



MFIC | Montenegrin Foreign
Investors Council

WHITE BOOK

Investment climate in Montenegro 2018



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March 2019

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1. FOREWORD



Christoph Schoen
PRESIDENT OF THE MFIC

The Montenegrin Foreign Investors' Council is pleased to publish the 9th edition of the White Book: Investment climate in Montenegro for 2018, 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 2018 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 2018 was active year for MFIC that was involved in many important processes concerning the business environment in the country. Special emphasis has been put to promotion and recognition of ICT sector as a growing potential for Montenegro and ICT solutions as a precondition for further development in all sectors. Bearing this in mind, MFIC members see digitalizati-

on as the responsibility of both state and private sector, which should work together to create sensible and smart framework which will allow digital transformation in order to enable improved efficiency of government services.

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 can say that 2018 was characterized by the period of stability with slight growth of perception-based MFIC Index of the ease of doing business (from 6.47 to 6.49) and, having this in mind, there is reason to be optimistic regarding the direction of further economic development. Nevertheless, implementation of crucial reforms is needed and is ahead of us, which should bring additional positive progress in business relevant areas, especially in those that have been subject to long period of stagnation.

Subsequently, close and continuous communication with the Government and public administration authorities remains an 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 2019, 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.

Finally, as a President I can assure you about the current and future positive attitude of our Council members towards Montenegro and our strong belief in its chosen path. 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 of our comments and suggestions.





2. EXECUTIVE SUMMARY

The new edition of the MFIC White Book: “Investment climate in Montenegro 2018” illustrates the results of perception-based questionnaire about the ease of doing business in Montenegro, filled by the members of the MFIC. The White Book describes the most important processes and regulations for business development and outlines main challenges for decision makers to foster further economic development.

With the highest response rate from the MFIC members to the questionnaire so far, we have calculated the 2018 MFIC Index at 6.49 (on the scale of 1 to 10, where 1 is the poorest and 10 is the best score). The 2018 result shows the index stabilization in comparison with 2017 when the index was 6.47 and is the highest since this kind of evaluation has been introduced.

Therefore, 2018 and 2017 show that the overall business environment is improving and the foreign investors witness it. On the other hand, a very small increase of the

index compared to last year, which brought optimism and great expectations, shows that foreign investors, the MFIC members, consider that the overall business environment has not improved significantly in 2018 or that the reforms initiated in the previous period gave either moderate results or the expectations from the previous year have not been met.

When we talk about industries, the MFIC members rated Telecommunications and ICT, Banking/Finance, Tourism, Production/Energy, Trade/Retail, and Transportation/Logistics. In 2018, just like in 2017, the best results are evident for Telecommunications and ICT, Banking/Finance, Tourism, and the lowest results are observed in production/energy industry and transportation/logistics. It is important to point out that the best rated industries recorded a decrease in 2018 while thanks to the score increase in the industries having a lower rating for years already (production, trade, transportation) a minimum total growth of the MFIC index 2018 is observed.

To rate the individual focus areas, our Members have considered to what extent their business is positively or negatively impacted by each of the listed categories: the labor market and employment, Property development, Taxation/contributions, Corporate governance, Rule of Law. In general, the ratings are around “5.32/6.29 out of 10” and these areas are, repeatedly, recognized as priority since they require a systematic approach and a reform agenda.

This year as well, the rule of law should be particularly stressed out which is of key importance for further improvement of business environment and which records a low score constantly (5 out of 10) in the last 8 years and this is the area which is continuingly in the focus of foreign investors. The score for 2018 is 5.57 showing the same trend as in 2017. Additionally, in 2018 the labor market and employment was quite popular (particularly the draft Labor Law to which the MFIC members had significant remarks) and the rating points out that the foreign investors believe that this area requires a systemic reform to harmonize the regulations with the EU standards.

In order to have more detailed analyses of business environment, since 2016 we have introduced a few new categories as important areas for evaluation such as human capital, Grey Market and Inspections, Regulations for Public-Private Partnership, Public Procurement, Digitalization of Public Services, Regulations on Personal

Data Protection. In general, ratings for above mentioned categories present relatively low results – for 4 out of 6 categories they are below 6 and three categories record decrease compared to two previous years. The results that do show improvement in 2018 relate to the regulations on public and private partnership and public procurement, the same rating as last year is given to the data protection regulations while the decrease is observed for human capital, digitalization of public services and grey market and inspections.

To better present the business environment in Montenegro, we dedicated the White Book’s section “Montenegro Overview” to present important processes, events and international reports. Generally observed, Montenegro keeps balanced rating within international frameworks in terms of economic and political ratings. The following recommendations are given to target specific improvements:

- ▶ more efficient reform implementation when it comes to the company registration and further steps to improve tax procedures;
- ▶ important modernization of operations in land registry and notary services, especially in the part of respecting deadlines in procedures, cost reduction and introduction of modern electronic systems that would shorten the registration processes;

▶ creation of basis for further infrastructure investments, both in traffic and communal infrastructure, and implementation of the policy of intensive measures for further investments in the key sectors of tourism and agricultural production;

▶ to continue with the measures of increasing the freedom and flexibility in the labor market, improvement of the education policy and healthcare with creation of the basis for investments;

▶ to continue with the policy of improving the work of the administration and efficiency raising at all levels, especially when it comes to a higher consistency when implementing the policies at the local and national level;

▶ to create the basis for further policy of public funding with special focus on new investments that may contribute to the stabilization of public finance, deficit reduction and public debt maintenance.

“**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 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 im-

portant elements of and preconditions for the positive environment for foreign investors in Montenegro. At the beginning, broad key areas are recognized as an important basis for improvement of business environment such as business environment, process of adoption and implementation of legislation, public administration, grey economy, taxation, and different amounts of taxes at municipal level.

The section “**Regulatory framework and MFIC Committees**” presents the work of the two active MFIC Committees, namely the ICT and Banking, along with the list of the topics that were analyzed by these two bodies in the last period. According to the MFIC Members’ opinion, the key regulations were analyzed, which is very important for the business climate: the Law on electronic communications, the Law on roads, the Law on cinematography, the proposal of the Law on credit institutions, the Law on corporate income tax, the Law on VAT, the Labor Law; the Law on Consumer Protection; the Law on Foreigners; the Law on Health Insurance – sick leave abuse; the Public Procurement Law; the Bankruptcy regulations; the Law on public - private Partnership.

