



MFIC | Montenegrin Foreign
Investors Council

WHITE BOOK

Investment climate in Montenegro 2019



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March 2020

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1. FOREWORD



Christoph Schoen
PRESIDENT OF THE MFIC

The Montenegrin Foreign Investors' Council is pleased to publish the 10th edition of the White Book: Investment climate in Montenegro for 2019, 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 2019 and compares it with previous periods, in order to follow up and report on the trend and achieved progress. 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.

The 2019 was active year for MFIC as the Council was involved in many important processes concerning the business environment in the country. Besides two operational Committees (ICT and Banking) in 2019 the Council has established two more Committees – Insurance Committee and Regulatory Policy Committee with the objective to identify the business barriers that our members face and to find possible solutions to overcome them through providing support to the Government to design and deliver effective, efficient and business friendly regulatory framework.

The 2019 was also marked with our 10-year anniversary. During the ten years of existence, our Council has achieved significant success in the two most important fields – it has managed, along with other business associations and the Government of Montenegro to create an atmosphere of trust and a desire to work together to improve the position of Montenegro as a place for investment and on the internal front it has built an association that's trusted and supported by its members.

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. We believe that predictable business environment, which implies the transparency of the activities of administration is of crucial importance.

Analyzing the results of perception based evaluation of ease of doing business in Montenegro, from the experience of our members, we calculated the MFIC Index for 2019 at 6.9 (on the scale of 1 to 10). The result for 2019 shows a significant increase compared to 2017 and 2018 when the Index was 6.5 and is the highest since this kind of evaluation has been introduced in 2011.

2019 Index gives an obvious signal that our members believe that the year 2019 was marked by a more concrete improvement of overall business environment compared to previous years. After three years of quite insignificant Index growth (from 6.4 to 6.5), the year 2019 brought the increase which confirms the progress,

with great expectations and optimism of the MFIC members. It can also be interpreted as a feedback to the reforms initiated in the previous period which gave certain results.

Close and continuous communication with the Government and public administration authorities remains important tool of the Council to support our 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 operation processes and to avoid negative and harmful consequences for the entire business community. It is fair to say that this understanding is shared among stakeholders and committed to be continued in order to achieve proper implementation and positive results of introduced reforms in different sectors. Due to the sensitivity of any investment to frequent changes in the legal and regulatory framework, this mutual commitment is crucial for economic progress of Montenegro in the upcoming period.

Montenegro has continued making progress in its EU accession process and that is especially important for further harmonization with the EU legislation. As of February 2020, there is currently one chapter waiting to be opened, thirty-two chapters open, and three chapters that have been provisionally closed. 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 EU Delegation is one

of the key objectives. On the other side, the NATO membership is ensuring long-term stability and security and will positively impact the business climate.

With the further implementation of established fiscal policy measures, support for the strengthening of economic activities and the further fostering of competitiveness, the Government of Montenegro will ensure that Montenegro is on the right path to achieving sustainable and inclusive growth.

The promotion of Montenegro's investment potential, as well as the promotion of the interests of the international business community in Montenegro, will remain our priority in the future. 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.





2. EXECUTIVE SUMMARY

This year's edition of the **White Book: Investment climate in Montenegro 2019** summarizes the results of perception-based questionnaire about the ease of doing business in Montenegro. The answers to the questionnaire were filled by the foreign investors, members of the MFIC, based on their personal experience and perception. The White Book describes the most important regulations for business development and outlines main challenges for decision makers to foster further economic development.

Thanks to a high response rate from the MFIC members to the predefined questionnaire, more than 85%, we calculated the **MFIC Index for 2019** at 6.9 (on the scale of 1 to 10, whereas 1 is the poorest score and 10 the best). The result for 2019 shows a significant increase compared to 2017 and 2018 when the Index was 6.5 and was the highest since this kind of evaluation has been introduced. Such increase of +0,4 was also observed in 2013 compared to 2012 (6.3 compared to 5.9).

► After three years of quite insignificant Index growth (from 6.4 to 6.5), the year 2019 brought the increase which confirms the progress, with great expectations and optimism of the MFIC members. It can also be in-

terpreted as a feedback on the reforms initiated in the previous period which give results.

► By comparing the indices for all nine years, this is the first time that the Index has approached 7 – the average rating for eight years ranged from 5.8 to 6.5 (maximum rating 10). The MFIC repeating message remains essential: serious reform processes should be continually implemented within the analyzed sectors in order to further improve business environment, to attract foreign investment and increase economic standard of all the citizens in Montenegro.

When we talk about the **evaluation of key sectors in 2019**, the highest index is observed with the ICT and Telecommunications sector. The sectors of Tourism, Banking/Finance and transportation/logistics record an increase compared to 2018, while the energy sector remained at the same level as last year. The largest increase is observed in Telecommunications and ICT (+0.8) and Banking/Finance (+0,6). Despite the increase in the rating for 5 out of 6 industries, only the sector of banking/finance record the highest score for 2019 compared to previous years.

To rate the **individual focus areas**, our members con-

sidered to what extent each of the categories listed below impacts positively or negatively their business: labor market and employment, property development, taxation/contributions, corporate governance and rule of law. These areas were analyzed by the MFIC members since 2011, therefore we can easily notice how the perception has changed and what the trends in each category are. In general, the ratings for 2019 have increased and they explain total increase of the MFIC Index. The increase in property development (+0,6) and labor market and employment (+0,4) are evident. These ratings still vary around 6.4 out of 10 and bring to a conclusion that these areas are, repeatedly, recognized as priority since they require a systematic approach and a reform agenda. The results for 2019 indicate a moderate progress in most of these categories:

▶ Like in previous years, according to the MFIC members the rule of law should be stressed out as an area of key importance for evaluation and further improvement of business environment. By analyzing prior ratings and after three consecutive years rated 5.6, there is a slight increase at 5.7 this year. Bearing in mind that 2011 rating was 4.8 the rating increase indicates a continuous improvement in this area. The rule of law will remain at the top of the MFIC priorities in the following period as well.

▶ In 2018 and 2019, labor market and employment was quite a popular topic and the rating shows that the foreign investors believe this area requires a systemic reform to harmonize the regulations with the EU standards. The rating 5.7 for 2019 (5.3 in 2018) shows that there was a slight increase but also indicates that further improvements are needed as well as the implementation of reform processes. The year 2019 was marked by the adoption of the Labor Law. The new Labor Law is a step forward compared to the current solutions in a part regarding prevention of grey economy and protection of the employees' rights. On the other hand, when it comes to labor market flexibility, our proposals for improving specific provisions in order to simplify business conditions and eliminate business barriers prepared jointly with other associations in Montenegro,

were not accepted by the drafter. The Labor Law should provide fairness and protection of the employees with the promotion of health competition by increasing flexibility and labor force mobility for further development, increased productivity and investment attraction. Its implementation will be evaluated in the next edition of the White Book.

With the view to take into account the priorities of the MFIC members and in order to have more detailed analyses of business environment, **six new categories have been introduced since 2016** which the MFIC members recognized as important areas 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

▶ Out of six analyzed areas, we observe the rating increase in three areas and decrease in the remaining three in 2019 compared to 2018. Minimum increase was recorded for public procurement and black market and inspection while the increase of +0,2 was observed for human capital. The decrease is observed in the public and private partnership, digitization of public services and regulations on personal data protection.

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 has dropped in 4 out of 5 most important international reports. Thus, Montenegro has to invest new efforts to improve the position on international stage. The following recommendations are given to target specific improvements:

▶ more efficient reform implementation when registering a company (numerous procedures to start a business, relatively high costs to start a business, impossibility of e-registration and no connection among software and impossibility to share the data among all relevant bodies for company registration);

- ▶ 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 levels;
- ▶ 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.

“Evaluation of regulatory environment in Montenegro” is a very important part of the MFIC activities, and as well of each edition of the White book. Besides effi-

cient 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 of the positive foreign investor’s environment in Montenegro. At the beginning, more general topics are presented which are recognized as important basis to improve regulatory environment such as business environment, process of adoption and implementation of legislation, public administration, grey economy, taxation, different amounts of taxes at municipality level.

The section “**Regulatory framework and MFIC Committees**” presents the work of the active MFIC Committees: ICT Committee, Banking Committee and Insurance Committee, along with the list of the topics that were analyzed by these bodies in the last period. According to the MFIC Members’ opinion, the key regulations were analyzed, which are very important for the business climate: the Law on electronic communications, the Law on spatial planning and construction, the Law on roads, the Law on Consumer Loans, The Law on Consumer Protection – users of financial services, FATCA Law, Law on ID Card, Law on Internal Trade, Law on Healthcare and implementation of international accounting standards in insurance.

The section “**Implementation status of the accepted recommendations from the White Book 2018**” collects the answers of the line institutions to the recommendations of the MFIC members related to the amendments to the regulations from the White Book 2018. Out of 15 amendments to the regulations, the implementation of 7 recommendations is ongoing (47%), 5 recommendations are implemented (33%) while 3 recommendations (20%) are considered not implementable at this moment.

MFIC MEMBERS:



3. 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 constantly expanding and today it comprises 40 members that re-

present around 25% 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 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:

▶ **NOVEMBER 2018 – November 2019: Mr. Christoph Schoen (Addiko bank) President**, Mr. Pal Kovacs (Crnogorska komercijalna banka), Ms. Nela Vitić (Ocean Montenegro), Mr. Antonis Semelides (Jugopetrol) and Mr. Ivan Bojanović (SAGA Montenegro).

▶ **NOVEMBER 2019 – November 2020: Mr. Christoph Schoen (Addiko bank) President**, Mr. Pal Kovacs (Crnogorska komercijalna banka), Ms. Nela Vitić (Ocean Montenegro), Mr. Antonis Semelides (Jugopetrol) and Mr. Ivan Bojanović (SAGA 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 commu-

nicate 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 osiguranje 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.

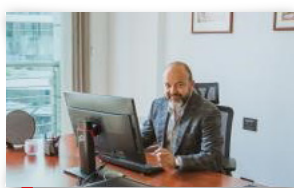
BOD MEMBERS 2019-2020



Christoph Schoen
MFIC President and President
of the Board of Directors,
CEO of Addiko bank



Nela Vitić
CEO of Ocean Montenegro



Ivan Bojanović
CEO of SAGA Montenegro



Antonis Selemides
CEO of Jugopetrol AD



Pál Kovács
CEO of Crnogorska komercijalna banka AD Podgorica,
member of OTP group



Nela Belević
(Uniqa osiguranje), Insurance
Committee Chairman



Ljudmila Popović Kavaja,
(Telenor), Regulatory
Committee Chairman



Ivan Radulović
MFIC Executive Director



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 time consuming aspect of some processes that the Government is engaged in.

The Competitiveness Council is one of the most important communication channels chaired by the Prime Minister that is established by the Government decree in June 2017. The MFIC is a member of the Competitiveness Council since its establishment. The Council brings together representatives from the private and public sector on a quarterly basis to discuss and agree on the economic and structural reform priorities that matter to both policymakers and private sector. It is important to point out that this platform is recognized by different stakeholders from public and private sector as a key platform for further development of public and private dialogue. At the end of 2018, in cooperation with the EBRD, the Secretariat to the Competitiveness Council was established and it has become an important element for improvement of dialogue between the MFIC and public sector, among others.

One of the roles of the Secretariat to the Competitiveness Council is to improve the efficiency of the Competitiveness Council in terms of providing a strong analytical support to the Council and monitoring the implementation of recommendations and conclusions

of the Council. In 2019, there were 5 sessions of the Competitiveness Council. In March 2019, the Work Program of the Council for 2019 was adopted focusing on four topics: Q1 Law on Companies (company registration and CRCE functioning); Q2 fiscal policy, grey economy and the Law on public procurement; Q3 The Labour Law and the Law on Labour Fund and Q4 digitalization and digital economy.

Since the topics discussed at the Council are very important, the MFIC, together with other 4 business associations members of the Competitiveness Council, participated in numerous meetings and round tables organized by the Secretariat to the Competitiveness Council for better preparation and submission of the material of high quality to be presented at the sessions. The initiatives of the MFIC proposed to the Competitiveness Council for discussion in 2019 were the following:

- ▶ Presentation of the results in the White Book: Investment climate in Montenegro 2018;
- ▶ Opinions of line institutions to the MFIC document on challenges in business operations related to the rule of law;
- ▶ Opinions of line institutions to the recommendations from the White Book 2018;
- ▶ Comments to the Proposal of the Law on Roads (Article 20 defining the fees to use public road);
- ▶ Initiative of Crnogorski Telekom to challenge Article 36 of the Cinematography Law related to the financing of the Film Fund;
- ▶ Comments to the Proposal of the Labour Law; and
- ▶ Initiative of the business associations to establish a coordination and advisory body for digital transformation.

At the last session of the Competitiveness Council held in December 2019, the Work Plan of the Council for 2020 was adopted. In Q1, the key topics refer to the increase of activity rate in labor market. Q2 would be dedicated to the business environment; Q3 would deal with grey economy and Q4 will have innovations in its focus. Within these topics, the Competitiveness Council should present the status, recognize open issues and agree the next steps to implement these planned activities. The Work Plan also covers the topics which come from private sector and are recognized as important for fostering competitiveness, improvement of public and private dialogue and positioning of Montenegro as a favorable business environment.

Since prevention of grey economy is of priority, in April 2019 the Government expanded the Commission for fighting grey economy to include the representatives of the business associations in Montenegro, among which the MFIC. In the new composition which covers an entire spectre of relevant social entities, the Commission sends a strong message of common attitude, interests and synergy to overcome grey economy challenges through partner actions in the interests of the employees, business community and additional income for Health Care and Education Fund i.e. in the interests of all Montenegrin citizens.

Additionally, the MFIC is a member of different working bodies or permanent or ad hoc working groups dealing with the topics of importance for the Council. Some of the examples are development of the National Strategy for Sustainable Development, the Strategy for development of SMEs in Montenegro for 2018-2022, including the development of preconditions for establishment and operations of start-up companies, member of the working group for implementation of the Regional Investment Reform Agenda within the project "Investment policy and promotion for the economies of the Western Balkans"; member in different working groups for law preparation and so on. Most often, these bodies are composed of the representatives of public and private sector and they represent an important channel where the voice of foreign investors can be heard.

On the other side, the MFIC is recognized as one of the main stakeholders representing the private sector in Montenegro and, therefore, the MFIC management holds regular meetings with the EBRD, the EU Delegation, the EU Commission, the World Bank, the IMF, the OECD/Sigm, the Regional Cooperation Council regarding the investment environment. Regular meetings with the diplomatic representatives are also held to share the views on the situation and the development potential of investments.

EVENTS AND ACTIVITIES IN THE LAST YEAR

In order to better understand the operations and the work of the MFIC, here are some of the main events and activities in 2019 which make part of the regular annual agenda:

► **JANUARY 2019:** The MFIC members met with the TAIEX representatives during their visit to Montenegro. They exchanged views on the implementation of judicial decisions in civil and commercial cases and functioning of bailiff system in Montenegro.



► **FEBRUARY 2019:** The MFIC members met with the European Commission representatives during their mission regarding the assessment of the Economic Reforms Program 2019-2021. They exchanged views about public and private dialogue, regulatory framework and business environment in Montenegro.



► **MARCH 2019:** the MFIC published the ninth edition of the White Book (presenting the 2018 environment), the Council's most significant document providing the overview of the investment and business climate in Montenegro as seen by the largest foreign investors, i.e. the Council Members. More specifically, business index indicates the assessment of the ease of

doing business in Montenegro based on the perception of the Members. In addition to the MFIC management and members, the press conference was attended by the representatives of the most important partner institutions from private and public sector, the representatives of the international organizations and diplomatic corps.



► **MAY 2019:** the MFIC at the Festival of Real Estate Investment: the MFIC Executive Director opened 10th FREI Festival together with the Minister of Economy and the Minister of Sustainable Development and Tourism. The Panel "Business environment – opportunities, challenges and going ahead" was organised by the MFIC with the participation of the representatives from Azmont Investments, Luštica, Saga and EBRD Secretariat to the Competitiveness Council. At this occasion, they pointed out that it is necessary to improve public and private dialogue, to digitalise public services and improve business environment in tourism.



► **JUNE 2019:** Guide to the MFIC 2019 was released in English. In this publication, the members of the Foreign Investors' Council as well as the representatives of the Government talked about business environment and investment climate in the country and identify the areas which need to be intensely worked on (interviews: CHRISTOPH SCHOEN, MFIC President and

EVENTS AND ACTIVITIES IN THE LAST YEAR

President to the MFIC Board of Directors, MILUTIN SIMOVIĆ, Government Vice-President and Minister of Agriculture and Rural Development, SUZANA PRIBILOVIĆ, Minister of Public Administration, DARKO RADUNOVIĆ, Minister of Finance, PAVLE RADULOVIĆ, Minister of Sustainable Development and Tourism, RADOJE ŽUGIĆ, Governor of the Central Bank of Montenegro, EMANUEL SALINAS, representative of the World Bank in Montenegro, PAL KOVACS, CEO of Crnogorska komercijalna banka, ANTONIS SEMELIDES, CEO of Jugopetrol, NELA VITIĆ, CEO of Ocean Montenegro, IVAN BOJANOVIĆ, CEO of Saga, IVAN RADULOVIĆ, MFIC Executive Director, PREDRAG LEŠIĆ, CEO of Domen, MARTIN LEBERLE, CEO of NLB banka, VESELIN

MIJAČ, CEO of Savana, NEBOJŠA ŠČEKIĆ, CEO of Sava osiguranje, RASHAD RASULLU, CEO of Portonovi and NELA BELEVIĆ, CEO of Uniqa Insurance. The Guide was distributed in 2000 hard copies and published on the website.



► **JULY 2019:** The MFIC President, members of the Board of Directors and Executive Director had a meeting with the Turkish Ambassador in Montenegro and they exchanged views about future plans of the MFIC, business environment and investment possibilities in Montenegro.



► **SEPTEMBER 2019:** Within ICT event organised by the ICT Committee, the lecture of Mr. Nikolaos Dimitriadis, PhD, entitled “Digital revolution and how to win

it” was given. This lecture was attended by the MFIC members, partners, Government representatives and diplomatic representatives as well as representatives of international organisations in Montenegro.



► **OCTOBER 2019:** The MFIC Executive Director participated in the conference “Investment in early age – conference on fiscal and administrative imperatives for early childhood development” within the panel “Role of private sector in promotion of early child development” organised by the UNICEF and University of Donja Gorica. The MFIC Executive Director stated that the Council will continue to support its partners in the Government of Montenegro to improve child care which means constant investment in policies to support families and to provide equal chances to everyone to educate and develop at early age.



► **NOVEMBER 2019:** The Annual Assembly of the Montenegrin Foreign Investors’ Council was held with the presence of most of the member companies. In line with regular procedure, in the first part of the Assembly President of the Council Mr. Christoph Schoen and Executive Director Mr. Ivan Radulovic presented Council’s activities in the previous period, financial report, membership status and planned activities for upcoming

period. The Annual Assembly confirmed establishment of the Insurance Committee and the Regulatory Policy Committee. Communication with Government and public administration remains important task of the Council. One of the main missions of the MFIC is to be constructive and reliable partner to official authorities for the purpose of overcoming problems and obstacles that foreign investors face in order to increase attractiveness and competitiveness of the Montenegrin economy. Our Committees (Banking, ICT, Insurance and Regulatory Policy) will closely follow up regulatory framework changes in their sectors and propose initiatives for improvement in areas relevant for our member companies' business operations. The Council will continue to be an active member of the Government Competitiveness Council, led by The Prime Minister, which serves as the main Government body in charge of business environment improvement. Also, we will continue to closely cooperate with the EBRD Secretariat to the Competitiveness Council towards achievement of our common goals and promotion of our common interests. MFIC President also informed

Prime Minister and Government Representatives about further Council members' investments in Montenegro which are projected to be around 500 million EUR on annual basis for the period 2020-2022. Mr. Schoen concluded the Council will continue to provide support to the Government to design and deliver effective, efficient and business friendly environment. Prime Minister Markovic highlighted that Montenegro is a prestigious investment and tourist destination, which strengthened its public finance and is continuing with the structural reforms. He pointed out that full-fledged NATO membership promotes Montenegro as a safe and favourable investment destination.

Prime Minister Markovic emphasized that together with the Government and its ministries, Montenegrin Foreign Investors' Council played an important role in the development and implementation of policies, which had produced impressive results in the recent period. Markovic said that the growth of foreign direct investments had been estimated at over 60 percent in the previous two years.

10
YEARS



MFIC | Montenegrin Foreign
Investors Council

Montenegrin Foreign Investors Council organized a cocktail party on May 29, 2019 on the occasion of the tenth anniversary of the Council together with the business and Government partners.

In addressing the guests, President of the Montenegrin Foreign Investors Council (MFIC) Christoph Schoen, highlighted that Montenegro has implemented many reforms in the previous several years, resulting in the increased competitiveness, transparency and improvement of the business conditions, and became continuously more attractive to foreign investors.

He pointed out that in 2009, the Council was established by five companies, with the intention to improve the investment climate and foster the communication and cooperation between the foreign investors community and official bodies in Montenegro.

“In the past ten years, we became a community of leading foreign investors in Montenegro, bringing together representatives of 40 companies from different industries. In addition to the capital inflow, transfer of knowledge and new technologies serves as the driving force and supports Montenegro to reduce the gap to more advanced markets. During those years, Montenegro became more and more attractive to foreign investors. From our perspective, Montenegro made significant improvements in increasing transparency, competitiveness and improving business conditions. Therefore, I can proudly say that we are delivering our main purpose and I am happy to see how the MFIC has evolved and contributed to the success story of Montenegro”, said Schoen.

He reminded of the statistics showing that the contribution of the MFIC members to the GDP of Montenegro accounted for more than 25 percent in 2018.

At the event, attended by representatives of the MFIC,

the Government and diplomatic corps, Schoen said that Montenegrin legislation had been harmonized with the EU regulations to a great extent or was on its way to be harmonized.

“Attractive tax and free trade regimes have been established and many reforms have been implemented, which resulted in increased competitiveness and improvement of the business conditions,” said Schoen.

He reminded that the Council was monitoring the development through the business environment index, which was part of the MFIC White Book, adding that this index was at the highest level in the last edition since 2011.

In addressing the guests, Minister of Economy, Ms. Dragica Sekulic stated that Ministry of Economy together with the Government of Montenegro have very tight and successful cooperation with the Montenegrin Foreign Investors Council. This is especially emphasized through the activities of the Competitiveness Council chaired by the Prime Minister Markovic.

“We very much appreciate publication of the White Book which gives us clear insights about the weaknesses and flaws of our system, business obstacles, from the perspective of foreign investors, providing us with the opportunity to improve ourselves. The White Book, allows us, as the Government to be better, more attractive and to become more competitive”, said Minister Sekulic.

As an alliance of responsible companies Montenegrin Foreign Investors Council is committed to creating an environment in which happy and healthy generations will grow. By allocating funds to the Institute for Children’s Diseases, the Council wanted to show that this most vulnerable group in society is especially important and precious.





