>1</sup>

For third consecutive year, **members representing telecommunications and ICT industry within the MFIC** gave identical average score 7.4 which is the greatest score in this industry since the evaluation is done in this way. Bearing in mind that there was an increase from 5.7 to 7.4 in 2019 (the greatest score increase at the time), keeping the same score for three years shows optimism that this industry managed to deal with economic problems caused by the pandemics. If we compare the score of all members for 2021 in relation with the abovementioned score, the difference is 0.3 in favor of all members' score.

Like in previous years, in 2021 as well, the ICT industry is recognized as the industry of priority by the MFIC, and some specific actions were initiated in order to define and implement the measures for further development in this area.

**Members representing banking sector with the MFIC (the banks)** gave the score 7 to their industry in 2021 while all MFIC members rated it 7.2. Both scores have increased compared to 2020 and the banks increased their rating by 0.7%.

Additionally, if **we add the ratings of the insurance companies to the banking industry**, we get the score of 7.7 which is a record year and significantly higher than 2020 (2020:6.9, 2019 – 7.2; 2018 – 6.7). Compared with the rating given by the banks, a significant increase of 0.7 points is observed which shows that the insurance companies had positive impact to overall MFIC index.

Finally, **members representing tourism industry** with the MFIC rated their industry 6.8 what is an increase by 1.5 but it is not at the level of 2019 and the score of 7. Due to the pandemics, this industry had the largest decrease of 1.7.

## INDIVIDUAL FOCUS AREAS



Like every previous year, to rate the individual focus areas, our members considered to what extent each of the categories listed below impacts positively or negatively their business:

- ▼ The labor market and employment include several issues such as severance payments, fixed-term contracts, sick leave, etc.
- ▼ Property development for this particular purpose relates to construction permits, registration, land registry, implementation of mortgage contracts, real-estate appraisal, etc.
- ▼ Taxation/contributions refers to various fees, taxes, levies and the overall consistency and transparency in paying taxes/evasion of payments.
- ▼ Corporate governance includes financial reports, bankruptcy regulation, VAT harmonization with the EU and audit practices.
- ▼ Rule of Law and provisioning of public services includes the length of commercial disputes and court cases, permits and licenses, temporary residence and work permits, etc.

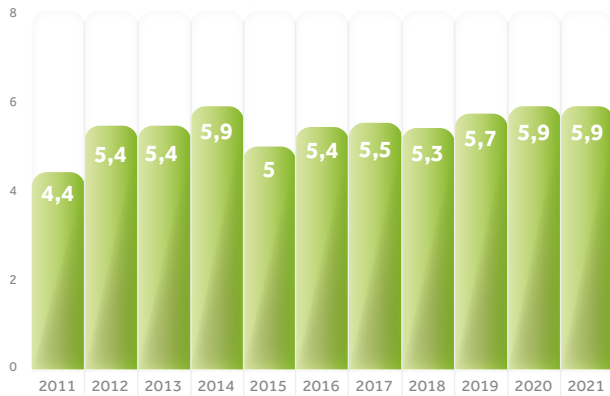
Despite overall MFIC Index growth and score increase for individual industries, it is very interesting that we witness in 2021 the decrease in four abovementioned categories and the same result as in 2020. Even in pandemic 2020 year we had an increase in 2 categories (+0.2 for labor market and employment and taxation). The highest score in all categories in 2021 is 6.1 and it reminds that these areas are recognized repeatedly as priority by private sector but significant progress is not observed. Unfortunately, this year's results raise concern regarding the rule of law which records a decrease by 0.4 and it is 4.9 what is close to the 2011 score (4.8) when it was the lowest since this evaluation applies.

Like in previous years, according to the MFIC members the **rule of law** should be stressed out as an area of key importance for further improvement of business environment. By analyzing prior ratings and after three consecutive years with the rating of 5.6, there is a slight increase to 5.7 in 2019. Still, the years 2020 and 2021 had negative impact to this segment where we obser-

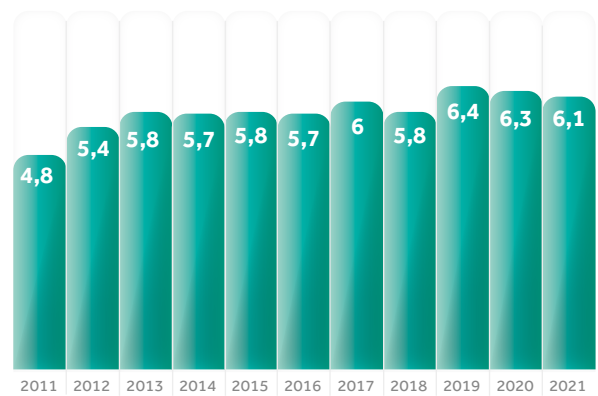
<sup>1</sup> The data per industries were not analysed in previous years



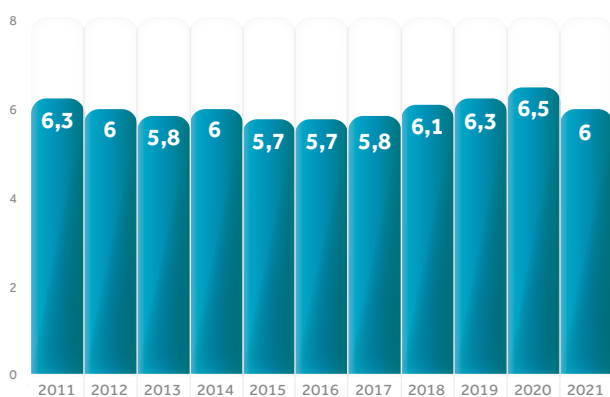
### LABOR MARKET



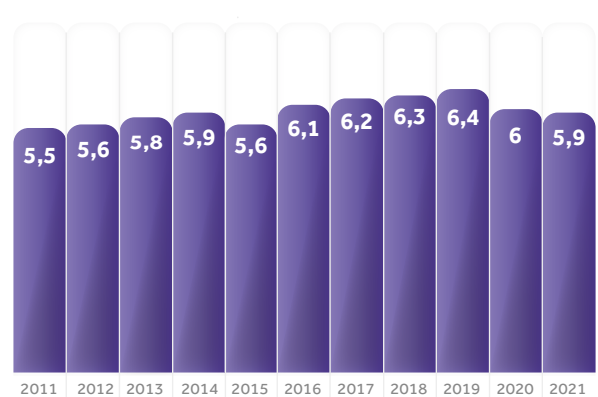
### PROPERTY DEVELOPMENT



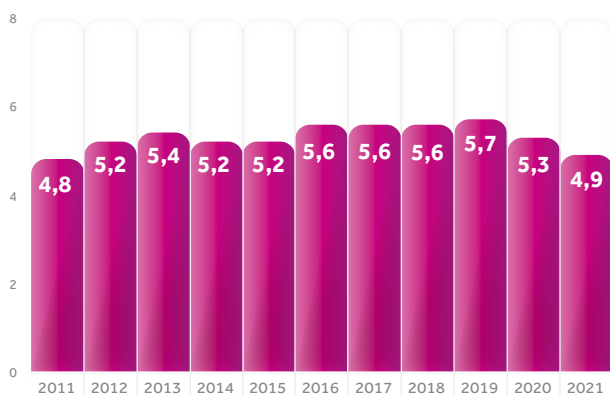
### TAXATION



### CORPORATE GOVERNANCE



### RULE OF LAW



ve annual decrease of 0.4. We firmly believe that these scores and the trend of poor perception must be seriously analysed by judicial and executive power and that specific steps must be taken. Monitoring the implementation of the activities to improve the rule of law will remain at the top of the MFIC priorities in the following years as well.

In 2018 and 2019, **labor law and employment** were par-

ticularly popular topics in the light of adopting new Labor Law. The investors advise, as they did before, that a systematic reform continuation is needed in terms of harmonization with the EU standards. The adoption of the Labor Law, as one of the crucial systemic laws, especially complex due to often misinterpreted different interests of employers and employees, marked the year 2019 and its implementation was evaluated in the 2020 questionnaire with score increase by 0.2. The score in

2021 remains the same, 5.9, and it demonstrates that the reforms must continue and regulations must be further improved. The amendments to the Labor Law will be in the focus of the MFIC.

**Property development** shows a continuous decrease, by 0.3 compared to the record year 2019 and it reaches 6.1 now. This shows that the pandemics had negative impact on property industry.

After minimum increase in 2019 and a significant decrease of 0.4 points in 2020, **corporate governance** records additional decrease by 0.1 with the score of 5.9. Foreign investors recognize the importance of corporate governance for their operations but they witness no progress in this area.

**Taxation**, as particularly important category, recorded a smaller increase and record score in 2020 to witness the decrease by 0.5 in 2021. It is at the level of 2014 score now. The rating for this area is quite stable and it ranges between 5.7 and 6.5 for the previous 10 years, with the highest ranking given in 2020. Tax policy is one of the most important areas which has a direct impact on business conditions and competitiveness.

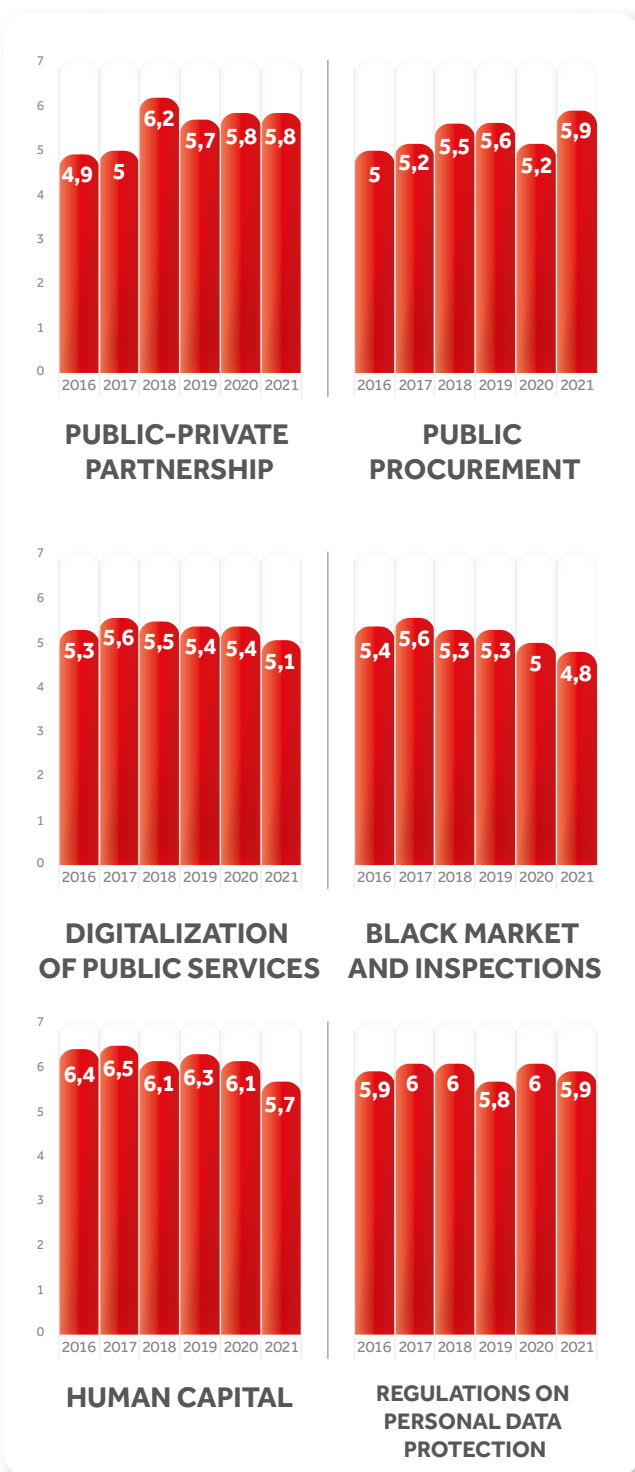
## NEW INDIVIDUAL AREAS FOR RATING

By taking into account the priorities of the MFIC members and for more detailed analyses of business environment, a few new categories were introduced since 2016 that the MFIC members recognized as important that need to be in focus of the state authorities, since they are representing the existing or potential barriers to businesses. These are Human Capital, Black Market and Inspections, Regulations for Public-Private Partnership, Public Procurement, Digitalization of Public Services, Regulations on Personal Data Protection.

The results of the analysis made by the MFIC members are given below.

Out of six analysed areas, only **public procurement** recorded increase by 0.7. The procedure for electronic procurement was recognized as reform procedure what was confirmed in the annual report of the European Commission.

Regulations related to **public and private partnership** keep the same score of 5.8 saying that we did not



have any important progress in 2021 nor examples of its application.

Four categories record a decrease as given below:

1. **Human capital** records the highest decrease by 0.4 with the score 5.7 which is the lowest since this kind of evaluation is introduced;
2. Even though ICT industry records the biggest increase, **public sector digitalization** is rated 5.1 or it decreased by 0.3. Foreign investors' expectations that this process is followed by the digitalization process in private sector are not met;

3. Besides the rule of law score, black market score raises concerns as well – it decreased by 0.2 to 4.8 score; such low score has not been recorded before and it demonstrates that the activities regarding the fight against black market lack;

4. Regulations on **personal data protection** are rated 5.9 what is a decrease compared to 2020 score.

It can be concluded that these categories have constant low score up to 5.9, with the exception of public procurement, and they have not recorded any increase since 2016. Decision makers should transform these messa-

ges into priorities and harmonize them with international standards and practices.

In the next period, the MFIC will support the development and reforms in these areas with concrete proposals. The MFIC members are willing to get involved and contribute to decision makers in order to have better results for better competitiveness of business climate of the country.





# MONTENEGRO - OVERVIEW

**NOTE:** *having the intention to provide within the White Book a broader overview of business environment and to summarize the data collected from other relevant sources, we will present in the following section the data taken from the published and publicly available local and international reports which might be useful to the readers of this edition. Those data do not represent the opinions of the Council Members nor the official positions of the Council as organization – the data were not subject of our research in the format in which it is presented here. We would like to use this opportunity to thank the organizations from which the data were taken.*

**M**ontenegro has made some progress and is moderately prepared in developing a functioning market economy. The country experienced a sharp recession in 2020 as the COVID-19 pandemic took a heavy toll on its tourism-dependent economy. This created large negative spill over effects on private consumption, investment, employment, trade and public finances. To support citizens and the economy, authorities implemented several economic support packages. These measures were, to a large extent, well targeted, transparent and of a temporary character. In spite of some delays due to the pandemic, the government continued implementing some of the envisaged reforms to improve the business environment. An orderly government transition in the middle of the crisis preserved the effectiveness of the COVID-19 policy response. The new government managed to mitigate fiscal risks by accumulating sizeable fiscal buffers to cover the 2021 financing needs, including for additional COVID-19 support programmes. The financial sector remained stable during the crisis, as a result of its strong pre-crisis position and the support measures implemented by the authorities, but the delayed impact of the crisis on bank balance sheets calls for close monitoring of the financial institutions.

Last year's recommendations were addressed to a large extent. In the coming year, in order to improve the functioning of the market economy, Montenegro should in particular:

- ▼ once the recovery is entrenched, implement a medium-term fiscal consolidation plan foreseeing a meaningful reduction of the budget deficit and the public debt ratio;
- ▼ strengthen fiscal governance by setting up an independent body for fiscal oversight;
- ▼ support the economy by reducing public sector arrears and deadlines for VAT return;
- ▼ further reduce institutional and legal obstacles to swift and effective NPL resolution and ensure sound credit risk management, a transparent display of asset quality and adequate provisioning;
- ▼ develop and implement concrete actions and measures to reduce the informal economy.

One of the first measures of the new government was to reaffirm its commitment to the EU path. Combating the COVID-19 pandemic while finding a balance between stabilizing public finances and supporting economic activity quickly became top priorities. Despite the change of government, there has been a continuity in the policy response to the crisis. The governments implemented five socioeconomic support packages totalling some 6% of GDP in 2020 and additional 7% of GDP in 2021 (including loan support programmes). Measures combine direct wage subsidies, favourable

loan programmes, tax deferrals and other actions targeting the most vulnerable sectors. Montenegro has also received rapid emergency support from various international institutions, including EUR 60 million Macro-Financial Assistance from the EU, whose final instalment was disbursed on 1 June 2021, after Montenegro fulfilled all policy conditions. The new government's Economic and Reform Programme (2021-2023), adopted with a delay in April 2021, projects a rather ambitious fiscal consolidation path relying on a quick recovery of the economy, a fall in public investment spending and a tight control of current expenditure.

After recording a relatively fast pace of growth in the previous five years, Montenegro suffered one of the deepest recessions in Europe in 2020. The COVID-19 outbreak had an overwhelming impact on Montenegro's tourism-dependent economy as this sector accounts for more than 20% of GDP, while 74% of all jobs are in the service sector. Therefore, the collapse in foreign tourist arrivals in 2020 contributed to a massive contraction of the economy by 15.2%. The negative performance of net export was the key trigger of the recession, but not the only one. Social distancing measures and the closing of retail shops and catering services depressed private consumption too, while weak business confidence and a high degree of uncertainty constrained investments. Rising government expenditures could only partially cushion the deep recession. Overall, rapid growth in the pre-crisis years brought Montenegro's per-capita income in purchasing power standards from 41% of the EU-27 average in 2014 to 50% in 2019, to fall back to 46% in 2020 due to the COVID-19 crisis.

The economy still suffered from the restrictions to contain the epidemiological situation in the first quarter of 2021, with real GDP contracting by 6.4% y-o-y. Strong base effects, the easing of containment measures and some pick-up in tourism activity turned annual growth positive in the second quarter, as retail sales surged by 19.6% y-o-y, exports rose by 53.4% y-o-y, while the rise in domestic demand also fuelled a sharp (28.6% y-o-y) increase in imports.

Net FDI inflows remained high in 2020 thanks to a reduction of capital outflows. Overall, net FDI totalled 11.2% of GDP in 2020 compared to 10.1% on average in the previous five years, thus covering 42.9% of the current account deficit. The rest of the deficit was financed through reserves and new debt issuance. However, the increase in net FDI was driven by a substantial drop in FDI outflows in 2020, after the temporary surge in outflows in 2019 due to the buyback of the electric po-

wer company's shares from a foreign investor. Net FDI eased to 9.4% of GDP in the four quarters to June 2021. The reimbursement of maturing sovereign debt using government deposits reduced the stock of international foreign exchange reserves from the equivalent of 8.2 months of imports at the end of 2020, to 6.8% in June 2021.

Further progress was recorded in the reduction of the tax burden. The number of local taxes and fees has been cut. In addition, a registry of fiscal and para-fiscal charges on state and local level was established in March 2021, facilitating business processes and increasing transparency. The new government decided to discontinue the programme of granting Montenegrin citizenship in exchange for investment in the country due to its poor results. Overall, the number of active e-services on the government's electronic portal increased to 575 in 2020, although most of them remain informational, and electronic payments under e-government services remain underdeveloped. The first electronic public procurement system was launched in January 2021. Montenegro's alternative dispute resolution mechanisms relies on the bailiff system for enforcement of debt claims. However, the system for collection of claims needs to be reinforced, as indebtedness of local businesses remain a major challenge. In March 2021, there were more than 19,000 frozen bank accounts (almost one third of registered businesses), totalling claims worth EUR 809 million (or 17.6% of GDP). The issue of informality in Montenegro mainly concerns informal wages and some informal labour, rather than unregistered firms. As a result, a significant proportion of the population is reliant on the informal economy, suffering disproportionately during the economic downturn, as they did not qualify for wage subsidies like in the formal economy. So far, government's fight against informality relies primarily on the control measures, a more efficient work of the inspection services and the deployment, in 2021, of new systems of electronic fiscal invoices and for electronic management and security printing of excise stamps.<sup>1</sup>

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<sup>1</sup> European Commission: Montenegro Report 2021

## EU INTEGRATION PROCESS

Montenegro is a member of the UN, NATO, the World Trade Organization, the Organization for Security and Co-operation in Europe, the Council of Europe, the Central European Free Trade Agreement and a founding member of the Union for the Mediterranean, and on the path towards the EU membership.

Within the framework of accession negotiations by October 2021, all 33 screened chapters, including chapters 23 and 24 on the rule of law, were opened while three chapters were provisionally closed (science and research, Education and culture and External relations). Montenegro is participating in the Stabilisation and Association Process. Overall, Montenegro continued to broadly implement its obligations under the Stabilisation and Association Agreement (SAA). Regular political and economic dialogue between the EU and Montenegro has continued through the SAA structures. The Stabilisation and Association Committee met in December 2020. Regular subcommittee meetings were held throughout the period. The Stabilisation and Association Parliamentary Committee met in May 2021.

Montenegro participates in the ministerial dialogue between the economic and finance ministers of the EU and the candidate countries, which aims at helping the latter to gradually meet the economic accession criteria and be better prepared in terms of economic reforms, competitiveness and job creation. The most recent meeting was held on 17 June 2021.

Montenegro is currently benefitting from EU financial assistance under the Instrument for Pre-accession Assistance (IPA) with an allocation of EUR 279.5 million for the period 2014-2020. This was programmed based on the priorities set out in the Indicative Strategy Paper. However, with the outbreak of the COVID-19 pandemic EUR 53 million was reprogrammed in order to support the authorities' social and economic response to the crisis, with particular emphasis on protecting the most vulnerable in society. This amount includes support for providing the delivery of emergency health supplies, a focused social and health programme, and a Budget Support programme. As part of the wider COVID-19 response, the EU also made available a Macro Financial Assistance scheme of EUR 60 million in highly favourable loans in order to underpin the local economy.

The IPA III Regulation for the 2021-2027 financial period will continue to provide financial support to the region and also finance the regional Economic Investment Plan (EIP) for the Western Balkans. The EIP, accompanied by the Green Agenda for the Western Balkans, was agreed by the Commission and the governments of the region in October 2020 and aims to spur the long-term economic recovery of the region, support a green and digital transition, and foster regional integration and convergence with the European Union.

Montenegro continues to benefit from support under the IPA multi-country and regional programmes. These programmes have been also, in part, repurposed to address the response to the COVID-19 crisis. Additionally, Montenegro participates in four cross-border cooperation programmes with neighbouring Western Balkan candidate countries and potential candidates as well as in transnational cooperation programmes with Member States under the European Regional Development Fund and the IPA Adriatic cross-border programme.

Montenegro continues to benefit from participation in the following EU programmes, with IPA support: Erasmus+, Creative Europe (Culture and Media strands), Employment and Social Innovation, Horizon 2020, Customs 2020, Fiscalis 2020, Competitiveness of Enterprises and Small and Medium-Sized Enterprises Programme (COSME). Montenegro also participates with their own funds in the EU Justice Programme<sup>2</sup>.

## EUROPEAN COMMISSION: MONTENEGRO REPORT 2021

The role of civil society is recognised and promoted, however the current legal and institutional framework needs to be further improved to strengthen the consultation and cooperation mechanisms between state institutions and the civil society in the context of the EU accession process.

Montenegro is moderately prepared on the reform of its public administration. Overall, limited progress was made in the reporting period. The change of government and of the parliamentary majority severely affected the civil service: amendments to the Law on Civil Servants and State Employees lowered the require-

<sup>2</sup> European Commission: Montenegro Report 2021

ments for competence, independence and merit-based recruitment of civil servants. Moreover, the recent reorganisations of public administration led to substantial staff changes, including at senior levels, jeopardising Montenegro's capacity to retain experienced staff in EU-accession process related matters in many sectors. Strong political will is needed to effectively depoliticise the public service, optimise the state administration and implement managerial accountability.

Montenegro remains moderately prepared to apply the EU acquis and European standards in the area of judiciary and fundamental rights and has made limited progress overall, with limited track record on accountability. No progress has been made in the area of the judiciary and the implementation of key judicial reforms is stagnating. The decisive political commitment needed to unblock important segments of those reforms is still outstanding, with a number of appointments to the judiciary remaining pending in Parliament due to the inability to secure a qualified majority. Despite a more proactive approach of the Anti Corruption Agency, corruption remains prevalent in many areas and an issue of concern. On fundamental rights, Montenegro continued meeting obligations from international human rights instruments and legislation. However challenges remain in ensuring that national legislation on human rights is implemented effectively. There was limited progress in the area of freedom of expression.

Montenegro has achieved some level of preparation in the fight against corruption. It made limited progress, with last year's recommendations partially met with regard to further results on track records on repression and prevention of corruption and the efforts of the AntiCorruption Agency to address its challenges. Track record on seizure and confiscation of assets needs to be further improved. The Anti-Corruption Agency (ACA) under new management demonstrated a more proactive approach, especially in stepping up its communication and outreach activities towards the general public, media and civil society and in addressing the caseload pending from previous years. Despite this positive trend, challenges related to Agency's independence, priority-setting, selective approach and the quality of its decisions remain and require sustained efforts in this respect. Corruption remains prevalent in many areas. There is a need for strong political will to effectively address this issue, as well as a robust criminal justice response to high-level corruption.

Montenegro has some level of preparation/is moderately prepared in the fight against organised crime.

It made some progress in addressing last year's recommendations, in particular in improving access for law-enforcement agencies to key databases and increasing the number of investigators and experts in key areas. The number of organised crime cases investigated and prosecuted continued to grow, and the number of cases adjudicated at courts nearly tripled. International police cooperation is well established and continued to yield results, with unprecedented drug seizures abroad. However, the capacity to address tobacco smuggling and money laundering is not yet at the expected level. Montenegro still needs to address some systemic deficiencies in its criminal justice system, including the way organised crime cases are handled in the courts.

On the economic criteria Montenegro has made some progress and is moderately prepared in developing a functioning market economy. The country experienced a sharp recession in 2020 as the COVID-19 pandemic took a heavy toll on its tourism-dependent economy. This created large negative spill over effects on private consumption, investment, employment, trade and public finances. To support citizens and the economy, authorities implemented several economic support packages. These measures were, to a large extent, well targeted, transparent and of a temporary character. In spite of some delays due to the pandemic, the government continued implementing some of the envisaged reforms to improve the business environment. An orderly government transition in the middle of the crisis preserved the effectiveness of the COVID-19 policy response. The new government managed to mitigate fiscal risks by accumulating sizeable fiscal buffers to cover the 2021 financing needs, including for additional COVID-19 support programmes. The financial sector remained stable during the crisis, as a result of its strong pre-crisis position and the support measures implemented by the authorities, but the delayed impact of the crisis on bank balance sheets calls for close monitoring of the financial institutions.<sup>3</sup>

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<sup>3</sup> European Commission: Montenegro Report 2021





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# MONTENEGRO

on its European path

#EUenlargement

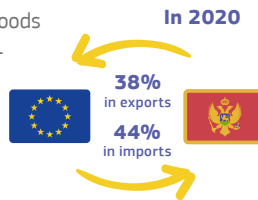
## Key milestones

- DECEMBER 2008**  
Application for EU Membership
- MAY 2010**  
Entry into force of the Stabilisation and Association Agreement
- DECEMBER 2010**  
EU candidate country status granted
- JUNE 2012**  
EU decides to open accession negotiations
- OCTOBER 2020**  
Commission proposes Economic & Investment Plan to support and bring the Western Balkans closer to the EU

Source: EU Data

## Trade & investment

- The EU is Montenegro's biggest trading partner
- The EU's Foreign Direct Investment in Montenegro reached €87.5 million in 2020
- Volume of trade in goods with the EU was €1.1 billion in 2020



## EU funding

- The EU is the largest provider of financial assistance to Montenegro
- €504.9 million in EU pre-accession funds 2007-2020
- €804 million provided in European Investment Bank loans since 1999
- €194.9 million provided since 2009 in Western Balkans Investment Framework grants, to leverage investments of estimated €1.8 billion

## Mobility & empowerment

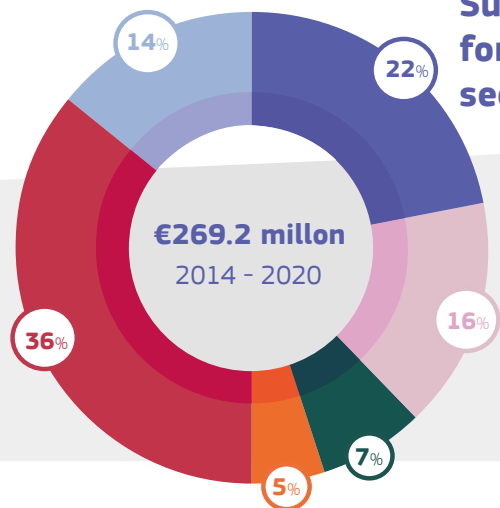
- Visa-free travel to the EU since December 2009
- Over 4,153 participants from Montenegro in student, academic and youth exchanges under ERASMUS+ (2014-2020)
- Reforms of the social welfare and child-care systems implemented with EU support
- €14.4 million in support to civil society (2014-2020)

## Supporting transformation

- Strengthening democracy: rule of law, justice and fundamental rights
- Reforming public administration
- Fostering competitiveness and supporting business development
- Working towards a cleaner environment and safer food supply

## Support for key sectors

- Democracy and governance
- Rule of law and fundamental rights
- Environment, climate action and energy
- Transport
- Competitiveness, innovation, agriculture and rural development
- Education, employment and social policies



## COVID-19 response

In December 2020, the Commission adopted a **€70 million** package of grants to help fund the access of Western Balkans partners to COVID-19 vaccines. A part of these grants covered the delivery of 650,000 doses of BioNTech/ Pfizer COVID-19 vaccines to all the Western Balkans - funded by the EU and facilitated by Austria - between May and August 2021. In February 2021, the Commission launched a project of over €7 million jointly with WHO, to support readiness for vaccination efforts and resilient health systems in the Western Balkans.

[ec.europa.eu/neighbourhood-enlargement](https://ec.europa.eu/neighbourhood-enlargement) | [facebook.com/EUnear](https://facebook.com/EUnear) | [twitter.com/eu\\_near](https://twitter.com/eu_near)

Last updated: 10/2021

## EBRD TRANSITION REPORT 2021-2022: SYSTEM UPGRADE: Delivering the Digital Dividend

### HIGHLIGHTS:

- ▼ The economy is recovering from a deep recession in 2020. Gross domestic product (GDP) fell by more than 15 per cent in 2020 but data from the second quarter of 2021 show a strong recovery in foreign tourist overnight stays, retail sales and manufacturing output.
- ▼ Progress has been made on the country's digital agenda. The electronic monitoring of fiscal cash registers has begun and a new electronic platform is enabling the rapid establishment of new companies.
- ▼ The country has announced a date for phasing out coal. Montenegro has joined the Powering Past Coal Alliance and has committed to ending power generation from coal by 2035.

### KEY PRIORITIES FOR 2022:

- ▼ The government needs to step up fiscal consolidation once Covid-19 concerns recede. To ensure fiscal sustainability, it is important not only to improve public investment management and tax collection, but also to adopt a comprehensive medium-term public debt management strategy and establish a fiscal council to strengthen the oversight of fiscal policy. Public investment projects should be assessed carefully and prioritised based on a cost-benefit analysis.
- ▼ State-owned enterprise (SOE) governance should be enhanced. Montenegro has a relatively large SOE sector and some important companies are run inefficiently. Adopting a government policy or law that defines the overall objectives of state ownership and its effective implementation would be desirable.
- ▼ A “just transition” for the planned phase-out of coal should be ensured. To mitigate the negative social and economic impacts of closing coal-fired power plants in the affected regions, it is important to work out in advance a strategy to address associated labour and regional development issues.<sup>4</sup>

<sup>4</sup> EBRD Izveštaj o tranziciji 2021-2022: Unapređenje sistema: realizacija digitalne dividende

## THE WORLD BANK: THE WESTERN BALKANS REGULAR ECONOMIC REPORT, GREENING THE RECOVERY

- ▼ After deep recession in 2020, Montenegrin economy is recovering faster than expected.
- ▼ Immunization progress, healthcare protocols and open borders helped revive tourism.
- ▼ Despite tourism recovery, the unemployment is still pretty high.
- ▼ The large Eurobond issuance in December 2020 has relieved financing pressures in 2021, along with reduced fiscal deficit. Still, careful fiscal and debt management remains critical, as uncertainties loom.