Finally, as an additional part of this White Book, we collected the examples of “small business barriers” that our Members are facing and that were producing the serious problems in daily work.

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 investment;
- ▶ promoting communication, cooperation and current dialogue between the Council and the official authorities in Montenegro;
- ▶ cooperating with the official authorities in Montenegro, for the purpose of overcoming possible 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:
 - a. having the benefits and experiences from worldwide best practice;
 - b. 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 39 members that represent significant percentage of national GDP. The Council gathers together representatives of numerous and varied industries – banking and financial services, telecommunications, metallurgy and mining, energy, tourism and catering, the consumer goods sector, manufacturing, 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 members at General Assembly:

▶ **November 2017 – november 2018: Mr. Christoph Schoen (Addiko bank) President**, Mrs. Nela Belević (Uniqa osiguranje), Mr. Nikola Ljushev (Crnogorski telekom), Mr. Pal Kovacs (Crnogorska Komercijalna Bank), and Mr. Rashad Rasullu (Azmont Investment).

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

Mrs. Marija Šuković held the position of the Executive Director until 1st December 2018 when Mr. Ivan Radulović was appointed.

In line with the Statute, the MFIC Board of Directors established specialized MFIC Committees within the Council, and for the time being, two of them, specifically the ICT Committee and the Banking Committee, have been operational with concrete results in the industries they represent. This mechanism is recognized as a proper one to identify the business barriers that the investors are facing and to find possible solutions

thereto as well as to communicate them to relevant addresses. The ICT Committee Chairman is Ms. Ljudmila Popović Kavaja, from Telenor, and the Banking Committee Chairman is Mr. Christoph Schoen, from the Addiko Bank. The possibility to establish new industry-based committees is open and depends on the interest of the members.

BOD MEMBERS 2017-2018



Nela Belević
CEO of Uniqa osiguranje



Pál Kovács
CEO and BoD member of
CKB, OTP group member



Nikola Ljušev
CEO of Crnogorski Telekom



Rashad Rasullu
Executive Director of
Azmont Investments



Marija Šuković
MFIC Executive Officer
from November 2016 to
December 2018



Ivan Radulović
MFIC Executive Officer
since December 2018



ICT Committee Chairwoman
Ljudmila Popović Kavaja,
Telenor

BOD MEMBERS 2018-2019



Nela Vitić
CEO OF
OCEAN MONTENEGRO



Ivan Bojanović
CEO of SAGA CG



Antonis Selemides
CEO of JUGOPETROL AD



Pál Kovács
CEO and BoD member of
CKB, OTP group member

COMMUNICATION WITH THE GOVERNMENT AND PUBLIC ADMINISTRATION

Since the Council was established, communication with the Government and public administration remains an 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's main missions is to be a 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 the 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 will become an important element in the future period for improvement of dialogue between the MFIC and public sector, among others. The EBRD and the Government of Montenegro signed a Memorandum of Understanding in Support of an Investment Climate and Governance Initiative for Montenegro that aims to provide a framework for cooperation between the Government and the EBRD in the development and implementation of the ICGI for Montenegro. As one of the priority tasks that purposes to enhance public-private dialogue in Montenegro, the EBRD has agreed to support the establishment of an independent, full-time, professional Secretariat to the Competitiveness Council (SCC), in order to provide strong analytical underpinnings to the Council's work as well as to monitor the implementation of the Council's recommendations and conclusions. Therefore, the objective of this project is to enhance the impact and effectiveness of the Council as a platform for public-private dialogue on private sector development

and the improvement of the business environment in Montenegro. The final scope of the assignment shall be considered of identifying and opening up opportunities to attract foreign investment and induce domestic investments towards sectors with potential for contributing to economic development. The Secretariat consists of a team of local professionals: the Head of the Secretariat, two Experts in legal and economic matters and an Administrative Assistant. The first phase of the project is expected to last 3 years and then beneficiary will closely evaluate the need to continue with the cooperation.

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 startup companies, amendments to the Labor Law. 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 World Bank, IMF, 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 present the MFIC's regular work plan, here are some of the main events and other activities in 2018:

► **JANUARY 2018:** meeting of MFIC representatives with the Head of Delegation of the EU to Montenegro, Ambassador Orav; important topics for MFIC: status of EU integration process, procedure of changing legislation (public debates), draft Labor law, draft Law on PPP and Concessions, draft Law on Public Procurement, fiscal consolidation, stabilization of banking sector, establishing regular communication and alignment between MFIC and EU delegation; For this occasion, MFIC collected from its members the list of 30 examples of "small" barriers that caused bigger problems that was later published in the White Book.

► **MARCH 2018:** The MFIC published the eighth edition of the White Book (presenting the 2016 and 2017 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 representatives, the press conference for officially presenting the White Book 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.



► **MARCH 2018:** Meeting with the Chamber of Commerce of Montenegro; The MFIC and the Chamber will intensify their cooperation to use their synergy to improve business environment in Montenegro since

they share similar perception of country's economic development and it is necessary to coordinate joint activities and initiatives towards decision makers to impact business climate improvement. The meeting was attended by the President of the MFIC Christoph Schoen, President of the Chamber Vlastimir Golubović, members of the Board of Directors of the Council Nikola Ljushev and Pal Kovacs (CEO of CKB), the MFIC Executive Officer Marija Šuković, Vice-President and Secretary General of the Chamber Ivan Saveljić and Pavle D. Radovanović and Advisor to the President of the Chamber Tanja Radusinović.

► **MAY 2018:** The MFIC at the Festival of Real Estate Investment: As the representative of the MFIC, the Executive Director participated in FREI Debate: New Legal Framework for Sustainable Development organized by the Ministry of Sustainable Development and Tourism. The other panelists were the Minister for Sustainable Development and Tourism, the President of Chamber of Commerce, the Dean of the Faculty for Architecture, the Dean of the Faculty for Tourism. The main topics were the implementation processes of the new laws that are regulating the spatial planning and construction, as well as the new law on tourism.