4. MFIC BUSINESS ENVIRONMENT RATING INDEX FOR 2019

NINTH YEAR OF THE MFIC INDEX

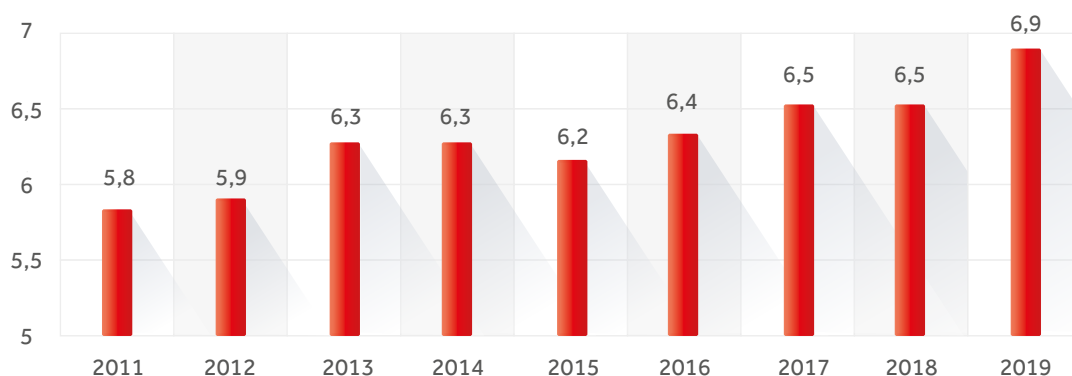
As in previous years, the preparation of the White Book edition for 2019 is followed by our members' assessment of the ease of doing business in Montenegro by using a so-called MFIC Index. The Index is a perception based evaluation of ease of doing business in Montenegro where our members reply to the questionnaire and thus rate business environment in Montenegro. This Index was first developed in 2011 and since then it is followed-up on an annual basis - our members rate the individual industries or sectors that the MFIC has identified as priorities. The aim is to provide 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. The possibility to follow up the index rating increase or decrease is of great importance.

Thanks to a high response rate from the MFIC members to the predefined questionnaire, we calculated the MFIC Index for 2019 at 6.9 (on the scale of 1 to 10, whereas 1 is the poorest score and 10 the best). The result for 2019 shows a significant increase compared to 2017 and 2018 when the Index was 6.5 and was the high-

est since this kind of evaluation has been introduced. Such increase 0.4 was also observed in 2013 compared to 2012 (6.3 compared to 5.9).

Since 2017, the Index indicates that the overall business environment is stable and it has been improving while 2019 Index gives an obvious signal that the foreign investors believe that the year 2019 was marked by a more concrete improvement compared to previous years. After three years of quite insignificant Index growth (from 6.4 to 6.5), the year 2019 brought the increase which confirms the progress, with great expectations and optimism of the MFIC members. It can also be interpreted as a feedback on the reforms initiated in the previous period which give results.

By comparing the indices for all nine years, this is the first time that the Index has approached 7 - the average rating for eight years ranged from 5.8 to 6.5 (maximum rating 10). The MFIC repeating message is that serious reform processes should be continually implemented within the analyzed sectors in order to further improve business environment, to attract foreign investment and increase economic standard of all the citizens in Montenegro.



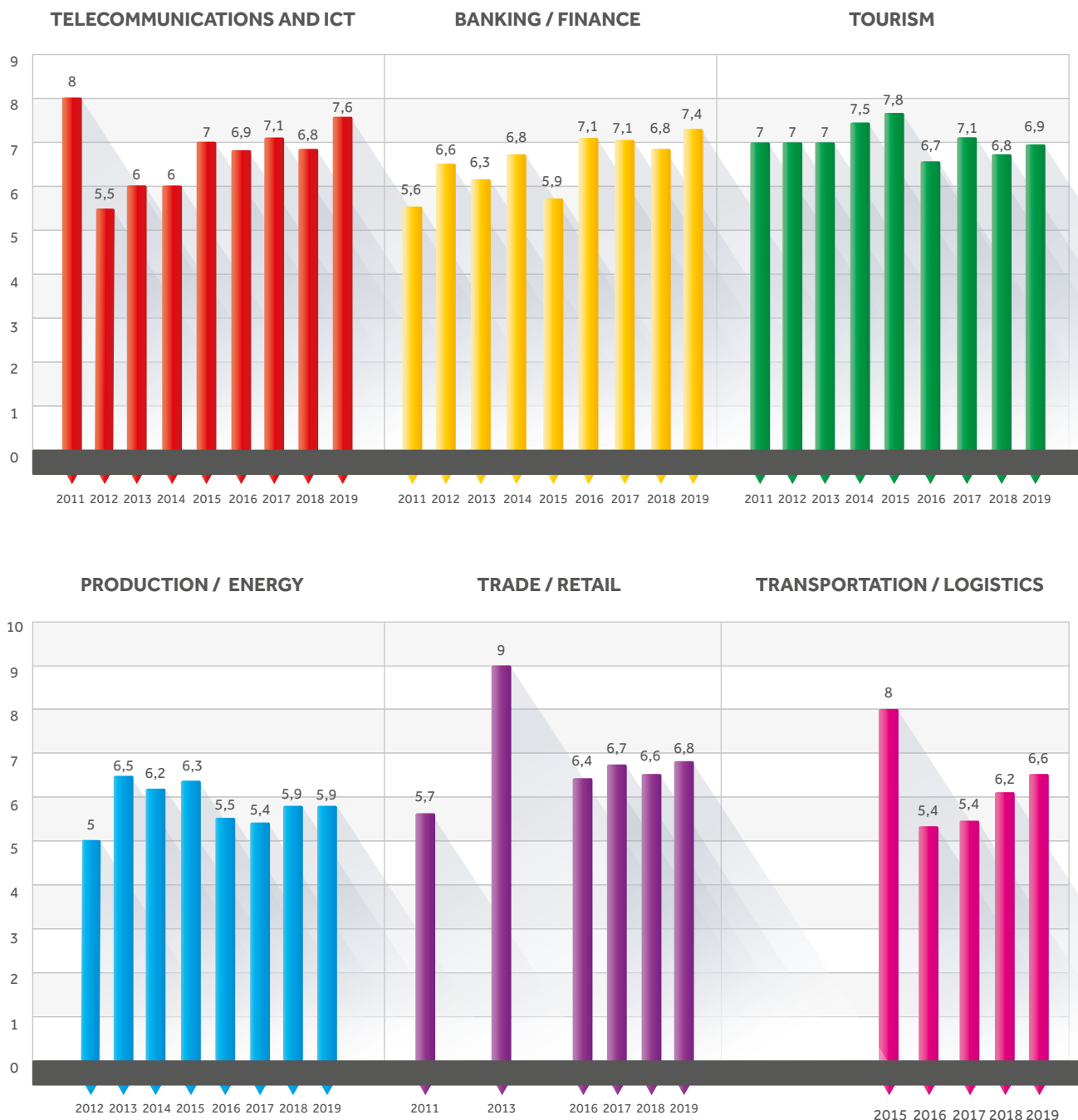
Index trend from 2011 to 2019 mainly increasing; a significant increase in 2013 and 2019

RATING THE INDUSTRIES

As in previous years, in order to keep continuity and data comparability, when rating the industry, our members considered 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, regulatory framework, business infrastructure categories like roads, education, etc. In other words, conditions that are “provided” by the state institutions in Montenegro, and do not reflect conditions related to external factors.

The MFIC members rated Telecommunications and

ICT, Banking/Finance, Tourism, Production/Energy, Trade/Retail, and Transportation/Logistics. In 2019, the highest rating is given to Telecommunications and ICT; the sectors of Tourism, Banking/Finance and transportation/logistics record an increase compared to 2018, while the energy sector remained at the same level as last year. The largest increase is observed in Telecommunications and ICT (+0.8) and Banking/Finance (+0,6). Despite the increase in the rating for 5 out of 6 industries, only the sector of banking/finance records the highest score for 2019 compared to previous years.



▶ 1. TELECOMMUNICATIONS / ICT

The data show that Telecommunications and ICT have the scores higher than other industries for years already and since 2012 the business environment in this segment has been improving. The score for 2019 is 7.6 and it represents the highest increase for this year compared to other sectors.

▶ 2. BANKING / FINANCE

Banking/Finance sector got the highest score ever – 7.4. This is an important increase since 2018 when the score was 6.8.

▶ 3. TOURISM

Tourism has a stable score which is around 7 for the observed period, with a significant reduction in 2016 to 6.7. For 2019 the score is 6.9 and the goal is to reach the score from 2014 and 2015 when it was up to 7.8.

▶ 4. PRODUCTION / ENERGY SECTOR

For Production/Energy sector the score remained the same as in 2018 – it is 5.9. The highest rating was given in 2013 and it was 6.5.

▶ 5. TRADE / RETAIL

Trade/Retail – there are no data for 2012/ 2014 /2015 but we can compare the ratings for 2016 (6.4), 2017 (6.7) and 2018 (6.6) and conclude that the increase is evident for this year at 6.8.

▶ 6. TRANSPORTATION / LOGISTICS

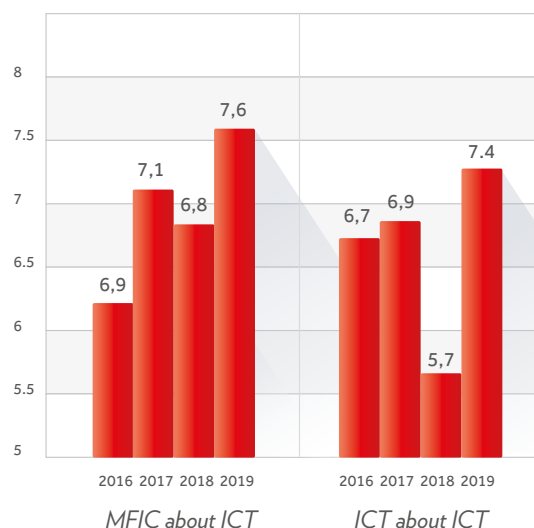
Transportation/Logistics has been rated since 2015; compared to decrease in rating for 2016 (5.4) and 2017 (5.4) in 2018 the increase is observed at 6.2 while 2019 rating increases even more at 6.6. So, 2019 rating is the highest rating since 2015.

We still consider it very important how representatives of the industries perceive their own industry, and we present the evaluations of the representatives from ICT, banking and tourism on the environment in their respective industries from 2016 to 2019:

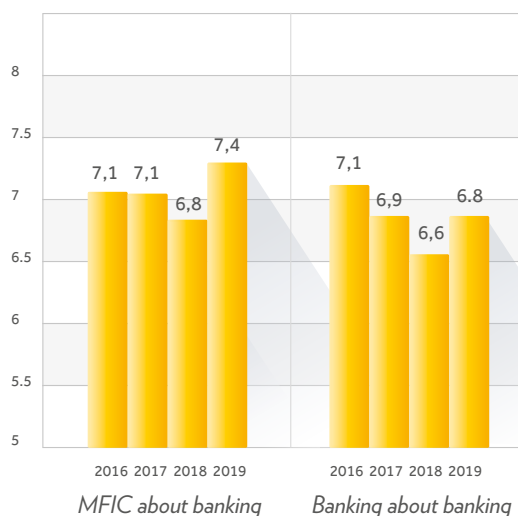
The members representing **the ICT and Telecommunications sector in the MFIC** gave the highest rating to this sector since 2016. The increase from 5.7 to 7.4 is the highest rating increase overall and contrary to 2018 when the rating given by the ICT and Telecommunication representatives and other members differed largely, in 2019 this rating differs for -0,2 only. It means that the representatives of this sector are satisfied with the resolution of open questions from the previous period and that the business conditions in this sector have improved.

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 2019

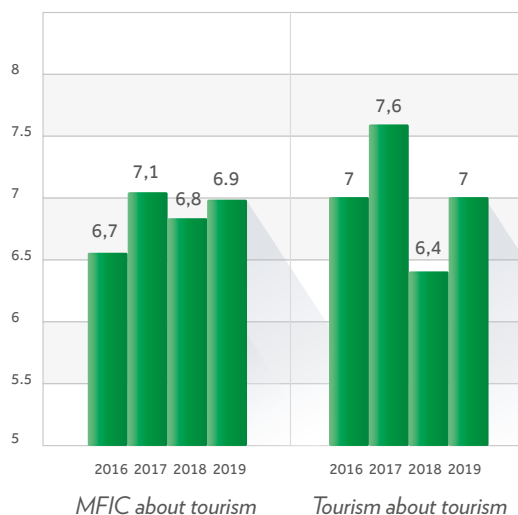
▶ What ICT sector in MFIC thinks about development of local ICT environment?



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



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



In 2019 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.

The members representing the Banking sector in the MFIC (the banks) rated their industry 6.8 compared to the overall score of 7.4 what indicates a continuous inferior rating given by the banks' representatives compared to the other MFIC members. Conversely, the rating of 6.8 represents an increase and it is close to 2017 rating when it was 6.9. Additionally, if we add the ratings of the insurance

companies to the banking industry, we get the score of 7.2 which is quite higher compared to 2018 (6.7). This means that the insurance companies are more satisfied with the business environment in 2019 than the banking industry and at the same time more satisfied compared to 2018.

Finally, **the members representing the Tourism sector in the MFIC** gave a higher rating to their sector compared to other members – rating 7 (other members 6.9). This increase from 6.4 to 7 indicates that the development in this sector is also recognized as important from the line institutions.

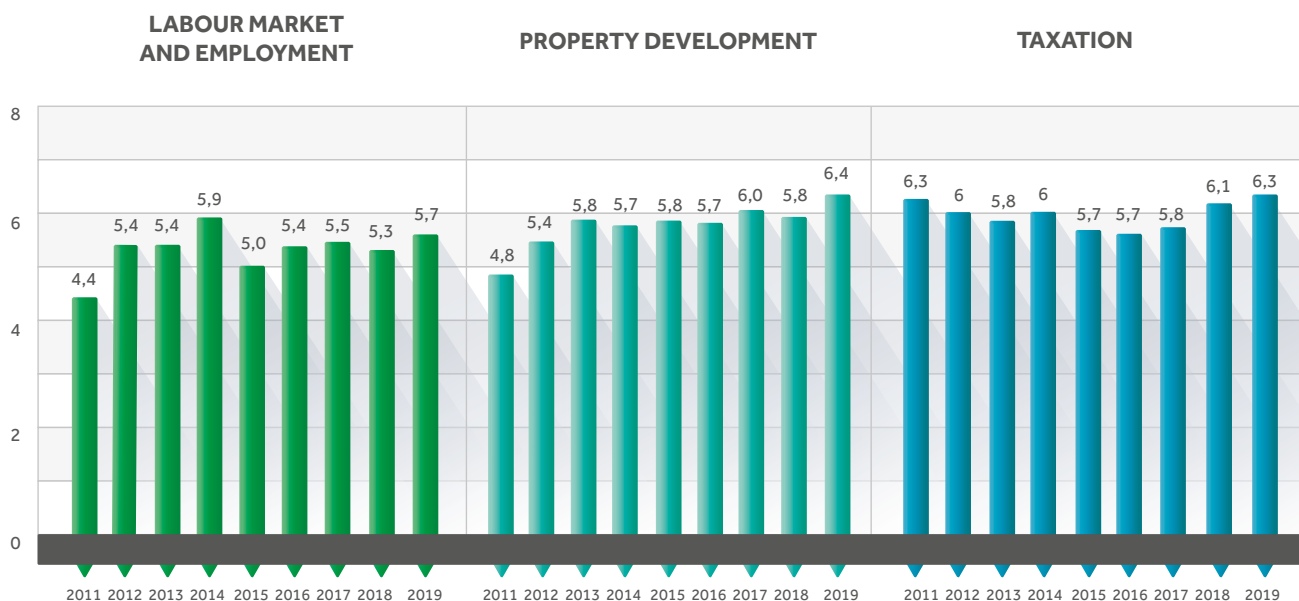
INDIVIDUAL FOCUS AREAS

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.

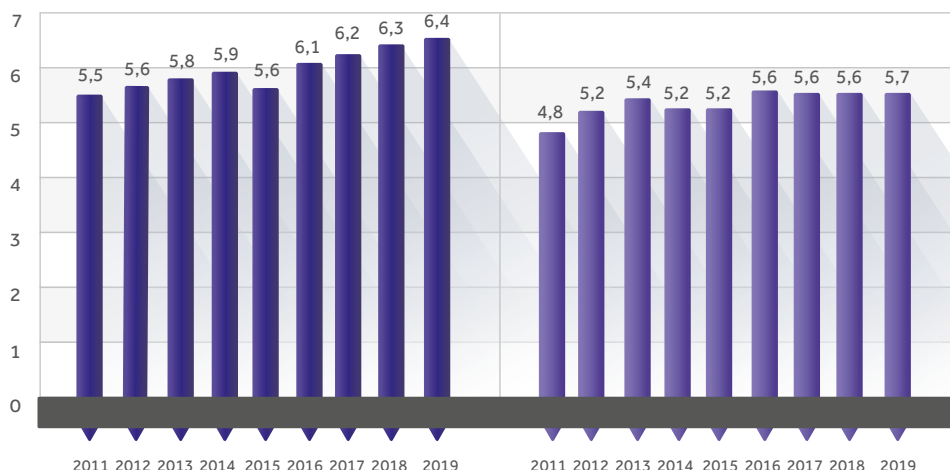
▶ Rule of Law and provisioning of public services includes the length of commercial disputes and court cases, permits and licenses, temporary residence and work permits, etc.

The above mentioned areas were analyzed by the MFIC members since 2011, therefore we can easily notice how the perception has changed and what the trends in each category are. In general, the ratings for 2019 have increased and they explain total increase of the MFIC Index. The increase in property development (+0,6) and labor market and employment (+0,4) are evident. These ratings vary around 6.4 out of 10 and bring to a conclusion that these areas are, repeatedly, recognized as priority since they require a systematic approach and a reform agenda. The results for 2019 indicate a moderate progress in most of these categories.



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 evaluation and further improvement of business environment. By analyzing prior ratings and after three consecutive years rated 5.6, there is a slight increase at 5.7 this year. Bearing in mind that 2011 rating was 4.8 the rating increase indicates a continuous improvement in this area. 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 market and employment** was quite a popular topic and the rating shows that the foreign investors believe this area requires a systemic reform to harmonize the regulations with the EU standards. The rating 5.7 for 2019 (5.3 in 2018) shows that there was a slight increase but also indicates that further improvements are needed as well as the implementation of reform processes. The year 2019 was marked by the

adoption of the Labor Law, as one of the key systemic laws, particularly complex due to quite frequent misinterpretations of different interests of the employers and employees. Its implementation will be evaluated in the next edition of the White Book.

Property development indicates the highest increase among the analyzed categories – 5.8 in 2018 to 6.4 in 2019. This is also the highest rating since 2011.

Corporate Governance records minimum increase in 2019 with the rating 6.4 but this increase is continuous since 2016.

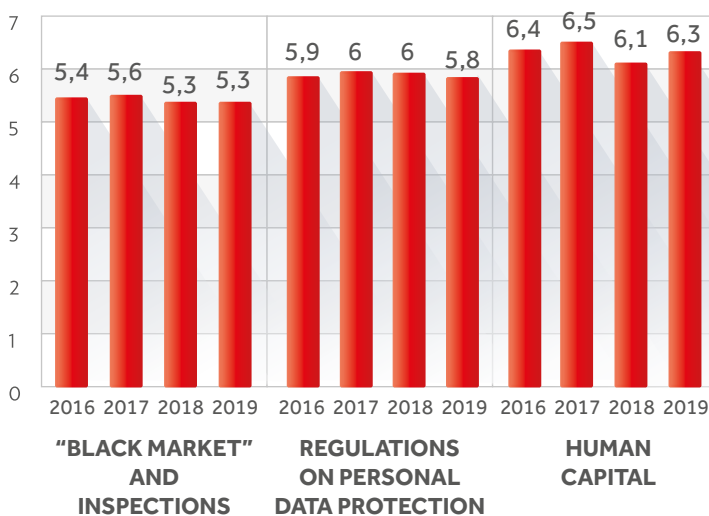
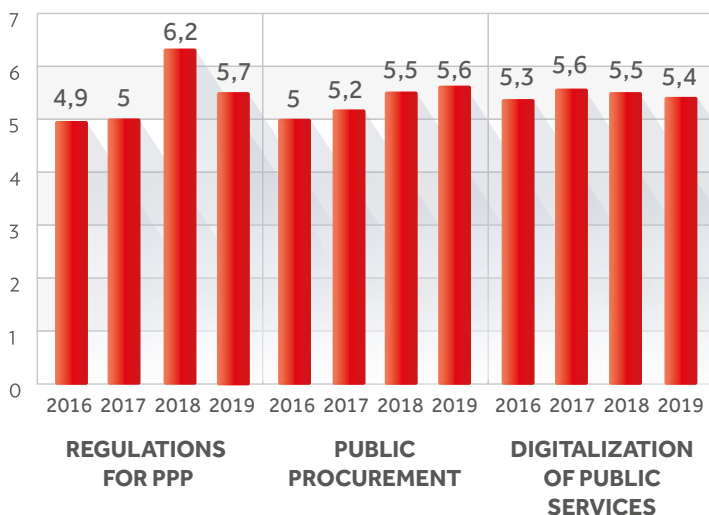
After the rating drop in 2015, **taxation** records annual growth in 2019 and it reaches 6.3. The rating for this area is quite stable and varies from 5.7 to 6.3 for the last nine years and the highest rating was given for 2011 and 2019 (in both cases 6.3).

INDIVIDUAL AREAS FOR RATING

With the view to take into account the priorities of the MFIC members and in order to have more detailed analyses of business environment, a few new categories were introduced since 2016 which the MFIC members recognized as important areas that need to be in focus of the state authorities, since they are representing the existing or potential barriers to business-

es. 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 analyzed areas, we observe the rating increase in three areas and decrease in the remaining three in 2019 compared to 2018. Minimum increase was recorded for public procurement and black market and inspection while the increase of +0,2 was observed for human capital. The decrease is observed in the public and private partnership, digitization of public services and regulations on personal data protection.

In general, apart from "human capital" rated 6.3, other five areas' ratings vary from 5.4 to 5.8 which are quite low ratings and the fact that there has been no significant increase in any of these areas since 2016 is quite

worrying. These results show that all these areas / categories should be in the top priorities of the Government in the next period and that reform processes should be implemented in line with the best international standards and practice.

Moreover, these ratings indicate that these areas will be of priority for the MFIC in the next period, and the MFIC will support the development 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.





5. MONTENEGRO - OVERVIEW

INTRODUCTORY 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.*

Montenegro has made some progress and is moderately prepared in developing a functioning market economy. The economy continued expanding at a robust pace, improving labour market outcomes but the unemployment rate still remains high and the employment and activity rates very low. Despite positive export dynamics, the current account deficit remained very large, fuelled by strong domestic demand, and was only partially financed by net inflows of foreign direct investment. Financial sector solvency and liquidity ratios improved, but access to finance for small companies remains hampered by tight lending conditions. Fiscal consolidation efforts continued through 2018, but the budget deficit target was missed by a wide margin while public debt reached a new record, partly due to the financing needs for a large highway project financed by an international loan. Private sector development remained constrained by weaknesses in the business environment, an inefficient judiciary and a high prevalence of informality, reflecting poor implementation capacity in key state institutions responsible for enforcing the rule of law and competition.

In order to improve the functioning of the market economy, Montenegro should in particular:

- ▶ strengthen debt sustainability by broadening the tax base and lowering the public sector wage bill as a percentage of GDP;
- ▶ provide public guidance on the implementation of laws that affect businesses and ensuring that the guidance is

- consistently followed by the public administration;
- ▶ develop a strategy to assess and reduce the informal economy and ensuring close cooperation between central and local authorities in fighting informality;
- ▶ strengthen employment activation measures and improving the coordination between employment and social services.