### Recent Economic Developments

**While tourism was the main culprit for the economic downturn in 2020, it is now driving the economic revival.** After a historic recession of 15.3 percent in 2020, the economy has been showing signs of a robust recovery. It is estimated that GDP will bounce back by 10.8 percent in 2021, stronger than previously estimated. This is due to swifter tourism recovery—we now assume that tourism revenues will rebound to 75 percent of their 2019 levels, from 55 percent previously estimated. This rebound will boost exports, which are expected to lead the economic recovery in 2021. Despite lower employment, tourism and household lending are expected to boost private consumption growth. However, government consumption is estimated to decline, while investments are expected to increase only slightly due to delays in public investment projects, supply-chain disruptions, and higher cost of materials.

**High-frequency indicators point to a recovery but also show the economy's scars from the pandemic.** In the first seven months of 2021, the number of overnight stays in tourist Collective accommodations were 56 percent of the 2019 levels, but the peak season star-

ted in July, with overnight stays reaching 90 percent of the 2019 level. Data from the national tourism organization point to an equally robust tourism demand in August (July and August usually account for almost half of annual overnight stays). Retail trade strengthened by 6 percent in the first half of 2021. In the same period, an increase of 10 percent in industrial production was largely driven by electricity generation, while construction was at the same level as a year ago.

**The recovery has yet to ignite the labor market.** Since the pandemic began, the administrative data show a persistent decline in employment, which reached a record low of 149,371 registered jobs in June (compared to 178,178 in June 2020 and 213,488 in June 2019). Loss of jobs was recorded in all sectors, but trade, construction, and tourism have taken the biggest hit, though tourism jobs are expected to have partly recovered due to intensifying tourism activity. Registered unemployed rose from 41,890 in June 2020 to 55,703 in June 2021, of which over 60 percent of newly registered unemployed were women. The government has continued paying wage subsidies and one-off transfers, including incentives for formalization of employment. This support has helped to avoid worse labor market outcomes. The Parliament has adopted an increase in the net monthly minimum wage from €222 to €250, effective October 1.

**Stronger demand and higher oil prices have pushed up inflation.** As economic activity has picked up, so has inflation, and in the eight months it averaged 1.7 percent, with July and August inflation rates reaching 3.1 percent. The increase in inflation was led by rising food, beverage, and transportation prices. Producer prices grew more moderately, and by June the Producer Price Index had increased by 1.3 percent. In the first seven months, nominal wages increased by 1.3 percent, but real wages fell marginally by 0.2 percent.

**The financial sector has so far been resilient.** In the first seven months of 2021, outstanding loans were up by 7.3 percent, driven by household and non-resident lending. At the same time, deposits were up by 16 percent, most notably for firms, households, and non-residents. The lending-to-deposits ratio declined to 89 percent, back to its pre-pandemic level. By July, new lending surged by 57 percent, though it remained below its 2019 level. The June average capital adequacy ratio was at a healthy 19.2 percent, well above the regulatory minimum. Nonperforming loans increased to 6.3 percent of total loans from 5.6 percent in June last year. The full impact of the crisis on bank asset quality will only be clear once the generous loan moratoriums expire in December and if corporate bankruptcies rise after government crisis response programs are phased out. The Central Bank

has commissioned an Asset Quality Review (AQR) to identify stressed assets and make necessary provisions in banks' balance sheets. After delays due to the pandemic, the AQR shall be published in September and may reveal vulnerabilities that would require decisive action by the Central Bank.

**External imbalances are expected to narrow as net exports and net income accounts strengthen.** In the first half of 2021, exports of goods and services increased by 40 percent, supported by a recovery in tourism and transport services, but also stronger merchandise exports—primarily of electricity, minerals, and metals. In contrast, import growth was more moderate, edging up by 3 percent, largely driven by imports of food, beverages, and oil. Net primary and secondary incomes have further reduced the current account deficit, primarily due to strong net remittances, which increased by 75 percent compared to the same period last year. The current account deficit was financed by drawing down reserves and net foreign direct investment (FDI), although the latter declined by 20 percent. By July, international reserves increased to €1.4 billion, covering 7.7 months of merchandise imports.

**The 2021 budget was adopted only in June and introduced more meaningful program budgeting.** The budget defines objectives and key performance indicators, although not for all programs. Until the 2021 budget was adopted, the Ministry of Finance and Social Welfare was issuing monthly temporary decisions on financing. The budget proposed by the government initially planned a fiscal deficit of 3 percent of GDP but was eventually increased to 3.8 percent of GDP due to the allocation of €25 million for reintroducing mothers' benefits transfers. The 2021 budget also introduced child benefits for all children until the age of six and financing of textbooks for all primary school students. There is room to raise the inclusiveness and spending efficiency by reviewing the current social protection system to increase its effectiveness and targeting and minimize potential adverse labor market participation effects.

**Stronger revenues are supporting fiscal deficit reduction.** In the first seven months of 2021, central government revenues increased by 11.3 percent, primarily supported by stronger value-added tax (VAT) and non-tax revenue collection (including dividends from state-owned enterprises). In June, the Law on E-fiscalisation entered into force and is expected to further support VAT collection. Expenditures declined by 4.5 percent, mainly driven by under-execution of capital spending (due to delays in adopting the budget), but also lower spending on goods and services. The government has continued supporting the private sector and households

through wage subsidies and one-off support until July. To further support the recovery, the government has also provided €40 million for subsidized loans for micro and small and medium-sized enterprises, which will be administered through commercial banks.

**After peaking at 105 percent of GDP in 2020, public debt is expected to decline to 88 percent in 2021.** Securing financing through issuance of €750 million in Eurobonds in December 2020 has significantly relieved financing pressures in 2021. By July, the central government net debt was reduced by over €300 million, including a repayment of €227 in Eurobonds in March. Fiscal surpluses in June and July supported the buildup of government deposits, which are expected to cover the remaining financing needs for 2021. The government has reduced fiscal risk by signing a hedging agreement to protect against exchange rate risk as it started repaying the loan for the construction of the first section of the Bar-Boljare highway.

## Outlooks and risks

**The pandemic continues to pose challenges, as new virus variants raise doubts about the pace of the global recovery.** In the second week of September, Montenegro had the fifth highest number of cases in seven days in the world and is ranked third in the total number of infected people per million inhabitants. The vaccination process started at a fast pace in May, and by mid-September 43 percent of the adult population has been fully vaccinated. The evolution of the pandemic will largely shape the near-term economic outlook.

**Assuming a full recovery in tourism in 2022 and 2023, growth is expected to remain strong at 5.6 and 4.8 percent, respectively.** Investments are expected to level off in 2022 as the construction of the first section of the highway is expected to be finalized by end 2021. Investment is projected to grow in 2023 supported by projects in the energy sector. The government announced stronger public capital spending starting in 2022, which would further support medium-term growth. However, public investment management challenges should be addressed to ensure stronger economic effects. Private consumption will continue to support growth as employment gradually starts recovering as a result of improved economic activity. The pace of the recovery of low-skills jobs will determine how quickly poor and vulnerable households can recover their pre-crisis income levels. Addressing long-standing job and low labor participation challenges is critical for robust

job growth and welfare improvements in the recovery.

**Strong fiscal and debt management are needed to accelerate debt reduction.** The fiscal balance is expected to turn into a surplus in 2023, due to lower capital spending and contained expenditures on goods and services and stronger revenues due to the economic recovery. The projections do not assume that the remaining sections of the highway will start by 2023, as fiscal space is projected to remain limited. The government's medium-term plan foresees a primary fiscal surplus of almost 2 percent of GDP in 2022. Running a primary fiscal surplus over the medium term will be critical for debt reduction and will require a sustained consolidation on the spending side. Public debt is expected to decline to 77 percent of GDP in 2022 and further to 70 percent of GDP in 2023, as about €500 million of debt is due for repayment in 2022–23.

**External imbalances are expected to narrow and return to pre-highway levels.** The finalization of the import-dependent motorway section and stronger exports led by tourism recovery are projected to reduce the current account deficit to 11.2 percent and 9.5 percent of GDP in 2022 and 2023, respectively. Net FDI will continue to largely finance the current account deficit and is expected to remain moderate at around 7.5 percent of GDP.

**The outlook is subject to multiple downside risks. Looking at external risks, a new wave of COVID-19 infections in Europe could slow Montenegro's economic recovery.** Moreover, inflationary pressures in the United States and European Union may accelerate monetary tightening, which could translate into more expensive external financing. Domestic risks stem from lower vaccination rates and hesitancy, where possible new containment measures could delay the recovery. Political polarization also remains high. Acceleration of structural reforms and a firm commitment to careful fiscal management, however, can reduce investment uncertainty and improve the outlook. Further strengthening the independence of public institutions, especially the judiciary, would not only improve Montenegro's prospects of joining the European Union, but would also support a resilient economic recovery by ensuring a level playing field for all businesses and entrepreneurs.<sup>5</sup>

<sup>5</sup> WB: Western Balkans regular economic report: Greening the recovery

# INTERNATIONAL REPORTS – ECONOMIC FREEDOMS AND CORRUPTION PERCEPTION

Researches of international organisations on the countries regarding economic requirements for investments and other analyses covering various economic aspects are important precondition for a country to be positioned in a global economic map. This segment is not only important from the political point of view and does not represent only the parameter to rank good and bad market players but it is also a foundation for the reforms in the countries pretending to be leaders in investment context. More serious analyses of the economic environment are of priority to improve the policy of attracting foreign investors and to create economic forecasts to strengthen the economy in the country.

The reports that analyzed Montenegrin economy are Report on Economic Freedoms (Heritage Foundation), Index of Economic Freedoms (Fraser Institute), Index of Corruption Perception (Transparency International) and Index of global competitiveness (the World Economic Forum).

are well ranked, there is no country with 100 points. More than two thirds of total number of the ranked countries in 2021 Index have the results lower than 50.

▼ Global average when it comes to the points is 43 points.

This year, the top countries are Denmark, Finland and New Zealand, each with a score of 88. Norway, Singapore, Sweden, Switzerland, the Netherlands, Luxembourg and Germany complete the top 10.

South Sudan, Syria and Somalia remain at the bottom of the index. Countries experiencing armed conflict or authoritarianism tend to earn the lowest scores, including Venezuela, Yemen, North Korea, Afghanistan, Libya, Equatorial Guinea and Turkmenistan.

Overall, the CPI shows that control of corruption has stagnated or worsened in 86 per cent of countries over the last decade.

## THE BEST AND THE WORST RANKED REGIONS

	Average score	Best ranked country	Worst ranked country
EU & WESTERN EUROPE	66	Denmark Finland	Bulgaria
SUB-SAHARAN AFRICA	33	Seychelles	South Sudan

# CORRUPTION PERCEPTION INDEX – TRANSPARENCY INTERNATIONAL

Transparency International is a leading global organisation of civil society established in 1993 having the mission to create a healthy society without corruption. Its main role is to improve life standard worldwide by undertaking the activities to raise awareness and reduce tolerance towards corruption.

Corruption Perception Index (CPI) ranks the countries and territories according to the perceived corruption levels in public sector. It is an aggregate indicator which combines diverse corruption information sources.

## Eastern Europe and Central Asia

With an average score of just 36 out of 100, Eastern Europe and Central Asia is still the second lowest performing region on the CPI. In Central Asia, governments have used COVID-19 as an excuse to introduce restrictions on rights and accountability, while populist governments in Eastern Europe have severely cracked down on the freedoms of expression and assembly needed to call out corruption.

## Montenegro rating in Corruption Perception Index 2021

Based on CPI 2021, Montenegro ranks 64th compared to 180 countries with the score of 46. This is progress for one place compared to 2020 report.

## Global overview

- ▼ CPI 2021 analyzed 180 countries and territories.
- ▼ Even though the findings show that some countries

# ECONOMIC FREEDOM INDEX – FRASER INSTITUT

Fraser Institute is an independent, international, research and educational organization seated in Canada and the USA. The Institute cooperates actively with similar research and independent organisations in more than 70 countries worldwide. Among the topics covered by the Fraser Institute analysis, there is an assessment of respecting economic freedoms worldwide. The Report “Economic Freedoms of the World 2021” measures economic freedoms in 162 countries based on 42 indicators. To measure the economic freedom, a scale from 0 to 10 is used, whereas higher rank means higher freedom degree. The Report is based on 2018 data (2018 Index).

Economic Freedom of the World Report measures the degree to which the policies and institutions of the countries are supportive of economic freedoms. The cornerstones of the economic freedoms are personal choice, voluntary exchange, freedom to compete in markets, and protection of person and property.

Economic freedom index includes the following areas:

- ▼ Size of government;
- ▼ Legal System and Property Rights;
- ▼ Sound Money;
- ▼ Freedom to trade internationally;
- ▼ Regulation – control of operations, labor market and banking sector.

## GLOBAL RESULT

### Top-rated countries

The most recent comprehensive data available are from 2019. Hong Kong remains in the top position. The apparent increased insecurity of property rights and the weakening of the rule of law caused by the interventions of the Chinese government during 2020 and 2021 will likely have a negative impact on Hong Kong’s score, especially in Area 2, Legal System and Property Rights, going forward.

Singapore, once again, comes in second. The next highest scoring nations are New Zealand, Switzerland, Ge-

orgia, United States, Ireland, Lithuania, Australia, and Denmark.

### Rankings of other major countries

The rankings of some other major countries are Canada (14th), Japan (18th), Germany (22nd), Italy (47th), France (53rd), Mexico (75th), Russia (100th), India (108th), Brazil (109th), and China (116th).

### Ten lowest-rated countries

The ten lowest-rated countries are: Central African Republic, Democratic Republic of Congo, Syria, Republic of Congo, Iran, Zimbabwe, Algeria, Libya, Sudan, and, lastly, Venezuela.

## MONTENEGRO IN WORLD ECONOMIC FREEDOM REPORT: ANNUAL REPORT 2021

According to the report „World Economic Freedom 2021“, Montenegro improved its position for 38 places and is ranked 42nd with the score 7.64. In the previous report, it took 80th position with the score of 6.86.

Montenegro improved its position in all 5 indicators: size of government, legal system and property rights, sound money, freedom to trade internationally and regulation.

## Rank of Montenegro regarding economic freedoms, Indices 2008 - 2019

Mon- tene- gro	AREA										AREA COMPONENTS 5					
	1		2		3		4		5		5A		5B		5C	
	Grade	Rank	Grade	Rank	Grade	Rank	Grade	Rank	Grade	Rank	Grade	Rank	Grade	Rank	Grade	Rank
	Veličina državne uprave - Size of Government		Pravna regulativa i poštovanje imovinskih prava - Legal System and Property Rights		Zdravlje novca - Sound Money		Sloboda međunarodne trgovine - Freedom to trade internationally		Regulacija- kontrola privrede, tržišta rada i bankarskog sektora - Regulation		Regulativa tržišta kredita - Credit market regulations		Regulativa tržišta rada - Labor market regulations		Regulativa u vezi sa poslovnim ambijentom - Business regulations	
2008	5,84	96	5,94	60	7,91	74	7,19	50	7,61	31	9,59	13	7,91	20	5,33	101
2009	5,96	86	6,13	52	9,49	25	6,75	62	8,01	12	9,80	7	8,29	19	5,95	71
2010	6,00	94	6,47	42	9,57	21	7,77	35	7,90	25	9,78	12	8,01	20	5,91	79
2011	5,70	107	6,30	49	8,90	58	7,80	38	7,60	41	9,6	18	7,1	59	6,1	74
2012	6,2	93	5,9	58	9,4	34	7,7	36	7,7	31	10,0	1	7,2	57	6,1	94
2013	7,2	46	5,6	69	8,5	75	7,8	35	6,8	99	6,7	138	7,3	53	6,4	73
2014	6,5	71	5,5	81	8,6	82	8,2	23	7,5	53	8,9	70	7,2	57	6,4	81
2015	5,1	132	4,8	89	8,4	84	8,1	33	7,3	65	8,3	87	6,9	61	6,7	62
2016	6,93	61	4,92	89	8,27	91	8,16	33	6,94	88	6,67	137	7,43	39	6,72	60
2017	5,93	108	4,89	91	8,15	100	8,17	31	7,04	83	6,67	133	7,66	32	6,78	63
2018	5,72	123	5,22	71	8,26	94	8,34	28	7,14	80	6,67	135	7,67	33	7,08	63
2019	6,41	106	5,4	69	9,8	8	8,5	21	8,1	27	9,5	37	7,7	30	7,1	61

## ECONOMIC FREEDOM REPORT - HERITAGE FOUNDATION

Heritage Foundation is founded in 1973 as research and education institute having as a mission the promotion of conservative public policy based on the principle of free entrepreneurship, limited state impact and individual freedoms.

Economic Freedom Index represents the reviews of the Heritage Foundation and in its 28th edition it presents the list of global economic freedoms for 184 graded countries. The publications published by the Heritage Foundation since 1995 follow the ratings of the countries worldwide within 12 economic freedoms which assess rule of law, government size, regulatory efficiency and

open markets.

Economic freedoms are measured based on 12 specific factors, grouped into four broad categories, or pillars graded on a scale of 0 to 100:

- ▼ Rule of Law (property rights, judicial effectiveness, government integrity)
- ▼ Government Size (government spending, tax burden, fiscal health)
- ▼ Regulatory Efficiency (business freedom, labor freedom, monetary freedom)
- ▼ Open Markets (trade freedom, investment freedom, financial freedom).

## GLOBAL OVERVIEW

The 2022 Index, which considers economic policies and conditions in 184 sovereign countries from July 1, 2020, through June 30, 2021, reveals a world economy that, taken as a whole, remains “moderately free.” However, the global average economic freedom score is now 60—a loss of 1.6 points from the previous year’s 61.6.

Despite the notable downturn of global economic freedom, there continues to be a clear relationship between improving economic freedom and achieving higher economic dynamism as well as greater overall well-being. No matter what their existing level of development may be, countries can measurably boost their economic growth by implementing steps to increase economic freedom through policies that reduce taxes, rationalize the regulatory environment, open the economy to greater competition, and fight corruption.

The standard of living, measured by incomes per capita, is much higher in economically freer countries. Economies rated “free” or “mostly free” in the 2022 Index enjoy incomes that on average are more than three times higher than those in other countries and almost seven times higher than the average incomes of “repressed” economies.

As documented once again in the 2022 Index, economic freedom also correlates highly with overall well-being, which includes such factors as health, education, the environment, innovation, societal progress, and democratic governance.

Twenty-seven countries earned a designation as “mostly free” by recording scores of 70.0 to 79.9, and an additional 54 countries were considered “moderately free” with scores of 60.0 to 69.9. Thus, a total of 88 countries, or about half of the 177 countries graded in the 2022 Index, have institutional environments in which individuals and private enterprises benefit from at least a moderate degree of economic freedom in the pursuit of greater economic development and prosperity.

On the opposite side of the spectrum, 50 percent of the countries graded in the 2022 Index (89 economies) have registered economic freedom scores below 60. Of those, 57 economies are considered “mostly unfree” (scores of 50.0 to 59.9), and 32 countries, including China, are in the economically “repressed” category. A notable reshuffling has taken place at the top of the rankings. Singapore maintained its status as the world’s freest economy, but Australia dropped out of the “free” category, and New Zealand dropped to fourth place,

behind Switzerland and Ireland. Luxembourg, Taiwan, and Estonia joined the “free” category for the first time. Quite notable is the continuing decline in the “mostly free” category of the United States, which plummeted to 25th place, its lowest ranking ever in the 28-year history of the Index. The major causative factor in the erosion of America’s economic freedom is excessive government spending, which has resulted in mounting deficit and debt burdens.

## Montenegro in Index 2021

According to Heritage Foundation Index, Montenegro ranks 103rd with total score of 57.8. This is a decrease for 12 places compared to previous report.

At the regional ranking list, out of 45 European countries, Montenegro is ranked 41st what is a progress for 1 place compared to previous year.

Credit rating agencies monitoring Montenegro, Moody’s and Standard and Poor’s, evaluated the stabilization of public finance and with their ratings they encouraged further reforms of fiscal consolidation. This is especially indicated by a stable and positive outlook of the last ratings given by these agencies.



INTERNATIONAL INDICATOR	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Doing Business	77	65	56	56	51	44	36	46 <sup>1</sup>	51	42	50	50	-	
Corruption Perception Index - Transparency International	85	69	69	66	75 <sup>[2]</sup>	67	76	61	64	64	67	66	67	64
Economic freedoms - Heritage Foundation	-	94	68	76	72	70	68	66	65	83	68	92	91	103
Economic Freedom of the World - Fraser Institut	58	78	47	37	28	49	38	62	59	85 <sup>[3]</sup>	72	83	80	42
Global Competitiveness Index – WEF	65	62	49	60	72	67	67	70	82	77 <sup>[4]</sup>	71	73	-	
World Freedom - Freedom House	Partly free	Partly free	Free	Free	Free	Free	Free	Partly free	Partly free	Partly free	Partly free	Partly free	Partly free	
Credit rating - Standard & Poor's	BB+ (neg. 10.11.)	BB+	BB (neg. 31.03.)	BB (neg. 13.12.)	BB- stable (June)	BB- negative	B+ stab. (nov)	B+ stable	B+ negative	B+ stable	B+ stable	B+ stable	B+ Negative [5, B+Negative (September)]	B stable March

[1] A significant amendment to the Methodology for Report preparation was made

[2] Revised rank for 2017 is 90;

[3] Revised rank for 2017 is 73;

[4] Revised rank for 2017 is 73;

[5] Due to COVID-19, rating outlook for Montenegro was changed from stable to negative with the rating B+/B

## IMPORTANT EVENTS IN 2021

### EU-Western Balkans summit, Brdo pri Kranju, Slovenia, 6 October 2021

Hosted by the Slovenian presidency of the Council in Brdo pri Kranju, the EU-Western Balkans summit brought together leaders from:

- ▼ EU member states
- ▼ the six Western Balkans partners: Albania, Bosnia and Herzegovina, Serbia, Montenegro, the Republic of North Macedonia and Kosovo

Charles Michel, President of the European Council, chaired the summit. President Michel and Ursula von der Leyen, President of the European Commission, represented the EU.

During the summit, EU leaders adopted a declaration, with which the Western Balkans leaders have aligned themselves.

The declaration reaffirms the EU's unequivocal support for the European perspective of the Western Balkans. It sets out initiatives to support connectivity and the green and digital transitions in the region, and commitments in the area of political and security cooperation.

The declaration also refers to a range of concrete deliverables benefiting the Western Balkans, including:

- ▼ the €30 billion Economic and Investment Plan (EIP)
- ▼ the pledge to boost COVID-19 vaccination rates
- ▼ the path towards lower roaming costs
- ▼ an Innovation Agenda for the Western Balkans
- ▼ Green Lanes and Transport Community Action Plans

### European perspective

The leaders reaffirmed their unequivocal support for the European perspective of the Western Balkans, which is of mutual strategic interest and remains a shared strategic choice.

The EU reconfirmed its commitment to the enlargement process and relevant decisions taken, based upon credible reforms by partners, fair and rigorous conditionality and the principle of own merits.

EU leaders also recalled the importance for the EU of being able to maintain and deepen its own development, ensuring its capacity to integrate new members.

The Western Balkans partners reiterated their dedication to European values and principles and to carrying out necessary reforms in the interest of their people.

### A €30 billion Economic and Investment Plan (EIP)

The EU is the Western Balkans' main political, economic and trade partner. Through the EIP, the EU is now providing unprecedented financial support mobilising some €30 billion for the region over the next seven years.

The EU will provide €9 billion worth of grant funding through 10 investment flagships. In this way the EIP aims to:

- ▼ spur long-term economic recovery
- ▼ accelerate a green and digital transition
- ▼ support regional cooperation
- ▼ foster convergence with the EU

The EIP will also help attract public and private investments, backed by the Western Balkan Guarantee Facility, which has a potential to mobilise €20 billion.

### A shared responsibility

The EIP investments are meant to be a driver for positive change for the Western Balkans. However, this will only be sustainable through a joint effort by all sides.

The EU support is therefore linked to tangible progress on the rule of law, socio-economic reforms and adherence to European values, rules and standards.

## Connectivity, integration, green and digital transitions

The EIP will be complemented by a range of new initiatives to support the green and digital transitions, regional integration, and connectivity as well as social and economic recovery.

The leaders welcomed the agreement on the action plan for the Green Agenda, which will be a key driver for the transition to modern, carbon-neutral, climate-resilient and resource-efficient economies.

The EU will continue to support inclusive regional cooperation.

The leaders agreed to step up efforts to enhance the market integration of the Western Balkans with the

EU Single Market, including SEPA (Single Euro Payments Area).

They welcomed the roadmap for roaming, which will chart the course for lower roaming costs between the EU and the Western Balkans, building on the free roaming regime applicable in the region since 1 July.

The leaders also welcomed the concept of EU-Western Balkans Green Lanes to reduce border waiting times, and the recently endorsed Transport Community Action Plans for smart transport and sustainable connectivity.

They also launched an Innovation Agenda for the Western Balkans to promote excellence and opportunities in the areas of innovation, research, education, culture, youth and sport.

European Commission

#EUEnlargement  
October 2021

# Economic and Investment Plan for the Western Balkans

- SUSTAINABLE TRANSPORT
- CLEAN ENERGY
- ENVIRONMENT & CLIMATE
- DIGITAL FUTURE
- PRIVATE SECTOR
- HUMAN CAPITAL

up to €9 billion of EU funding for key investments

The Economic and Investment Plan identifies 10 investment flagships and aims to spur the **long-term recovery**, accelerate a **green and digital transition**, and foster **regional cooperation** and **convergence with the EU**.

It will help attract public and private investments, backed by the Western Balkan Guarantee Facility, which has a potential to mobilise up to **€20 billion**.

Investments will only be sustainable if Western Balkan partners accelerate **reforms**, including in the area of rule of law and fight against corruption.

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Enlargement Negotiations

MFC (Western Balkans Investment Council)



European Commission

## SUSTAINABLE TRANSPORT

The EU will improve core transport corridors in the region, to make them faster and comply with EU standards. Better transport will facilitate trade and drive sustainable economic growth.

Connectivity reforms and simplified border crossing procedures are key.

- FLAGSHIP 1 – Connecting East to West
- FLAGSHIP 2 – Connecting North to South
- FLAGSHIP 3 – Connecting the coastal regions

## CLEAN ENERGY

The EU support in the field of energy will be reinforced, in line with its ambition to reach climate neutrality by 2050.

Decarbonisation and transition to clean energy will be key.

Priority will be given to energy interconnections and the use of renewable energy sources will be increased.

- FLAGSHIP 4 – Renewable energy
- FLAGSHIP 5 – Transition from coal
- FLAGSHIP 6 – Renovation wave

## ENVIRONMENT & CLIMATE

The new Green Agenda for the region, was endorsed at the Western Balkan summit in Sofia in November 2020. It covers green transition, decarbonisation, depollution of air, water and soil, circular economy and promote biodiversity, urban mobility and green transport solutions.

- FLAGSHIP 7 – Waste and Water management

## DIGITAL FUTURE

The deployment of an ultra-fast broadband, with a view to ensuring universal access, lowering the cost of roaming, developing digital skills and enhancing cybersecurity, will be key priorities of the Digital Agenda for the Western Balkans.

- FLAGSHIP 8 – Digital infrastructure

## PRIVATE SECTOR

The EU will increase financial support to strengthen the competitiveness of micro and SMEs in strategic sectors and foster green growth and circular economy, under the new Western Balkans Guarantee Facility.

- FLAGSHIP 9 – Investing in the competitiveness of the private sector

## HUMAN CAPITAL

The EU will strongly support the development of human capital, including high quality education and training systems, employment, health and social protection.

The EU will improve labour market participation, especially of young people and women, vulnerable groups and minorities, in particular Roma.

- FLAGSHIP 10 – Youth Guarantee

**Integrating the Western Balkan Regional Market into the EU Single Market**

**The EU Single Market**

Mobility of People

Digital Market

Regional Investment Space

**Common Western Balkan Regional Market**

Free Movement of Capital

European Value Chains

Connecting Economies

Free Movement of Goods

Free Movement of Services

Enlargement Negotiations

# FINAL CONCLUSIONS

Generally observed, Montenegro's position deteriorated in 1 and progressed in 2 out of 5 the most important international reports regarding its economic reviews. Until the publication of this White Book edition, the Report on ease of doing business of the World Bank and Global Competitiveness Index of the World Economic Forum for 2021 have not been published yet. Decision-makers should be guided by the international reports reviews to implement the reforms more efficiently and to implement more intensely the innovative solutions. This is especially important in the regional ranking since all countries equally incline to the investment attraction and creation of better requirements for business. Thus, Montenegro should invest more efforts not only to preserve the existing positions but also to progress faster than others.

In that sense, the following recommendations are important:

- ▼ more efficient reform implementation and further steps to improve tax procedures (paying surtax to the income tax is a special procedure which is implemented 12 times per year; no system connection and data share between Tax Administration, local self-government units and funds; complicated system of tax returns and requests with mandatory books which is time-consuming in terms of data collection to fill in the tax return form; relatively high contribution rates impacting total tax burden; long and not enough automatized procedures of VAT return);

- ▼ significant modernization of the work of cadastral and notary services, especially when it comes to the respect of deadlines in the procedures, costs reduction and introduction of modern, electronic systems that would shorten the registration procedure (software connection of the notaries with the Land Administration to increase legal security – this would help simplify the procedure of property registration for end users; impossibility to submit the documentation online; impossibility to pay taxes online; necessity to respect deadlines defined under the Law on State Surveying and Cadaster of Immovable Property);

- ▼ creation of foundation for further infrastructure investments, both traffic and communal infrastructure, but

also implementation of intensive measures for future investments in key sectors of tourism and agricultural production;

- ▼ keeping up with the measures of labor market flexibility and freedom growth, improvement of education and healthcare policy with the creation of investments opportunities;

- ▼ to continue with the policy of improving the work of the administration and raising efficiency at all levels, especially in the part of a greater consistency in the implementation of policies at local and state level;

- ▼ further development of Montenegrin economy and society through digitalisation as development and transformation policy;

- ▼ to create grounds for improved public finance policy with special focus on new investments that may contribute to stabilization of public finance with the reduction of deficit and maintenance of public debt.

Regarding political position, Montenegro traditionally keeps the level of the stable countries with clear messages from the international community that it is a reliable and politically respectable partner. This applies to the NATO community and fast EU integration process as well.



# EVALUATION OF REGULATORY ENVIRONMENT IN MONTENEGRO

**E**valuation of regulatory environment in Montenegro is a very important part of the MFIC activities, presented as well in each edition of the White Book. The MFIC members use different channels and mechanisms to express their observations, comments, suggestions on specific issues that can be further improved to better accommodate the needs of business and economic development and to update and improve the regulations that create business barriers and bring it in line with modern international standards and best practices. Besides efficient legislation that is in line with modern practice and adopted with involvement of the main stakeholders, “regulatory environment” considers implementation, execution and judicial practice as important elements and preconditions for attractive and stimulating environment in Montenegro

Therefore, in this section we collected feedback from the MFIC members concerning key areas that were important for investors in 2021, and that will be followed up in upcoming period. Let us first start with more general topics, such as **business environment, process of adoption and implementation of legislation, public administration, grey economy, taxation, different amounts of taxes at municipality level.**

## 1. BUSINESS ENVIRONMENT

A predictable business environment is one of key preconditions for investors and with frequent amendments to the regulation (procedures, requirements, tax rates and other contributions) decision makers may impact negatively the business environment and security. As we stated earlier, the amendments are inevitable and desirable in many cases, because the process of harmonizing the Montenegrin legislation with advanced economies is a long-term and complex process. On the other hand, the way those amendments are managed and implemented into regulatory environment is what makes difference between a stable and predictable environment allowing companies to plan and invest and the environment where investors make conservative investment decisions since they are not able to predict the requirements that should not be amended unexpectedly, without detailed analysis on the impact to private sector and enough time given to investors to adapt. It is very important that the decision makers understand that the adjustment of private sector to new requirements and procedures includes quite often unpredicted costs, additional trainings or additional employees and time.

Working group to eliminate barriers for development of electronic services in private sector was established at the 11th session of the Competitiveness Council on 5th April 2021.

Its basic goal is to identify the barriers for development of electronic services in private sector via dialogue between public and private sector and to define the manners for their elimination and measure implementation. Its tasks follow:

- ▼ Definition of barriers for development of e-services in private sector and amendment to the existing Action Plan;
- ▼ Definition of measures to remove the barriers, deadlines and holders;
- ▼ Follow-up of measure implementation status.