► **JUNE 2018:** Guide to the MFIC 2018 was released in English. In this publication, the members of the Foreign Investors' Council as well as the representatives of the Government (interviews: CHRISTOPH SCHOEN, MFIC President and Chairman of the MFIC Board of Directors, DRAGICA SEKULIĆ, Montenegrin Economy Minister, SUZANA PRIBILOVIĆ, Montenegrin Minister of Public Administration, PAVLE RADULOVIĆ, Montenegrin Minister of Sustainable Development and Tourism, RADOJE ŽUGIĆ, Governor of

the Central Bank of Montenegro, NELA BELEVIĆ, MFIC BoD member, PÁL KOVÁCS, CEO of CKB, PREDRAG LEŠIĆ, CEO of the .ME Registry – DoMEn, NIKOLA LJUŠEV, Crnogorski Telekom CEO, RASHAD RASULLU, Executive Director of Portonovi Resort Management Company, MARIJA ŠUKOVIĆ, MFIC Executive Director) talked about business environment and investment climate in the country and identify the areas which need to be intensely worked on. The Guide was distributed in 2000 hard copies and published on the website.



► **JULY 2018:** Synergy of all business associations in order to improve business climate: The meeting attended by the chairmen of the business associations was held in the Chamber of Commerce of Montenegro and it was stated that it is necessary to timely involve business community in the preparation of the legislation regulating business environment. The meeting was chaired by the President of the Chamber of Commerce, and it was attended by the Executive Director of the MFIC, the President of the Employers Association in Montenegro, the Secretary General of the Employers Association, the Executive Director of the American Chamber of Commerce, the President of the Managers Association of Montenegro, and Managers in the Montenegro Business Alliance. The attendees have estimated that their respective business associations have the same task to protect the interests of the member companies and they have discussed the ways of future cooperation that should be adequately structured with clear priorities.



► **SEPTEMBER 2018:** Round table “Regional Investment Reform Agenda RIRA”- As a panelist, the MFIC Executive Director participated in the Info Day that was organized within the framework of the project “Establishment of dialogue on the Regional Investment Reform Agenda among government institutions, the private sector and civil society organizations”, supported by the Regional Cooperation Council (RCC).

The project is implemented in six economies of the Western Balkans and aims to involve all stakeholders in the regional investment policy program. The Regional Investment Reform Agenda (RIRA) is one of four pillars of the multi-annual plan for the creation of a regional economic zone and is linked to the European integration of the Western Balkans, the implementation of the CEFTA agreement and the 2020 Strategy for South East Europe.



► **OCTOBER 2018:** Meeting of FICs from Region in Sarajevo, organized by Regional Cooperation Council; In order to ensure the highest quality of Investment Policy Reform Action Plans and inputs from all relevant stakeholders on individual-economy levels, the consultations with FICs on development of Investment Policy Reform Action Plans were held. The aim of this meeting was to present Regional Investment Reform Agenda and discuss obstacles identified within the FIC’s White Books, as well as the priorities for reforms identified by the region.

NOVEMBER 2018: 15th Jubilee Vienna Economic Forum - Vienna Future Dialogue 2018, under the motto “Economy Meets Politics” - The Forum was organized under the Patronage of H.E. Mr. Sebastian Kurz, Federal Chancellor of Austria and as official event of the Austrian Presidency of the Council of the European Union. In the panel “Digitisation - Bridging Gaps and

Chance to Leapfrog“, discussion was held between the EU Commissioner for Digital Economy and Society, and the Prime Ministers of Albania, of Bosnia and Herzegovina, of Kosovo, of Montenegro, and Macedonia’s Vice Prime Minister. In the Afternoon Working Session “A Strong Europe Through a Strong Economic Connection: Building Bridges”, Ministers of Economy discussed how strongly economic cooperation can contribute to a strong Europe. The MFIC was invited as a guest for the first time.

► **NOVEMBER 2018:** The Annual Assembly of the MFIC was held with the presence of most of the member companies. In line with regular procedure, in the first part of the Assembly President and Executive Director presented Council’s activities in the previous period, financial report, membership status and planned activities for upcoming period. In accordance with the Statute, the election process for new one-year mandate for the President and members of BoD was organized together with the appointment of the new MFIC Executive Director.

As a special part of MFIC Assembly, this year we also had the honor to host Prime Minister of Montenegro Mr. Dusko Markovic as guest speaker who briefed on the results of fiscal consolidation as well as on policy-related structural reform policies. He presented ongoing development projects, emphasizing that the Government is particularly focused on the development of the Northern Region.

Promotion of the Council and public information: In 2018, all important information were published on the MFIC website www.mfic.me which can be used by the members to promote their own activities within the section “Members News”. In addition, the MFIC management sent the messages via the media by publishing press releases, giving interviews or statements thus representing the opinions and interests of the MFIC members.

Throughout 2018 the special emphasis has been put to promotion and recognition of ICT sector as a growing potential for Montenegro and ICT solutions as a precondition for further development in all sectors. The MFIC members have concluded that digitalization is the responsibility of both state and private sector to create sensible and smart framework to allow digital transformation and have offered the Government their help and support in this process.







4. MFIC BUSINESS ENVIRONMENT RATING INDEX FOR 2018

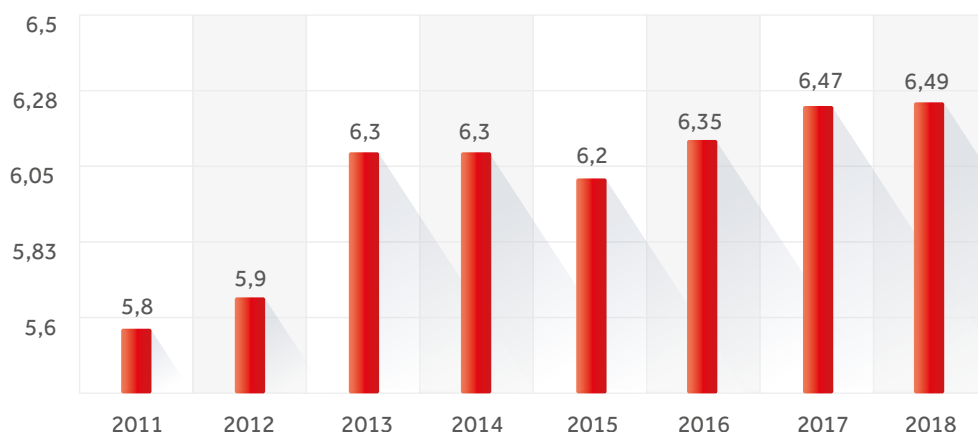
EIGHTH YEAR OF THE MFIC INDEX

The preparation of the White Book edition for 2018 is followed by a traditional MFIC concept - perception based evaluation of ease of doing business in Montenegro using the MFIC Montenegro Business Environment Rating Index. This Index was first developed in 2011 and it is derived solely from the opinions of its members who rate the individual industries, and focus areas that the MFIC has identified as priorities on the basis of input from the members. The aim is to provide different stakeholders, starting from the present and potentially new foreign investors and decision makers in Montenegro, with a quantitative overview of how the investors, that already run a business in the country, perceive the business environment.