After recording real growth of 4.7 % in 2017, the economy continued to expand at a healthy pace. In the first three quarters of 2018, GDP grew by 4.8 % year-on-year (y-o-y). Public and private investment have been the main drivers of growth in recent years, also reflected in the strong performance by the construction sector. In spite of declining wages in real terms, household consumption was supported by bank lending, tourism expenditure on local services and remittances. Government consumption contributed modestly to GDP growth due to fiscal consolidation measures. Export performance accelerated in the first three quarters of 2018, surging by 14 % y-o-y. However, due to the much larger volume of imports, net exports continued to be a drag on growth. Overall, solid growth over recent years helped raise Montenegro's per-capita income in purchasing power standards to 46 % of the EU-28 average, following a period of stagnation at around 41 % over 2010-2015.

The regulatory burden represents a major barrier for improving the business environment. In September 2017, the government adopted a law on administrative

procedure and developed an internet portal (eRegulations.org) to increase the transparency of administrative procedures and facilitate business interaction with public services. Both market entry and exit procedures have been improved. Montenegro performs well at regional level in terms of the time and cost to resolve insolvency. In 2017, 90% of bankruptcy cases were solved within six months. However, other obstacles persist, like delays in the issuing of construction permits. Important legislative reforms, like the Law on spatial planning and construction of buildings, adopted in October 2017, are expected to improve the issuing of construction permits and the regulation of existing illegal constructions. However, implementation of the law is delayed by a number of factors, including the shortage of municipal architects to perform inspections, resulting in delays in processing some of the 50,000 requests to regularise informal constructions. Moreover, the cost of construction permits remains high and the time taken to issue the permits has increased since the new law came into force.

Businesses are resorting more often to out-of-court dispute resolution mechanisms. In the first half of 2018, over 500 cases were referred for mediation, an increase compared to 437 cases in 2017. The bailiffs system is

a key pillar for enforcement of debt claims. However, the rate of resolved cases fell in the first half of 2018, with 24% of cases solved compared to 34% in 2017. The number of companies and entrepreneurs with frozen bank accounts due to unpaid claims continued to increase in 2018, totalling 17,940 at the end of the year (including some inactive or bankrupt companies). The rising trend points to persistent solvency problems in local companies.

The fight against the informal economy remains modest. Employers and investors associations often complain of unfair competition from other businesses' informal practices. The estimated size of the informal economy is 24.5% of GDP. However, state institutions responsible for enforcing the rule of law and competition are often side-lined or suffer from weak capacity. The Special Prosecutor's Office is investigating several cases of corruption involving money laundering, banks, politicians, civil servants and domestic and foreign companies. These cases are important to elucidate the independence and administrative capacity of the judiciary to protect the rule of law and fight against corruption.¹

DRIVER OF THE MONTENEGRIN ECONOMIC GROWTH - TOURISM

Tourism is one of the priority industries in Montenegro given its potential for further growth and indirect impact to other sectors and its export capacity since around 90% of turnover is generated by foreign tourists.

During 2019, the tourism indicators were quite satisfactory since the positive trend has been observed from the beginning of the year. But having in mind the potentials for further development which are elementary for the strategic goal of Montenegro becoming an upscale tourist destination available the whole year round, some basic obstacles to a faster development were identified: insufficient accommodation capacities (hotels mainly) of higher and high category, unbalanced regional tourism development and still high seasonality rates in the tourist industry.

The data show that 90-95% of the accommodation capacities and tourist turnover (number of tourists, overnights and income) is generated at the seaside and 65-70% of the turnover is generated in three summer months (June, July and August).

Tourism will grow at the strong nominal rate of 6.6% (5.5% in reality) in the midterm thanks to the investments in the quality of the overall tourist product, mostly in accommodation capacities. The grow will be also based on a larger income due to significant season extension; tourism-generated income will reach 1.3 billion euros by 2020.²

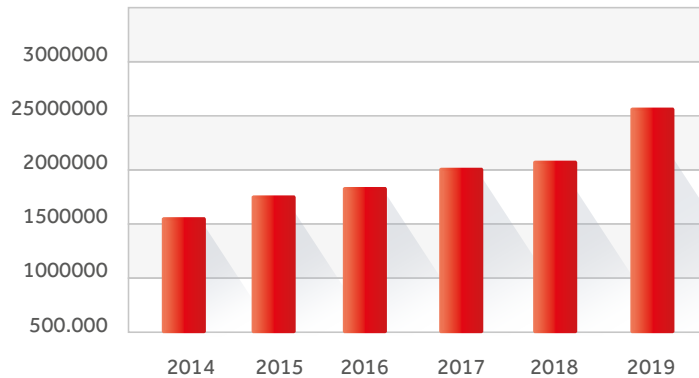
In 2019, Montenegro was visited by 2.6 million tourists, with 14.5 million overnights, and the income from foreign and domestic visitors will reach 1.1 billion euros. A continuous investment in tourism resulted in increase of quality and number of accommodation capacities. In 2019, 49 new hotels were opened with more than 3.700 beds while in the last three years 103 new hotels were opened in Montenegro.

These data are encouraging for further investments in tourism and evident growing tourism-based income.

1 EU Commission: Montenegro 2019 Report

2 Montenegro Economic Reform Program 2020-2022

▶ TOURIST ARRIVAL FROM 2014 TO 2019



SUCCESSFUL 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. Montenegro is already in a mature phase of the negotiating process for a membership in the EU, and recognized as the leader in the EU integration in the Western Balkan region.

European agenda is the most important topic for the Government of Montenegro. Montenegro is proud of the excellent results produced in the negotiating process with the expectation that the successful continuation of reforms will ensure that Montenegro will be the next country to join the EU. Montenegro has opened 33 out of 35 chapters and provisionally closed 3 negotiating chapters so far. The Government is working intensively on meeting the closing benchmarks and on closing

the chapters, while expressing the internal readiness to continue achieving good results in all areas. Good pace in the negotiations and further advancement of Montenegro towards the membership will continue in the forthcoming period and Montenegro will remain a successful example of the enlargement policy. The continuation of reforms will ensure that Montenegro will be the next country to join the EU while the results and experience of Montenegro represent an important roadmap and motivation for other countries of the region in getting closer to the EU.

On its path towards the EU, Montenegro is focused on improving governance and the rule of law as an essential requirements for building secure environment and a sound economic system. It is in the interest of both Montenegro and the EU to ensure that efficient anti-corruption policies are in place and have a strong political backing.

EUROPEAN COMMISSION: MONTENEGRO 2019 REPORT

Accession negotiations with Montenegro were opened in June 2012. To date 32 negotiating chapters have been opened, of which three have been provisionally closed. Montenegro continued to broadly implement the Stabilisation and Association Agreement (SAA) and the meetings of the joint bodies under the agreement took place at regular intervals.

Two negotiating chapters were opened during the reporting period and no further chapter was provisionally closed. Holding the accession conferences was made possible also due to the progress made in the area of the rule of law, as per the requirements of the Negotiating Framework. Progress towards meeting the interim benchmarks set in the rule of law chapters 23 and 24 will

be key for further progress in the negotiations overall. Concerning Montenegro's ability to assume the obligations of membership, important work on alignment and preparation for the implementation of the *acquis* has taken place in most areas. The country has reached a good level of preparation in areas such as company law, intellectual property law, energy, and foreign, security and defence policy. It is moderately prepared in many chapters, such as free movement of goods, competition policy, agriculture and rural development, food safety, veterinary and phytosanitary policy, as well as enterprise and industrial policy. Montenegro is at some level of preparation in the areas such as environment and climate change, and social policy and employment. Good progress has been made in the areas of right of estab-

lishment and freedom to provide services, intellectual property law, agriculture and rural development, and food safety, veterinary and phytosanitary policy. Looking ahead, Montenegro should focus in particular on competition policy, environment and climate change,

as well as public procurement. Strengthening the administrative capacity for ensuring the application of the acquis remains an important challenge for Montenegro. Montenegro has continued to align with all EU common foreign and security policy positions and declarations.³

EBRD TRANSITION REPORT 2019-2020: BETTER GOVERNANCE, BETTER ECONOMIES

HIGHLIGHTS

Growth surprised on the upside in 2018, but has slowed in 2019. GDP growth rose to 5.1 per cent in 2018 on the back of strong domestic demand. However, it slowed to 3.1 per cent year-on-year in the first half of 2019 as a consequence of the slowdown in investments.

Public debt has increased further from already elevated levels. At the end of 2018, public debt, including guarantees, reached almost 75.0 per cent of GDP. This is mainly due to the large highway project, which is financed by a Chinese loan.

Two non-systemic banks went bankrupt over the past year. The banking sector, however, remained stable, while the non-performing loan (NPL) ratio has dropped to 5.3 per cent.

KEY PRIORITIES FOR 2020

Public debt sustainability should be further reinforced. Achieving this will require, among other things, the

maintenance of a primary surplus over the medium term, sustained efforts to strengthen budgeting procedures and public investment management and improved public and tax administration. Once the first phase of the highway project is completed, any further construction should be preceded by a careful cost-benefit analysis.

The private sector would benefit from less informality. More comprehensive measures, focusing on underlying causes such as the regulatory burden, weak enforcement capacity and corruption, should be put in place in order to reduce unfair competition from the informal sector, which weighs primarily on local micro, small and medium-sized enterprises.

The financial system needs strengthening. A bank asset quality review and stronger banking supervision would be welcome. In addition, the central bank should closely monitor the rapid growth of cash loans with long maturities in order to limit potentially negative systemic effects.⁴

WORLD BANK GROUP: WESTERN BALKANS REGULAR ECONOMIC REPORT: RISING UNCERTAINTIES

▶ After reaching 4.9 percent in 2018, the highest rate in 10 years, growth is expected to moderate in the near term as a large public investment cycle phases out.

▶ Labor market developments remain positive, with employment rising and poverty declining.

▶ Fiscal consolidation reduced the budget deficit, but current spending was higher than planned.

▶ Accelerating structural reforms and maintaining a prudent approach to public spending is critical because of limited fiscal space and rising global uncertainties.

OUTLOOK AND RISKS

The outlook is positive, but the uncertainty of the external environment is a major risk. The economy is expected to average 2.8 percent growth through 2021. The phasing-out of the investment cycle that has driven growth for three years is likely to slow growth somewhat, to 2.8 percent in 2020 and 2.7 percent in 2021. Completion of large public infrastructure projects should reduce the CAD and the fiscal deficit, which is expected to turn to surplus in 2021. Thus in 2021 public debt is forecasted to decline to 62.3 percent of GDP and PPG debt to 66.6 percent. Private investment is

expected to remain high, mostly driven by energy and tourism, but investment sentiment could be affected by falling business confidence and uncertainties in external markets. Unless there is a faster slowdown in EU demand, exports are expected to strengthen due to new energy and tourism capacities. An unexpectedly strong global slowdown and the associated uncertainties would weigh on growth and could limit the scope for robust improvements in the labor market and welfare.

The domestic risks are mixed. Construction of the

3 European Commission: Montenegro 2019 Report
4 EBRD: Transition Report 2019-2020

MONTENEGRO

ON ITS EUROPEAN PATH

TRADE & INVESTMENT

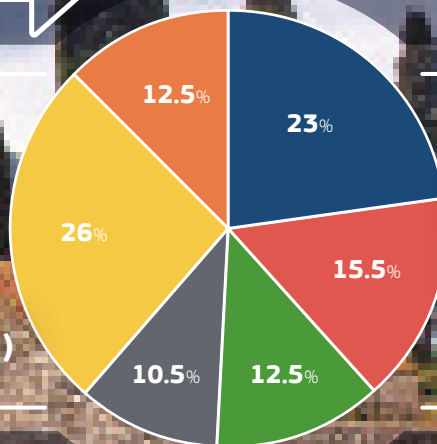
- The EU is Montenegro's biggest trading partner
- The EU's contribution to total Foreign Direct Investment in Montenegro was 32% in 2016
- Volume of trade with the EU was €1.41 billion in 2018



MOBILITY & EMPOWERMENT

- Visa-free travel to the EU since December 2009
- In 2015 - 2018 over 2650 participants in student, academic and youth exchanges under ERASMUS+
- Reforms of the social welfare and child-care systems implemented with EU support

SUPPORT FOR KEY SECTORS 2014-2020 (€269.2 MILLION)



- 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

EU FUNDING

- The EU is the largest provider of financial assistance to Montenegro
- €504.9 million in EU pre-accession funds 2007-2020
 - €782 million provided in European Investment Bank loans since 1999
 - €172.9 million provided since 2009 in Western Balkans Investment Framework grants, leveraging investments of estimated €1.6 billion
 - €15.3 million for inclusive quality education and employment 2015-2017

SUPPORTING TRANSFORMATION

- Strengthening Democracy: Rule of Law, Justice and Fundamental Rights
- Reforming public administration
- Strengthening competitiveness and supporting business development
- Working towards a cleaner environment and safer food

KEY MILESTONES

DECEMBER 2008

Application for EU Membership

MAY 2010

Entry into force of the Stabilisation and Association Agreement

DECEMBER 2010

Candidate country status granted

JUNE 2012

EU Accession Negotiations opened

DECEMBER 2019

After seven years of accession negotiations 33 out of 35 negotiating chapters have been opened, of which 3 are provisionally closed



remaining phases of the Bar-Boljare highway within the forecast period would support growth but could also compromise fiscal consolidation. Financing through public-private partnerships, for example, can carry high contingent liabilities, which would push up PPG debt and narrow the fiscal space. Delay in optimizing the public administration could further undermine fiscal consolidation. However, completion of the airport concessions within the forecast period would result in additional one-time revenues, as would the launch of the economic citizenship program. Other financial sector vulnerabilities stem from ailing second-tier banks.

A firm commitment to structural reforms is critical. With global prospects uncertain and fiscal buffers limited, it is imperative for Montenegro to remain fully

committed to fiscal consolidation, improvement in governance, and acceleration of structural reforms. In this context, it is necessary to increase the efficiency of public spending, especially in administration, health, and infrastructure. This necessitates resolving the unsustainability of the operations of Montenegro Airlines which has been granted significant state aid; in 2018, its accumulated losses reached €90 million, exceeding its capital. At the same time, activities on fighting corruption and reinforcing the state institutions that protect the rule of law and private sector competition should be continued and prioritized, helping to unlock stronger, more equitable, and more sustainable growth, ensuring faster convergence with EU income levels.

INTERNATIONAL REPORTS – EASE OF DOING BUSINESS, ECONOMIC FREEDOM, CORRUPTION PERCEPTION AND GLOBAL COMPETITIVENESS

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 envi-

ronment 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 Doing Business Report (the World Bank), 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).

DOING BUSINESS REPORT (WORLD BANK) – EASE OF DOING BUSINESS

Doing Business is the World Bank report which analyses how easy it is to open a small or medium enterprise and to operate, according to the regulations in force. The project Doing Business started in 2002 and the first report was published in 2003 covering 133 countries measured through 5 indicators. Doing Business presents quantitative indicators on business regulations and protection of property rights that can be compared across 190 economies— from Afghanistan to Zimbabwe—measured through 11 indicators which reflect the important areas of the life of businesses.

According to the latest report (DB2020), Montenegro took 50th place on the list of 190 countries ranked using the “ease of doing business” criteria. Compared the last year’s Report, Montenegro increased its rating for 1.07 points and kept the same rank.

The most significant progress was made in the area of building permits, where Montenegro improved for 35

places in the rankings in this area, now reaching the 40th place on the ease of getting a building permit list. Montenegro significantly reduced the cost and time required to obtain a building permit as building permit was replaced by the building consent and the exploitation permit was cancelled. Montenegro progressed as well in the area “cross-border trade” where the activities on border compliance and documentary compliance were recognized under sub indicator “export costs”.

Montenegro kept the same ranking in the following areas: “enforcing contracts” (44) and “resolving insolvency” (43), “getting electricity” (134) where a higher number of points was given as a result of reducing the number of days needed to get the electricity (from 142 to 131 days) and reducing the costs as percentage of income per capita.

As for the indicator “starting a business” Montenegro dropped for 11 positions (from 90th to 101st). It should

be stated that the percentage of cost per capita reduced from 1.3 to 1.2.

Insignificant lower ranking was observed for the following indicators: “paying taxes” (decrease for seven

positions), “getting credit” (decrease for three positions), “protecting minority investors” (decrease for five positions). Compared to the previous report, Montenegro had a lower ranking in the area of “registering property” and is ranked 83 (76th last year).

MONTENEGRO RANKING	DB 2019	DB 2020
	50	50
STARTING A BUSINESS (RANK):	90	101
DTF (0-100)	86.65	86.7
• PROCEDURES (numbers)	8	8
• TIME (days)	12	12
• COST (% of income per capita)	1.3	1.2
• MIN: capital (% income per capita)	0.0	0.0
DEALING WITH CONSTRUCTION PERMITS (RANK):	75	40
DTF (0-100)	70.88	76.1
• Procedures (number)	8	9
• Time (days)	152	102
• Cost (% of income per capita)	10.09	4.9
• Building quality control index (0-15)	12	10
REGISTERING PROPERTY (RANK):	76	83
DTF (0-100)	65.78	65.8
• Procedures (number)	6	6
• Time (days)	69	69
• Cost (% of property value)	3.2	3.1
• Quality of the land administration index	17.5	17.5
GETTING CREDIT (RANK):	12	15
DTF (0-100)	85.00	85.00
• Strength of legal rights index (0-10)	12	12
• Depth of credit information index	5	5
• Credit registry coverage (% of adults)	56.6	41.0
• Credit bureau coverage (% of adults)	0.0	0.0
PROTECTING MINORITY INVESTORS (RANK):	57	61
DTF (0-100)	61.67	62
• Extent of disclosure index (0-10)	5	5
• Extent of director liability index (0-10)	8	8
• Ease of shareholder suits index (0-10)	6	6
• Extent of shareholder rights index (0-10)	6	3
• Extent of ownership and control index (0-10)	3	3
• Extent of corporate transparency index (0-10)	9	6

PAYING TAXES (RANK):		
DTF (0-100)	68	75
• Procedures (number)	76.67	76.7
• Time (days)	18	18
• Cost (% of property value)	300	300
• Quality of the land administration index	22.1	22.2
	70.49	70.5
TRADING ACROSS BORDERS (RANK):	47	41
DTF (0-100)	88.75	91.9
Time to export		
• Documentary compliance (hours)	5	5
• Border compliance (hours)	8	8
• Domestic transport (hours)		
Cost to export		
• Documentary compliance (US\$)	67	26
• Border compliance (US\$)	158	85
• Domestic transport (US\$)		
Time to export		
• Documentary compliance (hours)	10	6
• Border compliance (hours)	23	23
• Domestic transport (hours)		
Cost to export		
• Documentary compliance (US\$)	100	60
• Border compliance (US\$)		
• Domestic transport (US\$)	306	306
ENFORCING CONTRACTS (RANK):	44	44
DTF (0-100)	66.75	66.8
• Time (days)	545	545
• Cost	25.7	25.7
• Quality of judicial processes index (0-18)	11.5	11.5
RESOLVING INSOLVENCY (RANK):	43	43
DTF (0-100)	65.99	66.1
• Time (years)	1.4	1.4
• Cost (% of claim value)	8.0	8.0
• Recovery rate (cents on the dollar)	50.0	50.3
• Strength of insolvency framework index	12.5	12.5
GETTING ELECTRICITY (RANK):	134	134
DTF (0-100)	59.19	61.2
• Procedures (number)	7	7
• Time (days)	142	131
• Cost (% of income per capita)	418.7	144.4
• Reliability of supply and transparency of tariff index (0-8)	5	5

Country	DB 2020	DB 2019	DB 2018	DB 2017
No. of analysed economies	190	190	190	190
Macedonia	17	10	11	10
Montenegro	50	50	42	51
Bulgaria	61	59	50	39
Romania	55	52	45	36
Slovenia	37	40	37	30
Croatia	51	58	51	43
Albania	82	63	65	58
Kosovo	57	44	40	60
Serbia	44	48	43	47
B&H	90	89	86	81

Out of the countries in the region, those countries had a better ranking than Montenegro this year: North Macedonia (17), Slovenia (37) and Serbia (44). The countries with lower rating are Croatia (51), Kosovo (57), Albania (82) and Bosnia and Herzegovina (90).

Compared to the last year's report, the deterioration in ranking is observed for Montenegro, Bulgaria, Romania, Slovenia, Croatia, Kosovo, Serbia and Bosnia and Herzegovina, while the progress was achieved by the North Macedonia and Albania.

GLOBAL COMPETITIVENESS INDEX (WORLD ECONOMIC FORUM)

	2019	2018		
	point (from 0-100)	rank (from 141)	point (from 0-100)	rank (from 140)
Global Competitiveness Index	60.8	73	59.6	71
1. Institutions	57.3	53	54.7	63
2. Infrastructure	63.6	83	62.2	86
3. ICT Adoption	62.9	57	57.1	58
4. Macroeconomic stability	70.0	104	69.7	102
5. Health Care	81.2	65	84.8	55
6. Education	68.7	53	68.1	52
7. Product Market	59.4	42	60.9	45
8. Labor Market	67.7	26	67.5	25
9. Financial System	68.0	44	63.9	51
10. Market Size	28.8	134	28.2	132
11. Business Dynamism	64.0	50	63.4	50
12. Innovation	38.3	69	34.9	74

If we make a regional comparison, the progress was made by Croatia (5 positions) and North Macedonia (2 positions), while Slovenia kept the same position.

Lower ranking was given to Serbia (7 positions), Albania (5 positions) and Bosnia and Herzegovina (1 position).

Compared to Montenegro, lower ranking was given to Albania (81), North Macedonia (82), Bosnia and Herzegovina (92), while Slovenia (35), Croatia (63) and Serbia (72) were better ranked.

Country	2019	2018	2017 [↔]	2017/2018	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
Slovenia	35	35	35	48.	56.	59.	70.	62.	56.	57.
Croatia	63	68	66	74.	74.	77.	77.	75.	81.	76.
Serbia	72	65	70	78.	90.	94.	94.	101.	95.	95.
Montenegro	73	71	73	77.	82.	70.	67.	67.	72.	60.
Albania	81	76	80	75.	80.	93.	97.	95.	89.	78.
North Macedonia	82	84	n/a	-	68.	60.	63.	73.	80.	79.
B&H	92	91	90	103.	107.	111.	n/a	87.	88.	100.

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. CPI 2018 analyzed 180 countries and territories. Even though the findings show that some countries are well ranked, there is no country with 100 points. More than two thirds of total number of the ranked countries have the results lower than 50.

Global average when it comes to the points is 43 points. Montenegro is at 67th position with the rating 45. In the last year's report, Montenegro had 46 points and 64th position so it can be concluded that its position deteriorated for 3 places.

With its position, Montenegro (67) is better ranked than Bulgaria (77), Serbia (87), Bosnia and Herzegovina (89), Kosovo (93), North Macedonia (93) and Albania (99). Slovenia (36), Croatia (60) and Romania (61) have better ranking than Montenegro.

ECONOMIC FREEDOM INDEX - FRASER INSTITUTE

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. The Report "Economic Freedoms of the World 2019" 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 2017 data (2017 Index).

According to the Report „Economic Freedoms of the World 2019“ Montenegro dropped for 7 positions and with rating 6.84 is placed 83rd out of 162 countries. In the previous report, based on the revised data, it occupied 76th position with the result of 6.94.