In 2021, the working group performed the following activities:

- ▼ Several consultation meetings of the working group were held,
- ▼ During the work of the working group for elaboration of the draft Law on anti-money laundering and terrorism financing, it was emphasized that it is needed to introduce the possibility to open transactional account for natural and legal persons without client's coming to the bank. Public debate for this Law is ongoing and the draft Law includes this possibility for natural persons but nor for legal persons,
- ▼ Working group members presented updated activities' status from the Action Plan;
- ▼ Analysis on money market development was completed by the lawyer's office Moravčević, Vojinović i partneri in cooperation with Schonherr and it was distributed to the members of the working group.

NO	ACTIVITY	HOLDER	DEADLINE	STATUS
1.	<p>Connection of IT systems of the Tax Administration and commercial banks so that the banks could automatically download the data on the wages for the clients who apply for a loan online and who provide their consent to access this database. For this purpose, it is required that the banks have insight in the data of the employees i.e. clients who give their consent thereto. The banks would receive the information upon request and they would not be allowed to have insight into the entire database of the Tax Administration.</p>	Revenues and Customs Administration, MFIC	I 2022	<p>Several meetings were held between the representatives of the banking sector and the Revenues and Customs Administration. The Revenues and Customs Administration needs to check if the banks have submitted the defined request and based on that, to give deadline for implementation of activities.</p>
2.	<p>Reducing the steps needed for company registration in terms of cancelling the obligation of the request submitter to provide the proof on share capital payment to the CRCC – this proof should be provided by a bank to the CRCC. It is necessary to provide the possibility that the Revenues Administration (CRCC) receives confirmations on paid share capital from the banks. The clients of the banks, natural persons will use temporary accounts with the commercial banks when paying the share capital, with the payment purpose, and the banks will send confirmations to the CRCC electronically. In this way, the client will not have to go to the bank to take the confirmation and submit it at the CRCC counter.</p>	Revenues and Customs Administration, CBMNE, MFIC	I 2022	<p>The Revenues and Customs Administration needs to send the request to the banks asking them how they want to take over this proof of capital. This request should be sent to the members of the working group and the Banks' Association.</p>
3.	<p>Opening of transaction account in banks without going to a bank – the amendment of the Law on Anti-money laundering and terrorism financing is required to allow the banks to open the accounts online and complete the entire process from submitting the request for account opening to contract signing, without client coming to the bank. New Law on Anti-money laundering and terrorism financing shall</p>	Police Administration, MI, CBMNE	I 2022	<p>The deadline to define the draft of the amended Law and its adoption is end of Q2 2021. During the work of the working group for elaboration of the draft Law on anti-money laundering and terrorism financing, it was emphasized that it is needed to introduce the possibility to open transactional account for natural and legal persons without client's coming to the bank. Public debate for this Law is ongoing</p>



	<p>allow the opening of transaction account without going to the bank in two steps:</p> <ul style="list-style-type: none"> <li>• Identification through valid electronic certificate and</li> <li>• Audio and visual identification.</li> </ul> <p>Everyone having a valid electronic certificate issued in Montenegro and/or in countries we have signed Memorandum on cooperation with in this domain will be able to open an account in a bank without visiting the bank.</p>			and the draft Law includes this possibility for natural persons but nor for legal persons.
4.	<p>Introduction of instant payments in banking sector.</p> <p>Enabling the payment service providers to execute individual instant transfers (instant payments) 24/7/365 in a few seconds</p>	CBMNE	IV 2022	Preparation of tender documentation is ongoing
5.	<p>The need to establish a body, such as Fraud Prevention Forum to deal with fraud prevention in banking system and to serve as platform to exchange data among banks.</p>	MFIC, CBMNE	II 2022	<p>Fraud Forum is fully understood by the Banks Association and presented at the session of the BA BOD in April and October 2019, including technical and organizational details, access rights, legal analysis with questionnaires and respect of GDPR rules, but there was no support for implementation at the BoD. The reason for this is that there is already an exchange system of such kind among banks, especially in card operations. The BA worked on this topic together with the prominent lecturers from the region and a leading expert for fraud from MasterCard Brussels. Even an article about this was published in the magazine The Banker.</p> <p>This activity will be launched once again via the BA BoD.</p>
6.	<p>The need to create a working group composed of the CBMNE members and representatives of the banks (MFIC members) regarding the launching of money market development in Montenegro</p>	MFIC, CBMNE	IV 2021.	<p>Several meetings were held with the representatives of the EBRD, CBMNE, MFIC (CKB) and SCC. Analysis on money market development was completed by the lawyer's office Moravčević, Vojinović i partneri in cooperation with Schonherr and it was distributed to the members of the working group.</p>

7.	Implementation of FATCA reporting for the USA and EU	Revenues and Customs Administration, Ministry of Finance and Social Welfare, MFIC	II 2022.	<p>Several meetings were held attended by the representatives of Revenues and Customs Administration, Ministry of Finance and Social Welfare, MFIC.</p> <p>Two working groups were established for implementation of mutual agreements: one to design the draft Rulebook and the second one to prepare technical solution.</p> <p>Tamara Pavličić is coordinator of the first working group and the members are Ana Milošević, Srđan Knežević and Antoaneta Krivokapić.</p> <p>Robert Rajković is coordinator of the second group and the members are Bojana Bajić, Zarija Milić, Luka Novaković i Miloš Igić. Tamara Pavličić will also coordinate on behalf of the Ministry the Proposal of the Law amending the Law on tax administration which is in Parliament procedure – it was not discussed yet. This Proposal of the Law specifies that the bylaws for its implementation will be adopted within six months as of its coming into effect, the deadline to complete this activity should be Q2 2022 if the Law is adopted by the end of 2021.</p>
8.	Enabling smooth operation of e-services of the banks by extending the working hours of the Credit registry of CBMNE 24/7, 365 days	CBMNE	N/A	<p>As of 15th July, the Credit registry works from 8 am to 10 pm every day, except on state holidays. If private sector needs longer working hours of the Registry, the CBMNE will review that possibility.</p>

Mutual conclusion of the representatives of private and public sector, being members of the Working group, is that they should work together in future to implement the proposed measures in order to provide digital services in banking operations.

## 2. ADOPTION AND IMPLEMENTATION OF THE LAWS

The prescribed procedure of public debate formally means that all stakeholders were consulted, that they had time and means to react, and that their voice was heard and acknowledged. However, our experience does not confirm this fact because we receive complaints from our members that they are not satisfied with this process, that they were not informed timely (meaning that they should be contacted prior to public debate when it comes to key laws), that their remarks were not taken into account seriously, and not adopted eventually.

Furthermore, the greatest challenge in practice is the implementation of the legislation and this very complex process is recognized in all reports that follow the development of Montenegro. In that sense, the MFIC uses each opportunity to point out the importance of rule of law, to provide concrete examples showing that urgent improvements have to be done, and that this is the business barrier that seriously “harms” the businesses. We have witnessed the long court processes that do not make sense because of duration, inconsistent ruling, delays with the adoption of prescribed by-laws, insufficient clarity of regulations and the possibility of different interpretations

Finally, the implementation of legislation directly influences all the reforms in a way that even the good reforms are left without positive results if the implementation is not as planned.

In order to improve public and private dialogue in Montenegro, timely participation of private sector in the process of regulations drafting and use of joint capacities and experiences of all stakeholders in the legislation adoption process, the Secretariat to the Competitiveness Council prepared the Report on inclusion of private sector into the process of legislation drafting in 2021, in line with the conclusion of the Competitiveness Council. The Report is made based on the collected data i.e. answers to the questionnaire sent to the business associations, members of the Competitiveness Council and all the ministries that planned to adopt law according to the Government Work Plan for 2021.

The list of laws treated in the Report contains all the laws the adoption of which was planned in 2021 under the Government Work Program for 2021, adding those laws which were supposed to be adopted in 2020 but they

were not. Additionally, the list contains the laws discussed at the Government which were not part of the Work Program but the associations or the ministries informed that these were discussed. The answers of the business associations and the ministries were collected from 15th November to 3rd December 2021 and they refer to 2021.

The percentage of business inclusion in the law drafting was low (even though it was higher compared to last two reports). By analyzing the answers of the business associations, the percentage of their inclusion in the drafting process of 98 laws was 31.6% (31 law). For the purpose of this analysis, it is important to state that if any business association was involved in any way in the process of law adoption, it was considered that business associations were involved. In 23.5% of cases (out of laws where business associations were involved), business associations were involved during initial consultations, 20.4% during the public debate while their involvement in the operations of the working group was at only 15.3%. When asked about their involvement in the preparation of the RIA template, the associations stated that they were not at all involved in the drafting process of any RIA template.

By analyzing the answers of the ministries, out of 98 laws the private sector was involved in the drafting of 48 laws (49%). Private sector was involved in the consultation phase in 24,5% cases compared to total number of laws (24 laws). During the public debate, the businesses were involved in the drafting of 37 laws or 37,8%. Private sector participation in the work of the working groups reaches 24.5% (24 laws). According to the ministries, the private sector was involved in the preparation of RIA template in 11.2% cases (11 laws).

Based on the answers from the ministries, out of 50 laws when the businesses were not involved, in 38% their not participating was justified – whether they were invited but did not reply or their participation was not needed since the amendments were minor and finally, public debates are not mandatory for some laws because of the regulation nature. In 62% cases (31 law), the ministries did not include the businesses in the drafting process without explaining why. When we compare the answers of the businesses and the ministries, as a rule, there are differences in participation percentage and it is the case with this Report as well. The ministries explained that the businesses were involved in 49% of laws drafting while this percentage in business perception amounts to 31.6% laws. The difference can be explained by the fact that in addition to seven business associations who answered the questionnaire, the laws were also commented by individual companies and other business or professional associations.

### 3.

## PUBLIC ADMINISTRATION

The advantages of efficient public administration are generally known and no detailed explanations are required. Mutual understanding and partnership relation where both parties understand their role are crucial. Time is not measured equally in public and private sector and that is why it is very important to clearly prescribe all procedures and deadlines, especially taking into account the needs of the market and damage suffered by the investors if those are very long. Very often, the investors or investments depend on the “individuals” in public sector and their personal interpretation, not clear administrative procedures which leave no space for individual interpretations what hampers the business environment directly and has adverse effects to business predictability. There are still many examples of lack of coordination and cooperation between public bodies which often causes situations where an investor is forced to obtain different statements/certificates that public bodies should exchange among themselves.

The MFIC lists public sector digitalization as one of the key processes that will impact efficiency, public administration professionalism, and thus corruption reduction. One-stop shop approach should be extended to a whole range of services both at national and local level.

As the European Commission Report for Montenegro 2021 states, the role of civil society is recognised and promoted at political level in the context of the EU accession process. In 2020, most ministries appointed the members in civil society organizations responsible for drafting the laws and strategy in their respective areas, what is the obligation under the Law on public administration. But, not all ministries have conducted public consultations when laws and strategies were prepared. And when they did, consultations remain formality in some cases, without actual openness for the opinions of civil society representatives. Public administration should improve its mechanism for consultations with civil society.

Montenegro is moderately prepared on the reform of its public administration. Overall, limited progress was made in the reporting period. Some progress was made in areas such as medium-term policy planning, electronic government and public finance management as well as budget transparency. Public consultations were held on draft amendments to the Law on Access to Information, which, together with the new Public Administration

on Reform and Public Financial Management strategies, remain to be adopted. Amendments to the Law on Civil Servants and State Employees, adopted in January 2021 at the initiative of the Parliament, lowered the requirements for merit-based recruitment, competence and independence of civil servants. The impact of their practical implementation remains to be seen. Reorganisation of public administration led to substantial staff changes, losing experienced staff in EU accession process related matters. Strong political will is needed to effectively address depoliticisation of the public service, optimisation of the state administration and effective implementation of managerial accountability. Most of the recommendations from 2020 remain valid. The future approach to optimisation of the public administration remains to be defined by the government. In the coming year, Montenegro should in particular:

- ▼ finalise, adopt and start implementing the new Public Administration Reform and Public Financial Management strategies in line with the national guidance for strategic planning and its linkage with the mid-term budgetary framework;

- ▼ improve citizens' access to public information by finalising, adopting and start implementing amendments to the Law on access to information in line with the SI-GMA principles of public administration;

- ▼ Ensure effective lines of accountability between and within the institutions; ensure recruitments to all positions in the public administration according to the principles of merit, competence and transparency.

### 4.

## DIGITALIZATION AND E-SERVICES

Advanced progress and constant changes in ICT industry created the need to innovate communication channels and organisation in service provision at all government levels. The objective is modernisation of state administration. Development of e-government is based on different organisational, technical, financial and political preconditions. The introduction of e-government brings important changes in the entire society, organisational values and culture and manner of business of all economic entities in the market. A successfully designed and implemented e-government can improve efficiency and availability of public services, simplify administrative procedures and processes, increase the trust of the citizens in the government and their participation in

the administration and ensure significant savings for all users (citizens, companies and the very State). It is important that the Government of Montenegro recognised the importance and values of the e-government and made efforts to implement this concept in its operations, through the reform process of public administration and information society development

The greatest benefits of providing e-services reflect in improved efficiency of administration, service quality, working results and in a faster and greater economic growth, accelerated social reforms and increased transparency and trust in public sector. It is necessary to reinforce e-service in the following period, by reducing the number of administrative barriers for procedures such as company registration, tax payment, issuance of construction permit, connection to the electricity grid, property registration i.e. implementation of the most important e-services recognised by the EU.

The goals recognised in the service provision worked on in previous years through strategic framework of public administration reform and development of information society have contributed to improve normative framework in this area, increase the number of e-services and to develop and improve the information systems which may provide an integrated framework for e-government development. However, the largest obstacles to further improvement still remain unequal approach to this matter by the institutions providing services, non-compliance of specific regulations with systemic regulations defining e-government development and insufficient computer literacy of the citizens and employees in public administration.

It is also necessary to fully establish and integrate the systems which are preconditions for e-services government to ensure a fully digitalised process, which means further development of interoperability, electronic payment, electronic identification and finally electronic delivery. Full implementation of electronic documents and system for electronic documentation management must be a basis for further development. E-government development is not and must not be the only goal – its basic purpose is to eliminate administrative barriers, bring time savings to citizens and make the entire process of service provision simple and efficient so that the citizens can easily enjoy their rights and meet their obligations in one place.

Last two years were marked by a global healthcare crisis caused by COVID-19 pandemics. Social distance measures which were in force in Montenegro constantly, conditioned the need for faster digitalization development, primarily in the healthcare and education and in

other areas. New online channels for citizens via websites and mobile apps were created. As a result, it can be expected that the use of e-services must increase in Montenegro.

Lack of electronic payments within e-services is recognised as one of great inconvenience and impacts significantly the quality of provided services and overall e-government development. Even though there are few examples of electronic payments, the implementation of National system for electronic payment of administrative fees (NS-NAT) managed by the Ministry of Public administration, digital society and media will bring the actual progress in this domain. This system should ensure the collection of administrative fees and enable simple and consistent control in order to remove the existing collection problems. It should also introduce central place for supervision and control and enable the payment by payment cards of commercial banks via POS terminals on the counters and electronic payments over the e-services portal.

The largest number of e-services in Montenegro is created on the e-Government platform developed as unique e-counter of public administration. As on 31st December 2020, e-Government portal provides 575 services within the competencies of 50 institutions. Out of this number, 187 services are e-services, 388 services are informative services. In 2021 there is a slight decrease of e-services number and on 31st December 2021, there are 523 available e-services. Despite large numbers of e-services on the e-Government portal, their development level should be observed, not the total number of services.

In May 2020, the Ministry of Public administration started working on the Strategy of digital transformation of Montenegro 2021-2025. The MFIC participates in the work and the ICT Committee has timely submitted the proposals for the creation of the Strategy. We have especially pointed out to the basic preconditions for further development of Montenegro as digital society and for successful implementation of digital transformation which are: adequate legal framework enabling the application of technical and organisationally integrated solutions at the level of international groups within which Montenegrin operators of electronic communications operate, developed electronic communication infrastructure, developed e-services of state administration, local self-governments, banks and other financial institutions, changes of the education system and education of the citizens for a greater degree of digital literacy.

At the session held on 27th December 2021, the Gover-

Government of Montenegro adopted Digital Transformation Strategy of Montenegro 2022-2026 with the Action Plan for 2022-2023, upon the proposal of the Ministry of Public Administration, Digital Society and Media.

Digital Transformation Strategy of Montenegro 2022-2026 is a development framework which will define pre-conditions and initiatives required for fast adaptation in more complex digital environment and for agile and proactive development of digital Montenegro. With efficient digital environment which will create positive impact to economic development, the development of the society as a whole will be encouraged. That is why the Digital Transformation Strategy should not be perceived as technical and development strategy but as one of the key political and development documents which are basis for political decisions, changes in regulations, investments and incentives.

Challenges in digital transformation of Montenegro identified in the Situation analysis are addressed through two strategic goals reflecting and picturing Montenegrin digital reality and are further channelled within seven operational goals in group of activities in order to achieve the desired progress.

The first strategic goal puts focus on the Improvement of capacities and capabilities for digital transformation of Montenegro and the second one on Strengthening of digital awareness of Montenegrin society and digital competitiveness of the ICT industry.

## 5. GREY ECONOMY



Given the increase of fiscal burdens in previous years, particularly the increase of VAT and excise tax, grey economy has been an important topic for the MFIC. When it comes to fiscal causes, grey economy is encouraged by complicated and expensive fiscal procedures, high fiscal burden on wages and existing social policy which allows citizens who are employed to receive social welfare benefits, insufficiently transparent fiscal system, insufficiently trained and equipped tax administration, insufficient quality of public sector services and high degree of society tolerance towards grey economy. Additionally, due to low productivity, companies choose to transfer their operations in full or partly in informal sector in a way to avoid fiscal obligations. High liquidity in financial transactions and informal funding sources contribute to this “occurrence”. It is needed to engage the efforts to solve all types of informality and to strengthen labor inspection.

As grey economy prevention is one of the priority areas, in April 2019 the Government extended the Commission for the fight against grey economy to include the representatives of the Employers’ Association in Montenegro, including the MFIC. In new composition, the Commission covers a whole range of relevant social entities and sends a strong signal of joint attitude, interests and synergy to overcome the challenges of grey economy through joint actions, in the interest of employees, business community and additional income for the funds for healthcare and education, and particularly in the interest of the citizens of Montenegro. With the election of new Government in December 2020, this Commission ceases to exist.

As it is stated in the European Commission Report for Montenegro for 2021, Montenegro should particularly introduce the measure to tackle informal economy, including the impact of tax burden of labor and introduce changes which will improve the issues related to the healthcare and occupational safety.

## 6. TAXATION



Montenegro is generally recognized as a country with low taxes. It is quite positive to have such image in a business community, but, this is only one element, since the income tax of 9% is not the only item to be taken into consideration during the discussion. As a serious concern for the economic stability of the country, investors recognize the tax payment discipline, in other words the lack of the systematic and strict tax collection. From our point of view, “discipline” directly influences the competitiveness of the companies in the market and unfair conditions to operate. Changing the tax politics negatively influences the predictability of the investment and general attractiveness of the country. Greater predictability of the business environment and transparency in policy planning, especially in the area of tax policy, is necessary. That particularly allows business entities to plan their business activities and consider investment and make a difference in comparison with the conservative and cautious approach that businesses are starting to resort to as a result of increasing number of new taxes.

Regarding fiscal and customs policy, the following regulations were amended in 2021:

1. Law amending the Law on VAT (“Off.gzt of MNE”, number 59/21) introduces the increase of taxable turnover as requirement for VAT registration, from 18.000€

to 30.000€. It also stipulates that the sale and import of eggs is taxed at the lower VAT rate of 7%. In addition, the Law sets out legal and technical harmonization of terms under this Law with the terms under the Law on prohibition of discrimination towards the disabled persons and the UN Convention on the rights of the disabled persons in a way that the terms “disabled persons in wheelchair” are replaced with the wording “the disabled”.

**2. Law amending the Law on personal income tax (“Off. gzt of MNE”, number 146/21), introduces the following:**

- ▼ double system of income taxation,
- ▼ measures to reinforce fiscal discipline, and
- ▼ incentives to attract specific categories of tax payers.

**Double taxation system -** Double taxation system includes proportionate and progressive personal income tax rates depending on the income source – Article 10 of the Law on personal income tax. With the correction of tax rate from 9% to 15%, proportionate taxation is kept for the income based on the following sources:

- ▼ real estate,
- ▼ capital,
- ▼ capital gains,
- ▼ income from sports activity,
- ▼ income from copyright and related rights, patent, trademark and freelancers income in culture,
- ▼ based on work contracts and other freelancing activities under Article 16 paragraph 1 of the Law on personal income tax.

**Progressive taxation and untaxable income portion** are introduced for the income generated from the following sources:

- ▼ personal income (untaxable up to 700.00€, the amount between 700.01€ and 1.000,00€ will be taxed at the rate of 9% and personal income over 1.000,00€ will be taxed at the rate of 15%) and
- ▼ freelancers (untaxable up to 8.400,00€, the amount between 8.400,01 and 12.000,00€ will be taxed at the rate of 9%, and personal income over 12.000,01€ will be taxed at the rate of 15%), with the exception of the income generated based on work contract and other freelancing activities in line with the Law.

**Measures to reinforce fiscal discipline -** To reinforce fiscal discipline, it is prescribed that the employer shall submit to the competent tax authority a report on calculated and paid taxes and contributions by 15th day in a month for the previous month, in accordance with the law regulating the reporting to tax authority. In addition, it is also envisaged that the employer that failed to sub-

mit the abovementioned report by 1st January 2022 has to submit the report within 45 days at the rates that were valid in the month to which the report refers.

**Incentives to attract specific categories of tax payers –** New Law prescribes the exemption from personal income tax payment for the income generated by the beneficiary of incentives for development of research and innovations, in accordance with the law regulating incentives for development of research and innovations. In addition, it is introduced that the income of non-resident generated through online job and disbursed by the employer without business activity in Montenegro cannot be taxed if the generated income is three times higher than gross average wage received in previous year based on the data of the body responsible for statistics.

**3. Law on contributions for mandatory social insurance („Official gazette of Montenegro”, number 145/21),** envisages cancellation of healthcare contributions at the cost of the employer and the employee to ensure reduction of labor tax burden. By cancelling this obligation, financing of healthcare system is taken over by the state through financing from general budget income instead of current financing through the system of employees’ contribution on one side and free medical protection on the other side. So, the same scope of medical services is kept, without previous payment of contributions.

**4. Law on unified registration and reporting system on calculation and collection of taxes and contributions („Official gazette of Montenegro”, number 145/21),** envisages legal and technical harmonization with the Law on contributions for mandatory social insurance or deletion of the terms related to healthcare insurance.

**5. Law on restructuring of tax receivables („Official gazette of Montenegro”, number 145/21),** the goal is to give to all legal and natural persons facing liquidity issues and are not able to pay their due tax obligations because of negative effects of COVID19 on their operations the incentive to solve their situation regarding the payment of their tax obligations and to restructure their tax debt in 60 monthly installments at the most, depending on the debt amount. The application of the proposed Law creates the conditions for stimulation of all tax payers to pay their tax obligation and thus ensure regular payment and avoid additional debts to pay the tax obligation.

**6. Law amending the Law on tax administration („Official gazette of Montenegro”, number 145/21),** is harmonized with the EU directives and FATCA Agreement regarding administrative cooperation in taxation doma-

in. It ensures legal grounds for exchange of information between the Revenues and Customs Administration of Montenegro and competent bodies of the EU member states, other states and USA Tax Administration. Tax body shall exchange these data with the competent bodies of other states upon the request of other state, automatically or on their own initiative if they believe that such information may be useful to a competent body of another state.

In addition, this Law:

- extends the criteria which are the starting point for the tax body when defining tax base by estimation;
- extends the authorizations of tax inspector when they discover during the inspection that the entity did not report the generated income from real estate, to issue the decision defining the tax obligation to that entity by applying the method of tax base estimation;
- harmonizes time limitation period to achieve the right for return of overpaid tax obligation and tax credit with the prescribed time limitation periods of the right to define and collect the tax (from three to five years), in order to improve the business conditions to tax payers and to remove business barriers;
- gives authorization to tax body to, after the expiry of absolute time limitation period of 10 years for definition, collection and return of tax, issue the decision ex officio on termination of tax obligation due to time limitation expiry. Irrespectively, the right to define and collect the tax cannot expire for the obligations secured by pledge or mortgage, except for the collection of interest and other cash contributions.

In this way, tax system will be improved to have clear definition of rights and obligations of the stakeholders in tax procedure. This will result in better protection of tax payers' rights and more efficient service provision to tax payers, higher fiscal discipline and better collection of public income.

**7. Law amending the Law on corporate income tax („Official gazette of Montenegro”, number 146/21), harmonizes national legislation with the Council Directive 2011/96/EU (last time amended with the Council Directive 2014/0086/EU and 2015/0121/EU) on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States and the Council Directive 2003/49/EC on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States. In order to prevent avoid-**

ance of tax payments and to reduce tax evasion, by taking into account a growing number of tax payers having transactions with related persons, it was needed to amend the current law in the part related to taxation of transactions between the related persons in the domain of transfer prices. In addition, this Law envisages introduction of progressive taxation and instead of proportionate rate of 9%, progressive rates are introduced to corporate income tax as follows: up to 100.000,00 EUR tax rate of 9%; between 100.000,01 EUR to 1.500.000,00 EUR: 9.000,00 EUR +12% to the amount over 100.000,01 EUR; over 1.500.000,01 EUR: 177.000,00 EUR +15% to the amount over 1.500.000,01 EUR. In addition, this Law increases the rate of withholding tax based on dividends, interests, royalties, capital gain and other income for which the withholding tax is calculated from 9% to 15%. It also increases tax rate from 9% to 15% to the income generated by non-resident legal entity from another non-resident legal entity and resident or non-resident natural persons in Montenegro based on capital gains and to the income based on lease of movable and immovable property which a non-resident legal entity generates from the persons not obliged to calculate, cancels and pays the withholding tax.



## **7. DIFFERENT AMOUNTS OF TAXES AT MUNICIPALITY LEVEL**

### **Local self-government – focus for reform**

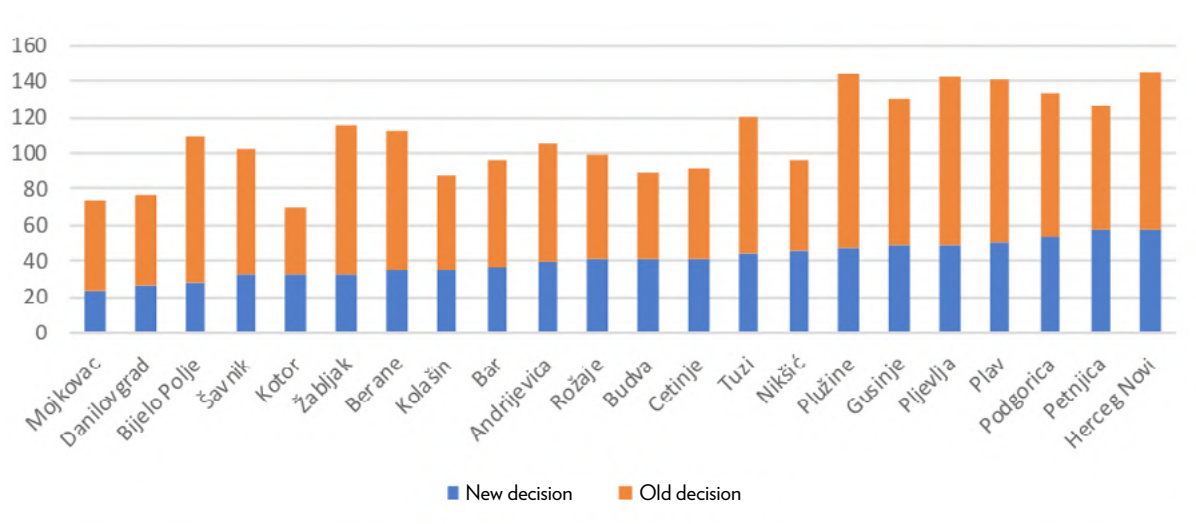
When it comes to the reform activities of the Government dealing with the business climate, most of our remarks, as in previous years, refer to the administrative procedures and fiscal obligations at the local level.

Various analyses prepared in the previous period by the Foreign Investors' Council and other business associations as well, including their given recommendations, referred to the numerous fiscal obligations. Frequent costs in different administrative procedures do not represent direct costs of the investors but these also trigger additional administrative losses.

The Competitiveness Council intends to improve the situation in this area with its measures so the recent acti-



## CUMMULATIVE EFFECTS OF ADMINISTRATIVE FEES AT LOCAL LEVEL



vities related to the adoption of the two important laws (Law on administrative fees and Law on local municipal fees) confirm the efforts made to improve this area.

As the Ministry of Finance states, the Law on administrative fees and the Law on local communal fees were brought in order to reduce, harmonize and consolidate administrative and local communal fees at national and local level. When preparing these documents, the Ministry of Finance as the proposer, made a comprehensive analysis of the existing solutions as well as those solutions proposed by the competent institutions which accompanied the regulation proposals.

The Law on administrative fees cancelled 49 fees (7% of total number); the tariff for 72 fees is reduced (11% of total fees) while no fee has been increased. The Law on local communal fees cancelled 9 bases to specify fees while 3 were kept with defined limits for their amounts.

Both laws entered into force on 30th March 2019 and contain provisions binding the municipalities to comply their regulations with these laws by 31st July 2019 and to submit their proposals to the Government for approval. The goal of these provisions was to ensure a consistent law implementation at local level.

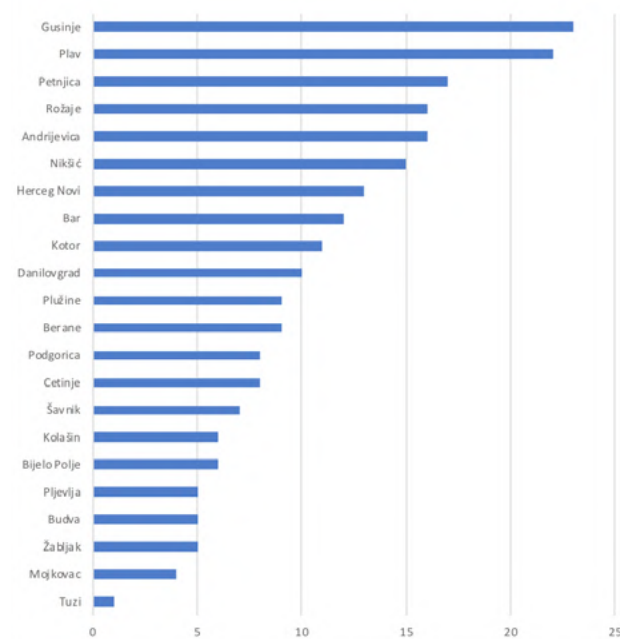
By observing administrative fees at local level in accordance with the new decisions, we conclude that three municipalities have total number of local administrative fees inferior than 30 (Mojkovac (24), Danilovgrad (26) and Bijelo Polje (28)).

The number of municipalities with total number of local administrative fees of 40 or less than 40 is six - (Šavnik (32), Kotor and Žabljak (33), Berane and Kolašin (36), Bar (37) and Andrijevica (40)).

The number of municipalities with total number of local administrative fees between 41 and 50 is 8 – Rožaje (41), Budva and Cetinje (42), Tuzi (45), Nikšić (46), Plužine (47) and Gusinje and Pljevlja (49).

The number of municipalities with total number of local administrative fees higher than 50 is 4 – Plav (51), Podgorica (53), Petnjica (57) and Herceg Novi (58).

### Administrative fees introduced under the new Decision



By observing the number of administrative local fees introduced under the new decisions, five or less fees were introduced by five municipalities - Tuzi (1), Mojkovac (4), Žabljak, Budva and Pljevlja (5).

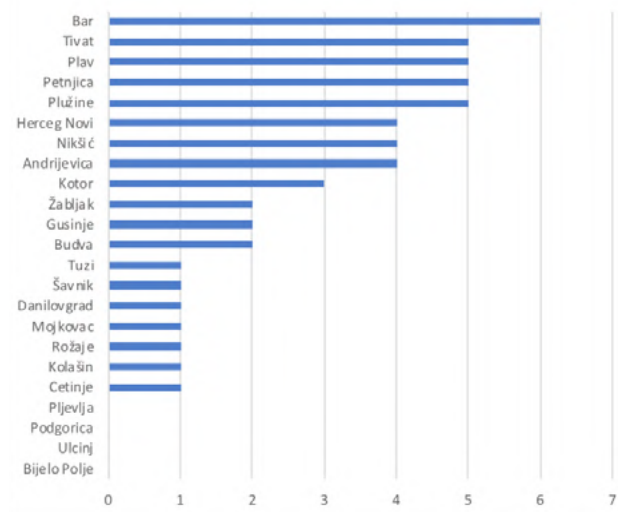
Number of municipalities that introduced between 6 and 10 administrative fees is 8 – Bijelo Polje and Kolašin (6), Šavnik (7), Cetinje i Podgorica (8), Berane and Plužine (9) and Danilovgrad (10).