With the highest response rate from the MFIC members to the predefined questionnaire, we calculated the MFIC Index for 2018 at 6.49 (on the scale of 1 to 10, whereas 1 is the poorest score and 10 the best). The result for 2018 shows the index stabilization in comparison with 2017 when the index was 6.47 and was the highest

since this kind of evaluation has been introduced. So, the year 2018 as well as 2017, indicate that the overall business environment improves and this is recognized by the foreign investors. Conversely, a small increase of the index compared to 2017, the year which brought in optimism and great expectations, indicates that the foreign investors, the MFIC members, believe that the total business environment has not improved much in 2018 i.e. that the initiated reforms provided either moderate results or the expectations from last year were not met at all.

When comparing the index with the previous years, despite occasional index increase or decrease, the average rating revolves in the last eight years around 6 (maximum score 10), which means that serious reform processes must be implemented within the analyzed industries for further improvement of business improvement, attraction of foreign investments and final increase of the economic standard of all Montenegrin citizens.



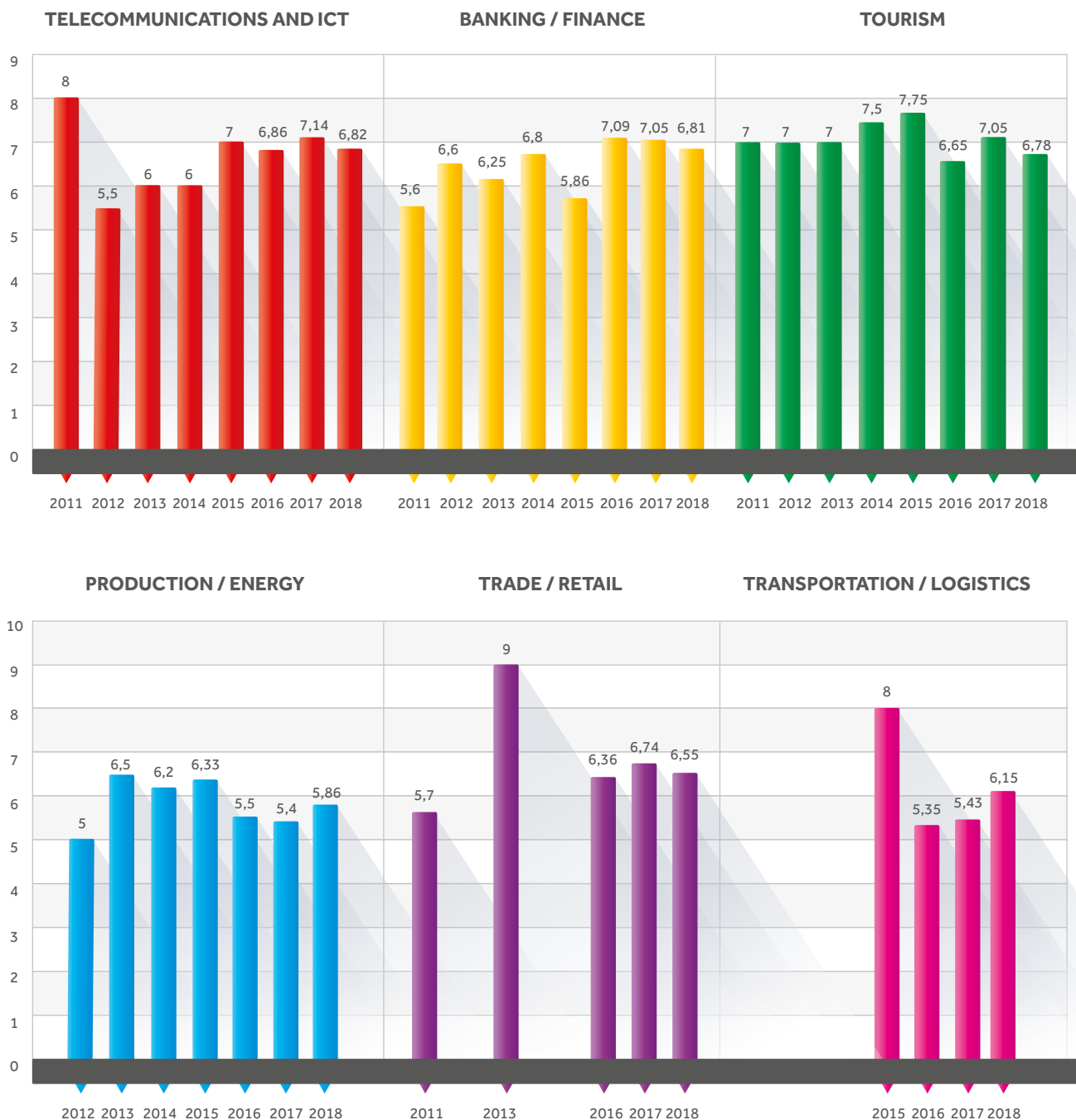
Index trend from 2011 to 2018 mainly increasing, if we do not take into account a slight decrease in 2015

RATING THE INDUSTRIES

When rating the industry, our members considered how easy or difficult their daily operations are due to the general business climate and regulatory environment, and other factors such as: administration, legal framework, business infrastructure areas 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 2018, just like in 2017, **the best results are evident for Telecommunications and ICT, Banking/Finance, Tourism, and the lowest results are observed in production/energy industry and transportation/logistics.** It is important to point out that the best rated industries recorded a decrease in 2018 while thanks to the score increase in the industries having a lower rating for years already (production, trade, transportation) a **minimum total growth of the MFIC index 2018 is observed.**



▶ 1. TELECOMMUNICATIONS / ICT

The data show that **Telecommunications and ICT** have high scores of all industries, and that the conditions in this area are improving from 2012. Still, the score for 2018 is 6.82 and represents a decrease compared to 2017 when this industry was rated 7.14. This brings back the industry to the rating it had in 2015.