Compared to 2016 Index, the rating has improved from 5.78 to 5.94 in the indicator „government consumption“ in the category size of government. The rating for the indicator dealing with government enterprises and investment was reduced from 6 to 4, what impacted the deteriorated position of Montenegro in this year's

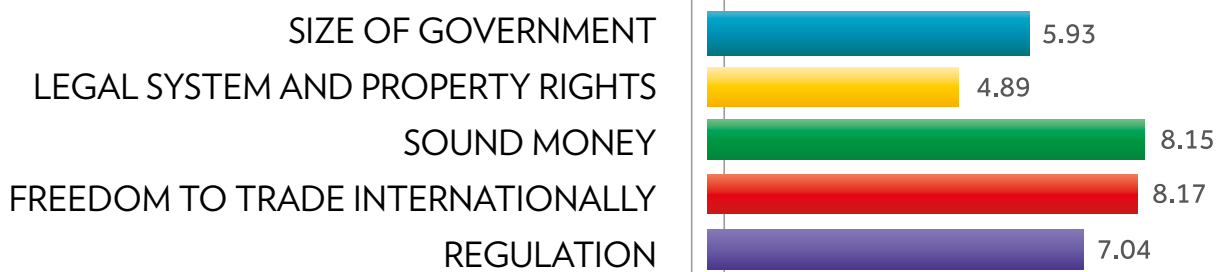
report. According to the methodology, it is considered that a country with many government enterprises and investments should have a lower ranking. In addition, if a country has less than 15% of government investment share in total investments, it gets rating 10 and when government institutions participate in total investments between 30-40% the rating 4 is given. It is assumed that the increase of government institutions' share in total investments is the consequence of highway construction project launch.

Rating for **legal system and property rights** was lowered from 4.92 to 4.89. The rating increased for the indicators “judicial independence” (4.32 to 4.52), “impartial courts” (4.04 to 4.28), “protection of property rights” (5.01 to 5.18) and “reliability of police” (4.88 to 5.18).

Within the category **sound money** treating inflation rate, freedom to own foreign currency bank account, the rating is high (around 8).

The category of **freedom to trade internationally** dealing with tariffs and movement of capital, as well as the category **regulation** dealing with labor market, banking market and company registration have both high grades (8.17 and 7.04).

Out of the countries in the region, Bosnia and Herzegovina is placed 82nd while Serbia, North Macedonia, Croatia, Slovenia and Albania have rankings better than 83rd position of Montenegro.



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 25th edition it presents the list of global economic freedoms for 186 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.

According to the Heritage Foundation Index 2019, Montenegro reduced the number of points compared to the previous year for 3.8 points and with 60.5 points it is in the zone of moderately free countries. At the global list, Montenegro is at 92nd position out of 186 countries worldwide, what is a significant decrease for 24

positions since last year. The deterioration is followed by a decrease of the indicator “fiscal health” with some modest progress within the indicators “labor freedom”, “government integrity” and “property rights”.

At the regional list, Montenegro has 68.6 points and it occupies 39th position out of 44 European countries. This is a drop compared with the last year. Its total result is below regional (68.6) and global average (60.8).

The 2019 Report lists recommendations that the Government of Montenegro should implement related to strengthening of public sector finance and reducing big current account deficit. In addition, it is stated that the combined effects of big investments within public infrastructure as well as several new expensive social programs have directly brought into question the fiscal sustainability of the country while judicial system still subjects to political interventions and inefficiency.

INTERNATIONAL INDICATOR ^[2]	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Doing Business	84	77	65	56	56	51	44	36	46 ¹	51	42	50	50
Corruption Perception Index - Transparency International	84	85	69	69	66	75[1]	67	76	61	64	64	67	
Economic freedoms - Heritage Foundation	-	-	94	68	76	72	70	68	66	65	83	68	92
Economic Freedom of the World - Fraser Institut	76	58	78	47	37	28	49	38	62	59	85[1]	72	83
Global Competitiveness Index - WEF	82	65	62	49	60	72	67	67	70	82	77[2]	71	73
World Freedom - Freedom House	Partly free	Partly free	Partly free	Free	Free	Free	Free	Free	Partly free	Partly free	Partly free	Partly free	
Credit rating - Standard & Poor's	BB+ (stable 27.03.)	BB+ (neg. 10.11.)	BB+	BB (neg. 31.03.)	BB (neg. 13.12.)	BB- (stable June)	BB- negative	B+ (stable Nov)	B+ stable	B+ negative	B+ stable	B+ stable	B+ stable April 2019, B+ stable, September 2019
	-	Ba2 (stable 12.03)	Ba3 (neg. 30.04.)	Ba3 (neg.)	Ba3 (stable 30.03.)	Ba3 stable	Ba3 stable	Ba3 negative	Ba3 negative	B1 negative	B1 stable	B1 positive	B1 positive April 2019, B1 positive, October 2019
Credit rating - Moody's													

Source: Ministry of Finance

[1] The methodology used to prepare the report was significantly changed;

[1] Revised 2019 rank is 90;

[2] Revised 2017 rank is 73.

The Index 2019 witnesses the progress of Montenegro in six out of twelve indicators: “property rights”, “judicial efficiency”, “state integrity”, “fiscal burden”, “ease of doing business” and “labor market freedoms”.

At the same time, the number of points is reduced for 3 indicators: “fiscal health”, “government consumption” and “monetary freedom” while 3 indicators remained unchanged with the same number of points such as “financial freedom”, “investment freedom” and “free trading”.

Out of the neighboring countries, North Macedonia

has 33rd position, Albania 52nd position, Slovenia 58th position and Serbia 69th position. Bosnia and Herzegovina is ranked 83rd while Croatia is ranked 86th. It can be concluded that Montenegro has the worst ranking in the region.

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.

IMPORTANT EVENTS IN 2019

EU-WESTERN BALKANS SUMMIT 2019: STRENGTHENING LINKS WITHIN THE REGION AND WITH THE EU

At the Poznań Summit on the Western Balkans, the EU confirmed its commitment to strengthen cooperation with the region with a set of concrete measures focusing on five key areas: transport and energy, digital, economy, security and good neighbourly relations.

High Representative of the Union for Foreign Affairs and Security Policy/Vice-President Federica Mogherini said: *“Our engagement with the Western Balkans is a priority. Today, all six partners in the Western Balkans are closer to the European Union compared to the beginning of our mandate almost 5 years ago. The European perspective remains the driver for change in the region. Regional cooperation, good neighbourly relations and reconciliation are key and support the EU integration of the Western Balkans.”*

Improving connectivity within the Western Balkans, as well as between the Western Balkans and the EU, is a key factor for growth and jobs and brings clear benefits to the region's and the EU's economies and citizens.

In the areas of transport and energy, the Commission put forward:

▶ A new Connectivity Package worth €180 million. Implemented through the Western Balkans Investment

Framework, the grants for eight new transport and energy projects (road, rail, energy transmission infrastructure) will contribute to the goals of the Connectivity Agenda ([hyperlink to brochure](#)) and are expected to leverage investments of up to €728 million. The projects will support the modernisation of a joint railway border station, the installation of signalling and telecommunications equipment on more than 100 km of railway lines, the construction and upgrade of over 30 km of motorways and over 100 km of electricity transmission lines, and the construction of 68 km of an interconnection gas pipeline.

▶ Grants worth €15 million to improve road safety and the operation of border crossing points in the region. The grants aim at improving road conditions on sections with high accident rates, whereas improvements on border crossing points will result in time-savings for citizens and heavy good vehicles.

▶ An Action Plan for the implementation of the regional rail strategy which aims at boosting connectivity within the region and with the EU and increase the competitiveness of the rail sector through more reliable, cost-effective and safer operations.

BOOSTING THE DIGITAL TRANSFORMATION OF THE REGION

To support the transition of the region into a digital economy and bring the benefits of the digital transformation, such as faster economic growth, more jobs and better services, Leaders welcomed the entry into force of the Regional Roaming Agreement on 1 July 2019.

The agreement is an important achievement of the Digital Agenda for the Western Balkans and a prime example of the benefits of regional cooperation. Consumers will see a substantial reduction of their roaming charges within the region, with calls up to eight times

cheaper and costs for data dropping. In the area of broadband connectivity, an essential element for the digital economy of the region, the Commission announced new grants of €1.65 million to three projects to support the development of national

broadband networks and improve digital connectivity in Albania, Montenegro and North Macedonia.

SUPPORTING SOCIO-ECONOMIC DEVELOPMENT, ECONOMIC INTEGRATION AND GREEN GROWTH

In the area of socio-economic development, the Commission:

- ▶ Reported on progress achieved under the Guarantee Instrument. Launched in early 2019 under the Western Balkans Investment Framework, with an initial EU commitment of up to €150 million, the guarantee aims to leverage up to €1 billion in investments into sustainable socio-economic development and regional integration to unblock private investment and improve access to finance in the region.
- ▶ Signed Letters of Intent, together with international financial institutions, to reinforce the Western Balkans Enterprise Development and Innovation Facility by an additional €20 million to increase financial resources made available for SMEs based in the Western Balkans.
- ▶ Continues to support the region's own plan to develop a Regional Economic Area, and welcomed the endorsement of the Mutual Recognition of Academic Qualifications Agreement.

To support the social-economic integration of the Roma population, Leaders endorsed the Roma Inte-

gration Declaration. The Leaders pledged to take the necessary steps to achieve concrete results in the fields of employment, housing, education, health, civil registration and non-discrimination.

In the areas of environment and climate, Leaders endorsed the joint Statement on "Clean Energy Transition in the Western Balkans", signed on 21 February 2019. To build on this momentum, the Commission is ready to support the region's efforts to develop a Green Agenda for the Western Balkans, which would strengthen regional cooperation and bring benefits to the well-being and the health of citizens in the region and neighbouring EU Member States while unlocking the potential of the green, low carbon and circular economy of the Western Balkans. The Leaders confirmed their commitment to an ambitious environmental agenda that contributes to fighting climate change.

STEPPING UP ACTIONS ON SECURITY COOPERATION

The Leaders and Ministers took stock of the progress achieved in the cooperation between the Western Balkans and the EU to address shared security challenges, including in the fight against terrorism, radicalisation, cy-

berattacks, hybrid threats, organised crime and firearms trafficking. The link between corruption and security was discussed and representatives of the Western Balkans reiterated their commitment to tackle corruption.

SUPPORTING REGIONAL COOPERATION AND GOOD NEIGHBORLY RELATIONS

Regional cooperation and good neighbourly relations are at the heart of the countries' path to the EU, which also entails achieving lasting and sincere reconciliation. The Summit was an opportunity for the Western Balkan partners to discuss bilateral issues and legacy of the past such as war crimes and missing persons. The EU continues to support the involvement of the Western Balkans youth – youth cooperation is key to increase

regional connectivity – in many projects, such as the Marie Skłodowska-Curie Actions, the Creative Europe and Erasmus+ programmes, and the Youth in Action window animated by the South East Europe Resource Centre (SALTO). Furthermore, the EU supports the work of the Regional Youth Cooperation Office (RYCO) to promote reconciliation and cooperation between the youth in the region.

*Source: www.ec.europa.eu

WESTERN BALKANS DIGITAL SUMMIT 2019 AND THE DIGITAL AGENDA FOR THE WESTERN BALKANS

The second Western Balkans Digital Summit brought together more than 3,000 participants to take regional digital cooperation to the next level. Senior representatives from governments, international institutions, businesses, community organisations, academia as well as individuals had the opportunity to discuss and propose innovative policy approaches, showcase cutting-edge technologies, exchange ideas and discover latest digital trends.

Commissioner for Digital Economy and Society Mariya Gabriel participated in the second Western Balkans Digital Summit. The Commissioner delivered a keynote speech at the opening session and witnessed the signing ceremony of the Regional Roaming Agreement, which was part of the Digital Agenda for the Western Balkans presented last year in May and officially launched June 2018. Commissioner Gabriel said after the signing ceremony: “I am very pleased to see that the Western Balkan Partners have reached an agreement to lower the roaming costs in the region. We have fully supported this process facilitated by the Regional Cooperation Council. This is not ours, it is Western Balkans Partners’ agreement, which will bring significant benefits to citizens and businesses in the region. This signature is a solid demonstration of strong political will towards achieving a robust digital regional integration. This will bring the Western Balkan Partners yet another step closer to enhanced engagement with the EU.” 2019 Western Balkans Digital Summit was dedicated to digital skills, networks and connectivity, trust and security and digital economy and society.

The Digital Agenda for the Western Balkans includes:

- ▶ Investing in broadband connectivity: Good digital infrastructure is essential for the roll-out of broadband in the Western Balkans. Under the Western Balkan Investment Framework (WBIF), €30 million in EU grants will be made available to deploy broadband infrastructure in the region to mobilise strategic investments and foster socio-economic growth. A technical assistance package has already been approved for Albania under the WBIF as one of the first investment packages.
- ▶ Increasing cybersecurity, trust and digitalisation of industry: The EU and the Western Balkan region have a common objective to improve online security and trust. The Digital Agenda for the Western Balkans will support capacity building in trust and security and the digitalisation of industry in the Western Balkans to en-

sure that all sectors benefit from digital innovations.

- ▶ Strengthening the digital economy and society: The Digital Agenda will support the deployment of eGovernment, eProcurement, and eHealth tools and help increase digital skills among citizens. This will be done by supporting the involvement and representation of the Western Balkans in EU initiatives and events. This includes the Startup Europe Summit 2018 in Sofia, enabling regional startups to connect and network with major European hubs; opening Digital Opportunity Traineeship to students and young people from the Western Balkans to acquire first-hand training in digital areas; and opening the EU Code Week for all Western Balkan partners, bringing coding skills and digital literacy to the region.
- ▶ Boosting research and innovation: The Digital Agenda will help set up national research facilities and develop state-of-art e-infrastructures in the Western Balkans and will integrate them in an emerging digital European Research Area. This effort will bring world-class training for a new generation of researchers and engineers and will promote interdisciplinary collaboration across Europe.

**Source: www.ec.europa.eu*

FINAL CONCLUSIONS

Generally observed, Montenegro recorded a decrease in 4 out of 5 the most important international reports regarding its economic reviews. 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 when registering a company (numerous procedures to start a business, relatively high costs to start a business, impossibility of e-registration and no connection among software and impossibility to share the data among all relevant bodies for company registration);
- ▶ 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 levels;

- ▶ 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.





6. EVALUATION OF REGULATORY ENVIRONMENT IN MONTENEGRO

Evaluation of regulatory environment in Montenegro is a very important part of the MFIC activities, and as well of 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 regulation that creates 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 that is adopted with involvement of the main stakeholders, “regulatory environment” considers implementation,

execution and judicial practice as important elements and preconditions of the positive foreign investor’s environment in Montenegro.

Therefore, in this section we collected feedback from the MFIC members concerning key areas that were important for investors in 2019, 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.**

BUSINESS ENVIRONMENT

A predictable business environment is one of key pre-conditions 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 in regulatory environment is what makes difference between a stable and predictable environment allowing the 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 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.

In June 2019, the Government of Montenegro adopted the Proposal of the Action Plan to improve business environment which sets out the measures to improve the areas such as starting a business, tax payments, construction permit issuance, connection to electrical grid and property registration. The Action Plan presents specific activities, both regulatory and operational to achieve targeted goals. Deadlines were identified as well as responsible persons for implementation. Dominant activities defined under the Action plan refer to the set-up of the digital processes mainly for electronic company registration and e-cadaster.

As it is stated in the document, Montenegro has been improving constantly its position in the World Bank Doing Business Report since 2007 and got the best position in 2015 Report when it was ranked 36. Afterwards, the ranking deteriorated, mostly because other countries implemented more intense reforms. By analyzing every area identified in DB Report, it was observed that there is a room for improvement within five categories listed above and for implementation of further reforms to improve the overall business environment in the country.

In addition to the set-up of the electronic company registration, the Action Plan includes the improvement of procedures for usual company registration in terms of simplifying the templates, cost reduction and improvement of the operations in the Central Registry of Commercial Entities. When it comes to the e-cadaster,

it would be enabled to get the data from the land registries online and this would shorten the time needed for property registration. Implementation of this Action Plan includes the adoption of four laws: Law on Companies, Law on Spatial Planning and Construction, Law on Energy and Law on State Surveying and Cadaster.

Montenegro Economic Reform Program 2020-2022 defines five reforms of priority in order to improve business environment and reduce informal economy: application of the new regulatory framework of public procurement policy and public and private partnership, introduction of e-system for public procurement, improvement and implementation of measures for grey economy prevention, prevention of grey economy through tax administration reform and increased support to the sector of micro, small and medium enterprises. When it comes to improvement of business environment, some challenges were identified related to administrative and regulatory obstacles, establishment of digital processes, reduction of para-fiscal charges at national and local level, setting up of a regulatory framework for public procurement, public and private partnership and concessions and financial support to the sector of small and medium enterprises.

Montenegrin Foreign Investors' Council welcomes the readiness of the Ministry of Finance to accept the suggestions given in the preparation process of the Program which referred to the necessity to monitor the assets quality i.e. to monitor a rapid growth of cash loans with long maturities in order to restrict potentially negative systemic effects and the necessity to define comprehensive measures focusing on basic sources of grey economy.

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 "issue" 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 in this area have to be done, and that this is the business barrier that seriously “harms” the businesses. We have witnessed the long court processes that did not make sense at the end 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 involvement of private sector into the process of legislation drafting in 2019, in line with the conclusion of the Competitiveness Council. The Report is 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 laws according to the Government Work Plan for 2019.

By analyzing the answers of business associations, the percentage of their involvement in the drafting of 90 laws subject to analysis was 40% (36 laws). 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 77.8% of cases (out of laws where business associations were involved), business associations were involved during public debate (or 31.1% compared to total number of laws). Their involvement in the operations of the working group is significantly lower at 27.8% (or 31.1% compared to total number of laws). When asked about their involvement in the preparation of the RIA template, the associations stated that they were not involved or they did not provide answer to this question.

Out of total number of laws where the associations were involved, they provided specific comments in 75% of cases. Out of this, in 16.7% business associations believe that their comments were not at all accepted, in 4.2% the comments were fully accepted while for 14.6% they did not receive feedback. In 56.3% of cases their comments were adopted partially or mostly.

By analyzing these laws in the preparation of which the

business associations were involved, there was a question if their involvement was adequate. In 74.1% of cases the business associations state that they were adequately or partially involved (30.6% partially, 43.5% adequately involved). If the answers of the business associations are ranked (not at all involved -1, insufficiently involved -2, partially involved -3, adequately involved -4), the average rating obtained on the involvement of business associations is 3.0 (at the scale from 1 to 4).

Among the comments of business associations, these are the most important ones which indicate where the dialogue should be improved: the business associations were involved in the work of the working group but the final text version was prepared without consulting them and without any presentation to the members of the working group; the laws which are significantly amended after the public debate require another round of consultations with the business associations and longer deadlines for new comments and suggestions; there are repeating cases where the procedure of organizing public and private partnership was respected but important objections to the laws were not taken into account; deadlines to submit comments are too short (few days).

On the other side, based on the answers from the ministries, out of 90 analyzed laws, private sector was involved in 72.2% i.e. in the preparation of 65 laws. Private sector was mostly involved during the public debate (in 87.7% of the cases where the public sector was involved in the preparation of the laws or 63.3% compared to total laws). Public sector participated in the work of working groups in 36.9% of cases (or 27.8% compared to total number of laws). According to the competent institutions, private sector was involved in the preparation of RIA template in 15.4% of cases (11.1% out of total laws). When it comes to the laws in the preparation of which the private sector was involved, the ministries state that the private sector gave specific comments in 83.1% of cases. If we observe only the laws for which the private sector submitted their comments, the ministries find those useful in 74.1% (in 42.6% quite useful and in 31.5% very useful). If the answers of the ministries are ranked (not at all useful -1, partially useful -2, quite useful -3, very useful -4), the average rating obtained about the usefulness of the comments is 3.1 (at the scale from 1 to 4). The ministries believe that the comments of the private sector were fully accepted in 14.8% of cases.

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

In January 2018, the Government of Montenegro adopted the Action Plan to implement the Strategy of the Public Administration Reform 2018-2020 focusing on the following areas: organisation and responsibility in the public administration system, service provision, human resources management and state employees system, development and coordination of public policies, public finance management, special issues of local self-government system and strategic management of the public administration reform process and financial sustainability.

The activities related to the Organisation and responsibility in public administration are implemented as planned. The new Law on state administration which entered into force as of 1st January 2019 created the requirements for full reorganization of state administration. The goal of the new Law is to improve the organizational structure and to harmonize it with the European standards to clearly define the type of state administration bodies and precise accountability lines in the system what would contribute to cost reduction in the public administration.

The preparation of the text of the Law amending the Law on free access to information is open and transparent. After public debate was organized, the text of the Draft Law was innovated and its harmonization with SIGMA followed. SIGMA gave positive opinion in principle. It should be pointed out that the preparation of this Law provoked a greater interest of the citizens, civil sector, international organisations and the European Commission and that is why its adoption was

postponed from Q4 2019 to Q1 2020. By this time, the text of the Proposal of the Law will be harmonized with the competent bodies and the European Commission in order to have the solutions which would be complied with the best European and international standards in this area, in line with the conclusion after a meeting of the Special Task Force established between Montenegro and the European Commission.

In the area of Service provision for the needs of digital transformation in 2019, the actions mainly related to the improvement of laws to encourage electronic/digital transformation of public administration through adoption of the new Law on electronic administration, and the Law amending the Law on electronic identification. The new Law on electronic administration, and the Law amending the Law on electronic identification and electronic signature, together with their bylaws, will influence the legal security in electronic services and it can be expected that the public administration is the service of the citizens and economy.

Also, when it comes to the interoperability of the registries or electronic exchange of data between the state bodies and state administration bodies, in addition to the existing six key registries integrated in the system (Registry of children in educational institutions, Central registry of citizens, Central registry of tax payers and insurers, Central registry of commercial entities, Registry of penal records) another registry is integrated in the system – the Registry of the retired persons in Montenegro from the Fund for Pension and Disability Insurance. The process of migrating the data from the Ministry of Internal Affairs (Central registry of citizens) regarding the retired persons and the insured is ongoing. Also, the Real Estate Administration was approved the access to the system and their Land registry (seventh key registry) is integrated into the system. MONSTAT was also approved the access to the system and the process to verify technical requirements fulfillment and to enable the exchange is ongoing. Within the analysis to improve business environment, the institutions which will share the data through this system were identified in order to simplify the administrative procedures to meet the requests of the citizens and private sector addressed to public administration.

As a state administration body responsible for the electronic administration and operations, the Ministry of Public Administration has initiated the implementation of two information systems: national system for collection of administrative fees and national system for electronic identification.

Regarding Civil servant system and HR management,

in the first half of 2019, the key activities were aimed at ensuring full implementation of the new Law on civil servants and employees. The system of e-learning was introduced and the Guidelines for competence framework were adopted for the first time according to which the selection of executive managers and heads of departments would be made. The HR planning process continued with the adoption of the HR Plan for 2019 by the Government of Montenegro and the optimization of public administration moves on.