Number of municipalities that introduced between 11 and 15 administrative fees is 4 – Kotor (11), Bar (12), Herceg Novi (13) and Nikšić (15).

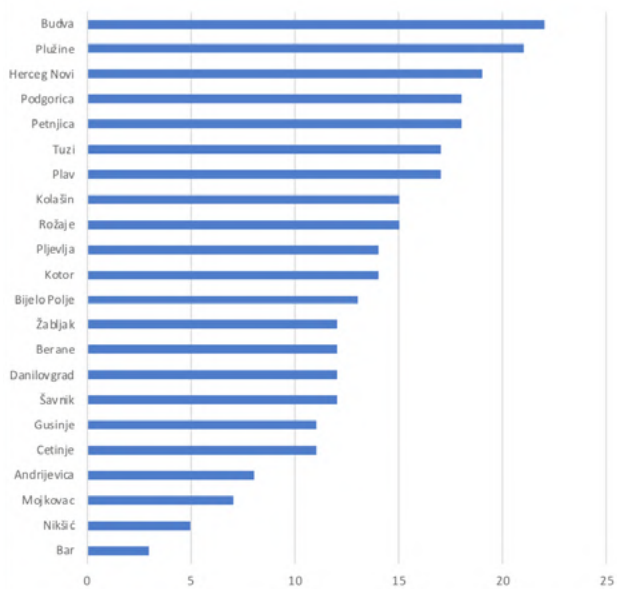
Number of municipalities that introduced between 16 and 23 administrative fees is 5 – Andrijevica and Rožaje (16), Petnjica (17), Plav (22) and Gusinje (23).

Municipalities that reduced the amounts of minimum number of administrative fees are Andrijevica (8), Mojkovac (7), Nikšić (5) and Bar (3).

### Communal fees introduced under the new Decision

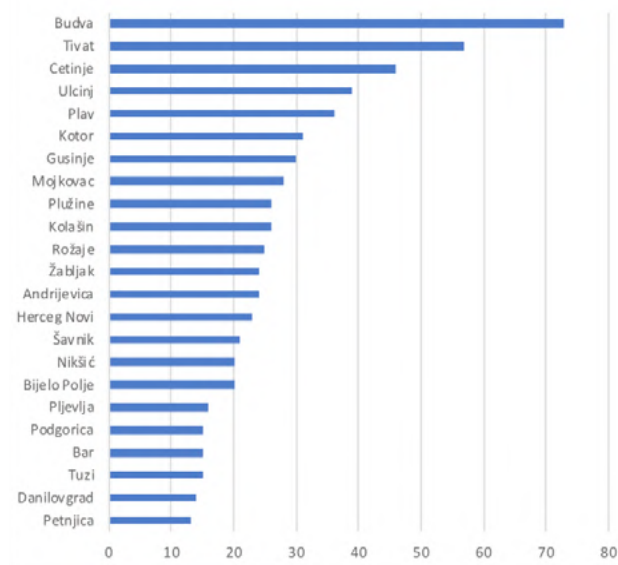


### Number of fees the amount of which is reduced under the new Decision



The following diagram shows the effect of adopting new regulations in line with the Law where it is evident that the Municipality of Budva made the greatest progress in fees cancellation, followed by Tivat Municipality and Royal Capital of Cetinje. Budva Municipality cancelled 71 fee, Tivat Municipality cancelled 52 fees while Cetinje cancelled 45 fees. It is important to state that these local self-government units did not introduce new fees: Bijelo Polje, Glavni grad Podgorica, Pljevlja and Ulcinj.<sup>1</sup>

### Number of fees cancelled under the new Decision



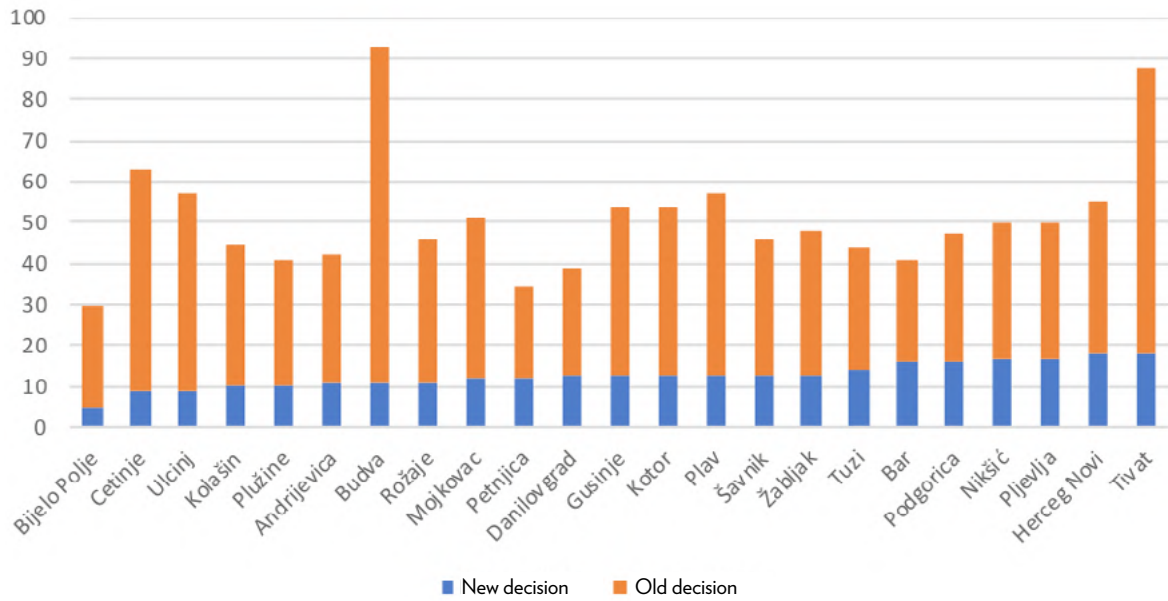
Municipalities that reduced the amounts in the largest number of administrative fees are Budva (22) and Plužine (21).

Number of municipalities that reduced the amounts of 15 to 20 administrative fees is 7 - Herceg Novi (19), Petnjica and Podgorica (18), Plav and Tuzi (17) and Kolašin and Rožaje (15).

Number of municipalities that reduced the amounts of 10 to 15 administrative fees is 9 - Kotor and Pljevlja (14), Bijelo Polje (13), Berane, Danilovgrad, Šavnik and Žabljak (12) and Cetinje and Gusinje (11).

<sup>1</sup> Report on implementation of the Law on administrative fees and the Law on local communal fees

## CUMMULATIVE EFFECTS OF COMMUNAL FEES AT LOCAL LEVEL



However, there is a lot of room for improvement and increase of transparency in terms of fiscal burdens at local levels. A large number of various fiscal burdens, imposed as taxes, surtaxes, fees, and charges make it difficult for the foreign investors to predict costs of investments and the parameters to define these charges are not clear either. This puts the investors in the position that they do not understand what the payment of these charges on monthly and annual level will bring them in return.

It is also very important here to increase transparency in the work of the local services. More precisely, the investors usually do not receive any feedback in specific administrative procedures about submitted requests. It is also necessary to improve the work of the administration when it comes to the respect of the set deadlines in the procedures, a transparent definition of fees and manner of payment, proper information on the competent institutions for specific processes as well as the availability of information on required documentation for the procedures within the competencies of the local self-governments.

# REGULATORY FRAMEWORK AND MFIC COMMITTEES

As it is stated in the introduction, there are four committees within the MFIC: ICT Committee (established in 2014), Banking Committee (established in 2017) while Insurance Committee and Regulatory Policy Committee are established in November 2019. Representatives of those sectors have found their interest in uniting within the MFIC and in creating a joint platform for mutual communication and for communication with the decision-makers. We will present below briefly the work of these two committees i.e. main topics that were elaborated in the previous period.

## 1. ICT COMMITTEE

ICT industry has undisputable impact on economic changes and society development. It has become an indispensable tool for development, it gives access to information for science, technology and innovations and encourages and improves regional and international cooperation and share of know-how. Digital technologies are important for economic and social life during COVID-19 crisis. Digital solutions are vital for fighting climate changes and reaching green transition. It is expected that they will be one of key differentiating factors in successful transition towards sustainable economy and society once the pandemics is over.

Electronic communications industry develops with technological changes; it removes barriers between industries and calls for constant development of regulatory framework. In regards to general market issues transparency, predictability and respecting the rule of law principles remain the key topics which have the biggest impact on regulatory environment as such.

Access to the EU digital transformation is important for monitoring and recognizing trends, plans and impacts in this domain. „Digital decade of Europe“ until 2030 aims at strengthening the business and people by focusing on man, sustainable and more prosper digital future through four main aspects: skills, infrastructure, government and business.

The global telecommunications market continues its transformation. This process is mainly driven by the on-

going innovations and technological developments related to Big Data Analytics, Cloud Computing, M2M, AI, and the over-arching Internet of Things. The industry is working hard to keep up with these rapid changes. Digital journey gathers all players in a living community.

A crucial segment is 5G development identified as game changing technology. To enable digitalization of industrial economy, connection of private, public and industrial facilities, demand for sending huge amount of data into cloud, development of 5G network infrastructure is a must. Adoption of Roadmap to introduce 5G mobile communication networks is one of important segments of the Memorandum of Understanding on 5G plan for digital transformation of the Western Balkans, signed by Montenegro as well. This is a good start for future national 5G strategy which will define further activities regarding 5G mobile network development in Montenegro. Accordingly, we would like to remind to the EU Recommendation 2020/1307 from September 2020 on package of measures to reduce the cost of setting up large capacity networks and ensure timely and investment-friendly access to radio spectrum for 5G networks to encourage connectivity in order to support economic recovery from the COVID-19 crisis. This Recommendation, among other things, defines the principles among EU members that are aimed to promoting appropriate reserved prices that reflect minimum levels of fees for radio frequency rights; providing, on a non-discriminatory basis, the possibility for fees for radio frequency use rights to be paid in instalments within those rights; combining financial incentives with commitments or formal commitments to accelerate or expand high-quality wireless coverage and stimulate long-term operators investments.

Additionally, telco operators expect that the announced upcoming transposition of „the EECC“ in the Montenegrin regulatory framework will bring the extended RF spectrum license validity period (instead of 15 years defined under the current Montenegrin Law, the validity period should not be shorter than 20 years as the EECC defines). Telco operators in Montenegro are hoping that those trends at EU level will be transferred to our market. As digitalization and 5G development is high on agenda of operators in Montenegro, it is crucial to ensure regulatory preconditions, proper timing and pro-investment policies for 5G implementation. Stimulating and responsive business environment is crucial for further investments and operations in Montenegro.

In 2021 a specific set of programs and strategies was adopted which are crucial for digital progress of Montenegro and the MFIC representatives gave their contri-

tribution to the creation of these important documents.

The Strategy on Digital Transformation of Montenegro 2022-2026 with the Action plan for 2022-2023 is especially important. It provides a development framework which defines preconditions and initiatives needed for fast adaptation in a growing complex digital environment as well as agile and proactive development of digital Montenegro. At the end of 2021, the Program for attracting digital nomads in Montenegro until 2025 with the Action Plan for 2022 was adopted. It intends to increase the number of digital nomads residing in Montenegro. It is expected that the implementation of the planned activities from the Strategy and the Program will improve the overall digital environment and make Montenegro a digitally developed country. For Montenegro, being a tourist destination, digital nomads represent a great promotive potential and they can also have impact on investment image of the country.

With the adoption of the Strategy on Cyber Security from 2022 to 2026 the importance of cyber security is raised at the national level. The Strategy aims at improvement of total capacities (legislative, operational, human, financial and technical) to properly respond to challenges and threats coming from cyber space in Montenegro and out of Montenegro.

During the 4th Digital Summit of Western Balkans Economies organized in October 2021 in Montenegro, it was concluded that the Western Balkans countries made progress regarding digitalization despite challenges and difficulties caused by Covid-19. This created an additional need for fast adaptation and use of all digital transformation advantages.

As digital transformation accelerates, the creation of effective regulatory approach is a key moment. Combination of access to funding and policies adapted to the business will create the environment suitable for technological innovations while the operators remain important investors and partners to the Government.

Finally, we would like to take this opportunity to draw attention to some issues that telco operators are facing in their daily business, while their resolution is of even greater importance in coronavirus pandemics.

## Law on electronic communications

In 2019 the Ministry for Economy, responsible for telco sector organized public consultations and round table discussions on the proposal of the Law amending the Law on electronic communications.

The proposed amendments telco operators were inte-

rested in and which were accepted by the working group for the Law elaboration at the time, referred to the following:

- signing the contract by the consumer, implying that the contract could be signed in addition to wet signature, by an electronic signature, advanced electronic signature, qualified electronic signature and signature in a digital form;
- issuing the bill for the services, implying that the bill will be available to the consumer in a way defined under the General Terms and Conditions for the services.

Unfortunately, this Law was not enacted in 2020 and 2021, and it is in the interest of telco operators that it is enacted as soon as possible even though the Government announced that the preparation of the new Law on electronic communications will be initiated in 2022 and it will represent the transposition of the EU Directive 2018/1972 of the European Parliament and the European Council into Montenegrin legislation (but the Law cannot be adopted before the end of 2023).

Thus, it seems reasonable, before adopting the new Law, to work on amendments to the current Law adopted before almost 9 years (August 2013). This is a quite long period of time for a law regulating a dynamic activity such as electronic communications. The domain of electronic communications is changing fast in terms of technology so regulatory framework must accompany such development. While waiting for the line ministry and the Government to start preparing the proposal of the Law amending the Law on electronic communications, we suggest that they take into account the proposals, suggestions and comments provided by telco operators in 2019 during public debate on the Law proposal (both these that were accepted and these that were not accepted at the time).

We remind that in 2019 the working group for the elaboration of the Proposal of the Law on amendments rejected many operators' initiatives because they did not refer to the proposal of the Law amending the Law on electronic communications but to the valid Law on electronic communications. We believe that this is an unacceptable reason. Namely, we are not familiar with such practice and it is not good to introduce it because when amendments to any law are made it is always a good opportunity to improve the law to the largest possible extent regardless of the fact whether these suggestions refer or not to the very amendments prepared by the working group and presented for public debate. We also remind that some of these amendments proposed by the operators were discussed within other initiatives before the working group started preparing the proposal of the Law. The representatives of the Mini-

stry and the Agency for Electronic Communications in the working group were familiar with these initiatives. We refer here to the amendments of the following articles of the Law which is currently valid: 36, 39, 51, 78, 83, 152, 157, 162, 192 and 194 but also to other articles of the Law the amendments of which were proposed.

## Cinematography fee

For years already, the MFIC and telco operators challenge the obligation of the operators to pay the fee for financing the Film Fund. As most relevant institutions assessed these initiatives reasonable and legally grounded, including previous Ministry of Economy and the Government Competitiveness Council, it was expected that this unjustified parafiscal fee will be eliminated in 2020 or 2021 but it did not happen due to specific circumstances caused by health and economic crisis.

We believe that the line ministries will work in the future period on the amendments to the Cinematography Law which will eliminate this unjustified financial burden. We remind that the initiative refers to the adoption of the Law amending the Cinematography Law (Official gazette of Montenegro, no. 42/15) to amend the provision of Article 36 paragraph 2 item 5 of the Law prescribing the obligation of public communication network operators, including internet access operators, to allocate 0.9% of annual revenues generated through internet services, broadcasting of TV programs and renting of cinematographic works for the Film fund for financing of cinematography.

By the end of March 2021, the operators received the answer from the Ministry of Economic Development (as line ministry for electronic communications) that this Law is within the competencies of the Ministry of Education, Science, Culture and Sport. Since the provision of Article 36 of the Law includes the obligations for telco operators, they reminded that the Ministry of Culture and the Ministry of Economy at the time started reviewing this Article and that they will review as well in the forthcoming period the relevance of Article 36 of the Law, in accordance with the conclusion of the Competitiveness Council.

After intersectoral harmonization, it is expected that the amendments to the Cinematography Law will be initiated which, in line with the best practice in the EU and wider, can include deletion of the provision of item 5 paragraph 2 of Article 36 of the Cinematography Law – removal of the obligation of telco operators. Should line ministries decide that telco operators have to pay the fee in one part (here we don't see the reason nor grounds) in that case, this provision should be amended

in a way to calculate the fee to the basis not including the income generated from the internet access services.

We remind that our opinion for cancelling the obligation to finance the Film Fund by telco operators was justified by the fact that there must be legal and logical grounds in terms of using the very works, in this case cinematographic works. Therefore, Article 36 of the Law prescribes that the payers for the Film Fund are legal and natural persons engaged in the activity of using cinematographic works. However, the operators have already paid the use of cinematographic works and they pay it as broadcast fee to TV houses with which they concluded broadcast agreements and as contracted fee for using copyright rights and related rights. When it comes to using the cinematographic works, the operators allocate on a monthly basis 2% of their income based on AVM content broadcast to the organization „A-prava Montenegro“ which protects the rights of producers including domestic and international authors. So, the introduction of the fee for basically the same thing cannot be observed other than double taxation i.e. taxation for the same matter. Furthermore, when it comes to the fees paid to TV houses for TV channels broadcast or the fee paid to collective organizations for protection of copyright rights and related rights, we must point out that both contracting parties define the fee amount and it usually reflects the counter value of the good that is used, while this is not the case with the fee amount prescribed by the Cinematography Law. We need to stress out that this is a high percentage of the income which does not have its grounds in terms of using the cinematography work.

## Recommendations for the Draft of the new Law on Spatial planning and construction of facilities

Telco operators used the public invitation of the line ministry to the public to submit the initiative for preparation of the new Law on spatial planning and construction of facilities and pointed out to a series of problems they faced in the application of the current Law.

Telco operators as Government partners, including the implementation of the digital society strategy among other things, has an important role and responsibility in providing telecommunication services to the industry and the citizens. To smoothly provide these services, the basis is protected electronic communication infrastructure which is often damaged due to incomplete or wrong implementation of the valid Law on spatial planning and construction of facilities.

There is no doubt about the great importance of the

electronic communications and protection of its infrastructure which is more importantly also a critical infrastructure. However, the practice shows that we need to raise the awareness much more that it is an activity of common interest, that the consistency in service provision is equally important as the consistency of water or electricity supply. During the health crisis, it was evident that smooth telecommunication service provision is important, as a significant number of legal entities and citizens have moved into online mode to meet their business and private obligations. We believe that electronic communication infrastructure needs to have such treatment in ordinary circumstances as well. That is why the regulatory framework has to take this into account and to make it possible, the Law needs to remove the obstacles which currently exist in the application of the valid Law on spatial planning and construction of facilities.

The most frequent problem faced by the operators (especially those who own underground infrastructure) are frequent damage or cutting of electronic communications cables or other infrastructure while constructing buildings and especially while reconstructing roads. The reason for this is the fact that while issuing the urbanistic technical conditions and drafting project documentation the telecommunication segment is not treated in almost all cases.

Namely, by having insight in the issued Urbanistic Technical Conditions it can be concluded that there are no conditions for connection to the telecommunication infrastructure or the list of regulations that need to be respected is given just provisionary. Therefore, the authorities responsible for issuing Urbanistic Technical Conditions and evidences required for the preparation of technical documentation in most cases do not comply with the legal obligations defined in Article 74 paragraph 5 of the Law on Spatial Planning and Construction. Unlike telecommunication infrastructure, other installations, such as energy and water systems are protected appropriately since all publicly available issued technical conditions require „energy consent” and “water system consent” while the owners of telecommunication infrastructure owners are brought in unfavorable position. Furthermore, in the review procedures, contrary to Article 82, the reviewers do not obtain telecommunication consent from the body for technical requirements and it can be witnessed from the reviewed projects that there is no electronic communication phase. But it must be assured under a clear and precise regulation that the final design and reviewed final design must contain the segment of electronic communication infrastructure and network as well as all other infrastructure (installed along the road or railway, bridge etc.

built in the roadbed, bridge and alike or any other objects in precisely given volume, dimensions and so on). In accordance with the current Law, the final design is a mandatory document enclosed to the notification of building work (Article 91) and it must contain all the data on the infrastructure affected by the construction of a future facility, its reconstruction or adaptation. It must be clear that the inexistence of these segments causes illegal construction. This would prevent illegal construction and devastation of space, digging, subsequent digging, overdigging of already constructed facilities what happens often in practice. Montenegro, being EU candidate country, must follow the European standards and it should provide it in the process of adopting the *acquis Communautaire* and the EU practice.

With the current manner of implementing the projects of construction and notably reconstruction of roads, the operators, apart from physical vulnerability and devastation of infrastructure, losses in traffic and indirect losses, bear quite often direct material costs. In this way, the required funds for electronic communication infrastructure protection cannot be precisely planned and that makes it harder to meet the legal obligation of consistent service provision and protection of electronic communication infrastructure integrity.

Therefore, it is necessary to have clear provisions of the Law which will prescribe that when elaborating technical documentation and project review the following must be obtained from the body for technical requirements responsible for electronic communication infrastructure: requirements, base maps, opinions, consents and other evidence needed for planning and construction. It is crucial to clearly define which body for technical requirements issues the requirements for connection to the electronic communication infrastructure. Even though it can be concluded from the current Law, the new Law must unambiguously state that the Agency for electronic communications and postal services is responsible for issuing these requirements as a body for technical requirements bearing in mind that when plan document is prepared, the Agency is submitted the requests for issuing the opinion on planning compliance of electronic communication networks, infrastructure and related equipment. In addition, the Agency has the data i.e. the database of electronic communication infrastructure of all operators who own electronic communication infrastructure. So, the Agency is mandatory actor that would issue the requirements for connection to telecommunication infrastructure in the process of issuing the UTC.

The only way to act preventively and to reduce lots of

problems the operators face in practice is to define one address (as for electro energetic and water infrastructure) that will be binding when issuing UTC. In this way, unnecessary costs that occur due to very frequent damages and cutting of infrastructure would be reduced. For easier orientation, we would refer to the provisions of current Law, i.e. adding another item (item 17) to the Article 55 paragraph 1 that would read: “evidence from responsible regulatory agencies on existing underground cables/infrastructure at the location/plot where construction/reconstruction is ongoing.”

In addition, we want to point out that the operators pointed out earlier, before the current Law was enacted, to the need to change definitions of some terms in the Law such as adaptation, reconstruction, rehabilitation since current solutions represent a significant obstacle for telco operators when it comes to these activities applied to electronic communication network i.e. infrastructure what results in significant consequences for the users and their right to be shortly removed network interruptions.

In that sense, we suggest defining the term “adaptation” in the new Law to add the following to the current definition:

„ Replacement of the existing installations of telecommunication infrastructure or their upgrade to repair the damage and/or connect the users shall be considered adaptation under this Law”

Accordingly, the definition of the term “reconstruction” should be amended to read:

“reconstruction means execution of works on the existing structure, which are used to perform: extensions and additions; repair of the damaged structures; reinforcement of the construction; replacement of installations (with the exception of telecommunication infrastructure described in the definition of adaptation), appliances, plants and equipment, modification of the existing process of production and other works impacting structure stability and safety; change of structural elements; alteration of external appearance of the building as compared to the final design; impact on the environment and safety of adjacent structures and traffic; change of the water regime; change of the conditions for protection of natural and immovable cultural heritage, goods under preliminary protection and protection of their protected environment”;

These changes would impact the amendment of Article 111 of currently valid Law (“Restriction with Regard to Implementation of Law”) for which we suggest the

following text: “Provisions of the present Law that are related to construction/reconstruction and adaption shall not apply in the case where the structure is built in view of preventing the threatening natural or other disasters or the extraordinary or state of war, or if the building of structure jeopardizes the lives and health of persons, the safety of surrounding structures, traffic or the adjacent structures, with the purpose to prevent their negative effects or to ensure the protection and the rehabilitation of their direct detrimental consequences. Upon the completion of works on construction, reconstruction/adaptation of public interest activity infrastructure, the procedure of required reporting of works to competent bodies is initiated.”

We also consider it important that the new Law recognizes the need to repair the damage of electronic communication infrastructure as a consequence of implementation of local government or state bodies projects.

This refers to situations when the operator, after a project is implemented the investors of which are state bodies or local self-government bodies and companies, witnesses damage/destruction of their infrastructure and repairs it with significant material costs and time (receiving required consents from competent bodies to the very works). In order to prevent these costs borne by the operators, without being responsible for the damage, the Law should define more precisely the obligations of the investor regarding relocation or repair of the damaged infrastructure of electronic communications having in mind its importance for the entire society and its status of critical infrastructure. The investor should be obliged to get land registry excerpts with technical requirements from all infrastructure holders in all situations (construction, reconstruction or adaption of facilities). It should be taken into account that it often happens that local self-government bodies avoid the obligation to get land registry excerpt and issue the decisions on adaptation or reconstruction even in cases when we have construction of new facilities of higher volume compared to the existing one to avoid the costs of infrastructure relocation (very common situation when roads are built). It should be mentioned as well that the damage/interruption of electronic communication infrastructure is a criminal offence defined under Article 328 of the Criminal Code and it covers the offence of destruction, damage, alteration, making unusable or removing public infrastructure devices for telecommunications system devices or another public device or obstruction of their use.

The new Law should recognize the importance of digital transformation and improve its implementation with its provisions by obliging the investors to install optic



infrastructure of electronic communications in new buildings which ensures high speed internet to implement the services of “smart homes” at some specific period of time. In addition, the new Law should encourage the reduction of electricity consumption and reduction of CO2 emission by predicting subsidies to install infrastructure for solar panels (not only as current ad hoc project of the EPCG) and infrastructure for charging electric cars in new buildings and alike.

We would use this opportunity to point out to some other problems related to the application of the current Law – procedure of obtaining the licenses – the State must provide for a smooth application of the Law in all municipalities and unification of procedures in the municipalities. It is also necessary to communicate with local self-governments the importance of adopting clear procedures on the manner of obtaining the required licenses and construction of telecommunication infrastructure, including telecommunication sewage and the decision-making process regarding the use of public municipal infrastructure. The procedures of obtaining the licenses significantly differ in municipalities and telecommunication infrastructure is not clearly classified – some municipalities consider it temporary facilities while others consider it local facilities of common interest and that is why the procedures and required documentation for construction differ largely.

In some municipalities, it is required to obtain the consent of Chief Architect for the exterior of a temporary facility but it is not required in most other municipalities, what is another example of different procedure. We believe that it should be clearly defined that the consent is not needed when it comes to temporary telecommunication elements because in the architecture terms, we cannot do much about the exterior of a pole construction or outdoor cabinet, especially in non-urban locations where it is not completely defined what and which parameters should be met to get the consent.

Another example of this kind is related to the local fees (the difference can be up to 10 times in different municipalities). The similar case is with EKO procedure and the fees paid for the work of the members of the commission for evaluation of the elaborate on environmental protection, what points out to a possible lack of legal and institutional predictability.

## Amendments to the Law on Roads

Article 35 of the Law on public roads which refers to the „Notification of Works on Public Roads“ defines in paragraphs 4 and 5 that the persons that own or manage the infrastructure facilities that are installed or placed in

a public road (sewerage, water supply, electrical lines, electronic communication lines, gas pipeline, oil pipeline), when carrying reconstruction or other works on a public road at their cost, during the construction of a public road that is financed by the public road developer, shall relocate structures, facilities, devices, installations and lines or adapt them to the resulting changes at their own expense. Should they fail to relocate or adapt the structures, facilities, devices, installations and lines by the beginning of works execution on construction or reconstruction or works execution on public roads, they shall be responsible for the damage that may occur due to the untimely commencement of relocation.

Since there are no clear criteria to distinguish reconstruction and construction of new public road, infrastructure holders are faced in practice with possible abuse of these legal provisions and they bear significant costs for relocating their infrastructure. In practice reconstruction includes road construction of a fairly new roadway or adding a new roadway next to the existing one. The amendments of this provision should remove such possibilities of abuse, as it can be seen in the region. For example, in North Macedonia, this situation is solved in a way that in case it is needed to relocate the infrastructure there is no difference regarding construction of a new road or reconstruction of the existing one, in both cases the investors bear the costs of relocation. It is the same in the Republic of Croatia where infrastructure holder bears the costs of infrastructure relocation only if there is illegally built infrastructure. We consider these solutions reasonable because the owner of the legally built infrastructure should enjoy the rights guaranteed by the Constitution.

This includes that the investor shall provide the supervision over the execution of works to the infrastructure holders and that the investor and holder of infrastructure may agree that the infrastructure holder undertakes the measures on relocation and protection but at the expense of the investor.

## Improvement of the Law on using physical infrastructure to install high-speed electronic communication networks

This long-awaited document came into effect as on 18th January 2022. Even though its goal is to transpose the relevant EU Directive 2014/61/EU of the European Parliament and the Council that should result in reduction of costs for installing high-speed electronic communication networks, this Law has some inconveniences which may cause problems to telco operators in practi-

ce. More specifically, the application of the provision of Article 17 paragraph 1 may slow down the construction of electronic communication networks.

This provision reads:

„Network operator that plans to construct physical infrastructure shall publish the notification on the planned construction on their webpage and submit the notification to the Ministry six months before the notification on construction is submitted, in accordance with the Law.“

Since the operators of electronic communications are network operators at the same time in line with the Law, they have the same obligation and since they perform the activity that is changing and developing fast in a very competitive market with dynamic technology improvement this can represent an important business barrier for the electronic communication operators.

The obligations defined under Article 17 paragraph 1 of the Law may significantly slow down the construction of networks and structures as the operators would have to wait for another 6 months, once they meet the requirements for construction, to start with the construction in order for other network operators interested in using and coordinated construction to join the entire process.

### **Rulebook on single European number 112 for emergency calls (“Official gazette of Montenegro, no. 044/14)**

This Rulebook sets out the manner and terms of introducing a single European number 112 for emergency calls (hereinafter: number 112), service quality of calls handling, service quality parameters to use the number 112, their threshold values and measurement methods as well as the manner of precise and reliable location evidence of the person calling 112 and emergency services’ numbers.

Legal grounds for adopting this Rulebook are specified in Articles 142 and 143 of the Law on electronic communications.

We consider it necessary to harmonize the Rulebook with the Law on electronic communications in the part where Article 143 paragraph 2 prescribes that the electronic communication operator shall in no delay and free of charge submit to the Operational and Communication Center (the OCC) all available data on the calls to number 112 and other emergency services especially personal data on the user, number from which the

number 112 was dialed, call time and duration and call location in accordance with the technical possibilities.

Contrary to this provision of the Law, Article 13 of the Rulebook prescribes among other things:

Introduction of devices and equipment needed for processing and delivering the data on caller location and delivery of information to OCC 112 on caller location shall be performed in the following stages:

„ - within six months as of the day when this Rulebook comes into effect, it is ensured that the area defining the caller location matches the area covered by the radio base station sector (Cell ID/Sector ID) and that the caller location may be detected and location data may be submitted to the OCC 112 within 30 seconds as of the moment the call is made or SMS is received;

- within 12 months as of the day when this Rulebook comes into effect, it is ensured that the circle area defining the caller location is within a circle of 300 m radius for urban and suburban areas and 1000 m for other areas in 95% of made calls or SMS and that the caller location may be detected and location data may be submitted to the OCC 112 within 30 seconds as of the moment the call is made or SMS is received;

- within 24 months as of the day when this Rulebook comes into effect, it is ensured that the circle area defining the caller location is within a circle of 150 m radius for urban and suburban areas and 300 m for other areas in 95% of made calls or SMS and that the caller location may be detected and location data may be submitted to the OCC 112 within 30 seconds as of the moment the call is made or SMS is received.

Technical solutions for the caller location system from paragraph 3 lines 2 and 3 of this Article must be in line with ETSI TS 143 059 for GSM networks and ETSI TS 125 305 for UMTS networks.

Article 13 paragraph 3 of the Rulebook prescribes the features that must be met and functioning of devices and equipment needed to process and submit the data on caller location and data delivery to the OCC 112 on caller location while on the other side we have Article 143, paragraph 2 of the Law on electronic communications stating that these data, if available, are delivered by the operators „in line with technical possibilities“, which means based on technical possibilities of operator’s network as sufficient one for the delivery of the needed data.