▶ 2. BANKING / FINANCE

Banking/Finance industry shows a decrease compared to 2016 and 2017 when the score was 7 out of 10, what was the highest score in this industry so far. In 2018, the score is 6.81.

▶ 3. TOURISM

Tourism has the most stable score for the analyzed period and it is around 7 for the whole analyzed period, with significant decrease in 2016 at 6.65 and in 2018 at 6.78.

▶ 4. PRODUCTION / ENERGY

In contrast with the first three industries that are graded with higher scores, **Production/Energy** shows significantly lower scores for 2016 (5.5) and for 2017 (5.4), while in 2018 it records the increase to 5.86.

▶ 5. TRADE / RETAIL

Trade/Retail was not included in this research every year since 2011, but given the scores for 2016 (6.36) and 2017 (6.74) it records a slight decrease in 2018 (6.55).

▶ 6. TRANSPORTATION / LOGISTICS

Transportation/Logistics was rated only in 2015 when it was 8, but with significant decrease in rating for 2016 (5.35) and 2017 (5.43) – in 2018 the increase is observed at 6.15.

Considering that it is very important how the representatives of the industries perceive their own industry, we present the evaluations of the representatives from ICT, banking and tourism on the environment in their respective industries for 2016, 2017 and 2018:

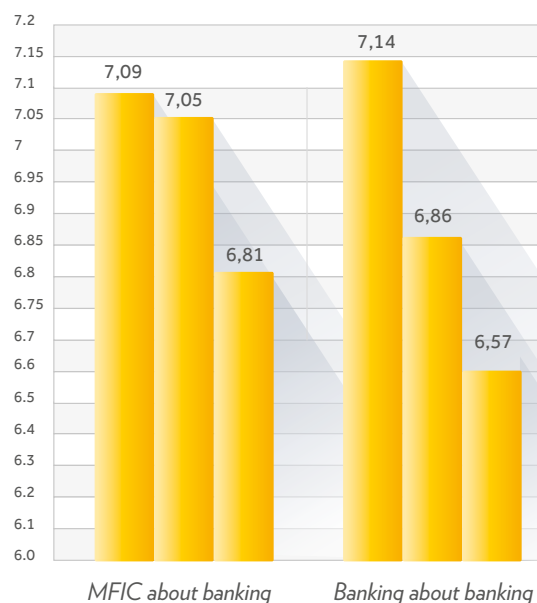
Although total score for the ICT industry decreased, **the members representing the ICT sector in the MFIC** rated this sector with a significantly lower score than the whole MFIC community did. It means that companies operating in this sector believe that there are still open issues and a room for improvement. The ICT industry is recognized as the industry of priority by the MFIC, but the specific actions are still missing. The special attention should be paid to these score trends: 2016 6.71, 2017 6.86 and 2018 5.71).

The opinion of the MFIC members representing telecommunication and ICT sector, banking and tourism on the situation in their respective industries from 2016 to 2018

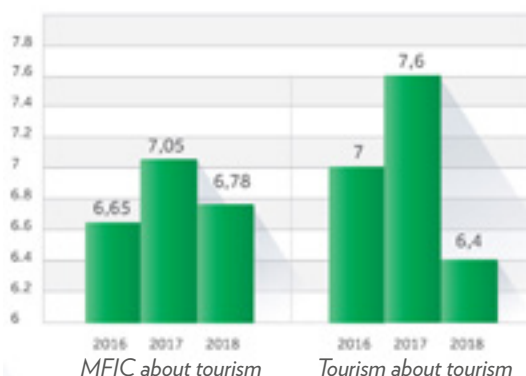
▶ What ICT sector in MFIC thinks about development of local ICT environment?



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



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



The members representing the **Banking sector in the MFIC (the banks)** rated their industry 6.33 compared to the overall score of 6.76 what indicates a continuous score drop (in 2016 as 7.14 vs. 6.86 in 2017). This means that there is a need to communicate more intensely with the line institutions to improve the situation in the industry.

If we add the ratings of the insurance companies to the banking industry, we get the score of 6.7 which is at the level of the overall industry evaluation by the members of the Banking Committee.

Finally, the members representing the **Tourism sector in the MFIC** rated significantly lower the sector they are operating in for the first time than all the members of MFIC: score 6.4 for 2018 (other members 6.78). This also indicates that a more intense communication with the line institutions is needed to overcome business barriers and thus improve the environment.

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 2018 are still pretty low and are around “5.32-6.29 out of 10”. This points out that these areas are, repeatedly, recognized as priority since they require a systematic approach and a reform agenda and a more significant progress is not observed in any of these categories.





This year as well, the rule of law should be particularly stressed out which is of key importance for further improvement of business environment and which records a law score constantly (5 out of 10) in the last 8 years. Since this is a repeating category in the focus of the MFIC members, no significant progress has been made. The score for 2018 is 5.57 showing the same trend as in 2017. This indicates that it is needed to significantly improve this area to eliminate great obstacles for business development in Montenegro.

In 2018 **the labor market and employment** was quite popular and the rating points out that the foreign investors believe that this area requires a systemic reform to harmonize the regulations with the EU standards. The rating 5.32 for 2018 (5.48 in 2017) shows that further improvements are needed and reform processes should be intensified. As for the draft Labor Law, our members are concerned that many solutions proposed under this Law would be a step back and that those would have a negative impact to the further business development – this concern is visible as well in the questionnaire.

Property development shows a decrease with the rating 5.77 for 2018 (6 for 2017) and follows the trend since 2013 with the average score of around 5.7 out of 10.

Corporate governance records the increase in 2018 with the score of 6.29 showing a continuous progress since 2016 (6.07 in 2016 and 6.17 in 2017).