When it comes to the area Development and coordination of public policies, the report of the European Commission for 2019 states that the legal framework to strengthen strategic planning by the central government bodies is significantly improved and that the capacities for strategic planning of the central government bodies are reinforced by adopting the Decree on the manner and procedure of creation, harmonization and monitoring of the implementation of the strategic documents and related methodology. The positive trend in the implementation of the legal framework for strategic planning continues in the first half of 2019 and the result of the activities taken by the Government General Secretariat have double benefits: improvement of the strategic documents quality through the analysis of their harmonization level since the level of non-compliance of strategic documents in 2018 was reduced from 58.3% to 41.7% and the number of strategic documents decreased for 16 compared to 2018.

Local self-government – further activities are organized regarding the implementation of the Law on local self-government and the Law on local self-government funding. The progress is expected when it comes to more efficient communal supervision and communal order at the local level through the adoption of the Law amending the Law on communal police.¹

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 in-

formal sector to avoid fiscal obligations. High liquidity in financial transactions and informal funding sources contribute to this “occurrence”.

One of the priorities of 41st Government of Montenegro is to reduce the grey economy scale. In this sense, the year 2019 was a very challenging. After some organizational and normative changes were made in previous years, more dynamic activities were undertaken in 2019. To demonstrate the Government’s commitment to fight this destructive economic factor, within its 2019 projects of priorities the Government monitored on a quarterly basis the activities of the responsible bodies related to the suppression of grey economy. The focus of these activities was the establishment of more efficient supervision over the flows in grey zone with the full support of all society structures, especially the Montenegrin Foreign Investors’ Council, Employers’ Association, American Chamber of Commerce, Montenegrin Chamber of Commerce, Free Trade Union and Trade Union Association of Montenegro.

The year 2019 was a record year when it comes to tourism regarding the number of tourists and generated income. The undertaken activities such as a more intense control of tourists’ checking in and out and renting of the accommodation as well as increased inspection supervision during the season as a key element to fight grey economy in tourism gave significant results.

In addition to the continuous activities of the Customs Administration, Police Administration and Prosecution Office to prevent illegal trade of excise products which resulted in seizure of the 10 million euros worth cigarettes (more than double compared to 2018), other excise goods cca 54 K€ worth and pressing 62 criminal charges for illegal trade and smuggling of excise products, the activities on the regulations were also in focus. The Decree on marking tobacco products and alcohol beverages with control excise stamps was adopted as a precondition to set additional protection measures against excise stamp copying. These days, the agreement on printing and monitoring the excise stamps will be finalized. It will enable printing the excise stamps by using the latest technology and it will give an opportunity to every citizen to act as inspector.

Within the project “Increasing opportunities to hire seasonal workers” implemented by the Government and GIZ, the focus is on the process of hiring foreigners, seasonal workers in tourism and hospitality in order to reduce the percentage of the informally employed foreigners in Montenegro. The full implementation of the project is expected in 2020.

1 Ministry of Public Administration

In 2019, the Government supported the Program for training and employing the youth with university degree at the operations of preventing the informal economy – “Stop grey economy”. Within this program 190 persons registered with the Employment Agency were recruited to provide technical service and assistance to the competent inspection bodies. Compared with 2016, when this project was first launched as pilot project, the number of recruited persons is doubled, which demonstrates the Government’s commitment to this topic.

In 2019, the work on new legislation related to the labor market was intensified and it resulted in adoption of the new Labor Law. It is expected that the new Law, adopted with full support of social partners, would create a more flexible labor market and limit to a significant measure the room for black market.

In 2020, the focus will be on raising awareness of all society structures about the importance of fighting grey economy. We expect even better results in this area having in mind the dynamics and intensity of controls performed by the competent inspections in 2019 and the projects the finalization of which is ongoing.²

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 policies 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 because of increasing number of new taxes.

Regarding fiscal and customs policy, the following regulations were amended in 2019:

► **Law on social insurance contributions** – contributions for the health insurance paid by the employer were reduced for 2 points thus increasing the minimum wage share in average salary in Montenegro to 43%. This demonstrates readiness to find an optimal solution to improve the standard of employees with minimum wage, employment growth and economy competitiveness as well as generation of income projected under fiscal consolidation.

► **Law on personal income tax** – specific regulations which were misinterpreted are now more precised. It is important to emphasize that as of 1st January 2020 the income tax rate of 11% is reduced at 9% and represents one of the lowest taxes in Europe.

► **Law on Tax Advisors** – new profession of Tax Advisor (similar to lawyers and notaries) is established as an independent profession in order to provide advice to tax and customs payers. This Law regulates terms and conditions to perform the duty of the Tax Advisor, passing of exam for Tax Advisor, issuing and revoking the work license, rights, obligations and accountability of the Tax Advisor as well as other issues important for performing these operations. With this view, the Rulebook on the program and manner of passing the exam for Tax Advisor was adopted (“Official gazette Montenegro”, no 73/19).

In the previous period, a special challenge for us was the adoption of the **Law on fiscalization in transaction of goods and services** which regulates the fiscalization process of cash and non-cash payments in the transactions of goods and services; content of the fiscal bill; fiscalization payers and other issues of importance for fiscalization. Fiscalization is a procedure implemented by the payer of cash and non-cash payment by submitting to the competent body, responsible for collection of public income, the data on turnover of goods and services and fiscal bills in real time by using Internet connection and fiscal service application which will be implemented in the following period. To create legal assumptions for its full implementation, the entry into force of this Law is planned as of 1st January 2021.

By the end of 2019, the amendments to the **Excise Tax Law** were motivated by the necessity to improve the existing Law, and to harmonize it with the relevant directives. Its application would contribute to a better collection of excise taxes and to strengthening of control mechanisms to fight grey economy when trading excise products. The proposed Law, currently in the Parliament, proposes to introduce a new national application for excises i.e. new information system for electronic

2 Government of Montenegro

data exchange what will enable software integration for digital data exchange.

In order to harmonize the prices in local market with the prices in the region and to stimulate domestic production and existence of excise tax payers in the market, the Law proposes the adjustment of excise tax amount for ethyl alcohol and soft drinks with added sugar. The Law proposes the decrease of excise tax for liquids to fuel e-cigarettes from 0.9€/milliliter to 0.07€/milliliter. This will create favorable market conditions and prevent illegal trade of these products, as these are the basic requirements to have more stable income in this area.

To strengthen competitiveness and to create mechanisms to improve production when it comes to craft beer production, this Law introduces into the excise system small, independent beer manufacturers or companies, other legal entities or entrepreneurs dealing with beer production. This Law proposes the possibility to buy fuel without paying the excise tax – the fuels used for fishing boats and agriculture machines used in the registered farms, having the license confirming that they are exempted beneficiaries to be issued by the customs body with the control card.

It is planned to amend the following regulations related to the fiscal and customs policies in 2020:

► **Law on Corporate Income Tax** – this Law will be harmonized with the EU Directive on the common system of taxation applicable in case of parent companies and subsidiaries of different Member States in order to avoid double taxation of income based on dividend disbursements and other profit distribution which subsidiaries pay to their parent companies. The Law will also be harmonized with the EU Directive on interests and royalty payments made between associated companies of different Member States.

The adoption of the new Law on Customs Operations is planned this year. This Law will be harmonized with the EU Customs Law, which will facilitate the flow the transiting goods, its entering or exiting Montenegro in order to improve the competitiveness of the companies and protect financial and economic government interests and citizens' safety and security. Moreover, the conditions will be created to move to paperless business and full electronic data exchange with the Customs Administration. Submission of customs declarations, requests and information will be done solely online and it will influence trade modernization and simplification.³

DIFFERENT AMOUNTS OF TAXES AT MUNICIPALITY LEVEL

Local self-government – focus on 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 activities 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 nine grounds to specify fees while three 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 15th February 2019, the Government of Montenegro approved the proposal of the Decision on local administrative fees and the Proposal of the decision on local communal fees for these municipalities: the Capital of Podgorica, Nikšić, Tuzi, Danilovgrad, Bijelo Polje,

Kolašin, Mojkovac, Cetinje, Bar and Herceg Novi. For Ulicnj, Žabljak and Pljevlja, the Government gave its consent to the proposals of the decision on local communal fees.

Accordingly, it was found that a larger number of fees was kept at the same or lower level than the one defined in the valid Decisions on local administrative fees. More precisely, the new Decision on local administrative fees cancels a significant number of fees. The percentage of cancelled fees for these municipalities ranges between 32% and 78% compared to the valid decision. By taking into account the reduction of fees in percentage per municipality, it can be concluded that the average fees reduction ranges between 35% and 54%.

The Proposal of the Decision on local communal fees cancels some fees ranging from 48% to 85% compared to the valid decision. By taking into account the reduction of fees in percentage per municipality, it can be concluded that the average fees reduction ranges between 7% and 60%.

However, there is 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 were 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 committees i.e. main topics that were elaborated in the previous period.

INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT)

The ICT sector is a driving force in both economic development and wider social change. It encourages productivity and competitiveness across the economy. We believe that a strong ICT sector is crucial for Montenegro and the MFIC is fully committed to supporting the growth of the sector. To deal with fast-paced technological changes and the way information is being consumed, produced and transferred, the ICT sector needs to look into new ways of finding revenue streams, new business models, and new markets. The telecommunications industry must continue to explore new ways to monetize the existing infrastructure and access investment to upgrade and expand that infrastructure, which is a particular challenge in Montenegro. All these goals can only be achieved by ensuring that outdated legislative and standardization frameworks are revised to fit the realities of the borderless broadband world.

During 2014, our members from the ICT Industry formed a Committee within the MFIC to speak with one voice with the relevant stakeholders with the purpose of improving the business environment for the ICT industry in Montenegro. The ICT Committee will be striving to encourage innovation, economic growth and improvements in daily life for both citizens and businesses. As stated in the ICT Committee's Statute: "The aim is to maximize the ICT sector's potential of contributing to Montenegro's development from several angles. The Committee's mission is to encourage innovation, economic growth and improvements in daily life for both citizens and businesses by enabling a transparent, predictable and sustainable business environment."

TELECOMMUNICATION

With the advent of the Fourth Industrial Revolution, the role of the ICT sector in modern society has become increasingly evident. In the past decade, telecommunication operators as such have shifted the business model from voice and SMS to data and internet. And as we move to a more digitized society, this transformation will be faster than ever before. ICT focus has shifted towards building platforms which integrate networks, technologies and devices that power new capabilities and services. 5G mobile broadband is being conceptually enhanced and is now ready to take the integration of communications, protocols, devices and applications to the next level. Rapid advances in powerful tools such as machine learning, robotics, artificial intelligence and big data promise a world more intertwined with technology than ever. This proves that telecommunications is the most dynamic industry, while telecommunication operators are fundamental for digital transformation. It is undeniable that the success of telecom operators depends on adoption rate of technology. To remain competitive in the modern business landscape, digital transformation is a necessity. Digital transformation is forcing companies to change business models and adapt to the new market reality. This change is being driven by the customer, whose behavior is constantly changing due to the enabling nature of technology and easy access to information.

The above-mentioned global trends are also reflected on the ICT sector in Montenegro. In today's highly competitive market the priority should be to maximize investment incentives and innovation, while ensuring that end-users continue to benefit from competitive markets. Regardless of industry market decline over the years, telecommunication operators are continuously investing putting the needs of customers as a top priority. Still, facing with OTT players with zero investments in local market, zero obligations towards regulator such as paying license fee, spectrum fee etc., highly influence the conditions of the market. In regard to general market issues transparency and predictability principles remain the key topics which have the biggest impact on regulatory environment as such.

Montenegrin ICT regulatory framework should, similarly to the EU one, face the challenges, follow the trends and define mechanisms and measures to adequately respond to such challenges/trends. Given the rapid pace of change in technology compared with the time needed to introduce and implement new legislation and regulations is a challenge for regulators and players at the market who are trying to grapple with the speed at which technology pervades every aspect of society. The

goal is to elaborate new rules that foster socially beneficial innovation, preserve human values and nurture competition, having ICT in the supporting role.

Digital environment should support global competitive initiatives while telco operators remain important investors and partners to the Government. In that respect, this sector strongly welcomes the Competitiveness Council support for the Initiative on forming “digital coalition” of Government, business and academic community, aiming to continue to be the partner to the Government in the path of digital transformation in Montenegro going forward.

Telecommunications are one of the most important drivers of any economy, the catalyst for development of other industries. In order to enable telco operators to fulfill this role they need to be allowed to apply technically and organizationally integrated solutions at the level of international groups they are operating in order to ensure innovation and improve their services and optimize their resources. Montenegro should, through adoption of the EU regulatory framework and standards, tend to eliminate all obstacles referring to business operation, use of electronic communications infrastructure and associated equipment and interoperability. Considering this, operators should be entitled to, based on commercial contracts, for the needs of their networks, use electronic communication infrastructure, devices and equipment of other operators in Montenegro and abroad.

We take this opportunity to once again draw attention on some issues telco operators are facing in daily business:

PARA-FISCAL BURDENS ON INTERNET ACCESS SERVICE

In the previous White Book editions, ICT sector challenged para-fiscal burden put on internet access providers because various cinematographic works can be found online. The subject ICT Committee recommendation was by majority of relevant institutions found reasonable and legally grounded and in the upcoming period, it could be expected that such unreasonable financial burden could be eliminated. However, some of the new recent initiatives are showing that the problem could be extended on some other contents available on internet such as reprographic works. Having in mind the immeasurable number of contents that are available on internet, generally being an open media, such practice and behavior seem to be a big potential threat to internet providers. We believe that the relevant ministries and regulatory bodies need to react proactively on such initiatives, since once introduced, financial obligation is very difficult to be canceled.

E-BILL

In digitization era, paper bills do not bring any additional value to the customer. On the contrary, receiving electronic bills introduces many benefits like receipt way before paper ones, assured delivery, availability at any moment, possibility of storing in the Cloud or so. This goes in line with citizens' uptake of mobile and online services as well as online payments. Even if paying offline (e.g. Post office) customers do not need print outs, just to give their phone number.

Being proven corporate responsible companies, telco operators are devoted to preserving the environment and see the opportunity to reach one of the “green” economy goals also in increasing the e-bill penetration. Therefore, our recommendation would be to make it possible through changes of the legal framework (Law on electronic communications) and defining e-bill to be first and mandatory option for all customers using internet service.

We find this reasonable not only as an environment protection solution, more comfortable solution for customers but also as an opportunity for network providers to reallocate paper bill cost in investing in state of the art infrastructure and network experience (FTTH, 4G etc.) that could bring higher value to the market.

LAW ON SPATIAL PLANNING AND CONSTRUCTION - IMPLEMENTATION

As previously claimed by the ICT Committee, the currently effective Law on Spatial Planning and Construction represents certain business barrier because the electronic communications infrastructure necessary for providing services of public interest does not enjoy the necessary protection as foreseen by the Law on Electronic Communications. Namely, the basic problem is the fact that local governments differently apply regulations and differently make decisions when it comes to maintenance and construction of new infrastructure. But that is not the only problem telco operators are facing with in the area of this Law.

Damage or cutting of electronic communications cables or other infrastructure while constructing and reconstructing buildings, roads etc. are almost frequent problem. 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, the practice shows that in the issued Urbanistic-Technical Conditions publicly available, there are no conditions for connection

to the telecommunication infrastructure or its protection at all. In some rare cases UTC comprise only the list of regulations that need to be taken into account while making the contract.

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 Law 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”.

In this way, the realization of construction projects exposes telco infrastructure to the damage, devastation, direct and indirect financial losses. We see the problem solving opportunity in more clear provisions of the Law as well as more clear guidelines for the Law implementation to be issued by the responsible Ministry as well as in proactive approach of the Agency for electronic communication and postal services that will invite all interested parties, planning to execute construction projects, to obtain telco consent as required document necessary to be the part of UTC. In this way, full implementation not only of the **Law on Planning and Construction**, but also of the **Law on Electronic Communications** and bylaws could be assured.

LAW ON ROADS

In the previous editions of the White Book some of the ICT sector recommendations were related to the Law on Roads especially the part defining the basis for the fee to use the road land for placing infrastructure. The recommendation supported by the Ministry for Traffic and Maritime Affairs and the Ministry of Economy, resulted with more clear definitions included in the Draft Law adopted by the Government in January 2020 that are expected to eliminate misinterpretations and misuse of the Law and thus eliminate the business barriers Telco and energy sector operators were facing with for almost a decade.

BANKING SECTOR

The years 2016 and 2017 were important years for banking sector 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, Podgorička banka AD Podgorica, member of OTP group, 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.

At the end of September 2019, banking sector is composed of thirteen banks. Most of the assets are concentrated with five banks (66%) which approved 68% of total loans and where 65% of all deposits are deposited. In one-year comparative period, these banks record increase in all parameters. The capital of the banks comes dominantly from foreign funding sources (75%) while 23% goes to domestic capital and 2% to state capital. Eight banks with foreign capital, coming mainly from large European Union banking groups control 67.59% of banking market.

Total equity of the banks and total loans generate growth at the rates of 14.76% or 1.55% annually. Total assets and deposits have increased as well for 3.99% or 1.66% respectively. If we exclude the data for two banks under bankruptcy procedure, for better comparability, key balance sheet items for all 13 banks record an aggregate growth: assets 11.60%, loans 8.99%, deposits 9.67% and equity 19.59%.

Credit risk is the most important risk in the system because crediting is the most dominant activity in the banking market. The loans of the banks make 66.17% of total assets. Gross non-performing assets (C, D, E) represent 4% of total assets while NPL ratio amounts to 4.67% and records a historic minimum. NPL impairment coverage amounts to 82.67% while NPL coverage with regulatory reserves amount to 100.50%. The banks with high NPL ratios are in special focus of the supervisor. Restructured loans make 5.31% of the loan portfolio.

Loans to legal entities amount to 1.705,1 M€ which makes 56.16% of total loans, while retail loans amount to 1.330,9 M€ or 43.84% of total loans. This ratio is pretty constant in a one-year period. In the same period, retail loans have increased for 7.02% while corporate loans decreased for 2.34%. When it comes to total loans structure per key beneficiaries, retail loans with the share of 43.84% are followed by corporate loans (34.06%), bank placements (11.96%) and sovereign loans (4.85%). Corporate loans (public and private companies) amount to 1 B€ and record the growth of 2.04% annually. Loans in other currencies make 3.36% of total loans and the loans to non-residents make 15.04%. Long-term loans, which make 77.84% of all loans in the system, are dominantly

financed from stable short-term deposits which make 84.40% of total deposits in the system. At the end of September 2019, average weighted effective interest rate to total loans amount to 6.17%.

In nine months of 2019, the industry was approved 377.2 M€ of new loans which generate growth of 4% and retail sector was approved 365.5 M€, what is an increase of 1.3% compared to the previous year. The average weighted effective interest rate to newly approved loans amounts to 6.33% and compared to September 2018 it records a decrease for 0.22 basic points. Corporate loans were approved at the average weighted effective interest rate of 5.01% what is lower for 1.03 bp and retail loans were approved at the interest rate of 7.43% what is lower for 0.56 bp for the comparative period.

At the end of Q3 2019, out of total deposit structure, retail deposits amount to 1.760,2 M€ or 50.08% while corporate deposits amount to 1.754,6 M€ or 49.92%. A vista deposits are dominant with 71.20% in total deposits. Banking system lacks stable long-term deposit potential. The share of non-resident deposits is 21.47% while deposits in other currencies amount to 5.57% of total deposits.

A downward trend is observed with passive interest rates. In September 2019, passive average weighted effective interest rate amounted to 0.43% and it records a decrease of 0.15 bp annually.

Loan to deposit ratio amounts to 86.38% which means that the system has a surplus of 478.9 M€ of deposit potential compared to the receivables for the approved loans. All banks meet minimum defined daily and ten-day solvency ratios.⁴

An overview of important topics analysed in 2019 follows.

GENERAL OBSERVATIONS

When it comes to general observations, we point out to the following:

- ▶ short deadlines to implement and comply with the new laws related to banking operations;
- ▶ breach of defined deadlines to adopt bylaws. The Law contains the provisions which should be regulated under the bylaws which have not been adopted yet;
- ▶ necessity to deliver timely bylaws to the credit institutions with draft laws to give comments in order to have a clear image of what the regulations would define;
- ▶ greater support and enhanced training by the Central bank of Montenegro when new regulations are implemented;

▶ necessity to get precise and clear explanations how to implement the recommendations of the CBMNE after their controls;

▶ Different interpretation of the same issues by different regulatory bodies in different time period;

▶ lack of precise closing provisions referring to the deadlines to apply the valid Law – this is related to the harmonization period (ex. new Law on credit institutions will come into force as of 1st January 2021; by that time the Law on Banks applies);

▶ Inadequate explanation of terms and definition and/or lack of definitions in laws.

FRAUD PREVENTION

One of the most important responsibilities that a bank or financial institution has is to protect the integrity of the institution by protecting the financial assets it holds. In order to do so, the bank or financial institution must be certain to address the issue of bank fraud which can be defined as an unethical and/or criminal act by an individual or organization to illegally attempt to possess or receive money from a bank or financial institution.

Banks are striving to fight corruption fraud responsibly in their organizational units, including all employees and management of the bank in the prevention system. Any case of attempted, suspected or proven prohibited practices in this respect must be detected promptly, and thoroughly and professionally investigated. Measures must be taken to prevent the spread of consequences and accountability lines should be defined and a legal obligation towards other competent institutions should be enforced.

In financial sector, it is essential for employees to understand the nature of fraud in credit transactions and to be prepared to implement all the steps required to reduce the banks' exposure to credit risk, as it is recognized that clients and client funds generated by prohibited practices can have serious consequences for the specific bank and even the whole financial market on various grounds and with different legal and financial consequences.

In September 2018, European Central Bank has published Fifth Report on Card Fraud which analyses developments in fraud related to card payment schemes (CPSs) in the Single Euro Payments Area (SEPA) and covers almost the entire card market for the period between 2012 and 2016. The total value of fraudulent transactions conducted using cards issued within SEPA and acquired worldwide amounted to €1.8 billion in 2016. With respect to the composition of card fraud in

⁴ Montenegro Economic Reform Program 2020-2022

2016, 73% of the value of card fraud resulted from card not-present (CNP) payments, i.e. payments via the internet, post or telephone, 19% from transactions at point-of-sale (POS) terminals and 8% from transactions at automated teller machines (ATMs). Most of the countries with significant card markets (defined as countries with high volumes and values of card transactions per inhabitant) experienced high rates of fraud. CNP fraud was typically the most common type of fraud involving cards issued in these markets.⁵

Taking into consideration abovementioned, our recommendation would be to establish a body, such as fraud forum, through the Association of Banks, that will deal with prevention of fraud in Montenegro which would also serve as a platform to exchange information among banks.

Therefore, further activities should focus on defining the strategy for implementation of fraud forum in Montenegro. Establishment of this body should be based on best example practices and tailored to the needs of Montenegrin market.

MONEY MARKET DEVELOPMENT (MM)

Development of money market in Montenegro is important for the development of the banking industry as a whole. It should contribute to the increase of income from one side and reduction of costs on the other side.

Preconditions for MM development in Montenegro

MM in Montenegro includes all commercial banks,
 Active participation of the Central bank and creation
 ▶ of rules and regulatory framework that would apply to
 ▶ MM affairs.