So, the Law gives the possibility that the operator submits the data in line with technical possibilities and the Rulebook prescribes in advance technical possibilities and features that must be met so the Rulebook is contrary to the Law. In previous years, aware of the impor-

tance of 112 service in terms of availability and delivery of the required data to the OCC 112, Montenegrin telco operators worked on improvement of their systems and invested great resources to provide the data to 112 on caller location. The accuracy of the data submitted to the OCC 112 now corresponds to what can be provided at the network level and for the data on more specific caller location, complementary methods must be sought. It's been a while since operators communicate with the OCC 112 to provide AML method based on data sending from user device and this exceeds objective possibilities of operators. What the operators can do, and they do it, is to set their systems to send the data from the devices to the OCC 112 but this body must be able to accept these data.

We point out here to the standards defined under the preamble of the European Electronic Code of Communications (so-called EECC i.e. EU Directive 2018/1972) which defines, among other things, that the term 'caller location information' means, in a public mobile network, the data processed, derived from network infrastructure or handsets, indicating the geographic position of an end-user's mobile terminal equipment (point 40 of the Preamble)“.

In addition, points 284, 286 and 290 of the Preamble specify the following:

„Providers of number-based interpersonal communications services have an obligation to provide access to emergency services through emergency communications. In exceptional circumstances, namely due to a lack of technical feasibility, they might not be able to provide access to emergency services or caller location, or to both. In such cases, they should inform their customers adequately in the contract...“ (Comment: it is clear that providing the data on location is not mandatory and such impossibility must be clearly defined under the contract with the customer.

... Member States should ensure that providers of number-based interpersonal communications services provide reliable and accurate access to emergency services, taking into account national specifications and criteria and the capabilities of national PSAPs...“ (what is equivalent to the OCC in our country).

... Caller location information, which applies to all emergency communications, improves the level of protection and the security of end-users and assists the emergency services in the discharge of their duties, provided that the transfer of emergency communication and associated data to the emergency services concerned is guaranteed by the national system of PSAPs. The reception and use of caller location information, which includes both network-based location information and

where available, enhanced handset caller location information, should comply with relevant Union law on the processing of personal data and security measures. Undertakings that provide network-based location should make caller location information available to emergency services as soon as the call reaches that service, independently of the technology used. However, handset-based location technologies have proven to be significantly more accurate and cost effective due to the availability of data provided by the European Geostationary Navigation Overlay Service and Galileo Satellite system and other Global Navigation Satellite Systems and Wi-Fi data. Therefore, handset-derived caller location information should complement network-based location information even if the handset-derived location becomes available only after the emergency communication is set up.

..... Furthermore, Member States should ensure that the PSAPs are able to retrieve and manage the caller location information available, where feasible.”

From these segments of the EU Code it can be concluded that the caller location information based on the network are provided only if it is technically possible or feasible what is also stated in Article 142 paragraph 2 of the Law on electronic communications („the operator shall forward all available data to the OCC... as well as the data on location from which the call is made in accordance with the technical possibilities“). It is also important to have in mind that the EECC defines that the state must ensure that PSAP as competent state body may retrieve available caller location information.

We believe that if potential lack of technical possibilities to provide caller location is recognized in the EU Code which is adopted five years before the Montenegrin Law is adopted, it proves that regardless of technology development more precise data cannot be provided at the network level but a complementary method such as retrieval of information based on mobile phone should be considered.

This practice from the EU Code is in line with the Law on electronic communications as it enables forwarding of available data in line with technical possibilities of the operator at the network level what brings to a conclusion that the obligations imposed to the operators under the Rulebook mentioned above are out of legal framework and the Rulebook should be amended to exclude the obligations imposed to telco operators which they cannot meet from objective reasons.

## Electronic business – finalization of regulatory framework

In order to implement digitalization of society including transfer to e-business and mass use of electronic documents in everyday business, it is necessary to establish or finalize the regulatory framework dealing with electronic document through several laws. Legal entities use increasingly electronic documents in business and in practice private sector is an important driver of digital transformation but the actual block is the fact that the manner of keeping such documents, certification of transcript and alike is not prescribed. Accordingly, to finalize regulatory framework defining this area, we consider it urgent to amend the following laws:

### ▼ Law on Archives

It is necessary to amend the Law to regulate electronic archive material, prescribe the obligations of creator and holder of archive material in electronic form as well as management of electronic documents. Bylaws should also be amended to regulate procedures and technological solutions for reliable electronic archiving of documents. In this way, the definition of electronic document would be completed regarding its keeping in electronic form, in accordance with the provisions of the Law on electronic document.

### ▼ Law on certification of signature, hand writing and transcript

It is necessary to amend the Law to define the manner of certifying the printed copy of electronic document and electronic copy of a document.

### ▼ Law on electronic document

Telco operators used public debate on the Proposal of the Law held in 2021 to give specific comments to improve this document. We use the opportunity to point out that, despite the fact that we have waited for the amendment to this Law for ten years, it is needed to consider the possibility to regulate the issues under this Law within one law – Law on electronic identification and electronic signature, in accordance with eIDAS regulation and international practice for easier and more efficient application.

## 2. BANKING INDUSTRY



The years 2016 and 2017 were important years for banking industry in Montenegro and the MFIC recognized the need to establish the MFIC Banking Committee in February 2017. The Committee is set as the platform that would give our members belonging to this sector the opportunity to directly and concretely communicate the greatest issues and common interests internally but also with different stakeholders. The MFIC members from banking sector are: NLB Montenegro banka, CKB, Erste banka, Addiko banka, Hipotekarna banka, and the EBRD as associated member of this Committee. Addiko Bank is currently coordinating the work of the Committee. The company Mastercard joined the Banking Committee in 2019.

Montenegro is moderately prepared in the area of financial services, with some progress made in the reporting period on the asset quality review and with the adoption of implementing legislation in the banking area. Last year's recommendations were partially fulfilled.

In the coming year, Montenegro should:

▼ implement the legislation aimed at alignment with the Capital Requirements Directive and the Capital Requirements Regulation, including the implementing acts;

▼ finalise the independent review of the asset quality in the banking system, analyse its results and prepare plans for corrective actions, if necessary.

The legislation is partially aligned with the EU acquis on banks and financial conglomerates. In the course of 2020 and 2021, the Central Bank of Montenegro focused most of its activities on monitoring the financial stability of the banking system and mitigating negative effects of the COVID-19 pandemic. The Central Bank adopted six packages of interim measures (March 2020-March 2021) aimed to preserve and increase the liquidity of companies and individuals and to mitigate the effects of decrease of bank clients' creditworthiness, caused by the pandemic.

The entry into force of laws on credit institutions and on resolution of credit institutions (aimed at alignment with the Capital Requirements Directive and the Capital Requirements Regulation) was postponed to January

2022. The implementing acts related to these laws (38 different legal acts) were adopted and should become applicable in 2022, too. The delay is motivated by the COVID-19 outbreak and the necessity to commit the banking system participants to the implementation of the mitigation measures. Thanks to the actions taken by the central bank, the main indicators for the banking sector remain positive, with the ratio of non-performing loans increasing only slightly, to 5.5% of total loans in May 2021 and the solvency ratio reaching 19.3% in May 2021, well above the statutory minimum of 10%.

The independent review of the asset quality in all 12 banks present on the Montenegrin market, which started in February 2020, continued. Due to delays caused by the pandemic, the review is to be completed by the end of 2021.

On financial market infrastructure, securities markets and investment services, the Capital Market Authority continued preparations for alignment with the EU acquis on investment funds (UCITS Directive), alternative investment funds (AIFMD Directive) and pension funds (IORP Directive). The Authority produced initial drafts of these three laws as well as a draft law on digital property (assets).

An overview of important topics analysed in 2021 follows.

## **Suggestions to the draft Law on blockchain technology and crypto property**

The MFIC was invited by the Ministry of Finance and Social Care to submit the suggestions to the draft law on blockchain technology and crypto property prepared by the line ministry. The submitted suggestions are given below.

- Article 1. paragraph 1 – It is not given precisely what blockchain defines and subsequently everything linked to that technology. The definition is quite general and subjects to free interpretation “Blockchain is a computer technology based on decentralized database composed of several smaller bases (blocks) which are digitally interconnected and contain information on digital transactions of any kind”. This opens up a question in what way someone who wants to issue a NFT for example will know that the issued new type of NFT is in accordance with the law.

- Article 1. paragraph 42 – accreditation body in Montenegro is not defined and if accreditations out of Montenegro

(ex. European Union) are recognized.

- Article 2. paragraph 40 – Definition of insider information – the information an investor may use when making decision on investment.

- Article 4. paragraph 3 – it is necessary to delete the name Securities Commission and change it in the Commission for capital market; the wording broker and dealer companies should be deleted, under the Law on Capital Market there are only investment companies. In addition, the requirements for obtaining the license are not defined.

- Article 8 – It is not clear which is the first instance or second instance body regarding any matter. For example, current first instance body under the Law on banks is the Central Bank, second instance bodies are the Ministry of Finance and the Administrative Court. It is similar with capital market, there is the Commission for Capital Market and second instance bodies are the Ministry of Finance and the Administrative Court.

- Article 9 – It is stated that all natural and legal entities may freely keep, use crypto property and issue stablecoins in accordance with the Law, and Article 3 paragraph 5 does not limit the rights only to stablecoin.

- Article 11. paragraph 1 – Points out that all transactions from the blockchain must be harmonized with the regulations on payment services and that means the Law on credit institutions, Law on payment system, Law on anti-money laundering and terrorism financing and these laws do not recognize this particular area. Regulator for this draft is the Ministry of Finance and Social Welfare – it is the body responsible for implementation, application of this law and bylaws as well as supervision, issuance of licenses for service provision in accordance with this Law and other licenses as well. How is all this linked with the existing legal system of Montenegro, regulators (Central Bank and Commission for Capital Market), the role of the Ministry as regulator to monitor the implementation of the AML standard and frauds with financial instruments that this draft gives to the Ministry?

- Article 12. paragraph 2 – in this paragraph, it is expected that the owner of crypto property converts it into cash with the registered entities for these operations in Montenegro. The question is what happens with the crypto property which cannot be converted in euro or the registered entity does not convert all types of crypto properties. In addition, with the very conversion of crypto property, its crypto form is lost.

- Article 16 – White Book such as “Initial public offer” –

it should contain predefined data which clearly provide transparency in the issuing process. It should be defined how many days prior to the Initial public offer the White Book must be publicly available and where.

- Article 18 – Crypto stock market – it is not defined which company (joint stock, limited liability, entrepreneur?). Minimum initial capital should be defined.

- Art. 20, 22, 23, 24 and 25 should regulate the most important part of business related to crypto property which this Law recognizes while full regulatory framework would be solved under bylaws.

- Article 20 paragraph 1 – it reads: Crypto property trading in crypto stock market in Montenegro can be performed without limitations by the companies having the license issued by a competent supervision body as well as other legal entities, entrepreneurs – why is the license required? If the trading can be done without license, is there an increasing risk of settlement?

- Article 22 – OTC trading should be defined only for secondary trading not for Initial public offer (Initial public offer can be of closed type, but this is not OTC).

- Article 37 – taxation - it is not prescribed which method will be used to specify capital gain, FIFO, LIFO or weighted averages.

- Article 47 - tax rate of 1% is not in accordance with the Law on income tax, it is 9%.

- In the entire draft there is no information on the settlement process after trading nor on the guarantee fund.

- Article 47. paragraph 2 – It is not clear enough what crypto property turnover in Montenegro is.

- Article 55 - It is necessary to submit the Rulebook on accreditation of persons competent for supervision over crypto property.

It is not defined anywhere how to keep and store crypto property, protection measures, features of crypto wallet which may be issued in Montenegro.

There is no definition of obligations of crypto property holder if crypto property is kept in digital wallets registered with the companies out of Montenegro.

It would be useful to clarify the need to regulate this matter by law (we believe that it is an attempt to regulate by Law the actual situation). Is there a comparative practice of how many members and non-members of the EU regulate this area so that we could make a comparison since the draft is not followed by the Explana-

tory note to the Law nor by any explanation of its institutes?

We see this Law as initial step towards regulation of this matter in Montenegro and as such it is pretty general and it represents the basis for future activities. Since it is new, without practical experience, we cannot assess its impacts on other business segments and individual processes.

## **Implementation of the Law on consumer protection - users of financial services**

The Law on Consumer Protection - users of financial services (“OGM”, No. 43/15 of 31st July 2015), has been brought and entered into force on 8th August 2015. In accordance with Article 48 of the Law, it should have started to apply after the expiration of a six-month period from the date of its entry into force (in February 2016). Pursuant to Article 45 it is stipulated that “The regulations for the implementation of this Law will be adopted within three months from the date of its entry into force”, but they were not brought yet. Having this in mind, we believe that it is necessary to define the official status of this Law and a clear regulatory framework for the conduct of banks. We also consider that this Law is highly contradictory and non-compliant with other applicable laws and it contributes to legal uncertainty in the banking sector (especially in court proceedings).

This Law is significantly overlapping with the Law on Consumer Loans and both laws regulate issues such as the publication of advertising messages and their content, information at the pre-contractual stage and contractual stage in different ways, which is the source of legal uncertainty and legal risk for all banks.

This Law excludes the possibility for banks to charge tariffs related to payment transactions, and tariffs for closing accounts and sending funds to another bank, for cancelling the payment cards and withdrawing funds from the account which is opposite to Article 10 of the Law on Payment Transactions. We also believe that the manner and deadlines for informing about conditions and their modification related to banking services provision are in conflict with the Law on Payment Transactions.

We also point out that the Law on consumer protection – users of financial services is contradictory to itself in many provisions, and as an example we point out to Article 3 which states that the Law does not apply to mortgage loans, and in articles 7 and 26 the Law deals with mortgage loans. In Article 15, the Law determines the “Agency” as the regulator, and not CBM. The provisi-

ons regarding the content of the banking service contracts, the guarantors, the content of informing the users at the pre-advertising stage and in the negotiating phase, the time limits for the complaint, the rights and obligations of banks in relation to the provisions regulated by other valid regulations are contradictory.

In this regard, the provisions of this Law are in conflict with the provisions of the Law on Obligations (“OGM”, No. 47/08, 04/11 and 22/17) and the Law on Misdemeanors (“OGM”, No. 1/11, 39/11 and 32/14).

The existence of this Law is a source of legal and reputational risk and we believe that the Central bank of Montenegro and competent national authorities should take steps to resolve the status of this Law and define a clear regulatory framework.

## FATCA implementation

On 12th June 2014 the Government of Montenegro brought the decision to conclude and sign with the USA Government an Inter-Governmental Agreement (hereinafter: IGA) on improving the fulfillment of tax obligations at the international level and the implementation of FATCA regulations. On 16th March 2018 the Law on FATCA was adopted. From 2014 the banks started to identify in their systems the customers who have the accounts and are American taxpayers. Based on properly established base of clients who subject to this regulation, the banks are obliged to prepare reports which will be forwarded to the IRS through Tax Administration (TA). However, there are some open issues regarding the implementation of the Law. It is necessary that the Montenegrin institutions clarify some elements of the signed IGA and terms and definitions. They should also address the non-compliance with the Montenegrin legislation, explain their referral to the unfamiliar laws of the USA and retroactively defined reporting deadlines as well as reporting manner, agreement validation, undefined precise penalties and they should precise their explanations on accounts, clients and alike. Taking into consideration abovementioned, we point out to the necessity to implement further activities within the Action plan to implement the MFIC initiative to define the measures to eliminate the barriers to develop e-services in private sector under point 7 so that the banks could properly implement the requirements for FATCA reporting.

## KEY REGULATIONS ACCORDING TO THE MFIC

### Labor Law

In accordance with the request of the Secretariat to the Competitiveness Council, based on the instruction of the Ministry of Economic Development, the MFIC prepared and delivered the proposals and suggestions to amend the Labor Law which are presented below:

#### Article 24

The Employer shall notify the Employment Bureau on job vacancy in a manner and procedure defined under specific law.

#### Proposal:

- The Employer shall notify the Employment Bureau on job vacancy in a manner and procedure defined under specific law. This provision does not include the employers founded by the State of local self-government units.

The reason for this proposal is unnecessary administration for the employer as well as the right of the employer to hire the person who fits their needs best. The obligation of public announcement creates additional administration, harmonization with the announcement deadlines which sometimes cannot be met in practice, and legal obligation that the employer must inform the Employment Bureau about the selected candidate – in case they fail to inform the Employment Bureau, the penalties are prescribed.

#### Article 26

The Employer shall inform the applicants on the selected candidate within 45 days as of the expiry of the deadline to submit the applications.

The reason to remove this provision is given below.

When announcing job vacancies through different channels, the employers always point out in the announcement that only short-listed candidates who meet the requirements given in the announcement will be invited for job interview.

It happens in practice that the persons not meeting the required terms under the announcement apply for the job.

When we talk about submitting the application on job vacancy via the Employment Bureau, the employers

have possibility to advertise the job vacancy without announcement so they are not obliged to act in line with this Article. That is why the existence of this Article is questionable.

#### Article 37

Employment contract may be exceptionally concluded for definite period of time the termination of which is defined in advance, upon completion of the contracted work or upon the occurrence of specific event.

Our proposal is to determine what the employment in exceptional circumstances is as well as work completion specified by deadline or event. This definition of definite contract identifies the very feature of the contract with the temporary service contract. Having this in mind, the employer shall envisage in their job description acts these types of contracts because if they do not include these, they could not hire a person for definite period of time.

On the other side, the Law has already specified protection mechanisms and envisaged that the employment of persons for definite period of time cannot be longer than 36 months in continuity.

#### Article 39

To envisage that the CEO or General Manager may be hired for a job out of the contracted employment relation.

#### Article 64

The employer shall inform labor inspector on the introduction of overtime work within three days as of the day the decision on overtime was made.

We propose the removal of this provision. The question is what effect did it have in practice because the manner of its introduction and other issues of overtime definitively subject to penalties and they create additional administration as sometimes deadlines cannot be met in practice.

#### Article 78

Bearing in mind the exception in Article 78 compared to Art. 75 and 76, to review the possibility to define exceptions for the same industries/sectors regarding distribution of working hours. If we take the example of ports, where port operator does not have any influence or has some influence to the arrival of cargo ships or freight arrival by train/truck where in case of transportation delay (ex. Act of God affecting the arrival of ship, road accidents or electricity interruptions on the railway or train breakdown and alike), port operator cannot estimate the exact start and termination of their work. This can be linked to the Directive 2019/1152, item 30, 32,

Chapter II, Article 4, point m, Chapter III, Article 10, point 1 Minimum predictability of work. The distribution should be defined not to exceed 40 working hours per week, but with exceptions that on some days, due to work process and unpredicted circumstances as given above, the employees may work longer whereas on the days when the workload is reduced, they may leave earlier with the guarantee to the employees that they will be reimbursed monthly fund of hours for all employees.

#### Article 90

(6) If the employer has any doubt in the righteousness of the absence from work, they may submit the request to the competent body to challenge the temporary prevention to work, in accordance with the regulations on health insurance.

We suggest amending this Article as follows:

If the employer is not satisfied with the answer received from the competent body, they may contact the Ministry of Healthcare, as second instance body, to examine temporary prevention to work. The reason for this amendment is that we contacted the competent bodies (Medical Centre or the Health Insurance Fund) in most cases when we questioned if the temporary prevention to work is justified – we received positive answer from these bodies confirming the findings of their colleagues (doctors) and issuance of the reports on temporary prevention to work in accordance with the Rulebook.

#### Article 95

To cancel the mandatory implementation of job complexity ratios and ratio calculating value so that the employer can autonomously define the wage system whereby ratio application is only one of the possibilities.

#### Article 108

Paragraph 14 of this Article of the Labor Law prescribes that the employee who refuses to conclude employment contract within five days as of the take-over with the employer successor, the employer predecessor shall cancel the employment contract. This provision cannot be enforced in case when the employer predecessor ceases to exist and the employee refuses to sign the contract with the employer successor within the said five days.

The proposal is to amend this provision to envisage that the employee shall express themselves on the take-over within specific deadline as of the day of receiving the information from the employer predecessor. In case the employee refuses to transfer the employment contract or does not reply within the given deadline, the employer predecessor may cancel the employment contract.



## Article 172

Contract from Article 47 paragraph 1 points 1, 2 and 3 of this Law includes wage reduction, the employee referred to paragraph 1 points 4 and 5 of this Article is entitled to the severance payment which cannot be lower than three average monthly salaries in Montenegro without taxes and contributions”.

This provision should be precised to define the exact severance payment amount belonging to the employee in this case, without using the wording “which cannot be lower than...”.

Paragraph 4 of this Article prescribes that “the employee from paragraph 1 items 5 and 8 of this Article is entitled to the severance payment from Article 169 of this Law”.

This provision should be amended in a way that the employee is entitled to severance payment from Article 169 of the Labor Law only in case of collective lay-off and not in case when the employee refuses to conclude the Annex to the work contract referred to in Article 47 paragraph 1 points 2 and 3 of the Labor Law.

We point out that in Article 172 paragraph 3 and 4 of the Labor Law the point 5 repeats so it should be corrected.

## Law on ID card

In December 2018 the Government of Montenegro passed the Law amending the Law on ID card which will enter into force as of March 2020. The goal of this Law is to improve the standards regarding the issuance of ID documents in line with the latest trends and to reduce the possibilities to abuse IDs. As it was explained from the Ministry of Public Administration, the Law sets out that the ID card is electronic official document containing a chip that stores electronic identification certificate and the certificate for qualified electronic signature used to norm a digital identity of citizens. In this way, a new stage in development of service quality in public administration will start, with the establishment of the systems for e-identification and e-payment.

The MFIC addressed the line institutions, the Ministry of Public Administration and the Ministry of Internal Affairs, with the initiative to amend the Law regarding the very template of a new ID card.

Our members, electronic communication operators and banks, pointed out to the fact that some laws regulating electronic communication and banking operations prescribe the obligation to register the address of

their service users. Since the template of the valid ID card does not contain the information about the user permanent residence, our members face problems with registration of this information which can be obtained based on personal statement of the user. We stress out that this way of collecting the information does not guarantee the accuracy of the information and the question arises if this obligation of electronic communication operators and banks makes sense bearing in mind that the accuracy of the information cannot be guaranteed as it is not registered based on official document.

At the same time, we would like to emphasize that the ID cards of all neighboring countries, including Croatia as the EU member, as well as other EU countries, have the permanent residence of the ID card holder.

We also point out that the Law on anti-money laundering and terrorism financing defines in Article 6 paragraph 2 that the reporting entities should identify the client and check their identity based on reliable, independent and objective sources and monitor customer’s business activities.

Article 6 paragraph 2 of the Croatian Law on Identity Card reads as follows: The form of the identity card shall contain: the coat of arms of the Republic of Croatia, the title “Republika Hrvatska” (Republic of Croatia), the title “osobna iskaznica” (identity card) and the identity card number, the marking of an electronic document and the space for the entry of: surname, name, information on sex, information on citizenship, date of birth, personal identification number, period of validity, permanent residence, date of issue, the name of the police administration or a police station issuing the identity card and machine readable data. The form of the identity card shall also contain the space for a photo and the person’s signature.

With respect to the above mentioned, we suggest amending Article 6 paragraph 2 of the Law on ID card as soon as possible in a way to include the permanent residence in the ID card template.

## Internal Trade Law

Amendments to the Internal Trade Law, Article 35a, stipulate that wholesale and retail trade in Montenegro cannot be performed on Sundays and public holidays defined by the law regulating public and other holidays, in sales facilities or other outlets that will be determined by the regulation of the Ministry.

Irrespective of paragraph 1 of this Article, wholesale and retail sale may be performed on Sundays in pharmacies,

bakeries and pastry shops, florists, souvenir shops, and stores selling newspapers, plant protection chemicals and funeral equipment. The exemptions also cover the petrol stations and the attached stores, farmers' markets, stands and vending machines outside the farmers' markets, mobile shops, as well as stores, kiosks and vending machines at the bus stations, airports and ports. They also include the stands and kiosks open during the events, festivals, exhibitions and public screenings, as well as the wholesale storage facilities.

This Law came into effect as on 14th October 2019 with the first non-working Sunday of 20th October 2019.

Bearing this in mind and in order to promote Montenegro as a serious tourist destination, we suggest amending the Law to exclude shopping malls from the Law due to their specific activities or to reduce their working hours on Sundays from 6 hours to 8 hours in the following periods 10 am to 6 pm, 12 pm to 8 pm, 12 pm to 6 pm.

At the same time, we point out to the practice in the region where shopping malls in Serbia, Bosnia and Herzegovina, Croatia and Macedonia are open on Sundays while in Slovenia the working hours are shortened. Shopping malls in Great Britain, Finland, Denmark, Sweden, Bulgaria, Turkey and Romania are open on Sundays.

The initiative to cancel non-working Sunday was supported by all business associations in Montenegro who are members of the Competitiveness Council.

## OTHER BARRIERS



As an additional part of this White Book, we will very briefly list the examples of "other barriers" that our members faced. We asked what the "other" barriers that first come to their mind are, and here are their replies:

**1.** The regulatory framework of Montenegro has enabled clients to do digital business through simple authentication systems. The Law on Payment Operations ("Off. Gazette of Montenegro", no. 62/13 and 6/14) recognizes and defines the meaning of the terms "means of distance communication" and "payment transactions performed via telecommunications, digital or information technology devices". Also, the Law on Consumer Loans ("Off. Gazette of Montenegro", no. 35/13, 73/17,

72/19 and 8/21) defines and allows the "use of means of distance communication", while the Law on Obligations ("Off. Gazette of Montenegro", no. 47/08, 4/11 and 22/17) describes the conclusion of a contract electronically by introducing the notion of electronic signature. Consumer Protection Act ("Off. Gazette of Montenegro", no. 2/14, 6/14, 43/15, 70/17 and 67/19) describes in detail the processes of concluding distance contracts, and the provisions of this law apply to banks and other economic entities. Digital communication channels are recognized in national regulations, so today it is possible to transfer money through online banking - at home and abroad, create time deposits, create standing orders and other advanced functionalities that have a financial effect on the client - all completely online - without coming in the branch. Clients sign all instructions online within the Internet and mobile banking, using tokens, biometrics (behind which the token is unlocked) or some other type of two-factor authentication. At the same time, we find the need to further regulate the field of online lending and thus provide customers with the same level of online experience that exists when transferring money and paying for products and services in online stores. Law on Obligations, Article 1169 and Law on Consumer Loans, Article 16, stipulate that the Loan Agreement must be "in writing, on paper or some other durable medium". The Decision on the Credit Registry ("Off. Gazette of Montenegro", no. 39/18 and 18/19), Article 11, prescribes the obligation of the client's written consent for an inquiry into the credit registry, "given in the KR-SK Form". The Law on Electronic Identification and Electronic Signature ("Off. Gazette of Montenegro", no. 31/17 and 72/19), Article 14, stipulates that a qualified electronic signature (QES) "has the same legal effect as a personal signature"; however, this Law and the Article are in conflict with the aforementioned regulations and the eventual court proceedings on the loan would depend on the interpretation of the court, and for a specific area there is no precedent. Therefore, the obligation to use QES will continue to be a business barrier to the widespread use of digital services in the financial sector, and in the meantime some alternative solutions are needed.

**2.** Impossibility to inform electronically on the change of employer checking account via JPR application - Law on Tax Administration.

**3.** Retroactive application of Article 213 of the Labor Law prescribing that for the employment contracts for definite period of time and employee transfer agreements that are concluded after this Law comes into effect, the time which the employee spent working with the employer based on employment contract on definite period of time and based on employee transfer

agreement with the Agency, before this Law has become effective, shall be taken into account when calculating time period defined under Article 37 paragraph 2 of this Law. This provision of the Law disables to a large extent using the services of the Agency for temporary transfer of employees by the employers in line with Articles 52-59 of the Labor Law. Therefore, we propose removal of Article 213.

**4.** Regulation which prescribes that the wage calculation has the strength of executive document may cause a potential issue and may be the source of abuse (ex. when the salary is already disbursed because the complaint does not postpone the execution and court process can be quite long. Therefore, we propose removal of this norm.

**5.** Obligation to have work license and work contract at the place of work execution makes the operations more difficult and it is almost impossible to respect this rule in the field works so we believe that the required data and evidence can be simply checked in communication with the inspection and Tax Administration (currently Revenues and Customs Administration). Therefore, we propose to delete the wording „or place of works execution“ from Article 19 paragraph 1 point 3 of the Labor Law.

**6.** Fire protection operations - obligation of the companies to hire legal entities meeting the requirements to perform these operations even though the Ministry of Interior does not keep any record although it is prescribed by Law that the records shall be kept and published on the MI website. The employers do not have clear information which legal entities meet the requirements prescribed by Law to perform competent operations under the Law – Law on safeguard and rescue.

**7.** Tax Consolidation: The interpretation of the tax authority of the law requirements on accepting a group for the purpose of tax consolidation is not allowing to add newly established subsidiaries after the issuance of the decision on accepting tax consolidation and for a period of 5 years from the date of issuing the decision. Such interpretation is hindering the benefit of the tax consolidation option as envisaged by the law. They should allow the automatic inclusion of any newly established subsidiary, by way of notification.

**8.** Presentation of the Income Statement: the currently binding statutory local chart of accounts, and the model financial statements issued by the institute of chartered accountants of Montenegro isn't adopting the two methodologies of income statement presentation (by nature and by function), and limits it to one methodology

that doesn't necessarily suite the business nature of all companies, especially real estate development companies. They should allow the two methodologies based on the nature of business.

**9.** Managing Director of Subsidiaries: Currently a foreign employee is not allowed to be a managing director of more than 3 companies, which doesn't facilitate the operations of a group of companies as it is the case with one our member.. The managing director of the parent company should be allowed to serve as the managing director of all subsidiaries within the group.

**10.** Providing technical possibilities in the Commercial Court so that witnesses can be heard via video link.

**11.** Complicated procedures for obtaining a work and residence permit.

## IMPLEMENTATION STATUS OF THE ACCEPTED RECOMMENDATIONS FROM THE WHITE BOOK 2020\*

The White Book identifies 24 recommendations related to the state administration institutions. The table below contains the answers of the responsible institutions collected from 7th May to 18th June and updated in December 2021.

### LAW ON ELECTRONIC COMMUNICATIONS

MFIC

RECOMMENDATION/COMMENT:

When it comes to the Draft Law amending the Law on electronic communication, the amendments that were of particular interest to the electronic communications operators referred to the following:

- signing the contract by the consumer, implying that the contract could be signed other than with the handwritten signature also with an electronic signature, advanced electronic signature, qualified electronic signature and signature in a digital form;
- issuing the bill for the service consumption, implying that the bill will be available to the consumer in a way defined by the General Terms and Conditions for the services.

Unfortunately, this Law was not enacted until the end of 2020, and telco operators are very much interested that to be enacted as soon as possible, or even the new Law on Electronic Communications that will transpose the European Electronic Communication Code in the Montenegrin regulatory framework.

ANSWER OF THE MINISTRY OF ECONOMIC DEVELOPMENT

The Government Work Plan 2021 envisaged the adoption of the Proposal of the Law amending the Law on electronic communications in Q2.

The adoption of the new Law on electronic communications is planned for Q4 2022 and the drafting should begin this year and it will be one of our priorities. The new Law on electronic communications is adopted in order to harmonize and transpose the Directive 2018/1972 of the European Parliament and the Council from 11th December 2018 on the European Code on electronic communications into Montenegrin legislation. The work on this Law will allow to solve some of the matters of interest to the operators through public debates and consultations.

### LAW ON MEASURES TO REDUCE THE COST OF DEPLOYING HIGHSPEED ELECTRONIC COMMUNICATIONS NETWORKS

MFIC

RECOMMENDATION/COMMENT:

Operators very much welcomed the opportunity of introducing such Law in the Montenegrin regulatory framework that transposes the respective EU Directive 2014/61 i.e. BB Cost Reduction Directive. This Directive aims to reduce the costs of deploying high-speed broadband networks through facilitating shared use and coordinated deployment of physical infrastructure within the electronic communications sector and across other sectors such as energy, transport and water, thus streamlining permit granting procedures and facilitating access to end users' premises. It was expected that once the Law is enacted its implementation will also reduce the time for deploying networks, and assure transparency and non-discrimination principles in using the involved infrastructure. Unfortunately, this Law was not enacted until the end of 2020, while telco operators are

ANSWER OF THE MINISTRY OF ECONOMIC DEVELOPMENT

Adoption of the proposal of the Law on using physical infrastructure to install high-speed electronic communication networks is planned under the Government Work Plan for Q2 2021 and at the moment we are waiting for the opinion of line institutions.