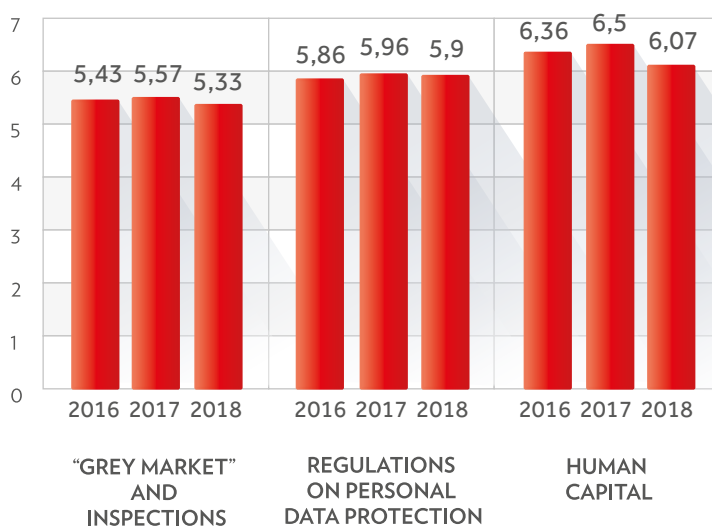
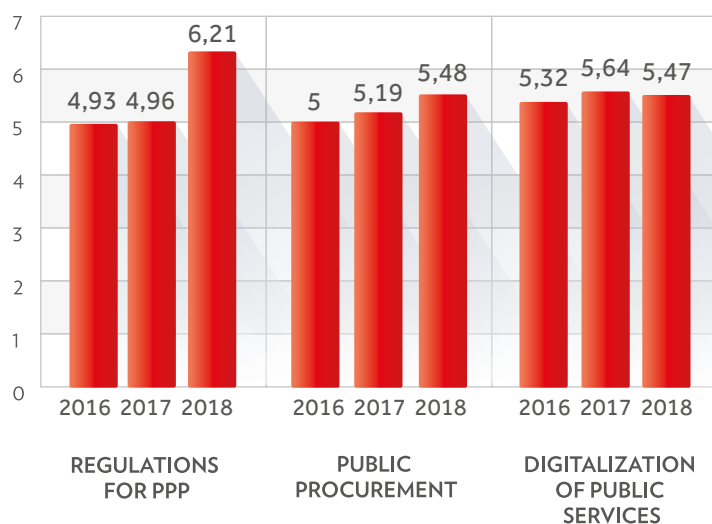
Taxation records the increase in 2018 with the score 6.13 and represents the progress compared with 2014-2017 (6 in 2014, 5.7 in 2015, 5.66 in 2016 and 5.76 in 2017). At the same time, the score for 2018 is the best score since 2011 (6.3).

NEW INDIVIDUAL AREAS FOR RATING

In order to have more detailed analyses of business environment, we are introducing a few new categories that the MFIC members recognized as important areas that need to have special attention of the state authorities, since they are representing the barriers to businesses.

New six categories are: Human Capital, Gray Market and Inspections, Regulations for Public-Private Partnership, Public Procurement, Digitalization of Public Services, Regulations on Personal Data Protection.

The results of the analysis are given below:



In general, ratings for above mentioned categories present relatively low results, for 4 out of 6 categories they are below 6 and the three categories record a decrease compared to two previous years. The results showing progress in 2018 are recorded in the regulations on public and private partnership (4.96 vs 6.21) and public procurement (5.10 vs 5.48). The regulations on personal data protection are at the same level as last year while the decrease is observed in human resources, public services digitalization, grey market and inspection. These results show that it is necessary that all these

categories should be among the top priorities of the Government in the following period. It is also necessary to implement the reform processes in line with the best international standards and practices.

On the other side, these ratings indicate that these areas will be of priority for the MFIC in the next period, and we will continue to drive the progress there. The MFIC members are willing to get involved and contribute to decision makers in order to have better and faster results.

**MONTENEGRO
INVESTMENT
DESTINATION
WITH GREAT
POTENTIAL**



MFIC Montenegrin Foreign
Investors Council



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. Macroeconomic and fiscal stability were strengthened but further efforts are required to address persistent challenges, especially the high public debt burden. The economy has been growing uninterruptedly since 2013 amidst low or moderate inflation. The financial sector has improved its solvency and liquidity. However, the export base needs to improve in scope and in quality to reduce the trade deficit. Rule of law weaknesses, including unfair competition from the informal economy, negatively impact on the business environment. The labour market faces structural challenges, reflected in low participation and high unemployment rates.

In order to support long-term growth, Montenegro should pay particular attention to:

- ▶ continue fiscal consolidation efforts to strengthen the sustainability of public finances;
- ▶ facilitate the resolution of non-performing loans (NPLs);
- ▶ improve labour market flexibility to boost participation rates and reduce informality.

The pace of economic growth continues to strengthen. From 2012, when the last recession episode took place, to 2016, the economy recorded annual average growth of 2.9 %. GDP accelerated further in the first three quarters of 2017, registering an average expansion of 4.4% y-o-y, driven by private consumption and investment. Household consumption increased partly due to a record-breaking tourist season boosting domestic demand and employment. Investment expanded by 10.5 % y-o-y until September 2017, driven by public capital spending on the highway project and on private investment in tourism and energy. After several years containing maintenance costs, government consumption started to grow in 2017. Exports have been supported by a boom in tourism.

However, growing domestic demand meant that growth in imports also matched the pace of export growth, leading to a negative contribution from net exports. Five years of continuous growth resulted in some further economic convergence with the EU. In 2016, Montenegro's GDP per capita expressed in purchasing power standards rose to 45 % of the EU average, up from 39 % in 2012.

There was no significant improvement in the business environment. In accordance with the public administration reform strategy 2016-2020, the number of electronic services offered via the e-Government portal increased. It is also planned to optimise the capacity of the public services. However, the poor implementation of laws and delays in obtaining information and services need to be addressed. The introduction of electronic cadastral services to improve data updating is still pending. A new law on spatial planning and construction was adopted in October 2017, albeit implementing legislation is yet to be adopted. Moreover, challenges remain in the construction industry, notably high permit costs, and lengthy procedures for paying taxes and property registration. Despite these barriers, the number of companies and entrepreneurs increased by 3.6 % y-o-y in 2017. Market exit procedures seem broadly efficient, with 90 % of bankruptcy procedures taking up to six months, and only 1 % of cases requiring longer than one year. Indebtedness and liquidity constraints

affect the corporate sector. At the end of December 2017, there were 16,220 companies and entrepreneurs (including inactive ones) with frozen bank accounts due to unpaid claims.