Benefits of MM development in Montenegro

Benefits of MM development in Montenegro follow

1. **More secure orders execution in national payment system** if the banks are generally liquid. With the MM development, the banks would be able to borrow on a short-term if needed for the daily liquidity as follows:

a. For instance, if a bank has significant funds abroad but it needs funds in the country. We know that the bank can transfer the funds from its account abroad but it cannot be done immediately; on the other side, the transfer of funds in the country costs. MM development would enable the banks to calculate a more justified approach – to pay for the transfer in the country or to pay the interest/fee for the MM deal that will provide the funds in the country.

b. **Short/term borrowings** would occur in the situations

when it is needed to provide a larger amount of cash (for example disbursement of pensions and social aid) before the orderer or the payer (in this case the State) could make the payment to the bank. This is especially observed in the winter period when the cash supply to the North of the country has to be provided several days before the disbursements of the pensions or social aid due to poor weather conditions.

2. **More secure orders execution in the international payment system.** It is difficult and expensive to transfer the own funds from the country to the international accounts (physical take out of cash or via the Central bank or another commercial bank that needs funds in the opposite direction). MM development would ensure that the banks expecting inflows to their international accounts could take short-term borrowings as it can be cheaper than using some of the listed transfers to the international accounts.

3. **Development of REPO deals which are underdeveloped in Montenegro.** The banks would have the possibility to have the funds in Money Markets with the obligation to provide a more secure bill (securities, bills) which is the subject of the Repo agreement or collateral for that particular deal.

4. **Development of REPO deals** in Montenegro could impact the development of capital market in Montenegro. The banks will understand that if needed they can have fast and cheap borrowings if they have securities/bills of good quality in their portfolio.

Generally, MM development brings more stable financial sector in Montenegro. It provides a fast way to obtain cheap funds for the daily activity, if needed. MM development could ensure better profitability and decreased costs.

Steps to be undertaken:

It is necessary to create a working group that will be composed of the representatives of the Central bank and the representatives of the banks that are members of the MFIC. The working group would deal with further development of the work process and it would engage the experts from other banking areas in order to establish a full process that would include:

- drafting of regulatory framework;
- definition of the steps for MM transaction arrangement, Front office operations, template of the framework agreement, ticket template etc.,
- technical transaction execution, Back office operations, orders execution,
- accounting record of the executed transactions, bookkeeping of these transactions, interests, fees, collaterals...

LAW ON CONSUMER LOANS

When it comes to the Law on consumer loans, we believe that the recommendations given by the Central bank of Montenegro related to the implementation of this Law, create some difficulties in practice. Accordingly, it is necessary to define more clearly the content of contracts and calculation of effective interest rate and to eliminate the collision of different provisions on consumer protection with the valid Law on banks. The Central bank of Montenegro should organize relevant trainings.

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 that stipulated "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 card 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 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.

FATCA

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.

Accordingly, we believe that it is necessary to establish a working group that would deal with the open issues. Without relevant instructions, the banks cannot implement properly the requirements for FATCA reporting. There is a risk of submitting incomplete reports which entails consequences for the banks (and this mother banks) which may be financial, reputational and regulatory.

Given the above mentioned, we believe that it is necessary to do the following:

- ▶ revise FATCA IGA,
- ▶ prepare bylaws for the implementation of the Law, define precise rights and obligations in line with FATCA IGA,
- ▶ solve open issues,
- ▶ create unique IT solution for reporting to TA and postpone reporting period.

PURCHASE WITH CASH BACK

The MFIC welcomes the joint press release of the Central bank of Montenegro and the Ministry of Finance from 4th February 2020 confirming that there are no regulatory obstacles to provide the payment services with Mastercard cards with cash back in Montenegro. The decision on implementation of this service in the Montenegrin market should be made within card payment systems, issuers and acceptors of the payment services.

Purchase with Mastercard with cash back is a service which enables the users of Mastercard cards to withdraw cash when paying by cards. There is no minimum amount of payment but the maximum amount to be withdrawn is set at 50€ as it should be enough for daily needs. This service is treated as usual card payment which means that the user authorizes this transaction by entering their PIN code, no matter if the payment is done with contactless card or chip card and this transaction can be monitored on the account statement. This service is convenient for the users as it gives them access to cash in only one transaction and in this way it saves their time looking for ATM or going to the bank. It also facilitates the operations to the merchants as it reduces the amount of cash they use and thus reduces their operational costs and risks. The service of purchase with cash back provides a better insight into financial flows to the state institutions and helps them establish a more transparent payment system in the market.

The creation of this service and its promotion at POS terminal means an additional service for the existing customers but it is also a way to attract new customers. Some of the customers who would pass by a store can now become clients since they would be able to do two things at the same time – withdraw cash and make a purchase.

Researches in other markets where this service is enabled show that the points of sale offering this service have new customers and they improve the loyalty of

the existing customers. Some of the customers make purchases at these points of sale because they can also withdraw money, which is an additional turnover for the merchant.

The advantages can be significant for large shopping centers as the volume of cash free transactions increases as well as security. Instead of counting and keeping cash, these centers could transform a part of the cash into e-cash.

The idea is that the purchase with cash withdrawal is a complementary service to the ATM use. According to Mastercard rules, maximum amount to be withdrawn from POS terminal when using this service is 50€. It is estimated that 50€ is enough for daily small purchases at the locations where card payment is not enabled. For larger amounts, customers should use the ATMs.

INSURANCE SECTOR

In November 2019, the MFIC established the Insurance Committee composed of these companies: **Uniq Insurance, Lovćen Insurance AD, Generali Insurance Montenegro and Sava Insurance AD**. The proposals of the Committee are given below.

The MFIC members subject to compiling financial statements for the needs of their foreign owners in accordance with the valid IAS/IFRS. Since Montenegro is late with translation and implementation of the new IFRS, the MFIC members face business barrier in terms of preparing parallel statutory financial statements, what increases costs and causes inconsistency of the prepared financial statements.

In addition to the delay in the implementation of the IFRS 16, the insurance companies are concerned with possible delay in translation and implementation of the IFRS 17 which will dramatically change the manner of accounting record of business events and financial reporting in this area.

The insurance companies invest money and human resources to prepare for the new standard introduction within mother companies. That is why we expect Montenegro to accelerate translation process and adoption of new IAS/IFRS and to adjust related documentation (chart of accounts, templates of financial statements, tax regulations on income tax and alike) to avoid unnecessary costs of parallel legal reporting.

KEY REGULATIONS ACCORDING TO THE MFIC

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.

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

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.

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 of the Economy.

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 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 while in Slovenia the working hours are shortened. Shopping malls in Great Britain, Finland, Denmark, Sweden, Bulgaria, Turkey and Romania are open on Sundays.

LAW ON HEALTH INSURANCE – SICK LEAVE ABUSE

Sick leave abuse is a topic of importance for foreign investors, but also for entire economy and especially public institutions. The Government has recognized this issue, primarily in their bodies, so specific activities were undertaken to reduce this abuse.

The Law amending the Law on Health Insurance (“Official Gazette of Montenegro, number 67/19) which entered into effect as of 19th December 2019, amends the valid Article 45 to specify the circumstances when the insured is not entitled to the wage, if

1. he/she caused the prevention to work;
2. he/she prevented medical treatment or capacity to work;
3. he/she does not take medical treatment, unless the medical treatment requires the consent regulated under special regulations;
4. he/she does not contact the selected primary care physician or a medical team, or the commission to evaluate the capacity to work or he/she does not show up for scheduled medical examination or commission examination;
5. At the time of enjoying the right for temporary prevention for work, if the insured changes the permanent residence, except for medical treatment, these circumstances are defined by the primary care physician or competent medical commission in line with the Law, no later than 10 days as of the day when these circumstances occurred or when the request for inspecting the temporary prevention to work was submitted by the employer.

The employer should define the circumstances under which the insured may perform other economic activity regardless of the income generated from this activity during the period of temporary prevention to work.

This Law also prescribes the fine between 1.000€ and 20.000€ for an offence committed by the legal entity (medical institution), if the selected primary care physician or a team or competent medical commission confirm temporary prevention to work contrary to Article 37, paragraphs 3,4 and 6 of this Law. For the same offence, the responsible person with the legal entity shall be fined from 500€ to 2.000€ as well as natural person (primary care physician and commission members) in the same amount.

So, for the first time, inspection supervision is prescribed for improper prescription of the temporary prevention to work.

According to the preliminary data, the costs for sick leaves in 2019 amount to 5.608.339,87€ while in 2018 these costs reached 5.950.039,57€, which is a decrease of 341.699,70€ or 5.74%. The planned budget for sick leaves in 2020 is 4.100.000,00€ - for 2019, 4.800.000,00€ were budgeted for sick leaves (in 2020 there is a decrease of 700.000€). Sick leaves longer than 12 months were initiated for the following diagnosis: tumor, mental disorders and behavioral disorders, intoxication and consequences of reactions to external factors, diseases linked to muscles and skeleton, connective tissues and blood stream disorders.

In line with the Law on Health Care Protection and the Law on State Administration, the Ministry of Health established the Commission to control the operations of the medical institutions on 30th October 2017. The control is directed at performance of public operations dealing with the definition of temporary prevention to work, upon the request of the employer.

The control is performed in medical institutions by checking the electronic medical record of the insured. Prescription of the temporary prevention to work is followed-up based on the Rulebook on enjoying the right to temporary work prevention and the right to wage compensation during temporary prevention to work as well as the criteria to prescribe temporary prevention to work which are integral part of this Rulebook.

In 2018, total of 126 requests were processed out of which 69 requests were unjustified and 57 requests were justified. In line with the recommendations of the Commission, the Ministry of Health took measures to define responsibilities and a doctor in the medical institution in Cetinje was fined (15% of the salary for 3 months); the commission of the Fund in Nikšić was replaced as well as one commission in Podgorica.

In 2019, the Ministry of Health received 64 requests what is a decrease of 50% compared to previous year. There were 11 justified requests and 53 unjustified requests because most requests referred to pregnancy leave, post-pregnancy leave, care of a family member, to what the employees are entitled. In the first months of 2020, there is an increased number of requests and the commission monitors and controls sick leaves in continuation. The latest recommendations from the Ministry have a positive influence on the work of the selected primary care physicians because recent controls found that they keep the electronic medical records properly.

By establishing this Commission, the Ministry of Health tends to regulate this domain and reduce the costs that significantly burden the healthcare budget by preven-

ting the abuse of sick leave. Current results have positive effects which are reflected in a more responsible treatment by the doctors and thus reduced prescription of sick leaves.⁶

REGULATIONS OF SPECIAL IMPORTANCE FOR THE MFIC IN 2019

PROPOSAL OF THE LAW ON BUSINESS ORGANISATIONS

The process of adopting the Proposal of the Law on Business Organisations, so-called “Constitution of the economy” lasted for several years and until its adoption at the Government in Q4 2019, private sector pointed out to the reasons why the adoption of this Law should be postponed and why the dialogue should continue. Bearing in mind positive international practice, the opinion of most stakeholders was that the Law is under regulated, that the given solutions are not the best solutions for the industry and the necessity to improve the functioning of the Central Registry of Commercial Entities was stressed out. In relation with the text of the Law, specific proposals for better solutions referred to the abuse of the legal entity capacity, shareholder’s assembly, employment of the CEO in a company, related parties, company registration process.

The Law is in the Parliament and its adoption is expected during the spring session of the Parliament. The version sent to the Parliament is improved in some parts thanks to the inputs from private sector.

- Reform of company registration process

Bearing in mind the importance of CRCE functioning as a key registry in the country, together with the adoption process of the Law on Business Organizations, the working group established by the Competitiveness Council worked intensely on proposals to improve this process which were mostly transposed in the last version of the Law. The goals of the reform are as follows:

- simplifying the process of setting up a business in terms of reducing the time needed for entire registration and steps for entrepreneurs,
- enabling electronic company registration and electronic payment of taxes;
- enabling electronic entry of all changes with the registered companies as well as liquidation, registration interruption and bankruptcy,
- Improving data base with the CRCE to be updated in real time and to be available to other legal entities in the country. The database should be integrated with other relevant registries.
- Defining the CRCE organization which would be in

line with international standards.

Even though the Law has not been adopted yet, thanks to the hard work of the working group and representatives of the private sector, the Draft of the Rulebook on registration procedure, detailed content and manner of keeping the registry was prepared. A single application for registration of business entities and other forms of business activities is prepared as well which will significantly contribute to regulate in detail the registration process. The MFIC members have been included in this process from the very beginning and they contributed to the improvement of the Law with their constructive advice and suggestions. The Rulebook on criteria and fee for business entity registration with the CRCE was prepared as well. This Rulebook prescribes the criteria and fee amount for registration, changes and deletion of business entities with the CRCE and it aims at reducing most of the fees paid at the registration process and promoting electronic registration once it is enabled. Both Rulebooks should be adopted no later than two months after the Law is adopted.

LAW ON CREDIT INSTITUTIONS

The adoption of this Law represents the implementation of the directives that aim at establishing complied national regulations related to the access to credit institutions and investment firm activities, models of managing these institutions and framework for their supervision. So, when preparing the text of the Law, the provisions of Directive 2013/36 were respected governing the authorization of the business, the acquisition of qualifying holdings, the right of individuals or legal entities to perform their economic activities in a EU Member State, the exercise of the freedom of establishment and of the freedom to provide services, the powers of supervisory authorities of home and host Member States in this regard and the provisions governing the initial capital and the supervisory review of credit institutions and investment firms. The Law sets out a significant change in bank management. According to this regulation, the function of the Board of Directors is cancelled and the main role is assumed by the Executive and Supervisory Boards with their working bodies and holders of “key functions” which significantly transform the managing structure of a bank. Instead of one-tier structure where one body exercises the function of supervision and execution – Board of Directors, the proposed Law envisages a two-tier system where supervision is entrusted to the Supervisory Board and the execution is the responsibility of the Executive Board of a credit institution. The Law is adopted in December 2019 and it should

⁶ Source: Ministry of Healthcare

enter into force as of 1st January 2021.

Yet, even though the new text represents a significant improvement compared to the valid Law on Banks, there are many open questions to be further regulated by bylaws. In that sense, it is important to include timely and adequately private sector in the preparation of these bylaws since the bylaws should regulate the questions of great importance for the industry so it is crucial to include the representatives of the industry so that the bylaws contain the solutions which will be implemented effectively.

PROPOSAL OF THE LAW AMENDING THE LAW ON INTERNAL TRADE

The most important amendment to the Law on Internal Trade (adopted in July 2019) relates to the mandatory restriction of Sundays trading. According to the MFIC, the overall analysis of the regulation change impact should be made i.e. the effects to the operations of legal entities in Montenegrin market should be analysed in the process of Law adoption.

PROPOSAL OF THE LAW ON PUBLIC PROCUREMENT

One of the basic goals of the Proposal of the Law on Public Procurement is the need to harmonize it with the Directive 2014/24/EU on public procurement, Directive 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors and the Directive 2007/66/EC on review procedures concerning the award of public contracts.

The adopted Law represents a significant progress compared to the existing legal solutions and the adoption process was marked by the effort of several parties to reach consent in this process without breaching the principles applied in the EU member states. When it comes to simple procurement, the implementation of this process will be regulated under a single document of the Ministry of Finance which facilitates the application for the bidders in comparison to current practice where every ordering party has its own internal document for procurement implementation. Moreover, the most important amendments in the text of the Law refer to: introduction of electronic system of public procurement (ESPP) run by the Directorate for Public Procurement Policies, reduction of formalities, business barriers and costs for bid preparation by introducing the "Statement" of legal entity in the part when they are supposed to prove that all the requirements to participate in the public procurement procedure are met; introduction of

economically most advantageous offer as a single criterion. In addition, the cancellation of public procurement contract, its amendments and enforcement are regulated for the first time in this area as well as management of contract implementation.

Electronic procurement is a standard which is very important for business environment and this system will be managed by the Directorate for public procurement policies. The entire process of public procurement, communication between the ordering parties and bidders, bid delivery, decision making process, complaints, contracts on public procurements, all reports and procurement procedures of small values should be implemented electronically using ESPP. Other ways of communication are envisaged as exception. It is envisaged that the Directorate for public procurement policies establishes, maintains and keeps the ESPP. The ESPP will enable the monitoring of the entire public procurement process, from planning to enforcement of the agreed obligations. This is how a precise and comprehensive monitoring will be enabled for the first time as well as preventive control at all stages.

PROPOSAL OF THE LAW ON ROADS

Bearing in mind that many important regulations have changed since the adoption of this Law, it was needed to harmonize the regulations on roads to define legal status of roads, their management, protection and maintenance as well as funding sources with special focus on the requirement to construct and reconstruct roads and on inspection supervision. Since the application of the valid Law on roads creates some doubts and questionable interpretation of specific provisions (Article 20 related to the fees for using public road) and their implementation by some municipalities, the Ministry of Traffic and Maritime Affairs identified the issue and proposed new solutions for more precise interpretation of the Law.

The proposal of the Law on roads envisages the fees paid by the users of public roads (national and municipal) which are given in the valid Law on roads as well. Namely, the Proposal of the Law on roads, Article 20 paragraph 1, cancels these four fees: fees for the construction of commercial facilities that are accessible from the road; annual fee for the construction of commercial facilities that are accessible from the road, fee for setting up commercial-market, commercial-individual and commercial-informative signs on the road and by the road and fee for foreign road vehicles. This created better business conditions.

What remained an open issue is the interpretation of Article 20 (Article 22 of the valid Law) what was elaborated in the MFIC White Book 2018. The MFIC submitted one more time the comments with the suggestions referring to the same question (fee for the use of public road) bearing in mind the interpretation of this Article by some municipalities. The amendment was proposed to prevent the abuse of the Law application and provisional interpretation of the specific provision by municipalities.

Although the Law is adopted, its implementation matters given the current experience and different interpretation in municipalities. Accordingly, the Competitiveness Council recognized this Law as the key Law in its Work Program for 2020. The Report on the application of the Law on Roads on local level is planned to be analyzed in Q4 at the Council session when the effects of the defined regulations will be reviewed.

PROPOSAL OF THE LABOR LAW

The basic goals to create new text of the Labor Law are prevention of grey economy, flexibility in labor market and protection of the rights of employees. According to the MFIC members, the Labor Law is one of the most important system laws when it comes to the economic competitiveness. Its role is very important in finding the productive balance between the employees and the employers. The protection of employees (and their rights) should not be detrimental to market stimulation, private business and attraction of investors.

The work of the text of the Law was long and at the last stage five business associations, including the MFIC, took part in the preparation with their mutual comments and proposals. These proposals are submitted to the relevant institutions in order to improve or modify specific provisions of the Law which deal with the following questions:

- salaries (definition, past service, performance and contracted wage);
- mandatory Job Description Act;
- certification of bilateral agreements and termination of employment contract by the employee with the notary's, court or local self-government body;
- part-time jobs;
- payroll list (where calculation is treated as writ of execution);
- obligation to have approval to work and employment contract in the place of work;
- severance pay disbursement regardless of the employment duration with an employer;
- Termination of employment by the employer.

A part of the comments was accepted and the text of the Law is improved. Some questions remain and the very implementation will show if these are efficiently defined and if their application would be possible. Additional interpretation of the adopted regulations by the line institution that prepared the text of the Law will be required.

PROPOSAL OF THE LAW ON ELECTRONIC ADMINISTRATION

In 2019, the MFIC paid special attention to digital transformation and situation in Montenegro. An important segment is development of electronic administration and the Law on electronic administration (adopted in the Parliament in December 2019 with postponed entry into force as of July 2020) which further regulated the electronic administration and the use of information and communication technologies in the institutions at all levels – in their daily operations and in their communication with citizens, companies, other legal entities and entrepreneurs. The basic goal is to enable and encourage a faster, more efficient and cost-effective operations of the state bodies when they use information and communication technologies in their operations. The adopted solution will enable the citizens and companies to have easier and more secure online access to the services and it aims at improving the environment in which public administration will be the service of the citizens and companies and the best way the eliminate the administrative manners.

Based on the conclusions of the Competitiveness Council from December 2019, the Ministry of Public Administration is responsible to establish the Electronic Administration Council in line with the Law and to include in its work the representatives of the business associations as well as to include them in the preparation of the first Strategy for digital transformation in Montenegro.

PROPOSAL OF THE PERSONAL DATA PROTECTION LAW

The purpose of the new Personal Data Protection Law, the preparation of which is ongoing, is harmonization with the regulations of the EU countries in order to protect the rights of the natural persons and to fine legal entities that breach these rights. So called GDPR regulation applies outside Europe as well and its application is mandatory for everyone who cooperates with the citizens of the European Union. A proper GDPR application is very important for the companies given

extremely high fines imposed for breaching the rules on personal data protection.

Two very important new elements incorporated into the GDPR are privacy by design and privacy by default. Privacy by design is an approach to development, engineering, shaping, hardware and software development, with the integrated user privacy protection as integral part of the device, program or system. Privacy by default means predefined privacy, approach to sale or distribution which means that standard set-up of the product or service are set in a way to protect the privacy.

One of the advantages is ensuring new rights and greater control of personal data of the citizens. This particularly refers to: a) easier access to personal data including more information on data processing and ensuring that the data are available are clear and understandable; b) new right on data transfer which means sharing personal data between service providers; c) more precise right to erasure (right to be forgotten) in case when a person does not want that their data are processed any longer and when there is no justified reason to keep these data, the data will be erased; d) right to know when your datum has been hacked – companies and organisations will have to inform the individuals timely on serious breaches related to the data.

In addition to the adoption of the new Law on Personal Data Protection to be harmonized with the GDPR, harmonization with other regulations may be quite challenging in Montenegro (with dozens of regulations). Comparative practice shows that the implementation of this Law is a very complex process for all actors and that it is necessary to plan enough time for harmonization of other regulations (not less than two years) as of the entry into force of the new Law. It is also necessary to raise awareness, increase capacities and education of public sector about the importance of this matter.

Moreover, it is necessary to have a registry of business processes, to adopt internal procedures and introduce standards.

OTHER BARRIERS

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

1. Construction Permits – The legal deadline for issuing Construction permits by the Ministry of Sustainable Development and Tourism (MSDT) is 60 days, in case an Environmental Impact Assessment Study is

needed, or 30 days if it is not needed. This deadline it is not fulfilled very often. The “one stop window” for the issue of the permits does not work very well. It takes long time for the MSDT to obtain all the consents from other state institutions (ministries) and municipal and public utility companies, as documentation is sent by post mail. However, probably the biggest issue is that many institutions do not reply to the MSDT, and according to the Law if they do not reply within 15 days, then it is considered that the institution has issued a positive consent. Therefore, a construction permit is received at the end, which is only partial since some of the required consents have not been actually given, and thus various obstacles will be faced during the execution of the works, which have to be resolved along the way, thus creating additional expenses and delays. Usually, all of the consents that are stated in the construction permit as “no institutional reply” have to be obtained once again in separate processes, during technical acceptance. Mostly “no responses” come from CEDIS (electrical grid infrastructure) and the Ministry of interior, (Directorate for emergency). Suggestion: The policy of considering that a consent has been given, if there is no response within 15 days is problematic. All of the involved institutions shall be giving their consent, or state what the problems are. The actual situation on site should be notified from the beginning, so the investor aware in advance of all possible problems and expenses that will arise during the works.

Urban Technical Conditions – UTC: This is the basic document for the Investor and also the Design Company for the execution of Detail Design. The biggest problem with UTCs is that the connection points to municipal infrastructure (water, sewage, electrical, etc.) are not well defined. Therefore, there are many occasions where the Detail Design is executed in accordance with UTC’s, but the actual situation on the site does not reflect the situation described in UTC’s. So once the construction works start, Investor needs to visit once again the local Water & Sewage and/or CEDIS in order to determine how to connect the new facility to the infrastructure. This can be a lengthy procedure, and there are occasions where the facility is completely finished, but still without electrical and/or water & sewage connections.