This Proposal of the Law transposes the Directive 2014/61/EU in order to fully harmonize Montenegrin legislation with the EU legislation in part of building high-speed electronic communication networks, removing the barriers for their installation which mainly refer to the high costs of installations, inefficient and irrational use of the existing infrastructure, lack of unique database on the existing physical infrastructure and lack of coordination when installing high-speed electronic communication networks.

\*Answers of the responsible institutions on 22nd December 2021

very much interested that the Law is enacted as soon as possible.

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## LAW ON CINEMATOGRAPHY

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### MFC RECOMMENDATION/COMMENT (para-fiscal burden on internet access service)

For years the telco sector has been challenging the Film funding tax as the para-fiscal burden put on the internet service providers due to the fact that various cinematographic works can be found online. Since the subject ICT Committee recommendation was found reasonable and legally grounded by the majority of relevant institutions, including Ministry for Economy and Governmental Council for Competitiveness, it was expected that such unreasonable financial burden could be eliminated during 2020. Although, such initiative was not effectuated due to the specific circumstances occurred in the year of health & economic crisis we believe that in the upcoming period the responsible Ministries will work on introducing the amendments to the Cinematography Law that will eliminate such unreasonable financial burden put on the internet service providers

### MINISTRY OF EDUCATION, SCIENCE, CULTURE AND SPORT

The Ministry does not agree with the proposed recommendation.

### ANSWER OF THE MINISTRY OF ECONOMIC DEVELOPMENT

Since these activities were not implemented as planned due to COVID-19 pandemics and new organisation of public administration, and given that the operators of electronic communications sent the letter on 3rd February 2021 to the Government of Montenegro, the Ministry of Education, Science, Culture and Sport and the Ministry of Economic Development, we expect that the new working body will be established in the forthcoming period that would deal with these issues in order to find the most acceptable solution. Right after having received the letter for the operators we initiated communication with the Ministry of Education, Science, Culture and Sport but due to their new organisation we have not received yet any feedback whether new working group will be established and this lies within their competencies.

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## IMPLEMENTATION OF THE LAW ON SPATIAL PLANNING AND CONSTRUCTION OF FACILITIES

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### MFC RECOMMENDATION/COMMENT:

As the ICT Committee pointed out in the previous WB recommendations, the implementation of the Law on Spatial Planning and Construction continued to be an issue since the local governments differently apply regulations referring to maintenance and construction of the new infrastructure. Namely, the practice shows that in many cases the issued Urbanistic-Technical Conditions („UTC”), do not comprise the terms for connection to the telecommunication infrastructure or its protection. Consequently, the protection of electronic communication infrastructure, being assured by the Law on Electronic Communications, actually is not fully endorsed by the Law on Spatial Planning and Construction, due to room for its misinterpretations. Despite the fact that the National regulator for electronic communications supports telco operators in their endeavors to assure full interpretation of the both laws, when it comes to the protection of infrastructure, we believe that the responsible Ministry and the National Regulator should jointly work on raising the awareness of the „UTC”

### ANSWER OF THE MINISTRY OF ECOLOGY AND SPATIAL PLANNING

By adopting the new Law to regulate the area of spatial planning and construction of facilities, all the questions related to the implementation of previous regulations will be taken into account and the solutions would be proposed to overcome the issues pointed out by the ICT Committee.

Current legislation that applies when issuing UTC adopted based on the Law on electronic communications (“ Official gzt of MNE”, no 40/13) relating to the telecommunication infrastructure is given below:

- Rulebook on width of the protective areas and types of radio corridors where planning and construction of other facilities is permitted (“Official gazette of MNE” number 33/14),
- Rulebook on mutual use of electronic communication infrastructure and associated equipment (“Official gazette of MNE”, number 52/14),

issuers, investors/constructors, for the necessity for protection of the telco infrastructure.

As previously suggested the problem is also solvable by introducing more clear provisions of the Law Spatial Planning and Construction and more clear guidelines for the Law implementation. Such approach is especially important having in mind that subject infrastructure is actually critical infrastructure, which is currently exposed to the damage and devastation. Additionally, the infrastructure owners are exposed to direct and indirect financial losses.

- Rulebook on technical and other requirements for designing, constructing and using electronic communication networks, electronic communication infrastructure and associated equipment in the facilities (" Official gazette of MNE, number 41/15), and
- Rulebook on requirements for designing, constructing and using electronic communication networks, electronic communication infrastructure and associated equipment in the facilities (" Official gazette of MNE", no. 59/15 and 39/16).

When issuing the UTC, the following is also consulted:

- website with all the relevant regulations based on which technical documentation is elaborated [http:// www.ekip.me/regulativa/](http://www.ekip.me/regulativa/);
- website where the Agency publishes the data on the existing situation of electronic communication infrastructure <http://ekinfrastuktura.ekip.me/ekip.me> as well as the website <http://ekinfrastuktura.ekip.me/ekip/login.jsp> where any stakeholder can ask the Agency for telecommunications and postal services to create user account to access georeferenced database of electronic communication infrastructure.

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## IMPLEMENTATION OF THE LAW ON CONSUMER PROTECTION-USERS OF FINANCIAL SERVICES

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### MFIC RECOMMENDATION/COMMENT:

The Law on Consumer Protection - users of financial services ("OGM", No. 43/15 of 31st July 2015), has been brought and entered into force on 8th August 2015. In accordance with Article 48 of the Law, it should have started to apply after the expiration of a six-month period from the date of its entry into force (in February 2016). Pursuant to Article 45 it is stipulated that "The regulations for the implementation of this Law will be adopted within three months from the date of its entry into force", but they were not brought yet. Having this in mind, we believe that it is necessary to define the official status of this Law and a clear regulatory framework for the conduct of banks. We also consider that this Law is highly contradictory and non-compliant with other applicable laws and it contributes to legal uncertainty in the banking sector (especially in court proceedings).

This Law is significantly overlapping with the Law on Consumer Loans and both laws regulate issues such as the publication of advertising messages and their content, information at the pre-contractual stage and contractual stage in different ways, which is the source of legal uncertainty and legal risk for all banks.

This Law excludes the possibility for banks to charge tariffs related to payment transactions, and tariffs for closing accounts and sending funds to another bank, for cancelling the payment cards and withdrawing funds

### ANSWER OF THE MINISTRY OF FINANCE AND SOCIAL CARE

### ANSWER OF THE CENTRAL BANK OF MONTENEGRO

Related to this Law, we point out that the Central bank of Montenegro (the CBMNE) gave negative opinion to the proposal of the Law on protection of consumers – users of financial services which the Ministry of Finance submitted on 9th July 2015. The CBMNE explained at the time that the proposed Law implements the relevant Directive identically in one part and in the second part with some differences compared to the Law on consumer loans so in case the proposed Law is adopted with the proposed text, we would have in our legal system two laws with the same legal strength and different solutions for the same matters, what is legally unsustainable.

On 10th September 2015, the Government of Montenegro submitted to the Parliament of Montenegro the opinion that the Proposal of the Law on consumer protection – users of financial services should not be accepted.

However, despite this opinion, the Law was enacted in the Parliament of Montenegro on 16th July 2015.

from the account which is opposite to Article 10 of the Law on Payment Transactions. We also believe that the manner and deadlines for informing about conditions and their modification related to banking services provision are in conflict with the Law on Payment Transactions.

We also point out that the Law on consumer protection – users of financial services is contradictory to itself in many provisions, and as an example we point out to Article 3 which states that the Law does not apply to mortgage loans, and in articles 7 and 26 the Law deals with mortgage loans. In Article 15, the Law determines the “Agency” as the regulator, and not CBM. The provisions regarding the content of the banking service contracts, the guarantors, the content of informing the users at the pre-advertising stage and in the negotiating phase, the time limits for the complaint, the rights and obligations of banks in relation to the provisions regulated by other valid regulations are contradictory.

In this regard, the provisions of this Law are in conflict with the provisions of the Law on Obligations (“OGM”, No. 47/08, 04/11 and 22/17) and the Law on Misdemeanors (“OGM”, No. 1/11, 39/11 and 32/14).

The existence of this Law is a source of legal and reputational risk and we believe that the Central bank of Montenegro and competent national authorities should take steps to resolve the status of this Law and define a clear regulatory framework.

After that, the Central bank made a thorough comparative analysis of the provisions of the Law on consumer protection – users of financial services with the provisions of the Law on consumer loans and Law on payment system and prepared the Information on the issues in the application of the Law on consumer protection – users of financial services, by which it pointed out to collision and duplicating of legal norms and it listed questionable matters within the competencies of the Central Bank.

To have a mutual standing, this information was shared with all relevant addresses on 2nd October 2015.

But no activity was undertaken to overcome these issues.

Since the Government Work Program for 2021 envisages the definition of proposal of the new Law on consumer loans in Q4 2021, we believe that this Law shall regulate all the issues necessary for full implementation of relevant EU regulations, and if it is assessed relevant, other issues as well important for the protection of the users of financial services. With the adoption of this Law, the Law on consumer protection – users of financial services (“Official gazette of MNE”, number 43/15) and the Law on consumer loans (“Official gazette MNE” no. 35/13, 73/17 and 72/19) should be put out of force.

During the accession negotiations with the EU, the Law on Payment System was fully complied with the Directive 2007/64/EC on payment services and it entered into force on 9th January 2015.

When the analysis of the Law on consumer protection – users of financial services was made in the part related to the payment operations, already regulated under the Law on Payment System harmonised with the EU Directive 2007/64/EC on payment services, it was noticed that some matters were regulated differently.

Non-compliance and other inconveniences reflect in the following:

- This Law did not include the protection of the users of payment services of payment institutions and institutions for electronic money, who in their capacity of payment service providers increase competition in this domain and the greatest beneficiaries of these services are natural persons – consumers;
- This Law prescribes the obligation to the financial service provider to ensure that the user is introduced to the general terms and conditions of their operations no later than 15 days before their entering into force while the Directive 2007/64/EC and the Law on payment system define the same deadline but as a deadline of at

least two months before their entering into force; this significantly decreases the consumer protection;

- Unlike this Law, in line with the Directive 2007/64/EC, the Law on payment system prescribes the possibility for the payment service provider to charge a fee to the payment services beneficiary for using payment services;

- Unlike this Law, in line with the Directive 2007/64/EC, the Law on payment system regulates in more detail pre-contract information given to the payment service beneficiary through the provisions regulating transparency of the terms and obligation to inform when providing payment services in Montenegro;

- This Law defines mandatory elements of the agreement to use payment card and agreement on account opening and keeping which are elaborated in more detail in the Law on payment system with the provisions specifying framework agreements, elements of payment instrument and execution of payment transaction. In that sense, the provisions of the Law on payment system regulate the framework agreement covering all payment services which include the payment via modern telecommunication means, digital or information-technological devices, payment instruments of small value, e-money, cash transfers, agreement on one-time payment transaction and alike (in addition to the account opening and keeping, issuing and using payment cards, termination of framework agreement).

- This Law uses the terms such as current account and FX account which the Law on payment system does not recognise – the accounts are designated as transaction account for payment transactions (national or international);

This Law prescribes rights and obligations of the payment card user under which the user is accountable for all the losses incurred due to failure to meet some obligations (obligations from the prescribed requirements on issuing and using the payment card, obligation to inform the bank in no delay about the loss, theft and abuse of the payment card and obligation to adequately keep their own personal ID number). In this way, the protection of these users is significantly reduced compared to their rights prescribed by the Law on payment system in line with the Directive 2007/64/EC which prescribe that the payment card holder is accountable for the loss in total amount up to 150 EUR incurred due to use of lost or stolen payment instrument, if they do not keep their personal features or due to illegal possession of the payment instrument.



## ANSWER OF THE MINISTRY OF ECONOMIC DEVELOPMENT – DIRECTORATE FOR INTERNAL TRADE AND COMPETITION

The Ministry of Economic Development will be the proposer of the new Law on consumer loans envisaging the cancellation of identical or similar norms which exist in the Law on consumer loans and the Law on consumer protection – users of financial services. The adoption of this Law is planned for Q4 2021. The draft Law is prepared and it will be soon available for public debate.

This Law creates a single legal framework which fully integrates the Directive 2008/48/EC on consumer loan contracts and the Directive 2014/17/EU on consumer loan contracts related to housing units.

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## LAW ON ID CARD

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### MFIC RECOMMENDATION/COMMENT:

In December 2018, the Government of Montenegro passed the Law amending the Law on ID card which will enter into force as of March 2020. The goal of this Law is to improve the standards regarding the issuance of ID documents in line with the latest trends and to reduce the possibilities to abuse IDs. As it was explained from the Ministry of Public Administration, the Law sets out that the ID card is electronic official document containing a chip that stores electronic identification certificate and the certificate for qualified electronic signature used to norm a digital identity of citizens. In this way, a new stage in development of service quality in public administration will start, with the establishment of the systems for e-identification and e-payment.

The MFIC addressed the line institutions, the Ministry of Public Administration and the Ministry of Internal Affairs, with the initiative to amend the Law regarding the very template of a new ID card.

Our members, electronic communication operators and banks, pointed out to the fact that some laws regulating electronic communication and banking operations prescribe the obligation to register the address of their service users. Since the template of the valid ID card does not contain the information about the user permanent residence, our members face problems with registration of this information which can be obtained based on personal statement of the user. We stress out that this way of collecting the information does not guarantee the accuracy of the information and the question arises if this obligation of electronic communication operators and banks makes sense bearing in mind that the accuracy of the information cannot be guaranteed as it is not registered based on official document.

At the same time, we would like to emphasize that the ID cards of all neighboring countries, including Croatia

### ANSWER OF THE MINISTRY OF THE INTERIOR

The Law amending the Law on ID card („Official gazette of MNE“ number 18/2019) prescribing that the ID is an electronic public document by which a citizen with the Montenegrin citizenship proves their identity and citizenship, started to apply six months after its coming into force i.e. as of 30th March 2020.

In accordance with these amendments, new ID cards offer numerous benefits to the Montenegrin citizens since they are chipped – they have electronic device with inbuilt certificate for electronic identification and qualified electronic signature, what would contribute to a better life quality of our citizens and improve communication and operations in the state.

By introducing the third-generation documents, Montenegro implements European and international standards from this area and this will ensure faster border controls, easier procedures in the areas of electronic business, electronic trade, payment systems without waiting for the services.

In line with the Law on registries on permanent and temporary residence, a Montenegrin citizen is obliged to report the change of address to the Ministry in a municipality when they intend to live permanently i.e. in a municipality where they have registered address within eight days as of the change occurred.

If the Law would be changed based on recommendations to include the address, a Montenegrin citizen would be obliged to submit the request to replace the ID card to include the new address, what would be costly.

By accepting this recommendation, the Ministry could not continue developing electronic services, including electronic services for changing the residence, as the data contained in the ID card and in the database would not match.

as the EU member, as well as other EU countries, have the permanent residence of the ID card holder.

We also point out that the Law on anti-money laundering and terrorism financing defines in Article 6 paragraph 2 that the reporting entities should identify the client and check their identity based on reliable, independent and objective sources and monitor customer's business activities.

Article 6 paragraph 2 of the Croatian Law on Identity Card reads as follows: The form of the identity card shall contain: the coat of arms of the Republic of Croatia the title "Republika Hrvatska" (Republic of Croatia), the title "osobna iskaznica" (identity card) and the identity card number, the marking of an electronic document and the space for the entry of: surname, name, information on sex, information on citizenship, date of birth, personal identification number, period of validity, permanent residence, date of issue, the name of the police administration or a police station issuing the identity card and machine readable data. The form of the identity card shall also contain the space for a photo and the person's signature.

The Ministry replied regarding this initiative and informed that they will undertake all the activities to include the information about the address of a person in ID chip in a way to amend the regulations to have legal grounds for such modification.

With respect to the above mentioned, we suggest amending Article 6 paragraph 2 of the Law on ID card as soon as possible in a way to include the permanent residence in the ID card template.

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## LAW ON INTERNAL TRADE

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### MFIC RECOMMENDATION/COMMENT:

Amendments to the Internal Trade Law, Article 35a, stipulate that wholesale and retail trade in Montenegro cannot be performed on Sundays and public holidays defined by the law regulating public and other holidays, in sales facilities or other outlets that will be determined by the regulation of the Ministry of the Economy.

This Law became effective as on 14th October 2019 with the first non-working Sunday of 20th October 2019.

Bearing this in mind and in order to promote Montenegro as a serious tourist destination, we suggest amending the Law to exclude shopping malls from the Law due to their specific activities or to reduce their working hours on Sundays from 6 hours to 8 hours in the following periods 10 am to 6 pm, 12 pm to 8 pm, 12 pm to 6 pm.

At the same time, we point out to the practice in the region where shopping malls in Serbia, Bosnia and Herzegovina, Croatia and Macedonia are open on Sundays

### ANSWER OF THE MINISTRY OF ECONOMIC DEVELOPMENT – DIRECTORATE FOR INTERNAL TRADE AND COMPETITION

The provision of Article 35a of the Internal Trade Act („Official gazette of Montenegro“, no. 49/08, 40/11 and 38/19) prescribe the following:

“Wholesale and retail sale cannot be performed on Sundays and on state and other holidays specified under the law regulating state and other holidays.

Irrespective of paragraph 1 of this Article, wholesale and retail trade may be performed on Sundays and on state and other holidays in the following:

- 1) pharmacies;
- 2) specialized stores or kiosks for the sale of bread, bakery products and cakes, flowers, souvenirs, press, plant protection products and funeral equipment;
- 3) petrol stations and retail shops within the petrol stations;
- 4) green markets;
- 5) stands – counters, showcases and vending machines outside markets and mobile shops;
- 6) shops, kiosks and vending machines located

while in Slovenia the working hours are shortened. Shopping malls in Great Britain, Finland, Denmark, Sweden, Bulgaria, Turkey and Romania are open on Sundays. The initiative to cancel non-working Sunday was supported by all business associations in Montenegro who are members of the Competitiveness Council.

within closed areas of bus and train stations, airports and ports; 7) stands and kiosks which sell goods during events, festivals and manifestations, fairs and during the public display of cinematographic works; 8) warehouses for the wholesale trade.

Specialized shops or kiosks referred to in paragraph 2 point 2 of this Article are considered to be shops or kiosks where the sale of mainly one type of goods is carried out.”

It can be concluded from this quoted provision that the Ministry of Economic Development is not responsible to prescribe the exceptions from prohibition to perform wholesale and retail sale trade on Sundays and state holidays, since the exceptions are listed in the very Law the amendment of which lies within the Parliament of Montenegro.

This is a delicate question where there is no consent between the representatives of the employees and the representatives of the employers. Within its activities, the Ministry of Economic Development tried to initiate social dialogue to have support of social partners for potential amendments (session of the Board of the Social Council of Montenegro held on 23rd March 2021) but some of them did not express any will for such a dialogue. Understanding the size of the problem, the Ministry is in daily contact with the representatives of the traders, especially small family-owned shops which are mostly impacted by this provision, trying to find a solution which would be acceptable for the representatives of the employees as well.

It is important to mention that the Employers' Association submitted the initiative before the Constitutional Court to challenge the constitutionality of Article 35a of the Law on Internal Trade.

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## LABOR LAW

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### MFIC RECOMMENDATION/COMMENT:

In general, the Labor Law is quite restrictive and imposes a lot of administration, salary documentation, working hours, reporting to inspections and unions, internal and external announcements without explanation or reason for such administration. Considering the above, due to problems in the practical application of the Law, we consider it justified to review the following provisions of the Labor Law:

- Article 90 (Absence from work whose duration may indicate a possible abuse of rights);
- Article 86 (Calculation of the amount of compensation for unused annual leave);
- Article 68 (Redistribution of working hours);

### ANSWER OF THE MINISTRY OF ECONOMIC DEVELOPMENT – DIRECTORATE FOR LABOR AND EMPLOYMENT

The new Labor Law entered into effect on 7th January 2020 after four-year negotiations with the EC and ILO and social partners. The new Law improved the protection of the employees by taking into account that the rights and obligations of the employers are not too burdened and that unfavorable environment is prevented. This is also confirmed by the fact that the Law is adopted with the consensus of all social partners (the Government, representative association of employers and trade unions). The Labour Law is fully complied with the directives of the EU and ILO standards while further

- Article 42 (Work from home);
- Article 47 (Annex to the employment contract for the transition from full-time to part-time);
- Article 102 (Salary compensation);
- Article 106 (The protected part of salaries in the process of collection through administrative prohibition is 70%, while the Law on Compulsory Collection prescribes 50% of salaries that may be charged);
- Article 172 (Dismissal of employees).

harmonization with the EU directives and ILO standards will continue in 2021 due to the obligation of transposing additional EU directives into our legal system which will improve the protection of rights and obligations of the employees and employers. This should be completed by Q3 2022.

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## LAW ON ELECTRONIC COMMUNICATIONS

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### MFIC RECOMMENDATION/COMMENT:

Taking into account that MPA is not responsible for amending the Law of electronic communications but those changes are necessary for going paperless, all possible support towards Ministry of Economic Development will be appreciated.

It's worth mentioning that the Draft Law on the Electronic Communications that passed Government procedure in 2019, but not the Parliament yet foresees that beside wet ink physical signature, it is also valid to sign contracts by any form of electronic signature, including advanced or qualified electronic signature, as well handwritten signature in digital form.

That is why we ask the Ministry of public administration, digital society and media to mediate to create the requirements to pass this Law as soon as possible with the amendments, if possible, that would allow the procedures previously described and based on the use of eID.

### ANSWER OF THE MINISTRY OF PUBLIC ADMINISTRATION, DIGITAL SOCIETY AND MEDIA

### ANSWER OF THE MINISTRY OF ECONOMIC DEVELOPMENT

- What were the issues why this Law did not enter the Parliament procedure?

The Proposal of the Law amending the Law on electronic communications was submitted to the Government for review on 17th March 2020. Due to complex epidemiologic situation caused by Covid-19 virus, it was not reviewed and sent to the Parliament for adoption. (Unofficially, it was withdrawn because of the opinion of the Ministry of Defense but there are no written evidence on the reasons for its withdrawal.)

- EU Directive based on which the new Law will be prepared?

Given the technologic and market development, new directive is a result of the need to amend five directives which make part of the regulatory framework for electronic communication networks and services (2002/19/EC, 2002/20/EC, 2002/21/EC and 2002/22/EC and 2002/58/EC).

European Parliament and the Council of the European Union adopted on 11th December 2018 the EU Directive 2018/1972 on the European Law on electronic communications. This Directive sets out the harmonised framework for legal definition of electronic communication network, electronic communication services, related equipment, related services and specific features of terminal equipment. Also, this Directive lists the tasks of national regulatory bodies and, if applicable, other competent bodies and it defined the procedure to ensure harmonised implementation of the regulatory framework in the Union.

Under the EU Accession Program for Montenegro for

2021-2023 it is planned to transpose this Directive into the new Law on electronic communications by the end of Q4 2022.

- Our opinion

Under the EU Accession Program for Montenegro for 2021-2023 it is planned to adopt the Law amending the Law on electronic communications by the end of Q2 2021.

The proposal of the Law amending the Law on electronic communications (submitted to the Government in Q2 2020) was first harmonized with the Law on state administration („Official gazette of Montenegro“, no. 78/18). In addition, the manner of operating in electronic communications sector was improved as well as other questions of importance for provision of electronic communication services. In addition, Directive 2014/61/EU is transposed into this Law. In this way, Montenegrin legislation is fully complied with the legislation of the EU in the area of electronic communications.

The most important questions regulated under this Proposal of the Law arising from the Law on state administration relate to the following:

- state agency may have the status of legal entity and is accountable for its work to the Government in line with this Law and the law under which it is established (Law on electronic communications)
- presidents and members of the council of a state agency are appointed and removed from office by the Government
- State agency is obliged to submit the work report to the Government at least once per year as well as financial statements.

This Law regulate other issues such as:

- cooperation of EKIP with state administration body competent for spatial planning and design or environmental protection,
- issues of electronic communication network and related equipment for special purposes,
- inspection supervision in electronic communications is conducted by the Agency (electronic communication inspector) and it is envisaged to take over the employees from the Inspection Administration who are engaged in electronic communications
- legal framework regarding the introduction of digital radio,
- extension of validity of approval to use numbers and/or addresses,
- definition of rights in the contract, precision that the procedure on concluding the contract using the remote communication channels, including the contracts conc-

luded in the business premises of the operator or outside of their business premises, must contain the provisions in line with the regulations on the issues of electronic identification, electronic signature and id card, and consumer protection issues,  
- and other.

The most important issues regulated under this Proposal of the Law and arise from the transposition of the provisions of the Directive 2014/61/EU refer to the definition and operating of the following:

- physical infrastructure in a building,
- physical infrastructure in a building adjusted to the high speed networks, and
- notion of access point.

Note: Directive 2014/61/EU is partially transposed in to the Proposal of the Law on using physical infrastructure to install high speed electronic communication networks; full harmonization will be achieved by transposing Article 2, paragraphs 7,8, 11, Article 8, paragraph 1,2,3, Article 9 of the Directive in the Proposal of the Law amending the Law on electronic communications. Under the EU Accession Program for Montenegro for 2021-2023 it is planned to adopt the Law amending the Law on electronic communications by the end of Q2 2021.

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## **LAW ON ELECTRONIC IDENTITY AND ELECTRONIC SIGNATURE**

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### MFIC RECOMMENDATION/COMMENT:

In order to be more efficient and having in mind already mentioned legal regulatory frame from the Law on electronic identity and electronic signature, we believe it is necessary to enable through e-Government portal services the possibility to obtain necessary documents (certificates, excerpt, etc.) that are required when we need to apply for different public tenders. Current process of sending written request form to relevant bodies, waiting to receive certificates in paper form and then scan it is time consuming and generates unnecessary paperwork. Submitting requests for construction and network maintenance

would be another service of interest to us to be migrated online.

Recommendations for the Ministry of public administration, digital society and media: To extend portfolio of e-Government services according to the abovementioned.

### ANSWER OF THE MINISTRY OF PUBLIC ADMINISTRATION, DIGITAL SOCIETY AND MEDIA

The Ministry of Finance and Social Care established a system of electronic public procurement in January 2021 <https://cejn.gov.me/landiniPage>. Montenegrin electronic public procurement is a tool to improve the efficiency of the public procurement process of goods, services and works which will bring savings in public sector.

### ANSWER OF THE MINISTRY OF FINANCE AND SOCIAL CARE

Montenegrin electronic system of public procurement is operational since January 2021 and in the coming period it will be connected with the required e-services offered by state bodies (Tax Administration and Ministry of Justice systems).

In November, CEJN contained 647 ordering parties and 2586 bidders. When it comes to the number of procedures executed via CEJN, 1681 procedure is ongoing while 2534 procedures were completed and 675 procedures were cancelled.

Accordingly, we believe that the Ministry of public ad-

ministration, digital society and media should not create new e-services listed in the given comment because the system of e-procurement will contain them in the entire process.

The Ministry of public administration, digital society and media will give its contribution in using the Single system for electronic data share (JISERP) between the institutions recognised in the system of electronic public procurement.

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## NATIONAL IDENTITY NUMBER DATA EXCHANGE

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### MFIC RECOMMENDATION/COMMENT:

National identity number that was introduced at the same time as new ID cards provides a solution to a problem of Telco providers to uniquely identify their customers on one side, and on the other side to ensure personal data protection, what was not the case of the UCN and in addition UCN is not the information to be mandatory registered.

However, in this process we have recognized two issues:

Awareness of citizens on what their NIB is (national identification number) – since it is not printed on ID card;

Many of legacy systems in Montenegro (public administration bodies, banks, etc.) are based still on UCN as unchangeable datum that identifies a person unmistakably.

Our proposal would be to exchange data with Ministry of Interior in order to be able to add in legacy systems national ID and have online portal where citizens by entering UCN can receive back info about their NIB.

This is important having in mind that based on Law on electronic identity and electronic signature, information about NIB is published in the certificate, and having this information in easy way available for the customers will remove obstacles such as multiple visits to Certification Authority in order to get trusted services.

Recommendations for the Ministry of public administration, digital society and media:

- Taking into account that the Ministry of Interior is responsible, we recommend creating a joint work group in order to define process and data exchange.

- At the same time, we recommend suggesting to the Ministry of Economy, the amendment of the Law on electronic communications and the Rulebook on customer registration to foresee national identification number in the Registration form of the customers.

Pursuant to Article 16 paragraph 4 of the Law on electronic identification and electronic signature (“Official gazette of MNE” no. 31/17 and 72/19), the Decree on defining identification number was adopted (“Official gazette of MNE” number 11/2020) and it came into effect on 14th March 2020.

This Decree regulates the definition of identification number of natural person when issuing certificate for electronic identification and certificate for qualified electronic signature.

It also regulates the content of the statement having the significance of public document and serving as evidence on identification number and it is issued without validity period.

Clarification: any citizen who takes over the ID card receives this statement with identification number in writing.

Also, the Ministry of Interior keeps the record on identification numbers and issued statements in line with Article 7 of the Decree. This record contains identification numbers and date of issuing, status of identification number (active, inactive, cancelled), name and unique citizen number of a person issued the identification number, number and date of statement and duplicate statement issuance as well as number and date of the decision on cancellation of identification number. More detailed data can be obtained from the competent units of the Ministry of Interior.

### COMMENT OF THE REVENUES ADMINISTRATION

The Law on personal data protection and the EU GDPR Regulations prescribe that the personal data on the citizens cannot be publicly used without the consent of the citizens, except in special cases. In that sense, unique citizen number which is TIN for natural persons and which contains personal data cannot be used by public administration bodies and companies in administrative procedures or when providing services (The Agency for personal data protection required to remo-

ve the UCN from the Central registry of Commercial Entities as public information).

Also, EU eIDAS Regulation (The Regulation (EU) N° 910/2014 on electronic identification and trust services for electronic transactions in the internal market - eIDAS Regulation) and international ETSI standard define the obligation to enter unique identifier of natural person into the certificate for qualified electronic signature. In addition, the content of the certificate for qualified electronic signature and obligation to enter a unique identifier for natural person are prescribed with the Rulebook of the Law on electronic identification and electronic signature.

Based on the Law amending the Law on ID card new ID cards are issued which contain national identification number (NIN) but that number is not public and it is found in the electronic record in order to achieve the rights using certificate for electronic identification and certificate for qualified electronic signature.

It is necessary to envisage the possibility to introduce new identification number (NIN) for natural persons that would be entered into the ID documents (birth certificate, ID ... ) and which would serve as single identifier for all registries and records kept in public administration bodies and companies.

Introduction of NIN is a step-by-step procedure in which all natural persons registered into Central registry of citizens would be assigned a NIN and after that NIN would be entered in all official records. Newborns would be assigned NIN next to UCN when birth certificate is issued. For newly registered persons, ex. foreign natural persons would be assigned NIN when issued permit for temporary residence.

So, UCN should not be cancelled because it will be used for internal communication between public administration bodies. It will lose its current purpose of being public information since it cannot meet that criterion.

We point out that the ex-YU countries (Croatia and Slovenia), now members of the EU, had the same problem and it is something that has to be done sooner or later. As an example, we list the introduction of Personal Identification Number and Croatia, in addition to the UCN.

We also state some specific reasons for introducing NIN or PIN in Croatia:

1. general digitalisation of public administration,
2. connection and automatic exchange of data between all official records,
3. most effective measure to fight corruption,
4. providing conditions for fair system of social contributions and
5. harmonization of Croatian legislation with the EU legislation.

We also point out to the Croatian experience where tax



number is also PIN that replaced UCN as of 1st January 2010. For international data exchange ex. for value added tax, PIN will be used in a way to add the label for Croatia to the PIN such as HR76606847529.

So, the matter of introducing NIN is not only the question for the Revenues Administration but for the State of Montenegro, Ministry of Finance and Social Care and especially competent Ministry of public administration, digital society and media.

The given comment that the Law on electronic identification and electronic signature will solve the question of NIN is not objective because this matter cannot be regulated under this Law due to the material nature of the regulation. Namely, NIN is assigned to all the citizens of Montenegro and foreigners who are obliged to register in the Central registry of citizens and it has the importance of the current UCN. It is not assigned only to those natural persons who need to obtain qualified certificate for electronic signature.