Despite some progress with legal proceedings, a consistent and efficient application of legislation is still necessary to ensure legal certainty and predictability. The bailiff system continues making progress with the introduction of a centralised case management system. In the period from October 2015 to December 2016, 50.9 % of the total enforcement cases were solved, of which 89.6 % through the complete collection of claims. Alternative dispute resolution remains low, with only 161 cases referred for mediation in 2017 compared to 429 in 2016. Weaknesses in the area of rule of law negatively impact on the business environment. Investors complain about the inconsistency of case law, non-enforcement of court orders and interferences with property rights of investors. Unfair competition from the informal economy is also considered a severe obstacle.¹

DRIVER OF THE MONTENEGRIN ECONOMIC GROWTH - TOURISM

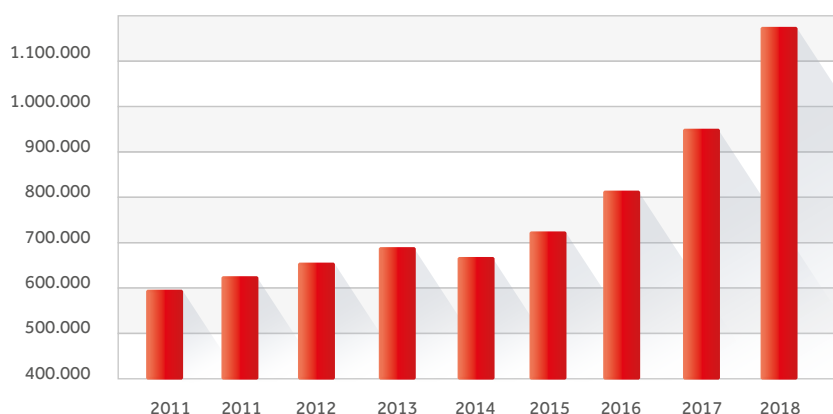
In 2018 tourism sector dominated in the macro-economic framework of Montenegro. A good trend is expected this year as well and according to the announcements of the recognised world magazines, Montenegro is a destination to be visited with excellent reviews. It is expected that the growing trend will continue when it comes to number of tourists, overnights and income based on tourist spending and that in the next ten years the growth of total tourism share in the GDP (directly or indirectly) per average annual rate would be at around 3.9%.

According to the data in 2017, Montenegro was visited by 2 million tourists, having 11.9 million overnights. In 2018, there were 12.7% more tourists and 8.2% more overnights than in 2017.

According to the official data, in 2018 there were 1.076.848 tourists who stayed in collective accommodation (hotels) with 4.208.955 overnights. Total number of arrivals reaches almost 2.5 million tourists who visited Montenegro. These data are encouraging for further investments in tourist industry and evident growing income based on tourism.

Continuous investments in tourism resulted in increase of quality and quantity of accommodation units. In 2017, 33 hotels were open with 1.738 beds; in 2018 there were 21 hotels with 1.570 beds whereas more than 70% of new accommodation is in hotels.

▶ TOURISTS WHO STAYED IN COLLECTIVE ACCOMMODATION 2010-2018



*Source: MONSTAT

¹ European Commission: Report on Montenegro 2018

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 a path towards the EU membership. Montenegro is already in a mature phase of the negotiating process for 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 achieved 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 30 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 for continuation of 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 form 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 fabric. 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.

EU PROGRESS REPORT 2018

Accession negotiations with Montenegro were opened in June 2012. To date 30 negotiating chapters have been opened, of which 3 have been provisionally closed. In June 2017 Montenegro became a member of NATO. Montenegro continued to broadly implement the Stabilisation and Association Agreement and the meetings of the joint bodies under the agreement took place on regular intervals.

Six negotiating chapters were opened during the reporting period and one 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 will be key for further progress in the accession negotiations.

Concerning Montenegro's ability to assume to 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 a good level of preparation in areas such as company law and foreign, security and defence policy. It is moderately prepared in many chapters, such as free movement of goods, agriculture, food safety, veterinary and phytosanitary policy. Montenegro is at an early stage of preparation regarding fisheries and budgetary and financial provisions, and at some level of preparation in

the area of environment and climate change, statistics, social policy and employment. Good progress has been made in the areas of company law, agriculture and rural development, food safety, veterinary and phytosanitary policy. There has been backsliding in the area of public procurement. Looking ahead, Montenegro should focus in particular on competition policy, environment and climate change and public procurement. Strengthening the administrative capacity for ensuring the application of the acquis remains a substantial challenge for Montenegro. Montenegro has continued to align with all EU common foreign and security policy positions and declarations.²

² European Commission: Report on Montenegro 2018

MONTENEGRO

ON ITS EUROPEAN PATH

TRADE & INVESTMENT

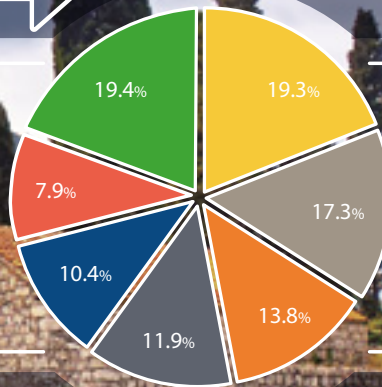
- The EU is Montenegro's biggest trading partner
- The EU's contribution to total Foreign Direct Investment in Montenegro was 32% in 2016
- Volume of trade with the EU was €1.1 billion in 2016



MOBILITY & EMPOWERMENT

- Visa-free travel to the EU since December 2009
- In 2015 - 2016 over 1760 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 (€270 MILLION)



- Democracy and governance
- Rule of law and fundamental rights
- Environment and climate action
- Transport
- Competitiveness and innovation
- Education, employment and social policies
- Agriculture and Rural Development

EU FUNDING

- The EU is the largest provider of financial assistance to Montenegro
- €506.2 million in EU pre-accession funds 2007-2020
 - €621 million provided in European Investment Bank loans since 1999
 - €81 million provided to date in Western Balkans Investment Framework grants, leveraging investments of € 732 million
 - €15 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