2. Large amounts of the charge for used transmission capacity paid by electricity generators connected to the transmission system – Since January 1, 2014, the Amendments to the Methodology for setting regulatory allowed revenue and prices for the transmission system use have established obligation of electricity producers connected to the transmission system to pay for the engaged network capacity. Until January 1, 2014, the used transmission capacity was paid only

by electricity customers, so that the entire regulatory allowed revenue of the Transmission System Operator was covered by charges paid by customers. Given that electricity generation in Montenegro has not been regulated since 2012, EPCG, in its capacity of electricity generator, is not able to directly 'include' the mentioned cost in prices for its services. The amounts of charges defined by the concerned methodologies for 2019 were 849.5877 €/MW/month, what amounts to 2,895 €/MWh, if converted into balancing generation of EPCG for 2019. According to the Energy Regulatory Agency's decision for 2020, producers are obliged to pay the fee to the Transmission System Operator calculated by power and energy in the amount of 202,2765 €/MW/month for the installed power of energy subject and 2,5281 €/MWh for its generation. These prices considerably exceeds the amount defined by the EC Decree no. 838/2010 on definition of guidelines relating to the charge mechanism between transmission system operators and the joint regulatory access to transmission collection.

3. Newly introduced local ecological tax for TPP Pljevlja – In December 2019, Municipality Pljevlja issued a Decision of the amount and method of payment of a fee for protection and improvement of the environment of Municipality Pljevlja which was approved by the Government of Montenegro. The aforementioned Decision states the following: "Fee for legal entities and entrepreneurs engaged in the activities in the Municipality Pljevlja is set in the amount of 1,7% of revenue generated on yearly basis from the sale of raw materials, semi-finished products and finished goods in the country and abroad, for the year preceding the year for which the fee is determined." This Decision will impact TPP Pljevlja and it is estimated that this additional cost will be in the range between 1 M€ and 1,5 M€ on a yearly basis.

4. Inefficient work of the Real Estate Directorates. Local units of the Real Estate Administration should respect legal terms for bringing the decision on registration of the ownership title (sometimes more than 6 months);

5. Further labor market deregulation - skilled and unskilled labor is becoming increasingly difficult to find especially in the construction sector and the current labor law, is an anachronism and does not provide or promote the flexibility or performance culture required to drive an efficient and competitive economy. The drain of labor from the Country needs to be addressed urgently through liberalization of the working visa scheme for foreign labor force.

6. The process of amending planning documents (state planning documents, higher order local plans, detailed urbanistic plans) is too slow, often delayed by intransigent authorities or / and entities that do not seem to understand the complexities of the large-scale projects that are being undertaken or the time imperatives that impact these businesses and are not held to account for their failures to act in a timely manner. Clear and transparent timeframes should be implemented strictly on all processes.

7. Introduction of the restrictions on Sunday trading does not promote the Country as a serious tourism destination and such decision must be reviewed as a matter of urgency. The deregulation and liberalization of the labor market is a key solution to this issue.

8. Full implementation and use of digital signature – enabling the opening of a bank account and applying for other banking services without going to the bank.

9. Mutual harmonization of legal solutions in order to promote e-business. For example, Law on business organizations prescribes that the using of official stamp is not obliged for business organization. While, on the other hand, Law on VAT prescribes that invoice must state signature and stamp of the invoice issuer.

10. Taxes are disproportionately high compared to salaries. Number of local taxes and their amount should be reduced.

IMPLEMENTATION STATUS OF THE ACCEPTED RECOMMENDATIONS FROM THE WHITE BOOK 2018¹

LAW ON LOCAL SELF-GOVERNMENT FUNDING

MFC RECOMMENDATION/COMMENT:

Taking into account the proposals of the Foreign Investors' Council and the analyses of the employers' associations, it is recommended to the Government to create the policy of fiscal burdens at the local level through a simpler system, with significant reduction of these fiscal burdens.

REPLY OF THE MINISTRY OF FINANCE

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 25th December 2019, the Government of Montenegro approved the proposal of the Decision on local administrative fees and the Proposal of the decision on local communal fees for these municipalities: the Capital of Podgorica, Nikšić, Tuzi, Danilovgrad, Bijelo Polje, Kolašin, Mojkovac, and Cetinje.

Accordingly, it was found that a larger number of fees was kept at the same or lower level than the one defined in the valid Decisions on local administrative fees. More precisely, the new Decision on local administrative fees cancels a significant number of fees. The percentage of cancelled fees for these municipalities ranges between 32% and 78% compared to the valid decision. By taking into account the reduction of fees in percentage per municipality, it can be concluded that the average fees reduction ranges between 35% and 54%.

The Proposal of the Decision on local communal fees cancels some fees ranging from 48% to 85% compared to the valid decision. By taking into account the reduction of fees in percentage per municipality, it can be concluded that the average fees reduction ranges between 7% and 60%.

MFC RECOMMENDATION/COMMENT:

When adopting the Law on roads, to reduce the number of fiscal burdens to be defined at the local levels. In doing so, the introductory provisions should be taken into account specifying double basis for payments, and lack of clear provisions indicating what these payments bring in return and alike. As an example, we list the fees that the legal entities pay under several basis for the same purpose: a) pretty high fee for communal infrastructure of construction land in the process of obtaining construction licenses – it is understood that the investor gets the road infrastructure within construction equipment; b) fee for construction of commercial facilities that can be accessed from the municipal road (the purpose of this tax is not clear as it is considered that any economic activity requires the access to the facility by road); c) annual fee for construction of commercial facilities that can be accessed from the municipal road (the purpose of this tax is not clear, additionally explained under recommendation 1).

REPLY OF THE MINISTRY OF TRANSPORT AND MARITIME AFFAIRS:

In comparison to the Law in force, the Proposal of the Law on roads, Article 20 paragraph 1, cancels these four fees: fees for the construction of commercial facilities that are accessible from the road; fee for setting up commercial-market, commercial-individual and commercial-informative signs on the road and by the road; fee for connecting an access road to a public road and fee for foreign road vehicles. This has created more favorable

¹ Answers of line institutions as at 31st December 2019

business requirements. The first three fees are cancelled since these are regulated under the Law on spatial planning and construction as a fee for communal equipment of the land and specified in the provisions on temporary facilities installation. In this way the possibility of double charge is eliminated. The fee for foreign road vehicles is a discriminatory fee and it is cancelled – it did not apply in practice even though it was agreed under bilateral agreements with other states. When drafting the Proposal of the Law on Roads, the Ministry of Transport and Maritime Affairs has analyzed in details the requests of all stakeholders and proposed the best solutions to remove administrative and business barriers by taking into account the smooth development, construction and maintenance of public roads.

Moreover, regarding the comment to challenge the grounds for collecting the fee to use commercial facilities accessible from the public roads depending on the type, category and surface of the facilities, we hereby inform you that this fee was previously discussed at the Competitiveness Council and several meetings were held with the representatives of the industry and the Community of municipalities in Montenegro. Namely, by taking into account the request of the Community of municipalities of Montenegro no. 03-688/19 from 31st July 2019 and the opinion of the Ministry of sustainable development and tourism no. 101-62/5 from 2nd August 2019, the fee was kept in the Proposal of the Law on roads while it was deleted from the Law on communal activities („Official gazette of Montenegro“, no. 55/16, 74/16 and 2/18) in a way defined in Article 119 of the Proposal of the Law on roads. Thus, multiple collection of the fee for the same grounds is eliminated.

However, as the intention of the Montenegrin economy and the Ministry of Finance is to display all the fees as a single fee, as defined under the Law on communal activities, we are ready to arrange the Proposal of the Law on roads in that way. To do so, the Ministry of Transport and Maritime Affairs has to wait for the opinion of the Ministry of Finance.

MFIC RECOMMENDATION/COMMENT:

To create a more transparent work of the local services, it is recommended to establish a single regulatory framework for all administrative procedures for all local self-governments (deadlines, information availability, follow-up and reporting on the submitted requests). This is important to prevent the investors from facing different experiences in the same administrative procedures in different local self-governments.

REPLY OF THE MINISTRY OF PUBLIC ADMINISTRATION:

Regulatory framework for administrative procedure regarding rights and legal interests of physical and legal entities and other stakeholders is based on the Law on administrative procedure („Off. Gzt“ no. 56/2014, 20/2015, 40/2016 and 37/2017) and special laws prescribing specific exemptions compared to the Law on administrative procedure due to the specific nature of the administrative matters in specific administrative fields.

Namely, the Law on administrative procedure regulates the rights which bind state bodies, state administration bodies, local self-governments bodies, local administration bodies, institutions and other entities exercising public authorizations to act in order to ensure the protection of rights and legal interests of physical and legal entities or other parties as well as the protection of public interests. The provisions of the special laws which prescribe required exemptions from the rule of administrative procedure due to the specific nature of the administrative affairs in specific administrative fields shall not be contrary to the principles and goals of this Law. These provisions shall not reduce the protection level of rights and legal interests of the stakeholders prescribed under this Law. Further on, the Law on local self-government, Article 5 („Off. Gzt“ no 2/18 and 34/19) prescribes that a municipality should perform the activities within its competencies in line with the law, statute and other acts.

Bearing this in mind, the local self-government bodies, local administration bodies, institutions and organizations established by the local self-government unit shall respect the rules of the administrative procedure prescribed under the Law on administrative procedure, in all administrative matters. Also, during the procedures regulated under special laws, the municipalities shall respect the rules prescribed under special laws.

So, there is a single regulatory framework in Montenegro all self-government units shall respect in administrative procedures kept before their bodies and organisations they established in order to exercise rights and legal interests of physical and legal entities and other stakeholders.

MFIC RECOMMENDATION/COMMENT:

In the White Book 2016/17 recommendation related to necessity of appropriate interpretation of the Law on Roads especially Article 22 (defining the basis for the fee to be paid for using road land for placing infrastructure) was strongly supported by the Ministry for Traffic and Maritime Affairs and the Ministry of Economy which is very much appreciated and welcomed by the companies from telco and energy sector. We believe that the new Law on roads that was subject of public debate in 2018 (reportedly it is in the final harmonization phase) and bylaws that need to be harmonized with it, will bring the new era in elimination of business barriers related to this issue. Telco and energy sector operators, as well as the Montenegrin Foreign Investor Council, submitted comments and proposals on Draft Law which, if accepted in the final version of the Law, will definitely eliminate this business barrier presenting illegal financial burden that some local governments are constantly exercising on these two sectors for years. In our experience, the best way of elimination of this barrier and misinterpretation of the Law by the local governments, is that the Law explicitly forbids such practice.

REPLY OF THE MINISTRY OF TRANSPORT AND MARITIME AFFAIRS:

The proposal of the Law on roads envisages specific fees paid by the users of the public roads (state and municipal) contained as well in the Law on roads currently in force. Since the existing law prescribes specific fees charged by the relevant body in charge of the roads for the state roads and by municipalities for the municipal roads and since the implementation of this Law entailed misinterpretations and wrong implementation of the Law by some municipalities, the Ministry of Transport and Maritime Affairs identified this issue and proposed specific provisions to have a clear interpretation.

Namely, the proposal of the Law on roads precises the definition of the electronic communication line as follows: „electronic communication line is made of electronic communication cables, their elements and related equipment which makes a technologically and functionally inseparable part of the lines and they all make a functional whole“ (cable distribution cabinets, outdoor cabinets, shafts, poles and pits) which makes it clear that a single technological and functional whole is made of cables and additional elements such as poles and pits...

In addition, the definition of a commercial facility is defined as follows: “a commercial facility is station for fuel supply to motor vehicles, station to charge electric vehicles, auto repair shops, facilities for temporary storage of disabled vehicles, catering establishments, tourist facilities, sports and recreational facilities and other commercial facilities where cash transactions are performed based on sale / purchase of goods“. This does not include current practice of some municipalities which considered base stations or power transformation stations as commercial facilities.

To prevent the potential abuse in terms of prescribing additional charges or amounts higher than the fees charged for the use of public roads, paragraph 7 of Article 20 of the Proposal of the Law on roads prescribes that the amount and payment conditions for the municipal roads from paragraph 1 points 3 to 9 of this Article and parts of the state roads passing through the settlement shall be defined by the local self-government with the previous consent of the Government.

MFIC RECOMMENDATION/COMMENT:

The Cinematography Law entered into force end of July 2015. Article 36 of the Law stipulates (among others) the obligation of electronic communications, 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. The MFIC already challenged this financial burden put on telco operators especially the segment related to internet access revenues being the basis for tax calculation. It is worth mentioning that in the process of public consultations on the Draft Law, both regulatory agencies (for electronic communications and for electronic media) supported operators in challenging the subject fee. However, these suggestions were not accepted and the obligation remained. We still believe that these obligations need to be deleted from the Law on Cinematography and hence this „special” tax was challenged in the previous versions of the White Book.

The Ministry for Economy responsible for telco sector supported the WB recommendation. However, the Ministry for Culture, without accepting provided argumentation, claimed that electronic communications operators provide internet access to end users allowing them access, in various ways, to any cinematographic work and therefore they are qualified as tax payers. According to the Ministry's opinion, the operators, by allowing access to various portals and sites with cinematographic works enable their use without any compensation, thus jeopardizing the right of the cinematographic sector to commercial benefits from its products, which is, it must be noticed, at least a misconception, because operators provide internet access and cannot influence what one can find and watch on the Internet which is by its nature open in general. Operators cannot be responsible for the content that is available on the Internet. Operators are responsible only for their own content and besides, the Montenegrin Electronic Communications Law defines which contents need to be banned and among them there are no regular cinematographic works. And finally the rights of cinematographic producers in Montenegro are protected through „A prava” organization to which operators pay 2% of yearly revenues from Pay TV service. So, this should be considered as double taxation.

REPLY OF THE MINISTRY OF CULTURE:

At the session held in October 2019, the Competitiveness Council analyzed the initiative of Crnogorski Telekom about Article 36 of the Cinematography Law and adopted the Conclusion binding the Ministry of Culture and the Ministry of Economy to jointly find the acceptable solution for this matter.

Two ministries established a working group that would analyze the impact of this regulation to the operations of the initiator. The members of the working group are the following:

The Ministry of Economy:

- Milan Srzentić, State Secretary
- Ratka Strugar, Head of Directorate for electronic communication, postal services and radio spectrum
- Ivana Marković, Senior Civil Servant I in the Directorate for electronic communication, postal services and radio spectrum

The Ministry of Culture:

- Dražen Blažić, State Secretary
- Dragica Milić, Head of Directorate for cultural and artistic production
- Sehad Čekić, Manager of Film Center Montenegro

The working group will gather in January 2020.

DEVELOPMENT OF ELECTRONIC COMMUNICATION NETWORK

MFIC RECOMMENDATION/COMMENT:

Having in mind that deployment of high-speed electronic communications networks, besides requiring significant investments, is time-consuming activity as well, electronic communication operators welcomed very much the intention of the Montenegrin Government to transpose the DIRECTIVE 2014/61/EU on measures to reduce the cost of deploying high-speed electronic communications networks. Operators are very much interested in the subject Law to be harmonized and enacted as soon as possible since the Law will provide preconditions for limiting some of the cost-intensive civil engineering works and duration of administrative procedures and thus would make broadband roll-out more effective.

REPLY OF THE MINISTRY OF ECONOMY:

At the session held on 19th December 2019, the Government adopted the proposal of the Law on access and installation of high-speed electronic communication network according to the Government Agenda 2019. The proposed Law prescribes the measures to reduce the costs of installation of the high-speed electronic communication networks related to the access and mutual use of the existing physical infrastructure, data on the existing physical infrastructure, coordinated execution of construction works and procedures on planned construction works as well as competent bodies to solve disputes and establishment of information system on the area, dispute settlement system, collection and protection of the data secrecy and supervision over the implementation of this Law. The aim of this Law is to reduce costs, facilitate and encourage the installation of high speed electronic communication networks for potential investors (both state and the operator) to accelerate the fulfilment of the tasks specified in the Digital Agenda for Europe.

We also point out that the Draft of this Law was prepared in 2017 when it was supposed to be adopted. However, as it should be complied with the new Law on spatial planning and construction (adopted end of Q3 2017) and with the Decree on content and keeping the documentation and information system and indicators to follow up the implementation of planning documents (adopted on 23rd November 2017 at the Government's session), its adoption in Q4 2017 was not possible.

MFIC RECOMMENDATION/COMMENT:

In order to reduce the risk of further collisions with applicable legislation and practice and the impossibility of implementation of the regulation itself, it would be extremely useful that credit institutions are provided with by-laws, in addition to the draft law, in order to have a clearer picture of what the regulation should regulate. Taking into consideration solutions regarding new capital requirements defined by the new Law, we believe that determined proposals will inevitably increase the cost of capital which might, in turn, negatively affect costs of financing and lower the economic growth.

Having this in mind, introduction of new obligations should be accompanied with thorough analysis of the primarily quantitative impact through preparation of detailed and transparently Regulatory Impact Assessment of the Law. We strongly believe that this can only be conducted on the basis of in parallel prepared by-laws.

Also, we consider that introducing the new Recovery Fund for the banks should be more precisely and transparently defined in order to take care about respecting the principle of fair competition at the market and that adequate weighting with the risk profile of certain banks should be introduced for the calculation of the contribution to the recovery.

REPLY OF THE MINISTRY OF FINANCE:

When preparing the text of the Law, the Central bank had several meetings with the representatives of credit institutions. After that, the draft Law was submitted to the Ministry of Finance to be published for public debate. The public debate was open from 20th January to 4th March 2019 and the banks / credit institutions gave their comments and suggestions to the draft Law.

Because of the increased interest of the banks, the Ministry of Finance, together with the Central bank, organized two meetings with the representatives of the banks and the Banks' Association on 27th March (operational

meeting) and 29th March (meeting with the management of the banks). At these meetings it was stated that the banks and the regulator highly comply. It was agreed that the bylaws would be prepared in stages and delivered to the credit institutions by the Central bank for opinion and direct participation of the banks' representatives when discussing all regulations.

The Law on Credit institutions and the Law on recovery of credit institutions were adopted by the Parliament of Montenegro on 2nd December 2019.

When preparing the Draft Law, the Report on the conducted regulatory impact assessment was prepared and it is published on the Ministry of Finance website, together with the report on public debate: http://www.mif.gov.me/rubrike/javne_rasprave/197806/lzvjestaji-sa-javnih-rasprava.html

Additionally, to have a detailed overview of the impact of the Law on credit institutions and bylaws to be adopted in line with the Law, the Central Bank, in cooperation with the banks, collects the data important for QIS (quantitative impact study) to identify potential adverse effects to the banks and define the way to alleviate them or eliminate them within the frameworks harmonized with the relevant EU regulations. When it comes to the Law on credit institutions recovery, more precisely to the establishment of the Recovery Fund, the Central Bank will prepare a bylaw and methodology to calculate the funds to be allocated by the banks for the Recovery Fund in 2020, taking into account the risk profile of the banks, in cooperation with the banks.

MFIC RECOMMENDATION/COMMENT: WRITING OFF OF THE CLAIMS

Article 17

(1) Adjusted (written off value of) doubtful claims shall be recognized as expenses provided that:

- The terminology in Articles 17 and 18 of the Law on Corporate Profit Tax related to the impairment is not harmonized. In Article 17 there is no difference between the impairment and the writing off while in the bookkeeping terms these two terms represent two categories.
- Bookkeeping writing off of the value can be made by direct writing off when the claims are derecognized as expenses or by indirect writing off when the claims are derecognized as already created impairment

Article 18

- It is necessary to delete "created impairment" and to leave "writing off of the value"
- It is necessary to define whether the claims derecognition at the expense of impairment set out in the previous period is considered or not the writing off of the claims for the tax purpose (writing off covered by the impairment), provided that the impairment is made in line with Article 18 of the Law.

1) is proven beyond doubt that such claims were previously included in taxpayer's revenues;

PROPOSAL: - This paragraph should be amended for the banks and other financial institutions – it relates to the writing off of the principle. The principle is never recognized as income of the bank and/or financial institutions. - It should be envisaged how to write off the claims (by which the legal entities indebted the client) for the executed payments (costs of the notary, lawyers, liquidation initiation and alike). These claims have never been the income in the corporate books. We suggest a more precise definition of this Article and that the tax treatment is not the condition of the booking.

2) such claim was written off in the taxpayer's books as uncollectible;

PROPOSAL: - Within the term written off as uncollectible, it should be defined whether this is a transfer of the claims in the off-balance, when the legal entity plans further claims collection or it is a final writing off of the debt, when the legal entity releases the client from any obligation.

- "Written off as uncollectible" should include only the final writing off of the debt while the transfer of the claims into the off-balance has no impact to the tax payer.

3) the taxpayer presents required evidences of unsuccessful collection of such claims or that the executive procedure is initiated for claims collection or that the claims are reported in the bankruptcy or liquidation procedure over the debtor;

PROPOSAL: - For the claims of small value, there is no economic logic of initiating the executive procedure. It is necessary to define the amount of insignificant value or the limit, for which it will not be required to meet the obligations under this paragraph.

- As an example, insignificant values are the claims of up to 50 EUR. Preparation of the documentation and ini-

tiation of the executive procedure costs a lot more.

4) that the claim is older than 365 days.

(2) Doubtful claims, recognized as expenses, and then collected, shall be included in the revenues of the taxpayer at the time of their collection.

REPLY OF THE MINISTRY OF FINANCE:

The Ministry of Finance prepared the Proposal of the Law amending the Corporate Income Tax which should be sent to the European Commission in Brussels. The Proposal of the Law complies the current Law with the EU Council's Directive 32011L0096 on common system of taxation applicable in the case of parent companies and subsidiaries of different EU Member States and the EU Council's Directive 32003L0049 on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States. To prevent tax evasion or to reduce tax evasion, while taking into account a growing number of taxpayers having transactions with related parties, it was needed to amend the existing Law in the part related to taxation of income from transactions between the related parties in the domain of transfer prices.

During the preparation of the Draft Law, it was sent for opinion and comments to the Competitiveness Council, Chamber of Commerce of Montenegro, Employers' Association, Montenegro Business Alliance and the American Chamber of Commerce.

Since the new legal framework for the banks' and credit institutions' operations in Montenegro is being adopted which will closely define, as we assume, the notions of impairment, writing off and doubtful receivables and since the current solution from paragraph 1 Article 17 of the Law on income tax has been applied since 2002, we believe that it is not needed to amend this paragraph 1 of Article 17 at this moment.

MFIC RECOMMENDATION/COMMENT:

TAX BASE - Under Article 4 of the Law on Accounting, the legal entities shall prepare their financial statements in line with the IAS or IFRS published by the IASB and stipulated and published by the state body competent for the financial affairs or another legal entity that was delegated to perform these operations.

Article 93 of the Law on Banks stipulates that the bank shall maintain business books, draw up accounting statements, evaluate assets and liabilities and prepare financial statements in accordance with this Law, regulations issued based on this Law, International Accounting Standards and International Financial Reporting Standards.

PROPOSAL: - Given the above-mentioned, it is necessary to define the taxable income for the legal entities that are obliged to implement IAS or IFRS and taxable income for the legal entities that are not obliged to implement these standards until the moment those are published by the relevant institution.