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## **REGULATORY AND TECHNOLOGICAL FACTORS NEEDED TO SUPPORT E2E INTERNET SALE OF BASIC BANKING PRODUCTS – MAINLY ACCOUNT OPENING AND LOAN APPROVAL PROCESS**

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### MFIC RECOMMENDATION/COMMENT:

- Regulatory amendments to support customer identification and AML procedure by network channels (ex. video call);
- Regulatory amendments to support signing of loan agreements by e-banking – without using qualified digital signature;
- Application of eID and trust services in the country (MobileID and digital signatures);
- The extension of working hours of the Credit registry of the Central bank of Montenegro to make it accessible 24/7 (at the moment available from 8 am to 10 pm which limits the availability of online services when it comes to loan approval);
- The Revenues Administration and the Fund for Pension Insurance should make their respective database available (so that the banks and other legal entities could integrate their systems and get the information on salaries / pensions of the customers);

### ANSWER OF THE CENTRAL BANK OF MONTENEGRO

The elaboration of the new Anti-money laundering and terrorism financing Law is ongoing. This new Law will enable electronic identification of the natural persons when opening an account without coming to the bank. It is planned to adopt bylaws which will regulate in details this procedure and which will include video call as one of the segments.

The availability of the Credit registry of the Central Bank was modified in 2020 from 8 am to 10 pm upon the request of the commercial banks because of the branches which operate in shopping malls.

After 10 pm, there are complex data processing activities using a lot of server resources, both memory and processor capacities. The access to the Credit registry will be extended for another 5 hours, from 3 am to 10 pm. This extension of working hours will not entail the changes in the current system maintenance process and it will allow financial institutions that work on the online loan approval process preparation to withdraw the reports out of their working hours.

The Central Bank will surely analyse the possibility to extend the availability of the Credit registry on 24/7 re-

gime, after reviewing all material and immaterial resources required for such adaptation.

#### ANSWER OF THE REVENUES ADMINISTRATION

Exchange of data between the IT system of Revenues and Customs Administration and commercial banks in order for the banks to have a possibility to automatically download the data on clients' salaries which apply for the loan online and which give their consent for this kind of insight is already included in the planned activities and creation of web services. The service should enable that the banks, only upon request, can have insight in the data on clients' salary who gave their consent to access these data. These activities would intensify and be monitored by the working group for elimination of business barriers for development of electronic services in private sector.

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## OSTALE BARIJERE

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#### MFIC RECOMMENDATION/COMMENT:

It is needed to streamline the local taxes which currently vary from municipality to municipality and therefore result in a non-transparent and therefore less attractive investment climate. The Secretariat to the Competitiveness Council has started to compile a registry of these parafiscal fees. The next step should be a concerted effort to streamline these fees across the territory of Montenegro.

#### STATUS SECRETARIAT

#### TO THE COMPETITIVENESS COUNCIL

Final version of the Registry of Levies was created in February 2021 and can be found at [www.javninameti.gov.me](http://www.javninameti.gov.me). The Registry contains the list of levies on state and local level paid by natural and legal persons. The basic goal of the Registry is centralization of the data on the levies charged in Montenegro on state and local level, in order to simplify the operations and increase transparency. The levies are described by the attributes that define them. Digitalization of the entire process enables online access to the interested parties to give their proposals regarding reduction or removal of tax burdens recognized as barriers to business. On the other hand, decision makers have a possibility to easily analyze the levies as the Registry user has a possibility to create reports. The Registry data base is regularly updated. The status as on 20th June 2021 is as follows: 2298 levies, 27926 classified levies and 835 regulations were recognized which define basis or amount of levies. To ensure efficient functioning of the Registry, there is a need to create normative framework to define the principles of establishing and keeping the Registry. This includes definition of levies to be paid by natural and legal persons to the State or local self-governments. Bearing this in mind, at the Competitiveness Council, the working group was established that has to create the text of the Proposal of the law on the registry of levies. This Law would enable optimization of tax burden for citizens and economy and would clearly define the notions considered levies and ensure efficient functioning of the Registry. In line with the Government Work Plan

and MoER Work Plan it is envisaged to adopt the Proposal of the Law on the Registry of Levies in Q4 2021.

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**MFIC RECOMMENDATION/COMMENT:**

Obligation to obtain the certificate from the Central Depository and Clearing Company of Montenegro for the incorporation purposes that the shareholder of the company does not have over 30% of share in another Montenegrin company. We consider that these documents/information could be obtained officially or through centralized base of corporate data and not to add to the investor an additional step for incorporation process. We are aiming to simplify the incorporation procedure and not to make it even more complicated.

**ANSWER OF THE CENTRAL CLEARING AND DEPOSITORY COMPANY**

By the end of 2020, through Single registration form in item 15.2, the CRCE enabled any person to state if they have a share over 30% in equity in joint-stock companies registered in Montenegro. In addition, the CCDC regularly publishes and updates the report “Ten largest shareholders” from which it can be seen whether a shareholder has a share larger than 30%.

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**MFIC RECOMMENDATION/COMMENT:**

Tax Consolidation: The interpretation of the tax authority of the law requirements on accepting a group for the purpose of tax consolidation is not allowing the addition of newly established subsidiaries after the issuance of the decision on accepting tax consolidation and for a period of 5 years from the date of issuing the decision. Such interpretation is hindering the benefit of the tax consolidation option as envisaged by the law. They should allow the automatic inclusion of any newly established subsidiary, by way of notification.

**ANSWER OF THE REVENUES ADMINISTRATION**

In line with Article 37 of the Law on income tax, once approved tax consolidation applies for at least five years. If the requirements from Article 35 paragraphs 1 and 2 of this Law change before the expiry of this period or one or more related companies opts for individual taxation, any member of the group is obliged to pay a proportionate difference of the tax relief they used. So, if this recommendation is to be implemented, it is necessary to amend the Law on corporate income tax.

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**MFIC RECOMMENDATION/COMMENT:**

Presentation of the Income Statement: the currently binding statutory local chart of accounts, and the model financial statements issued by the institute of chartered accountants of Montenegro isn't adopting the two methodologies of income statement presentation (by nature and by function), and limits it to one methodology that doesn't necessarily suite the business nature of all companies, especially real estate development companies. They should allow the two methodologies based on the nature of business.

**ANSWER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS**

New template of financial statements and Chart of Accounts that apply as of January 2021 fully meet the requirements of the Directive EU 2013/34 and IAR 1 – Presentation of financial statements, what was the request of the line ministry when these were created. We also point out that former balance sheet schemes did not allow any choice when it comes to presentation of items in income statement. To allow choosing the methodology would reduce the comparability of balance positions and the values which the users of financial statements can have what is contrary to the IAR/IFRS requests.

The Institute of Chartered Accountants of Montenegro obliged as full-fledged member of the IFAC (Statement of Membership Obligation – SMO) and in line with the Decree of the Government of Montenegro to work constantly on improvement of the quality and transparency of financial reporting. We believe that it is more inconvenient that ONG sector and other financial institutions do not have adequate balances schemes but we will work on it in the next period, with the consent of the line ministry. We believe that the Competitiveness Council will support us in these efforts.

#### MFIC RECOMMENDATION/COMMENT:

Managing Director of Subsidiaries: Currently a foreign employee is not allowed to be a managing director of more than 3 companies, which doesn't facilitate the operations of a group of companies as it is the case of one of our members. The managing director of the parent company should be allowed to serve as the managing director of all subsidiaries within the group.

#### ANSWER OF THE REVENUES ADMINISTRATION

Provisions of Article 61 of the Labour Law („Official gazette of MNE“, no 74/19) prescribes that the full time hours of an employee shall be 40 hours in the working week.

The provisions of Article 62 of the same Law prescribe that the part-time working hours are any working hours shorter than full time employment and the contract in duration shorter than (10 hours) of full time cannot be concluded. This restriction does not apply to the employment contracts of managers. Work places where employment contract with part time is concluded are defined under the Job description act depending on the business nature and work organisation. Within 40-hour working week, an employee can conclude several employment contracts with part-time hours with several employers and thus obtain full time hours.

Provisions of Article 202 of the same Law prescribe that the employee with full-time hours can conclude the contract on additional hours with the same or other employer in duration of one half of full time hours.

Based on the opinion of the Ministry of Health, Labour and Social Care number 0401-9807 from 16th December 2008, there are no legal obstacles that the operations of managers may be performed with part-time hours if it is stipulated under the Job description act. However, there is no legal grounds that the position of CEO is performed based on contract on additional hours.

In line with Article 66 paragraph 2 of the Law on Foreigners („Official gazette of Montenegro“, numbers 12/18 and 03/19), it is stipulated that a foreigner in Montenegro may be hired only for the operations for which the permit on temporary work and residence is issued or certification on work registration only with the employer that actually employs them. Paragraph 3 of the same Article prescribes that irrespective of paragraph 2 of this Article, a foreigner may be issued the permit for temporary work and residence to perform the operations of the CEO with many employers in line with the regulations on employment.

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#### MFIC RECOMMENDATION/COMMENT:

Contribution (fee) to the touristic organization of Municipalities - municipalities are changing this fee based on the profit of each Company. This is a scaled fee. It is not clear if this fee should be calculated based on the profit of all the retail outlets of a certain company taken together in each municipality, or if the fee should be applied separately for each retail outlet on its own. Because the fee is scaled according to the profit, estimates on the fee can vary significantly.

#### ANSWER OF THE UNION OF MUNICIPALITIES

Article 37 of the Law on Tourism Organisations prescribes that the membership fee is paid by legal persons, natural persons and entrepreneurs who are registered or have an organisational unit in a municipality where local tourism organisation is founded or a company performing tourism and hospitality activity and/or an activity directly linked to tourism. The payers of membership fees shall present and report to the competent tax authority of the municipality where they operate a genera-

ted business income reduced for the operational expenses individually for each organisational unit where tourism and hospitality activity is performed as well as any other tourism-linked activity

The same Law prescribes that the funds collected based on membership fees are used as follows:

- 60% to finance the activities of the local tourism organization;

- 40 % to finance the program of the National Tourism Organisation, out of which 20% is allocated for promotion and increase of accessibility of Montenegro.

#### ANSWER OF THE MINISTRY OF ECONOMIC DEVELOPMENT

(Directorate for improvement of tourism climate)

The Law on Tourist Organisations (“Off.gzt of RMNE” no. 11/04, 46/07 and “Off.gzt of MNE” no. 73/10, 40/11, 45/14, 42/17 and 27/19) regulates the foundation and principles of organisation and work of tourist organisations, their funding and the criteria to classify tourist places.

Article 37 of the Law prescribes the following:

- “Membership fee shall be paid by legal persons, natural persons and entrepreneurs registered or having an organisational unit in a municipality where a local tourist organisation operates i.e. a company performing tourist, hospitality activity and/or any activity directly linked to tourism.” (paragraph 1);

- “The entities referred to in paragraph 1 of this Article shall present and submit to the competent tax body in the municipality where they operate their generated business income reduced by the operating expenses separately for each organisational unit where tourist, hospitality activity and/or any activity directly linked to tourism is performed.” (paragraph 2).

So, the answer to the MFIC comment is that the payment of membership fee is not calculated by adding the organisational units but it is calculated separately for each organisational unit (facility) in the municipalities where they operate.

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#### MFIC RECOMMENDATION/COMMENT:

Approval for the installation of advertising and pricing signs (business signs for each retail outlet) and payment of annual fees. We do receive an approval for the installation of these signs from the relevant authorities who issue the construction permit, but then following the completion of the construction, we need to re-apply and receive approval at the Municipal level. We believe that this should be decided by a single authority. Additionally, it is not very clear in the law what it is considered to be an advertising sign and thus liable to a fee. Also, the guidelines regarding the level of the fee for each sign are not clear, and thus various municipalities charge different rates.

#### ANSWER OF THE UNION OF MUNICIPALITIES

The approval is required only in case where the works are allowed on the façade i.e. for the works executed after the exploitation permit is issued (former system) or final report of the professional supervision (new system) so there is no overlapping of competencies. The goal of the approval is to protect visual identity of space and safety and security of the facility based on the works executed after the facility is put into operation. It is a procedure prescribed by the Law on residential building maintenance. Article 25 paragraph 1 of this Law prescribes that it is forbidden to perform the following activities without the approval of the competent body of the local government:

- ruin the façade by installing devices,
- change the appearance of a residential building by glazing,
- change the appearance of a residential building by adding bricks,
- change and ruin its appearance in any other way.

Paragraph 2 of the same Article prescribes that the volume and type of the allowed works from paragraph 1 of this Article which may be executed are prescribed by the competent body of local self-government.

The payment of fees is not envisaged for putting advertisements except for the administrative fee for the decision approving the installation of advertising panels, devices and alike on facades and roofs of the building.

The Law on Roads ("Off. gzt of MNE, no 82/20) cancels the payment of fees to install commercial and market, commercial and individual and commercial and informational labels on the road and along the road.

**MFIC RECOMMENDATION/COMMENT:**

Labor Law is inadequate and should be more flexible. In particular, employer should have more flexibility in terminating the employment contract as current conditions for termination of contract are rather strict and are not suitable for market economy. Employer is required to conclude, as a rule, employment contract with indefinite term, which is in practice extremely difficult to terminate, as termination requires a lengthy and complicated procedure, further complicated by judicial practice which is rather lenient towards employees.

Therefore, employers are forced to keep employees even if they are not performing their work obligations, which can have direct negative effect on business results of a company as well as on the employment rates in the country.

**ANSWER OF THE MINISTRY OF ECONOMIC DEVELOPMENT – DIRECTORATE FOR LABOUR AND EMPLOYMENT**

The same comment as in section related to the Labour Law.

**MFIC RECOMMENDATION/COMMENT:**

Law on Sales Tax on Used Motor Vehicles, Vessels, Airplanes and Aircrafts prescribes unjustifiably high tax rate.

**ANSWER OF THE MINISTRY OF FINANCE AND SOCIAL CARE**

Law on Sales Tax on used motor vehicles, vessels, aircrafts and aerial vehicles ("Official gazette of RMNE" no 55/03 and "Official gazette of MNE", no 73/10...70/17) prescribes proportionate tax rate of 5%.

Law on Sales Tax on used motor vehicles, vessels, aircrafts and aerial vehicles ("Off. Gazette of RMNE", no. 28/04 and 37/04 and "Off. Gazette MNE", no. 86/09...43/18) prescribes the tax for use:

based on engine capacity, for motor vehicles,

based on length of a vessel given in meters,

whether a vessel has a cabin or not and engine power displayed in kW for vessels,

for aircrafts and aerial vehicles.

Article 4 paragraph 1 of the Law prescribes the tax rate for passenger motor vehicles ranging from 25€ to

1500€, depending on the engine capacity. The Ministry of Finance and Social Care believes that the tax rate for the vehicles up to 2000 cm<sup>3</sup> of engine capacity is acceptable, bearing in mind that this range includes the largest part of vehicles used on a daily basis in Montenegro. Further growth of this range is included in the engine capacity over 2000 cm<sup>3</sup> and it is evident that such tax category includes mainly motor vehicles of greater value.

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**MFIC RECOMMENDATION/COMMENT:**

Proposal for simplification in PI segment payment system is for client to have only one account number and only one bank at the moment that client is using for its income(s). Account can be transferred to any bank depending of clients will and/or contracted obligations. Benefit is in simplification in regular and forced due debt collection and efficiency in Revenues Administration control.

**ANSWER OF THE MINISTRY OF FINANCE AND SOCIAL CARE**

**ANSWER OF THE CENTRAL BANK OF MONTENEGRO**

Amendment to the regulation related to the introduction of the direct debit instrument is not needed because Article 2 point 3 of the Law on payment system prescribes the payment service:

3) Execution of payment transactions, including the transfer of funds to the account for payment of the payment service beneficiary with their payment service provider or another payment service providers – execution of direct debits, including one-time direct debits.

Direct Debit, in accordance with the provisions of Article 6 point 21 of the Law on payment services is a payment service used to debit the account for payer's payment, whereas the payment transaction is initiated by the payment recipient based on payer consent given to the payment receiver, payment service provider of the payment receiver or the payer.

Directive 2007/64/EC on payment services does not regulate the procedure of direct debit execution but it enables that the banking practice defines it. It is defined in the same way under the valid Law on payment system.

Typical use of direct debit refers to the payment of monthly invoices, monthly insurance installments, loan installments or credit card liabilities and some banks in Montenegro offer this kind of services.

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**MFIC RECOMMENDATION/COMMENT:**

Proactive approach in property protection – law change - update of Law on forced execution, regarding extraordinary situations (ex. COVID) for providing assistance of Police force to Public bailiffs during eviction from Bank property, what would support proper implementation of Property law. Current situation is that Bank cannot enter its property that is repossessed 10 months ago due to absence of Police assistance to Public bailiffs.

**ANSWER OF THE MINISTRY OF JUSTICE, HUMAN AND MINORITY RIGHTS**

Amendments to the Law on enforcement and security are ongoing so this issue will be analysed as well (role of police officers in the enforcement process (evictions and alike)).

#### MFIC RECOMMENDATION/COMMENT:

Operations of court experts - we would outline the need for more unified approach in activities of court experts and their engagement in processes of force collection for the Bank. In several legal proceedings where the Bank was conducting off-court sale or was conducting repossession of collateral, court experts were engaged to complete estimation of real estate. First estimation of real estate was done by the court expert of construction profession that was selected. The calculated estimation was challenged by the debtor and the court ordered second estimation and for that purpose selected different expert but this time from the mechanical engineering background and calculated estimation of real estate was then significantly different (difference was more than 50%).

#### ANSWER OF THE MINISTRY OF JUSTICE, HUMAN AND MINORITY RIGHTS

The Commission of court experts of the Ministry of Justice, Human and Minority Rights appoints and removes from office the court experts in accordance with the Law on court experts. According to the provisions of this Law, the court, state prosecution office or other body leading the procedure nominates the court expert as a rule having the residence within the jurisdiction of the court, state prosecution office or other body leading the procedure, by taking into account that the court experts from the same field are equally hired. The court, state prosecution office or other body leading the procedure shall monitor the operations of the court expert and keep record on their performed expertise and disbursed remunerations.

To overcome potential issues of unequal practice in the work of court experts, it is necessary to organise professional training by responsible associations and institutions in line with the Law.







# PRIORITIES FOR 2022

In its agenda for 2022 regarding economic policy and further improvement of requirements for the economic growth, the Government set out several activities which contain to a large extent the recommendations which the MFIC initiated through its materials in the previous years. The MFIC follows the activities of the government bodies to monitor if the recommendations of the MFIC are included in the measures to be implemented. The reason for this is a creation of business environment in the country that is at the level of the development as in the native countries of the investors. It is especially important to continue with these measures in the areas such as rule of law and efficiency of legal protection, improvement of economic conditions and business climate, improvement of infrastructure and implementation of new infrastructure projects, keeping the stability with the preservation of trust in the financial sector.

As it is stated in the Government Work Program, all defined priorities and goals until 2024 will be elaborated in detail through annual work programs containing specific activities in strategic and normative framework which contribute to achievement of the set goals. Successful implementation of these activities reflects in their res-

pective implementation and in reaching planned values of performance indicators.

The Work Program 2022 envisages 255 activities out of which 155 deal with content and 100 with normative matters. The most activities are planned within priority 2, Sound finance and economic development: 58 in content and 47 in normative matters, while other priorities are presented below:

- ▼ priority 1, rule of law and equal opportunities: 24 content and 17 normative matters;
- ▼ priority 3, health and healthy environment: 36 content and 8 normative matters;
- ▼ priority 4, education and knowledge-based society: 12 content and 19 normative matters;
- ▼ priority 5, Digital transformation: 11 content and 3 normative matters;
- ▼ priority 6, Montenegro - future EU member state with strengthened position on global scene: 14 content and 6 normative matters;

## Rule of law and equal opportunities

The following goals are defined within this priority:

- ▼ improvement of judicial efficiency,
- ▼ improvement of respecting human and minority rights, gender equality and rights of the disabled persons and elimination of all kinds of discrimination,
- ▼ legal, transparent, professional and inclusive public administration,
- ▼ improvement of climate in freedom of speech and media,
- ▼ improvement of social and economic position of vulnerable social categories,
- ▼ improvement of state property and citizens security protection with the improvement of border safety and meeting the requirements for accessing the EU and Schengen space,
- ▼ reduction and elimination of impact of the transnational organized crime to the Montenegrin society and identification of measures to intensify the fight against organized crime groups.

## Sound finance and economic development

The following goals are defined within this priority:

- ▼ strengthening of macroeconomic stability,
- ▼ improvement of fiscal sustainability,
- ▼ intensifying investment activities in tourism,
- ▼ reduction of seasonality and regional inequality and increase of service quality and capacities,
- ▼ stable and sustainable employment growth based on equal opportunities and dignified labor, with the development of knowledge and skills and greater social inclusion,
- ▼ encouraging equal regional development, industry and craftworks,
- ▼ competitiveness strengthening of the Montenegrin economy and creation of entrepreneurial ecosystem,

with strong activity of economic diplomacy,

- ▼ improvement of traffic availability, security and safety,
- ▼ development of energy sector in Montenegro with implementation of green energy transition,
- ▼ sustainable management of mineral resources,
- ▼ improvement of agriculture and fishery through sustainable use of resources,
- ▼ improvement of internal market, competition and quality infrastructure system.

## Health and healthy environment

The following goals are defined within this priority:

- ▼ provide continuity in provision of medical services and equal availability to all patients,
- ▼ improvement of coordination and control regarding prevention of chronic noncontagious diseases,
- ▼ strengthening of integrated approach to discovery, diagnostics, prevention and social integration of persons suffering from rare diseases and their families,
- ▼ improvement of environment condition and its preservation,
- ▼ creation of preconditions for efficient management of space and construction of buildings,
- ▼ strengthening of system in the food safety, vet and phytosanitary,
- ▼ ensuring sustainable use of waters based on long-term water protection, protection of harmful effect of waters in order to improve water management,
- ▼ improvement of forest management and development of wood industry based on our forests potential,
- ▼ improvement of hunting as activity of public interest.

## Education and knowledge-based society

The following goals are defined within this priority:

- ▼ improvement of education system at all levels,
- ▼ equal opportunities for everyone in culture,

- ▼ improvement of service quality for the youth and their participation in creation of public policies,
- ▼ encouraging development and increase of sport availability,
- ▼ strengthening national scientific, research and innovation infrastructure.

## Digital transformation

The following goals are defined within this priority:

- ▼ paperless administration and development of electronic services,
- ▼ strengthening of the Government information infrastructure,
- ▼ strengthening of digital skills and overcoming digital gap,
- ▼ reaching higher coverage level and development of electronic communication infrastructure.

## Montenegro - future EU member state with strengthened position on global scene

The following goals are defined within this priority:

- ▼ achieved readiness for the EU membership and improved information of public on accession process and the EU membership,
- ▼ improvement of legislative and institutional framework for foreign relations and foreign, security and defense policies,
- ▼ strengthening of engagement and visibility of Montenegro in multilateral system,
- ▼ process improvement and reinforcement of capacities important for implementation of foreign policy priorities,
- ▼ improvement of defense system in Montenegro.

When it comes to the external and political activities contributing to the promotion of foreign investments and inflow of the foreign capital in the Montenegrin economy, a future reform continuity related to the EU joining is important as well as the cooperation with the NATO community.



# **ANNEX**

## **MFIC MEMBERS**

## Addiko Bank

**Addiko Bank AD** Podgorica is owned by Addiko Bank AG, headquartered in Vienna, Austria and is a part of a banking group operating in five SEE countries. The Group consists of six banks in Croatia, Slovenia, Bosnia and Herzegovina, Serbia and Montenegro, efficiently providing daily banking services for over 1.1 million clients. Since its successful re-branding in 2016, the Group has been operating under the Addiko brand.

As part of a financial group that is exclusively focused on markets and clients in the SEE region, Addiko Bank puts local customers at the core of its strategy: focusing on essential products and services relevant in the local economic environment, delivering efficient processes and ensuring faster decision making and simple communication.

The bank has branches in Podgorica, Niksic, Bijelo Polje, Herceg Novi, Pljevlja, Bar, Budva, Kotor and Tivat.

[www.addiko.me](http://www.addiko.me)



Limited liability company Adriatic Properties was established in 2006 and since then the company has been operating on the Montenegrin coast as the lessee of the hotel complex Sveti Stefan, Milocer and Queen's Beach. Adriatic Properties introduced the world known brand AMAN to Montenegrin hospitality market and set new standards when it comes to supreme and luxurious guest experience. The company had successfully renovated hotel units in the island of Sveti Stefan, by blending tradition with modern trends in architecture and design. Besides the renovation of the existing facilities, which were enriched by a delicate touch of modern design, the company Adriatic Properties built SPA Centre, marvellous retreat that followed the architectural style of other facilities. Thus, the property of Sveti Stefan managed by Adriatic Properties is preserving its unique charm and untouched natural beauty and those are the values that the company cherishes through the years.

For the last couple of years the company has been engaged in the project of construction of the new hotel, JANU by Aman, which will be the successor of well-known Queen's Beach hotel. Since the vision of Adriatic Properties is to establish international exclusivity standards in the field of tourism and hotel industry in one of the most attractive locations in Montenegro, the operation of the upcoming hotel JANU by Aman will strive towards that goal as well. Adriatic Properties is constantly following up on new trends in the hotel in-

dustry worldwide and is providing training for both local and international staff. Our employees have grown through the years, since they have the opportunity to visit other AMAN resorts, to be professionally engaged there and to return to Sveti Stefan in order to implement their knowledge here. Therefore, Adriatic Properties is a company which invests not only in the property that is under its management, but into human resources, considering good and properly trained employees one of its best qualities. Adriatic Properties employees from 100 up to 350 employees (year around or seasonally) and contributes to the local community, by sponsoring various events, groups or individuals, which are considered to be prosperous not only for the community of Budva, but for the whole country.

Having been recognized as a "trend setter" company, Adriatic Properties managed to bring a famous chain of restaurants to Montenegrin gastronomy map: restaurant NOBU MONTENEGRO. This pop-up restaurant opens every summer on a beautiful location overlooking the island of Sveti Stefan, so that our guests may enjoy the beauty of the scenery along with extraordinary culinary specialties of VIP chef Nobu Matsuhisa. The chain of NOBU restaurants obtains the highest ranking in the gastronomy field and this is what makes Adriatic Properties innovative and authentic: the constant demand for the excellent services and brands that had proven their quality around the world.



The astonishing beauty of Montenegro and the good business climate were what enabled **Azmont Investments**, a Montenegro-based company, to enter the market in 2012. The growing Portonovi Resort, worth €650 million, has been developed by Azmont Investments as the biggest investment project by Azerbaijan outside of the country and outside of the energy sector. This world-class resort with its state-of-the-art marina, the first One&Only resort in Europe, is being created as the Adriatic's

most sophisticated mixed-use resort destination. As a responsible corporate citizen, the company is doing its best to contribute to the good of society through well-planned and continuous CSR programmes. The Portonovi Resort remains the main project being carried out by Azmont Investments and as an investment company we are looking additionally for opportunities to invest even more in the future, not only in Montenegro, but in other countries as well.

[www.azmont.com](http://www.azmont.com)



**Coca-Cola HBC** is one of the world's largest bottlers of brands from the Coca-Cola Company. Coca-Cola

HBC Serbia and Montenegro produces, sells and distributes a wide range of soft drinks, including leading brands such as Coca-Cola, Coca-Cola Zero, Fanta and Sprite.

Coca-Cola HBC Serbia and Montenegro is investing in the development of the community and supports projects and initiatives across the country. We have integrated sustainability and corporate responsibility into every part of our business, aiming to build long-term value for our stakeholders.

<https://rs.coca-colahellenic.com>



**Crnogorska Komercijalna Banka AD** Podgorica is a member of the Hungarian OTP banking

and financial group, one of the leaders in the Central, Eastern and South-East Europe region. Successfully operating for more than 60 years, the OTP Group, with over 12 million customers in nine countries, 20,000 employees and over 1,000 branches, continuously provides for the secure growth and development of Crnogorska Komercijalna Banka, and

guarantees quality services and stability of business to its customers. CKB is a universal bank and customers can use a whole range of different products and services. Friendly staff, developed network of 28 business units, over 4,500 POS terminals and nearly 100 ATMs successfully cover the territory of Montenegro and serve to satisfy all the banking and financial needs of its clients. CKB is the largest custody bank that offers the service of trading in securities

[www.ckb.me](http://www.ckb.me)



**Crnogorski Telekom** has been part of the DT Group since 2005.

Crnogorski Telekom is proud to be part of an industry that is truly transforming and shaping the way world telecommunications changes peoples' way and pace of life. As a clear technology leader, CT is helping businesses in Montenegro to grow, helping the national economy to develop and improving the quality of Montenegrin citizens' lives through pioneering and secure technology and diverse products and services to suit their changing digital lifestyles. By shaping its business to respond to the demands of a changing

world, and by always putting the customer at the centre of its activities, CT has managed to preserve during all of these years its undisputed role of market leader in Montenegro. CT is the largest telecommunications company in Montenegro that provides a full range of fixed and mobile telecommunication services (voice, messaging, internet, TV, leased-line circuits, data networks and ICT solutions). More than 354,000 customers in mobile and more than 143,000 accounts in fixed line of business. Roaming services are provided in more than 140 countries, with almost 300 mobile operators.

[www.telekom.me](http://www.telekom.me)



**FINVEO Montenegro** is a multi-asset brokerage house regulated in Montenegro, which started its activities in 2020 as a subsidiary of INVEO Investment Holding, a leading Financial Services Investment Holding company based in Istanbul, which has over 30 years of experience in providing financial services with further multi-asset brokerage houses around the globe.

FINVEO provides multi-asset brokerage services to its clients across the globe with possibility to trade worldwide markets 24h for 5 days a week, offering a wide range of financial prod-

ucts, with low-cost and competitive pricing, fast and secure executions, and excellent customer support in multiple languages. Licensed and regulated by Capital Market Authority of Montenegro, FINVEO also complies with international regulations prescribed by European Securities and Markets Authority (ESMA) which guarantees its clients with the most secure and safe investments in European Union standards. Having a larger vision from its mother company INVEO (BIST:INVEO), FINVEO brand aims to provide an easy multi-asset brokerage access to all size of clients on every asset class trading in global capital markets.



**DHL** is the leading global brand in the logistics industry. Our DHL family

of divisions offer an unrivalled portfolio of logistics services ranging from national and international parcel delivery, e-commerce shipping and fulfillment solutions, international express, road, air and ocean transport to industrial supply chain management. With about 350,000 employees in more than 220 countries and territories worldwide, DHL connects people and businesses securely and reliably, enabling global trade flows. With specialized solutions for growth markets and industries including technology, life sciences and healthcare, energy, automotive and retail, a proven commitment to corporate responsibility and an unrivalled presence in developing markets, DHL is decisively positioned as "The logistics company for the world". In January 2001, DHL Express was

registered in Montenegro as an independent legal entity. Numerous contracts were signed with various business entities on the development of international express transport on the territory of Montenegro. Cooperation with the Customs Administration of Montenegro and Public Enterprise Airports of Montenegro resulted in opening of DHL customs warehouse within the Podgorica airport. DHL Express in Montenegro hold active certification for standards such as ISO 9001 and ISO 14001 and as a member of TAPA organization successfully certified in accordance with TAPA C standard. With more than 1000 regular customers and 400 signed contracts with domestic and international companies DHL is the leader in Montenegro international express industry.

[www.dhl.com/en/me](http://www.dhl.com/en/me)





**doME Ltd** is a Montenegrin joint venture, founded in 2008 by Afilias Limited, GoDaddy.com and ME-net Ltd., that does business as a .ME Registry. The company was chosen by the Montenegrin Government to operate the .ME ccTLD of Montenegro. Even though the .ME is a ccTLD, it soon opened its doors to worldwide registrations and has quickly achieved worldwide success. Due to its deep inherent meaning in multiple languages

(English, Spanish, Dutch, Italian, Portuguese, Bulgarian and languages spoken in the former Yugoslavia) and limitless wording possibilities, just three days after its official launch, .ME recorded its 100,000th registration. .ME has continued its success over the years with a continuous and stable rise in registrations and more and more big brands being connected to .ME and its development programme – one of those being About.me, Facebook (fb.me, rooms.me, sling.me), Wordpress (wp.me), Time (ti.me), Mercedes (Mercedes.me) and others,

[www.domain.me](http://www.domain.me)



Delta City is the first shopping mall in Montenegro which includes the most diverse stores but also contents for the families to have fun all day long. It is obvious that such a shopping concept has impacted the retail sale of the entire country and as such it has become a social phenomenon. By opening its door to all the institutions, individuals and organizations, it has grown together with the local community and became the community center. The shopping mall Delta City has 80 stores half of which include international brands like Zara, Bershka, Stradivarius, Cine-

plex, Cortefiel, Pull & Bear, Oysho, Intimissimi, Tommy Hilfiger, Guess, New Yorker, Mango, Antony Morato, OVS Industry, Cortefiel and many others.

In 2016 the shopping mall Delta City becomes a part of the group Hyprop Investments. The company Hyprop Investments is the greatest African fund specialized in investments in shopping malls, and the newly established company Hystead Limited with its headquarters in London is now managing the shopping mall Delta City.

[www.deltacity.me](http://www.deltacity.me)



**The European Bank for Reconstruction and Development (EBRD)** is an international financial institution that was established in 1991. Initially focused on the countries of the former Eastern Bloc, the bank has expanded its operations to support development in more than 35 countries, from Central Europe to Central Asia and the southern and eastern Mediterranean. Through its financial investments, business services and involvement in policy dialogue, the bank supports its countries of operations on their path towards a sustainable market economy, one which is competitive, well-governed, green, inclusive, resilient and integrated.

In Montenegro, the EBRD has so far signed financing agreements for 56 projects, with a cumulative business volume of €538 million, while significant efforts have also been put into providing technical assistance and initiating policy dialogue. The bank's current portfolio amounts to €352.8 million, of which 49 per cent is in energy projects, 25 per cent in transport and municipal infrastructure, 14 per cent in financial institutions and the rest in agribusiness and general industry. For the coming period the bank will continue to support private-sector development in Montenegro, as well as the country's further EU and regional integration and the associated Western Balkan connectivity agenda.

[www.ebrd.com](http://www.ebrd.com)



Production and supply of electricity are the main activities of the Montenegrin **Electric Enterprise AD Nikšić** (EPCG). The company's energy activities are prescribed by the Energy Law, energy licences and the EPCG Statute. The following activities are carried out by the company: Electricity generation; Electricity supply; Electricity trading; Construction and maintenance of electric power facilities; Designing and supervision; and other activities prescribed by the EPCG Statute.

In carrying out its core activities, EPCG ensures a regular and high-quality electricity supply to its customers at the demanded voltage levels - a safe and stable electricity supply to the Montenegrin population and economy.

Elektroprivreda Crne Gore AD Nikšić possesses plants for electricity generation of a total installed capacity of 867.5 MW, of which 649 MW (75%) comes from the hydroelectric power plants at Perućica and Piva, while 218.5 MW (25%) comes from the thermoelectric power plant in Pljevlja.

[www.epcg.com](http://www.epcg.com)



**Erste Bank Montenegro** has been operating under this name since 2009, when Erste&Steiermaerkische Bank d.d.

acquired 100% of the share capital of Opportunity Bank AD Podgorica. It is a part of the Erste Group, which was founded 1819 as the first Austrian savings bank. Since 1997, it has developed into one of the largest financial services providers in the eastern part of the EU, with approximately 46,700 employees serving around 15.9 million clients in around 2,697 branches in seven other countries (Austria, Czech Republic,

Slovakia, Romania, Hungary, Croatia, Serbia).

We offer a full range of financial solutions and services: deposits, loans, investments, consulting, advisory and other services. We are focusing on the Montenegrin market while offering clients who are active abroad financial services and advisory services via the Erste Group subsidiaries across the CEE region. The bank fosters long-term relationships with clients in all segments, offering accessible and transparent products as well as personalised consulting services.

[www.erstebank.me](http://www.erstebank.me)



With its great experience and professionalism in the insurance industry, acknowledged financial strength and strong partnership with its parent company, Generali Group, **Generali osiguranje Montenegro** offers all types of non-life insurance products. The business of Generali osiguranje Montenegro encompasses a broad range of products and services, from mass-risk products (e.g. motor third-party liability insurance and accident insurance) to insurance of very complex industrial plants, and from family protection insurance policies to insurance contracts which meet the complex needs of com-

panies. Generali osiguranje Montenegro offers good business solutions in the area of insurance for large companies, medium and small enterprises and institutions in all business areas. The recognisable market appearance of Generali osiguranje Montenegro is further strengthened by the company's claims payment efficiency. With the aim of becoming the market leader and in compliance with the responsibilities assigned to company by the Generali Group, Generali osiguranje Montenegro is actively working on developing new insurance products which have not been present in our market so far.

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[www.generali.me](http://www.generali.me)



**Hipotekarna Bank** has a well-developed network of branches, sub-branches, multi-function ATMs and electronic banking (HB and mHB klik) services through which it provides to both retail and corporate clients a wide spectrum of financial services that range from traditional banking services to consultancy, but which also includes investment banking

services. With its state-of-the-art banking technologies and services, the bank is clearly focused on the future. Our priorities remain unchanged and include the security of our clients, as well as the best and most innovative services, which has earned us a distinct reputation in the Montenegrin banking market.

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[www.hipotekarnabanka.com](http://www.hipotekarnabanka.com)



**JUGOPETROL AD** is the largest petroleum products company in Montenegro, operating the country's largest installation in Bar. The company owns and operates a network of 40 EKO-branded petrol stations and supply facilities in three harbours and two airports. The EKO Retail Network offers EuroDiesel and Unleaded 95 and 98, using the Avio Diesel and EKONOMY 95 brands.

JUGOPETROL was established in Kotor, Montenegro in

1947. In October 2002, HELLENIC PETROLEUM GROUP acquired 54.53% of JUGOPETROL A.D. KOTOR through HELLENIC PETROLEUM INTERNATIONAL AG. In December 2014, the company moved its seat and headquarters to Podgorica, the capital of Montenegro, and was renamed JUGOPETROL AD.

JUGOPETROL AD is listed on the Montenegrin Stock Exchange.

[www.jugopetrol.co.me](http://www.jugopetrol.co.me)



The Abu Dhabi Financial Group (ADFG) (and its Eastern European subsidiary, Integrated EE Holdings)

was founded in 2011 and deals with real-estate investments worth billions of dollars globally, with its headquarters in Abu Dhabi, UAE, and provides a wide range of financial services. ADFG's property portfolio consists of residential and commercial properties in the UK, Eastern Europe and the UAE with 7,000,000 m2 of top-quality real estate. The value of the projects in development amounts to \$4 billion in various locations in London, Abu Dhabi, Dubai, Montenegro and the Black Sea. During the last six years, ADFG has managed to have an optimum return on its investments for investors and has evolved in response to their needs by adapting to the

macroeconomic climate and following the dynamics of the market. The Abu Dhabi Financial Group (ADFG), through its subsidiary in Eastern Europe, Integrated EE Holdings, is one of the largest investors in Montenegro. Recognised for establishing and operating its projects such as The Capital Plaza, Hard Rock Café, CentreVille Hotel and Lučice Montenegro, the company has become an investor that is today changing the face of modern Podgorica and Montenegro. A successful major real estate investor, hotel and restaurant operator, Integrated EE Holdings is an organisation seen today in the region as one of the most prominent and respected business partners.

[www.adfg.ae](http://www.adfg.ae)

karanovic/partners **Karanovic & Partners** has been present in the Montenegrin market since 2006, operating from its office in the centre of Podgorica. Working in cooperation with the experienced Montenegrin lawyers, our legal advisors in Montenegro are ideally placed to provide a wide range of corporate and commercial legal

services to national and international clients. The Montenegrin team is specialised in providing investors, particularly those in the hospitality and tourist sectors, with legal support in the areas of corporate law, real estate, banking and finance and infrastructure development.

[www.karanovicpartners.com](http://www.karanovicpartners.com)



**Lovćen osiguranje AD Podgorica**, a member of the Triglav Group (Lovćen Insurance, joint stock company), a leading insurance-financial group in the Adriatic region and one of the leading groups in South-East Europe, is the first and the only insurance company in Montenegro to provide all types of insurance. As the leader in the Montenegrin insurance market, we are a byword for safety, responsibility, professionalism, simplicity and modernity. The company's mission is BUILDING A SAFER FUTURE for its stakeholders, while being committed to responsible and

sustainable development. The cornerstone of the company is its team of over 350 employees, who achieve the Lovćen Group's (Lovćen osiguranje, Lovćen životna osiguranja and Lovćen auto) mission through their commitment, expertise and dedication. The company is distinguished by its knowledge, experience and excellence towards clients, employees, shareholders and other stakeholders.

We believe that with our knowledge in the field of insurance we can provide our clients from both the national and regional markets with products and services that can meet their life and business goals.

[www.lo.co.me](http://www.lo.co.me)



**Luštica Bay**, the biggest greenfield investment in Montenegro, is set to become the home of healthy, active living on the Adriatic coast. Designed to blend seamlessly into its surroundings, it will become a permanent home to several thousand residents. It comprises a variety of residential offers, hotels and lifestyle facilities, providing both: tranquility and privacy, discovery and adventure.

Our properties are state-of-the-art both inside and out, impeccably designed and furnished, offering world-class amenities. Their positioning fits in with the topography of the hill-sides so that all residences boast incredible views of the bay and the sea. They are surrounded by glorious open spaces, preserved in their natural state. Green trails and footpaths weave through the residential areas, connecting them to the wider community and main marina. [www.lusticabay.com](http://www.lusticabay.com)



**Mastercard** (NYSE: MA), [www.mastercard.com](http://www.mastercard.com), is a technology company in the global payments industry. We operate the world's fastest payments processing network, connecting consumers, financial institutions, merchants, governments and businesses in more than 210 countries and territories. Mastercard products and solutions make everyday commerce activities – such as shopping, traveling, running a business and managing finances – easier, more secure and more efficient for everyone. Follow us on Twitter @MastercardNews, join the discussion on the Beyond the Transaction Blog and subscribe for the latest news on the Engagement Bureau. Mastercard has been leading the development of a modern,

digital and transparent payments ecosystem in Montenegro through building strong partnerships with the public and private stakeholders on the local market. In that sense, 2018 was a stand-out year with the Balkans premiere of introducing card payments with traffic wardens and border patrols, as well as the high growth of usage of Mastercard contactless technology of 133 percent per annum, above the European average of 97 percent. Mastercard continues to provide its global technologies, experience and expertise to ensure that the cashless society in Montenegro is realised in its full potential..

[www.mastercard.com](http://www.mastercard.com)



**Montenegro Stars HG** was established in 2003. The initial capital of the company amounted to approximately €150 million. The company owns three hotels, which are located in Budva and Becici, namely:

- 5-star-category Hotel SPLENDID with a total capacity of 688 beds
- 4-star-category Hotel MONTENEGRO with a total capacity of 352 beds
- 4-star-category Hotel BLU STAR with a total capacity of

54 beds. The company has a total of 590 employees. At the same time the company introduced all the HACCP and USALI business standards, standards in security and safety, and in the field of ecology and environmental protection that exist now in the tourist industry. Montenegro Stars HG has won all the most important national and many prestigious international awards in the hotel industry, and is a leader in the tourist industry of Montenegro..

[www.montenegrostars.com](http://www.montenegrostars.com)



**M:tel** company was granted a licence for the third telecom operator in Montenegro in April 2007. The structure of m:tel owners is the following: 51% belongs to Telekom Srbija and 49% to Telecom of the Republic of Srpska.

The network commenced commercial operations on 9 July 2007 and 16 branches have been opened in 14 cities of Montenegro so far. Even though m:tel is the youngest mobile operator in Montenegro, it has expanded the points of sale system to the extent of having the largest number of retail checkpoints. Apart from providing mobile telephony services, m:tel company has also offered services of landline telephony and Internet. In particular, we can highlight the competitive and high quality offer in the segment of cable services. With m:box packages that combine landline and mobile telephony, Internet and digital television, customers get a combination of all telecommunication services in one place with one bill

and excellent price.

Since entering the Montenegrin market, m:tel is recognized not only for its quality service, affordable prices, friendly, open relationship with its customers, but also for its leading role in introducing new technologies and services.

MTEL continuously invests in the development of technologies that allow access to the service portfolio in rural areas. In addition to further development of mobile networks, company invests significantly in the fixed network. We invest in the development of optical infrastructure and base stations for LTE signal.

As a socially responsible company, m:tel participates actively in the daily progress of the Montenegrin society, contributing to the development of the community, therefore the company provides special support for social, cultural, educational, health and sports programs and initiatives.

[www.mtel.me](http://www.mtel.me)



**NLB Banka AD Podgorica** is a member of the NLB Group, which is

the largest Slovenian financial group comprising 369 offices, more than 6,000 employees and almost two million clients. Besides Slovenia, the NLB Group operates in six markets throughout South-East Europe. The tradition of NLB Banka AD Podgorica's presence is more than a century long and dates back to 1905. Nowadays it is one of the leading banks in the Montenegrin market in which, through its 19 branches

and offices, its more than 300 employees deliver services to clients in 13 cities throughout the country. NLB Banka operates as a universal banking institution offering banking services to private corporate clients and public institutions. With the implementation of the mBanking solution, the bank was a pioneer in offering mobile e-banking within the Montenegrin market, and innovations and digitalisation will also be the guiding strategic principles in NLB Banka's future.

[www.nlb.me](http://www.nlb.me)



**Ocean Montenegro** is company which performs port services of tugging/towing, pilotage and mooring/

unmooring of the ships.

As daughter company of Port of Bar, it has been privatized on 2010 on a public tender by consortium Interlog doo Bar and Ocean Srl Trieste for 2.5 mil eur.

For this short period investors has significantly increased the quality of all three services and together with tariff policy they

gave to the port of Bar new dimension of competitive, high professional and above all, safe port.

Company has 35 employees and is acting as part of Ocean Team (16 companies) which, beside Bar, this kind of services performs in Trieste, Koper, Porto Nogaro and Monfalcone. Ocean Montenegro is proudly member of European associations such as EBA (European Boatman Association), ETA (European Tugowner Association) and EMPA (European Marine Pilots' Association).

[www.ocean-montenegro.com](http://www.ocean-montenegro.com)



**The group Payten SEE** is one of the largest operators in South-Eastern

Europe in terms of revenue derived from sales of its software and services. We came into being as a result of the integration of the experience, knowledge and solutions of major segment leading IT companies operating in the region.

Our vision is to become no. 1 solution provider by understanding and being able to support and subsequently outsource complete business processes of the clients.

Today ASEE Group operates mainly in the following segments of the information market:

Banking software solutions and services including omnichannel solutions, integrated core banking systems based on the Oracle and Microsoft platforms as well as authentication

security solutions, reporting systems for regulatory compliance and managerial information, as well as risk management systems.

Payment industry solutions, services and outsourcing for non-financial and financial institutions, including eCommerce related solutions, mPayments, Processing as well as ATM and POS related services.

System integration solutions and services for financial, industry, public administration telecommunication and utility sectors with the following business lines: development of IT infrastructure, implementations and support, ensuring continuity of business processes, automation of operations, and customized software development.

[www.payten.com](http://www.payten.com)



At PwC, our purpose is to build trust in society and solve important problems. We are a network of firms in 157 countries with more than 223,000 people, who are committed to delivering quality in assurance, advisory and tax services.

At PwC Montenegro, our service offerings have been organ-

ised into Lines of Services: Audit Services, Advisory Services, Human Resource Services, Tax Services, Valuation and Strategy, Tax Management & Accounting Services and Risk Assurance. Each Line of Service is staffed with highly qualified, experienced professionals, whose aim is to help their clients build value, manage risk and improve performance.

[www.pwc.com](http://www.pwc.com)



PORT OF ADRIA

**Port of Adria JSC** is a member of Global Ports Holding. Company's core business is handling and storing of containers and all types of general cargoes on the area of 520.000m<sup>2</sup>. It has completely equipped technological segments – Container Terminal, General Cargo Terminal, Timber Terminal, Ro Ro Terminal and Cruise Terminal with total of 9 berths. It has 12 warehouses with total area of 76.732m<sup>2</sup>, as well as open storage with

total area of 163.390m<sup>2</sup>. On all its piers, it is possible to moor different types of ships according to international standards. Complete area is fenced, covered by CCTV, thus providing high security for goods and provision of handling activities. The Company is doing business in accordance with the international standards IMS (ISO 9001, ISO 14001 i OHSAS 18001) and ISPS.

[www.portofadria.me](http://www.portofadria.me)



PORTO MONTENEGRO

**Adriatic Marina** trading as, Porto Montenegro is a luxury, multiple award-winning marina, winning Super Yacht Marina of Distinction from TYHA (The Yacht and Harbour Association) from 2015 to 2017, located in Tivat on the South-west coast of Montenegro in one of the most sought-after property destinations in Europe. This cutting-edge yacht homeport and marina village has been specifically designed to cater for the meticulous needs of all yachts, their owners, guests and crews with specific infrastructure for the largest yachts afloat.

The marina is complimented by spacious waterfront residences, international restaurants, shopping, a wide range of sports, leisure and cultural activities, an international boarding school and a 5-star Hotel, Regent Porto Montenegro.

In 2016 Porto Montenegro was acquired by the Investment Corporation of Dubai (ICD), the principal investment arm of the Government of Dubai with investments spanning financial services, transportation, energy and industries, real estate and leisure and retail.

[www.portomontenegro.com](http://www.portomontenegro.com)



**Ramada Podgorica** is situated in the heart of the city of Podgorica, a three-minute drive from the city centre and a five-minute stroll from the lush riverside. The hotel is located adjacent to the Mall of Montenegro and is only 15 minutes away from Podgorica International Airport. Ramada Podgorica City Hotel was the first international chain hotel in Podgorica, and as such it plays host to key business, government and media figures from around the globe.

Our local and international hotel staff and the high-quality service we offer will make your stay in Podgorica truly enjoyable. Ramada Podgorica features 110 modern hotel rooms in Montenegro designed in accordance with Ramada standards. With over 550 m<sup>2</sup> of conference and meeting space, Ramada Podgorica is the city's most sought-after venue for conferences, meetings, incentives and celebrations. The hotel features one ballroom, two meeting rooms and two boardrooms.

[www.ramadapodgorica.me](http://www.ramadapodgorica.me)



**The Joint Stock Company Sava Insurance** has been successfully operating in the Montenegrin market for 18 years, and provides non-life insurance of the highest quality and safety. Sava Insurance Company is 100% owned by Reinsurance Company Sava Re, which is Slovenia's largest reinsurer and also the largest reinsurer in the region. The company's key advantages include 40 years of experience, an international reputation, good performance and stability of operations. Under the auspices of the Sava Insurance Company, in addition to the Directorate, there are branch offices operating in Herceg Novi, Kotor, Tivat, Budva, Bar, Ulcinj, Podgorica, Nikšić, Danilovgrad, Cetinje, Bijelo Polje, Berane, Rožaje and Pljevlja.

Sava Insurance Company Podgorica provides property and personal insurance products. Its property insurance products include household insurance products; its personal insurance products include accident and travel health insurance products; and its motor vehicle insurance products include motor third-party liability and motor hull insurance products.

Each client is provided with unique coverage solutions tailored to their particular requirements and expectations. By customising the coverage, Sava Insurance ensures that its clients have the best protection available. Sava Insurance is dedicated to protecting its clients' best interests and to building partnerships for generations.

[www.sava.co.me](http://www.sava.co.me)



**S & T** deals with realization of complete IT solutions, systems integration, providing IT consulting services,

and support in order to solve the business problems of their clients. S & T in Montenegro was established in August 2002 with 100% capital S & T Group AG. S & T Montenegro operates in business units: Business Solutions (network & security, enterprise systems and outsourcing) and Business Solutions (SW development).

In Montenegro, we offer solutions based on the products of our partners, world-renowned brands such as Microsoft, Oracle, Check Point, Juniper, Entrust, SafeNet, Trend Micro, Digi, ArcSight, Iron Mountain, VmWare, McAfee, Cisco, EMC, HP, IBM, Fujitsu, Hitachi, Imperva, Bosch, Cross-Match, MaxData ...

S & T Montenegro is a unique IT system integrator in Montenegro, with a reputation for reliability, due to the numerous successfully implemented projects in telecommunications

companies, financial institutions, government and public sector and the private sector, among which the most important projects that are of strategic importance for further progress of Montenegro:

- The web portal of the Government of Montenegro [www.gov.me](http://www.gov.me),
- Consolidation of DC and DR in NLB Montenegro,
- Central information corporate security solutions T-Com Montenegro,
- Web portal for On line services of the Government of Montenegro [www.euprava.me](http://www.euprava.me),
- SW solution for the project of vocational training of persons who acquired higher education,
- Implementation of the CA GOV state and central public space CA PKI system,
- Implementation of the SWIS, integrated hardware and software solutions for a system of social protection of Montenegro...

## **HS HARRISONS**

**Harrisons** was the first International law firm to open offices in Montenegro, and remains the only English law firm practicing in Montenegro, where they have undertaken more high-level privatisations / foreign investment project since 2000, than any other law firm.

The firm's principal, Mark Harrison, has been working in Montenegro since 1996, when he acted for the Government on the country's first ever privatization, that of the Niksic (Trebjesa) brewery to Interbrew.

Thereafter Montenegro embraced privatisation and for 4 years Harrisons advised the Montenegrin Government, through the firm's appointment as sole legal adviser to the Tender Commission and the Privatisation Council.

The firm is involved on almost every major Real Estate/Tourism matter on the coast in Montenegro. It has underlined its status as the leading law firm for MENA investors, as it

now acts for companies from, inter alia, Abu Dhabi, Dubai, Oman, Qatar and Egypt.

Their real estate practice is complemented by commercial work for major Montenegrin companies, in addition to advising EBRD, IFC and DEG on numerous financing and equity projects over the years.

Likewise, it is perceived as the market leader in Capital Markets work, and was appointed on the first two Eurobond issues by the Montenegrin Government and on other loans by commercial banks to the Government.

To complement their activities in the Balkans and in particular their position in the financial, banking and capital markets' sector, Harrisons has an office located in the financial heart of the City of London, giving them the unique advantage of being the only law firm with offices in England, Montenegro and Serbia.



**Company Tara Resources AG** is a private, Swiss-based resources company, currently developing the Brskovo Project in Montenegro.

The Brskovo Project, located in Mojkovac Municipality, has the potential to be one of the largest and lowest cost open-pit zinc mines in Europe, producing zinc, lead and copper concentrates.

Mojkovac and the Brskovo mine has a long mining history, with silver mining and minting operations first recorded in the thirteenth century. These operations turned Brskovo into a

major European trade centre and a source of wealth in the local kingdom.

Since acquiring the project in 2018, Tara Resources has completed confirmatory resource drilling to confirm and grow the mineable resource, metallurgical test work and environmental studies, and a Preliminary Economic Assessment. Tara Resources is currently advancing the Feasibility Study for the project, as well as all requisite local project permits and approvals. The project is well serviced by road, rail and power, close to international ports, and has access to a local population experienced with mining.



**Terna Crna Gora** carries out activities regarding the implementation and management of the electricity interconnection between Italy and Montenegro, and promotes development opportunities in the transmission sector for the

Balkans area.

The company is entirely owned by Terna SpA, the top independent operator in Europe and sixth in the world by virtue of the length of HV transmission lines managed.

[www.terna.it](http://www.terna.it)



**Saga CG d.o.o.** Podgorica, founded by Saga d.o.o. Beograd, works from April 2007 with full support of mother company. In cooperation with Saga d.o.o. Beograd offers best solutions for clients in managing IT environment. In 2009, Saga has become a part of New Frontier Group - the most promising group of ICT companies in Central and Eastern Europe. Our representative clients are from telecommunications, fi-

ncial and public sectors and manufacturing industries. Activity: design, construction, integration and maintenance of IT systems • Network and Telecommunication Solutions (Telco / Carrier / Enterprise) • Systems to support operational and business processes of telecom operators (OSS / BSS) • Contact centers • Business Solutions (ERP, CRM, Content & Document Management., DWH / BI) • Development of business applications (e-banking, payment systems ...).

[www.saga.me](http://www.saga.me)



**Telenor** became part of the Montenegrin telecommunications market in 1996, as the first mobile operator in the country. Over its 20 years of operations, the company has gradually introduced technological innovations, starting from voice-only services, to LTE technology today. Telenor was the first to enable some of the advanced digital services, as well as 4G technology. The empowerment and digitalisation of society is the key driving force behind the everyday operations of the company, guided by the principles of simplicity, keeping promises, inspiration and respect. Telenor Montenegro is part of the Telenor

Group, one of the largest global mobile operators with more than 211 million customers in 13 markets. Over the past two decades, Telenor has invested heavily in the development of network infrastructure and implementation of state-of-the-art technologies. Telenor Montenegro is a leader in the mobile market with 367,6 customers and a 36.23% market share. Telenor has covered 97% of Montenegro with fast internet, and is continuing to introduce its 4G network in all regions of the country. During 2017, Telenor network was modernized, through replacing of the existing equipment with the latest generation technology, on 350 sites all over Montenegro.

[www.telenor.me](http://www.telenor.me)



**Moravčević Vojnović and Partners** in cooperation with Schoenherr, as one of the largest offices of Schoenherr, is a leading full-service law firm that has been active on the Montenegrin market since 2003, recognized as a Band 1 law firm by the relevant global legal directories. The office is acknowledged as a longstanding market leader because of its strong track record – regularly undertaking sophisticated

work, both for the Government of Montenegro and numerous prominent private-sector clients. Our Montenegrin team offers tailor-made legal advice in respect of corporate law issues, high-end complex transactions in the fields of M&A, banking, finance & capital markets, dispute resolution, real estate, IP, competition, and employment matters, as well as legal support in connection with day-to-day business.



**The brewery “Trebjesa” Ltd. Nikšić,** producer of one of the most famous Montenegrin brands - Nikšićko Pivo, is a part of the Molson Coors Brewing Company, the world’s third largest brewer. The origins of what we now know as Nikšićko Pivo date back to 1896. Trebjesa’s portfolio consists of locally produced beers: Nikšićko Pivo, Nikšićko Gold, Nikšićko Cool Lemon, Nikšićko Cool Grapefruit, Nikšićko Nefiltrirano and Onogošt. Jelen and Apatinsko Pivo are brewed by licence and our portfolio is enriched

by some of the most famous world beer brands such as Staropramen, Corona, Becks, Leffe, Hoegaarden, Stella Artois and Löwenbräu.

Trebjesa plays a vital role in the national economy and contributes to development through various sponsorships, donations and local community projects.

The Chamber of Commerce gave an award to Trebjesa Brewery recognising it as the most successful company in 2016 in Montenegro.

[www.pivaratrebjesa.com](http://www.pivaratrebjesa.com)



**UNIQA insurance Montenegro** is a part of UNIQA Group, one of the leading insurance groups in Austria, as well as Central and East Europe. UNIQA has started activities at Montenegrin market in 2008, through UNIQA life insurance a.d. Podgorica and UNIQA non-life insurance a.d. Podgorica. By entering the Montenegrin market, business imperative of the both companies is creating quality and innovative products for legal and physical entities. In any of premises within UNIQA network in Montenegro, it is possible to find a wide range of products ranging from insurance to property insurance, accident insurance, car insur-

ance, health insurance and various products of life insurance. Special attention is given to the introduction of new technological solutions, improving business processes and quality and quick payment of claims.

UNIQA became a symbol of reliability, responsibility and with a different, positive view of the world. Employees of UNIQA insurance pay attention to the wishes and needs of the people, encourage them to reach their dreams and discover what satisfies and makes them happy.

UNIQA team in Montenegro consists of more than 120 employees with constant growing number of external partners.

[www.uniqame](http://www.uniqame)



**Ekonomik Accountants** was established in Montenegro in 2006 and represents 350+ companies in accounting, tax, human resource and adherent services. Our clientele represents a wide number of industries originating from 40+ countries coming from 6 different continents. We are proud on the fact the company is recently awarded by the “Best performing companies in Montenegro” and became in 2020 officially market leader in the auditing & accounting industry.

The drive for the highest Quality of Service is evident, represented by our qualitative team that consists of certified accountants, auditors, administrators, legal and court specialists for an exquisite business support that any company that is active in Montenegro deserves. The company works according the IAS and IFRS standards, the Institute of Certified Accountants of Montenegro, ICAM, IFAC, Institute of Accountants and Auditors of Montenegro, IRRCG and the Code of Ethics for Professional Accountants.



VAS Invest D.O.O Budva is SPV which develops luxury resort in Montenegro named – Smokva Bay Resort

Smokva Bay Resort will become Montenegro’s most highly anticipated premier development, overlooking the expansive

beauty of the Adriatic Sea and anchored by the world-class Raffles hotel. It will become the first private, gated resort community in Montenegro offering luxury branded and private residences in the seclusion of a pristine, natural coastline.



**Henley & Partners** is the global leader in

residence and citizenship planning. Each year, hundreds of wealthy individuals and their advisors rely on our expertise and experience in this area. Our highly qualified professionals work together as one team in over 30 offices worldwide.

The concept of residence and citizenship planning was created by Henley & Partners in the 1990s. As globalization has expanded, residence and citizenship have become topics of significant interest among the increasing number of internationally mobile entrepreneurs and investors whom we proudly serve every day.

Trusted by governments, the firm also runs a leading government advisory practise that has raised more than USD 8 billion in foreign direct investment. We have been involved in strategic consulting and the design, set-up, and operation of the world’s most successful residence and citizenship programs. While its origins date back more than 45 years, Henley & Partners as it is today was formed in 1997 as a result of a merger between a private client immigration consultancy and a fiduciary company. The group companies, as well as most of our individual partners, directors, and senior officers, are, where applicable, regulated by the respective authorities in their countries of operation. They are also members of vari-

ous professional associations such as the Investment Migration Council, the Society of Trust and Estate Practitioners, The International Tax Planning Association, the International Fiscal Association, and the Fédération Internationale des Administrateurs de Biens Conseils et Agents Immobiliers.

We provide a range of services that are essential to protecting and growing our clients’ wealth. However, as we often act as close advisors to our clients, we intentionally refrain from offering investment advice or asset management. In these sectors, we work with many of the world’s leading banks and most successful investment managers.

Henley & Partners’ office in Montenegro was established in November 2018, and the Government of Montenegro officially launched its citizenship-by-investment program in January 2019 as part of its ongoing efforts to attract foreign direct investment and increase economic activity in the country. In March 2019, the government-appointed Henley & Partners as one of the official global concessionaires of the program.

The World Bank classifies Montenegro as one of the fastest-growing Balkan economies, and the nation is quickly establishing itself as a key strategic destination for some of the world’s most important industries. Through our involvement in the citizenship-by-investment program, Henley & Partners aims to cement the country’s global stature.



Fly Montenegro Ground Handling d.o.o. was founded in 2009 by R-Tours Company, one of the leading tour operators. The company is registered - services in air transportation.



FMGH provides ground handling services and all aviation services for commercial, charter, business aviation, corporate and private flights,

cargo, diplomatic flights, military and humanitarian flights at airports Tivat and Podgorica in Montenegro.

From the foundation of the Company our goal has been creating the recognized brand in providing high quality services to our clients from different countries.

Our long term partners are: Aeroflot, Rossiya Airlines, Pobeda, Belavia, Azal Airlines, FlyDubai, S7 Airlines, Isair, Windrose, Nordstar, Red Wings, Yamal Airlines, Ural Airlines,

Royal Flight Airlines, Air Moldova, Ukraine International Airlines, Bravo Airways, Jonika Airlines, IFly, Armenia Air-company, Nordavia, Eurowings, Globus Airlines, Bulgarian Air, Air Malta, Wideroe, Wind Rose, Trade Air, Nordavia Air, Royal Air, Iberia Air, Air Armenia, AirX Charter, Silk Way, Deer Jet, Hainan, Franch Air Force, German Air Force, Royal Jet, Qatar Executive, Epsilon Aviation, Avcon Jet, TAG Aviation, Emperor Aviation, Challenge Aero, Air Hamburg, Rusline, Panaviatic, Klas Jet, Baden Aircraft Management, Charter Jets UAB, Silesia Air, Ifly, Sirius Aero, Redstar, Valair, Aim Aviation LTD, Valair, Rossia Air, Windrose Air, Taymir Air, IFLY, Pobeda, S7 Airlines, Flydubai, Isair, Japan Air, Transavia, Maleth Aero, Avanti Aero, Egipt Air, Green Tree Global, FCG, UAS, Jetex, Gozen, Titan Air, Click Aviation.