REPLY OF THE MINISTRY OF FINANCE:

We believe that bigger exemptions regarding modification of tax base for the effects of amending the international accounting standards should not be made. Experience shows that a pretty dynamic amendment in the international accounting standards can cause that all temporary differences between tax base and the result in the income statement are significantly complicated with the possibility to have so-called permanent differences. Interim solutions to try to comply the tax base for the effects of the amended international accounting standards result quite often in complicated solutions which create the opportunity to have double taxation or non-taxation.

MFIC RECOMMENDATION/COMMENT:

The operations of factoring, financial lease, purchase of receivables and alike may be considered borrowings as their goal is to provide the client with the funds. We believe that the factoring-related interest can be regarded as the fee for clients financing which is exempt from VAT under Article 27 point 1 of the VAT Law. - Within the quoted paragraph of Article 27, it is necessary to add the services which the banks and financial institutions may provide that are defined under the Law on financial lease, factoring, purchase of receivables, micro-lending and credit-guarantee operations..

REPLY OF THE MINISTRY OF FINANCE:

The proposed solutions referring to the amendments to the VAT Law or definitions of financial services and exemptions from VAT will be discussed after the new Law on credit institutions is adopted since this Law will define these services. We believe that the services contained in this recommendation can be defined within bylaws to the VAT Law.

LAW ON HEALTH INSURANCE

MFIC RECOMMENDATION/COMMENT:

Right to temporary work prevention compensation - The Ministry of Health, when amending the Law on Health Insurance (planned this year), would review the possibility to use this right, with the participation of the employer, bearing in mind that the Labor Law prescribes that the employer may cancel the employment agreement in case of abusing the right to be absent during temporary incapability to work.

REPLY OF THE MINISTRY OF HEALTH:

The latest amendments to the Law on health insurance have come into effect on 19th December 2019. With these amendments we took into consideration the opinion of the companies and the Fund for health insurance that the selected General Practitioner defines temporary prevention to work up to 30 days instead of 15 days as it was envisaged under the previous Law. After 30 days, the temporary prevention to work will be analyzed by the competent medical commission. As the selected General Practitioner monitors continuously the patient and has a picture of their health condition and since specific diagnostic procedure cannot be completed within 15 days, the Ministry of Health accepted this proposal and authorized the selected General Practitioner to define temporary prevention to work up to 30 days.

On the other side, in case of abuse of this authorization, or in case of improper and undocumented prescription of temporary work prevention the penalties were introduced for the selected General Practitioner, members of the commissions, health care institutions and manager of the health care institution, in addition to the previous definition of such offense as severe violation of the work obligation.

LAW ON BANKRUPTCY

MFIC RECOMMENDATION/COMMENT:

In the previous White Book edition it was suggested to amend the Law on bankruptcy in a way to introduce the obligation of the bankruptcy manager to share the evidence submitted by another creditor when the bankruptcy manager specifies the receivables as questionable.

Moreover, it is necessary to prescribe by the Law the deadlines based on which the bankruptcy manager has to make the decision in the procedure related to the questionable receivables, bearing in mind the urgency of the bankruptcy procedure.

Another recommendation on amending the Law on bankruptcy referred to adding a provision stipulating the obligation of the bankruptcy judge to specify an independent external financial advisor or financial expert, before voting upon the Plan and upon the request of one or several debtors having at least 30% of the reported receivables. The costs shall be borne by the debtor submitting the Plan. The financial advisor or expert should assess the feasibility of the proposed Plan, the validity of the applied assumptions and sustainability of the proposed measures because in some cases these plans are groundless, without business rationality or reality.

Further, in the previous White Book edition, it was stated that one of the problems that the banks in Montenegro face is a situation when they appear as secured creditors in bankruptcy procedures where the reorganization is implemented with the strict application of the Law on bankruptcy. These issues impact directly the status of the creditors, mainly financial institutions, which appear in most cases as holders of the secured rights over the property of the debtor. The provisions of the Law on bankruptcy on the adoption of the Reorganization plan impact directly the status of the banks and this jeopardizes, limits and annuls the rights and possibilities of the creditors to collect their receivables in the most efficient way and sometimes the only way. The status of the secured creditor has no sense in this case and such solution has a negative impact to the entire legal security in the system, especially in the financial sector. It is necessary to initiate the amendments whether in terms of increasing the voting rights of the secured creditors (by taking into account their exposure) or enabling the collection of the secured creditors regardless of the adopted plans.

REPLY OF THE MINISTRY OF ECONOMY:

We reconfirm our previously given answers and we remind that the adoption of the Proposal of the Law amending the Law on bankruptcy at the Government is expected by the end of Q1 2020.

OTHER OBSTACLES

MFIC RECOMMENDATION/COMMENT:

Tax audit / control - To develop a more structured audit process within Tax department and not to be dependent on the personality of individual auditors. The introduction of a formal directive with detailed procedures and guidelines on the performance of audit publicly available would be ideal for increasing the trust and cooperation spirit between the authorities and the tax payer. Companies would appreciate a transparent environment with clear obligations, but the ways of defense as well when they feel that are misjudged.

REPLY OF TAX ADMINISTRATION:

According to the provisions of the Law on Tax Administration, tax audit/control or inspection supervision represents the procedure of verifying and defining the facts important to impose tax to taxpayers and other persons. In the first half of October, IMF expert Mr. John Buchanan visited Tax Administration in order to support the Administration to strengthen inspection supervision. Based on the documentation submitted by Mr. Buchanan and the existing legislation, Internal rules of the Inspection Supervision Department were adopted. In addition, the Manual to perform inspection supervision in construction and the Plan to improve the respect of tax obligations 2020 were adopted. The Plan defines key risks to implement tax regulations and their treatment based on level,

activity and key business operations.

We point out that the creation of Internal rules to control taxes to hydrocarbon is planned for Q2 2020

MFIC RECOMMENDATION/COMMENT:

High amounts of the charge for used transmission capacity paid by electricity generators connected to the transmission system - since January 1, 2014, the Amendments to the Methodology for setting regulatory allowed revenue and prices for the transmission system use have established obligation of electricity generators connected to the transmission system to pay for the engaged network capacity. Until January 1, 2014, the used transmission capacity was paid only by electricity customers, so that the entire regulatory allowed revenue of the Transmission System Operator was covered by charges paid by customers. Given that electricity generation in Montenegro has not been regulated since 2012, the EPCG, in its capacity of electricity generator, is not able to directly 'include' the mentioned cost in prices for its services. The amounts of charges defined by the concerned methodologies for 2019 are 849.5877€/MW/month, what amounts to 2,895 €/MWh, if converted into balancing generation of EPCG for 2019.

This price considerably exceeds the amount defined by the EC Decree no. 838/2010 on definition of guidelines relating to the charge mechanism between transmission system operators and the joint regulatory access to transmission collection

REPLY OF THE MINISTRY OF ECONOMY:

The payment of fees to use the transmission capacity by the electricity generator is the practice which the regulatory bodies in Europe started to apply before 2010. This practice is based on the principle "the user pays" whereas the users of the transmission system are physical or legal entities which take electricity as buyers or deliver electricity in the system as producers.

The main reason to introduce this concept is that the transmission system is developed because of the consumer needs and producer needs as well which includes the removal of physical obstacles for cross-border electricity exchange for market development. So, it is important to point out that this regulatory principle occurs and develops in parallel with the development of the electricity market. It applies in the EU Member States which were the first to abandon the concept of electricity production regulation and promoted the electricity production based on market principles. That is why we point out that the EPCG should pay the fee for the use of transmission system like many other electricity producers in Europe which are connected to the transmission system and operate in line with the market principles.

We remind that the EU model of electricity market includes sectoral transformation and segregation of transmission and distribution activities as regulated grid activities, from production to supply, as market activities. The production is the first energetic activity in Montenegro which was transformed in the desired form. Namely, since 2011 the Agency has introduced the method of gradual approximation of the produced electricity price to the market price when the production as activity stops to be regulated. Since the electricity production in Montenegro is not a regulated activity, as stated in the report, there is no obstacle for the producer to transfer the costs of their business in the price of their services.

In line with the previous regulatory practice in Europe, on 1st January 2014 the Agency introduces the fee for the use of transmission system paid by the electricity producers. Since then, the total cost for the use of transmission system is not paid only by the buyers (households, small and large companies) but also by the electricity producers as the system users (part of these costs). The historic movement and growth predictions of electricity spending and production are only few parameters taken into account when defining the fee to use the transmission system.

In the previous period, the Agency organized public debate on the Draft of the Methodology to define regulatory allowed revenue and prices to use the transmission system which contained the amendments in the part of costs allocation. The round table was held on 19th April while public debate was open until 23rd April 2019.

After the public debate was completed, the new Methodology was adopted („Official gazette MNE“, no 32/19 and 50/19).

On 2nd December 2019, the Agency adopted the Decision on defining regulatory allowed income and price for using transmission system from 1st January 2020 to 31st December 2022 („Official gazette of MNE“, number 66/19). This Decision defines the prices to be paid by the electricity producers connected to the transmission system as follows:

- for 2020 for tariff-related element maximum available active power in the amount of 202.2765€/MW/month for tariff-related element active electricity in the amount of 2,5281 €/MWh,
- for 2021 for tariff-related element maximum available active power in the amount of 200,9417 €/MW/ month for tariff-related element active electricity in the amount of 2,7291 €/MWh and
- for 2022 for tariff-related element maximum available active power in the amount of 220,5185 €/MW/ month for tariff-related element active electricity in the amount of 2,4636 €/MWh.

The effects on implementing the new Methodology compared to the EC Regulation number 838/2010 on laying down guidelines relating to the inter-transmission system operator compensation mechanism and a common regulatory approach to transmission charging will be known when the final data on electricity production in 2020 are disclosed.

MFC RECOMMENDATION/COMMENT:

Foreign entities which made taxable supplies in Montenegro are not required, nor allowed to register for VAT in the country. Foreign entities can only appoint their VAT representative in Montenegro, provided that the appointment of a VAT representative is optional.

In case a foreign supplier does not appoint a VAT representative, the VAT due on such foreign entity's supplies was settled by the local recipient of goods and services, through a reverse charge. As a result, in practice, foreign suppliers almost never appoint a Montenegrin VAT representative, and the VAT due on supplies made by foreign entities was settled through a reverse charge by Montenegrin recipients of goods and services. It would be reasonable to introduce mandatory VAT registration of foreign entities who make VAT-able supplies in Montenegro. (ex. Serbia). (The Ministry of Finance: the recommendation will be discussed in 2019).

REPLY OF THE MINISTRY OF FINANCE:

The Tax Administration initiated the amendments to the Rulebook on the application of the VAT Law in 2017 in the part related to the tax representative. Upon the proposal of the Tax Administration, this Ministry intends to clarify this year the institute of tax representative for the VAT to avoid confusions with the participants in the VAT turnover and the tax authority. We believe that at this moment the introduction of the mandatory registration of a foreign entity for the VAT is not the solution because legal and technical preconditions with the tax bodies and legal entities should be created for the new legal solution. This Ministry should analyze your proposal in the following period and after the detailed analysis it shall present its opinion and inform you hereon.



7. PRIORITIES OF THE GOVERNMENT OF MONTENEGRO FOR 2020

In its agenda for 2020 regarding the 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.

The measures which the Government has defined in the Work Program for 2020 reflect as well the interests of the MFIC members, with the expectation that the opinions and recommendations given in the previous period would be taken into account.

It is encouraging that the Government envisaged the

activities related to the development projects of priority and it would significantly contribute to the creation of possible new investments in traffic infrastructure, energy and tourism.

As it is stated in the Government Work Plan for 2020, the activities of the Government in 2020 will be directed at two areas of priority: continuation of the European integrations and strengthening the rule of law and further reinforcement of the economic growth with the increase of employment and strengthening of competitiveness.

Key strategic document from the European agenda in the Government Work Plan for 2020 that will mark the efforts of Montenegro in structural reforms and fiscal policy is the Economic Reform Program 2020-2022. This is the document the candidate Member States submit to the European Commission once per year as a three-year projection of macroeconomic stability and as an experimental exercise for participation in the European semester as of the day of joining the EU.

The rule of law is a key factor of reform dynamics for faster accession to the EU because it represents a central issue of the negotiation process with the EU and be-

cause it gets a special importance at the level of the EU more than ever before. Dynamic activities to continue in 2020 which belong to negotiation chapters 23 and 24 and which reside on the present results of the system for anti-corruption and organised crime include reinforcement of the autonomy and efficiency of the judicial system and improvement of the strategic framework with the adoption of new Strategy on judicial reform 2019-2023, and a faster and more cost-efficient access to justice for citizens and legal entities through the Program of alternative dispute resolution 2019-2021.

Therefore, the focus remains on the continuation of the judicial reform, further strengthening of its efficiency, quality and performance measurement through improvement of the information system and better statistics. In addition, with this Government Work Plan, the activities to promote and protect basic rights should continue; the cycle of adopting a series of important media-related laws with the adoption of the Law on audio-visio media services should be completed; this will influence the improvement of media environment, strengthening of media freedoms, professionalism and media standards.

A strategic goal of the Montenegrin economic policy is a smart, sustainable and inclusive growth which will contribute to the increased quality of life of all citizens and to reaching the European living standard.

When it comes to the new regulations, it is particularly important to mention the following:

▶ **Proposal of the Law amending the Law on Central Registry of Citizens** – this Law shall amend the current Law to create conditions to access administrative sources of data, what is essential for getting official statistical results and for complying with other material regulations in Montenegro. The Law will create a legal basis for competent bodies to access the Central Registry of Citizens so that the registry citizen census could be implemented. The advantages to use the registries as administrative sources and their mutual integration provides statistical data of greater quality.

▶ **Proposal of the Law amending the Law on bankruptcy** – this Law amends the current Law to create assumptions to improve cost-efficiency, rationality and efficiency of the bankruptcy procedure. The Law will additionally improve the legal framework in order to regulate the issue of choosing a bankruptcy manager for providing additional guarantees that the bankruptcy managers will perform their duties professionally and competently.

▶ **Proposal of the Law amending the Law on Energy** -

this Law amends the current Law for further harmonization with the EU rules on energy and for improvement of regulations in this area.

▶ **Proposal of the Law amending the Law on spatial planning and construction** - this Law amends the current Law in those provisions regulating the matter of removing the identified administrative barriers; communal equipment of the construction land until the Plan of General Regulation is adopted; other amendments relate to the removal of issues identified in practice in order to have a more efficient process of spatial planning and construction.

▶ **Proposal of the Law amending the Law on Tax Administration** - this Law amends the current Law to comply with the Directive of the Council 2011/16/EU on administrative cooperation in the field of taxation (DAC 1) and amendments to this Directive: Directive of the Council 2014/107/EU on mandatory automatic exchange of information in the field of taxation (DAC 2), Council Directive 2016/881/EU on providing information on completed transactions between related persons (DAC 4) and Council Directive 2016/2258 on access to anti-money laundering information by tax authorities (DAC 5). This is how legal framework for developing the system for information exchange between competent bodies will be created and it will contribute to strengthening national tax systems and to improving tax collection.

▶ **Proposal of the Law amending the Law on VAT** - this Law amends the current Law to comply a number of existing solutions with the EU *acquis communautaire*, especially with the Council Directive 2016/112/EC on the common system for value added tax related to: use of business assets by tax payer and other persons and use of products in non-commercial purpose: banking and financial services – transactions exempt from VAT; transactions and delivery of mail services; VAT return to tax payer who does not have headquarters or permanent business unit in Montenegro; lower VAT rates for the services of preparation and serving of food, bottle water and alcohol-free drinks in hotels and submission of application for VAT calculation. Legal and technical compliance of some terms in the VAT Law will be harmonized with other laws.

▶ **Proposal of the Law on communal activities** - this Law should regulate the issues related to communal activities of common and individual communal spending (apart from regulated communal activities); conditions and manner of verifying the performance of communal activities, funding sources (service price and communal fee), rights and obligations of the communal

service providers and users and other issues to regulate more precisely the relations in the communal domain.

▶ **Proposal of the Law amending the Law on Pension and Disability Insurance** – for a sustainable pension system, greater fairness and adequacy of pension contributions, this Law will challenge the legal requirements enabling early retirement. This should affect prevention of early leaving the labor market and early retirement.

▶ **Proposal of the Law amending the Law on electronic document** - this Law amends the current Law to additionally improve the legal framework in this area to increase trust in e-document and create conditions for wide application of e-document.

▶ **Proposal of the Law on Personal Data Protection** – this Law should harmonize national legislation with the new EU rules: the Regulation of the European Parliament and Council 2016/679 on protection of natural persons with regard to the processing of personal data and the Regulation of the European Parliament and Council 2016/680 on protection of natural persons with regard to the processing of personal data by competent authorities for the purpose of the prevention, investigation, detection or prosecution of criminal offences or the execution of criminal penalties and on the free movement of such data.

▶ **Strategy on Digital Transformation of Montenegro 2021- 2025 with the Action Plan 2021-2022** – the Strategy should encourage innovative solutions, both

innovative products development and innovative business approach. The Strategy will define strategic goals the implementation of which should enable a faster and more efficient industry transformation, changes in organization and faster adjustment in a constantly changing environment. The Action Plan defines measures and activities, competent institutions, success indicators, implementation deadlines, required budget funds, funding sources and other issues of importance for Strategy implementation for 2021-2022.

▶ **Proposal of the Customs Law** – this Law harmonizes with the Regulation of the European Parliament and the Council 952/2013 defining the Customs Law of the Union. With the adoption of this Law, the conditions will be created to move to paperless business and full electronic data exchange with the Customs Union.

▶ **Proposal of the Law on Ports** – this Law shall regulate the procedure of concession assignment or public and private partnership in ports. It will also harmonize institutional solutions and competencies in line with the new Law on public and private partnership and improve some provisions that needed to be amended.

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.

8. ANNEX

1. FULL MEMBERS OF THE COUNCIL

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



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 Adriat-

ic'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



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 Ban-

ka, 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



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



Audit & Advisory – Auditing of financial statements in accordance with local and international accounting

standards, restatement of financial statements, financial due diligence, consultations and training in accounting.

Business Advisory Services – Reviewing of accounting systems and internal controls, control assurance services, internal audit services, risk management, process and systems integrity, project quality assurance, advisory services and implementation of IFRS, business process reengineering, management reporting system, IT services (hardware and software), project management, special advisory for specific sectors (banks, electric power industry, oil and gas industry, etc.)

Tax & Legal – Our tax advisory services cover all areas relevant to foreign investment and the expanding types of business activity on the domestic market, occurring either by means of privatisation, mergers and acquisitions or by new business start-ups. Our advice is aimed at minimising the tax burden on business transactions and operations, and at mitigating any related tax risks.

Financial Advisory – Business valuation, asset valuation, restructuring, strategic development, business plan preparation, privatisation assistance, due diligence reports, mergers & acquisitions, etc.

<https://www2.deloitte.com>



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



doMEn Ltd is a Montenegrin joint venture, founded in 2008 by Afilius Limited, GoDaddy.com and MENet 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



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



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



Production and supply of electricity are the main activities of the Montenegrin **Electric Enterprise AD Niksic (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



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



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.

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.

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



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

karanovic/partners **Advokatska kuća Karanović & Partners** prisutna je na crnogorskom tržištu od 2006.godine, sa kancelarijom u centru Podgorice. Radeći zajedno sa iskusnim crnogorskim advokatima, naši pravni savjetnici u Crnoj Gori idealno su pozicionirani da pružaju razne korporativne i komercijalne pravne usluge doma-

ćim i stranim klijentima. Crnogorski tim je specijalizovan da investitorima, posebno onima iz sektora hotelijerstva i turizma, pruži pravnu podršku u oblastima kao što su privredno pravo, nekretnine, bankarstvo i finansije i razvoj infrastrukture.

www.karanovicpartners.com



lovćen

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



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



Mastercard (NYSE: MA), www.mastercard.com, is a technology company in the global payments industry. We operate the world's fastest pay-

ments 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



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



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



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



Ocean Montenegro is company which performs port services of tug-ging/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



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



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



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 520.000m². 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 76.732m²,

as well as open storage with total area of 163.390m². 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



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



Podgorička banka is a modern and dynamic financial institution which provides a wide range of banking services through its branch network to individuals and legal entities.

The Bank provides its clients with the highest quality banking

services, based on OTP Group standards. Being a client-oriented bank, it has significantly increased its market share, which proves a high level of confidence of the clients.

www.podgorickabanka.me



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 m² 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



Riana Montenegro Holdings doo is primarily a Real Estate, Investment and Development company based in Montenegro. Riana Montenegro Holdings doo is a fully owned subsidiary of Riana Group Holdings Limited (rianagroup.com) which also owns a variety of companies and international businesses with activities across Aviation (Pilot Training & Education and Scenic & Charter sectors), Tourism & Hospitality, Yacht Charter, Property and Philanthropy.

Founded by Romy Hawatt, Riana Group Holdings Limited is headquartered in Dubai, United Arab Emirates and uniquely positioned to expand its business & investment opportunities within Montenegro and across the globe.

The Riana Group's ethos is about sustainable and environmentally conscious development, good corporate citizenship and thinking globally but also acting locally.

The Riana Group strives to make a positive impact on local communities wherever we invest.

www.rianagroup.com



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.

The Joint Stock Company Sava Insurance has been successfully operating in the Montenegrin market for 18 years, and provides non-life insurance

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



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

S & T deals with realization of complete IT solutions, systems integration, providing IT consulting services,

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,
- 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.epravame.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...



For more than 165 years, the name **Siemens** has been synonymous with internationality and worldwide presence. Siemens is a global powerhouse positioned along the electrification value chain – from power generation, transmission and distribution to smart grid solutions and the efficient application of electrical energy – as well as in the areas of medical imaging and laboratory diagnostics. As of 30 September 2016, Siemens had around 351,000 employees in more than 200 countries. We operate in 289 major production and manufacturing plants worldwide. In addition, we have office buildings, warehouses, research and development facilities or sales offices in almost every country in the world.

Electrification, automation and digitalisation are the long-term growth fields of Siemens. In order to take full advantage of the market potential in these fields, our businesses are bundled into eight divisions, as well as in the areas of health-care and wind, as separately managed businesses.

Bearing in mind the potentials of Montenegro, it is Siemens's aim to engage domestic knowledge as much as possible, thus confirming its orientation and the goal it strives for: Montenegrin companies to gain necessary knowledge and expertise, which would give complete meaning to the mission of the company.

www.siemens.com/me



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-

ancial 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



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



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



The brewery "Trebjesa" Ltd. Nikšić, producer of one of the most famous Montenegrin brands - Nikšičko Pivo, is a part of the Molson Coors Brewing Company, the world's third largest brewer. The origins of what we now know as Nikšičko Pivo date back to 1896. Trebjesa's portfolio consists of locally produced beers: Nikšičko Pivo,

Nikšičko Gold, Nikšičko Cool Lemon, Nikšičko Cool Grapefruit, Nikšičko Nefiltrirano and Onogošt. Jelen and Apatinško 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



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.uniqa.me

**WHITE BOOK
INVESTMENT CLIMATE IN MONTENEGRO 2019**

Publisher:

Montenegrin Foreign Investors Council
Novaka Miloševa 29/II, Podgorica
www.mfic.me

For Publisher:

Ivan Radulović
Executive Director of MFIC

Translation:

Jasmina Čeranić

Designer:

Ana Đurković

Circulation: 100

Print: Obod, Cetinje

Podgorica, March 2020



MFIC | Montenegrin Foreign
Investors Council