JUNE 2012

EU Accession Negotiations opened

JUNE 2018

After six years of accession negotiations, 31 out of 35 negotiating chapters have been opened, of which 3 are provisionally closed

DECEMBER 2010

Candidate country status granted

ec.europa.eu/neighbourhood-enlargement | facebook.com/EUnear | twitter.com/eu_near | Last updated: 07/2018

Source: EU data



EBRD TRANSITION REPORT 2018 - 2019

HIGHLIGHTS

- ▶ **Further progress has been made towards eventual EU membership.** The new European Commission (EC) Enlargement Strategy, published in February 2018, has set 2025 as the year when Montenegro could be ready for membership, provided it makes further progress in reforms.
- ▶ **The government has begun implementing a fiscal adjustment strategy.** The strategies intended to boost the sustainability of the public finances, which have been put under severe pressure because of costs associated with the financing of major road infrastructure.
- ▶ **The main power utility is being brought back into almost full public ownership.** The government and Italian utility company A2A have agreed on the accelerated execution of the put option for the company's stake in the power utility EPCG.

INTERNATIONAL REPORTS

Researches of international organisations on the countries regarding economic requirements for investments and other analyses covering various economic aspects are the 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 the leaders in invest-

KEY PRIORITIES FOR 2019

- ▶ **Fiscal stabilisation is crucial for economic growth.** Having developed a credible fiscal strategy the government should stick to agreed targets, even if economic growth slows, in order to restore fiscal balance and reduce public debt.
- ▶ **Renewable energy projects should be further developed.** Montenegro has significant potential in this area and further development would help the country's green economy transition and improve its energy resilience.
- ▶ **Further improvements are needed on economic governance.** Areas of focus in the coming year should include the development of the government's e-governance programme and strengthening of the framework for competition policy.³

ment context. More serious analyses of the economic environment are of priority to improve the policy of attracting foreign investors and to create economic forecasts to strengthen the economy in the country. The reports that analyzed the Montenegrin economy are Doing Business Report (the World Bank), Report on Economic Freedoms (Heritage Foundation), Index of Economic Freedoms (Fraser Institute) and Index of global competitiveness (the World Economic Forum).

DOING BUSINESS REPORT (THE WORLD BANK) - REPORT ON EASE OF DOING BUSINESS

Montenegro is ranked 50 among 190 economies in the DB2019 Report, according to the latest World Bank annual ratings. The rank of Montenegro deteriorated to 50 in 2018 from 42 in 2017. This deterioration is not the consequence of bad reforms but of lack of reforms in the areas important for doing business, especially in comparison to other countries where the reforms were implemented at faster pace.

According to the scores from the Report, Montenegro had a lower ranking in the following categories: "starting a business", "protecting minority investors", "trading across borders", "enforcing contracts", "resolving insolvency" and "getting electricity". A better ranking was achieved in the following administrative procedures "dealing with construction permit" and "paying taxes"

while there were no changes in rankings for "registering property" and "getting credit".

MONTENEGRO RANK	DB 2019 50	DB 2018 42
Starting a business	90	60
Dealing with construction permit	75	78
Registering property	76	76
Getting credit	12	12
Protecting minority investors	57	51
Paying taxes	68	70
Trading across borders	47	44
Enforcing contracts	44	42
Resolving insolvency	43	37
Getting electricity	134	127

3 EBRD: Transition Report 2018 - 2019

If we have a look at regional comparison, these countries had a better rank than Montenegro: Macedonia (10), Slovenia (40), Kosovo (44) and Serbia (48) while Romania (52), Croatia (58), Bulgaria (59), Albania (63) and Bosnia and Herzegovina (89) had a lower rank than Montenegro.

Compared to the previous Report, a decrease in the global ranking is noted also for Bulgaria, Romania, Slovenia, Croatia, Kosovo, Serbia and Bosnia and Herzegovina, while the progress is noted for Macedonia and Albania.

COUNTRY	DB 2019	DB 2018	DB 2017
Montenegro	50	42	51
Macedonia	10	11	10
Bulgaria	59	50	39
Romania	52	45	36
Slovenia	40	37	30
Croatia	58	51	43
Albania	63	65	58
Kosovo	44	40	60
Serbia	48	43	47
BIH	89	86	81

INDEX OF GLOBAL COMPETITIVENESS (WORLD ECONOMIC FORUM)

Based on the analyses of the World Economic Forum, the competitiveness of the Montenegrin economy progressed in the global rank list. Montenegro was ranked 71 out of 140 countries and progressed comparing to its rank last year.

If we make a regional comparison, in addition to Montenegro, the progress is evident for Serbia (5 positions) and Albania (4 positions), while Slovenia kept the same position.

The deterioration was noted for Croatia (2 positions) and Bosnia and Herzegovina (1 position).

COUNTRY	2018	2017
Slovenia	35	35
Montenegro	71	73
Serbia	65	70
Croatia	68	66
Albania	76	80
Macedonia	84	n/a
BIH	91	90

OTHER REPORTS

Montenegro has generally improved its position compared to the first reports evaluating economic freedoms in the countries according to the report of the Fraser Institute (since 2007) and Heritage Foundation (since 2009). According to the ratings from the Fraser Institute, the countries ahead of Montenegro (ranked 72) are Macedonia (68) and Slovenia (71) while Croatia (75), Serbia (84) and Bosnia and Herzegovina (98) are behind Montenegro.

Based on the scores of the Heritage Foundation in February 2019 Montenegro faced the decrease of the economic freedoms by deteriorating its position from 68

to 92. Out of the countries from the region, a ranking better than Montenegro's rank was noted for Macedonia (33 position), Kosovo (51), Slovenia (58) and Albania (52), Serbia (69), Bosnia and Herzegovina (83) and Croatia (86). Such a bad position in the last report was caused by deterioration in the three indicators "government spending", "fiscal health" and "monetary freedom". However, at the same time the progress is observed for 6 indicators including especially important tax burden, labor freedom and business freedom.

Montenegro is also covered by the Index of corruption perception published by the Transparency International

*Source: www.weforum.org/docs/GCR2018/05FullReport/TheGlobalCompetitivenessReport2018.pdf



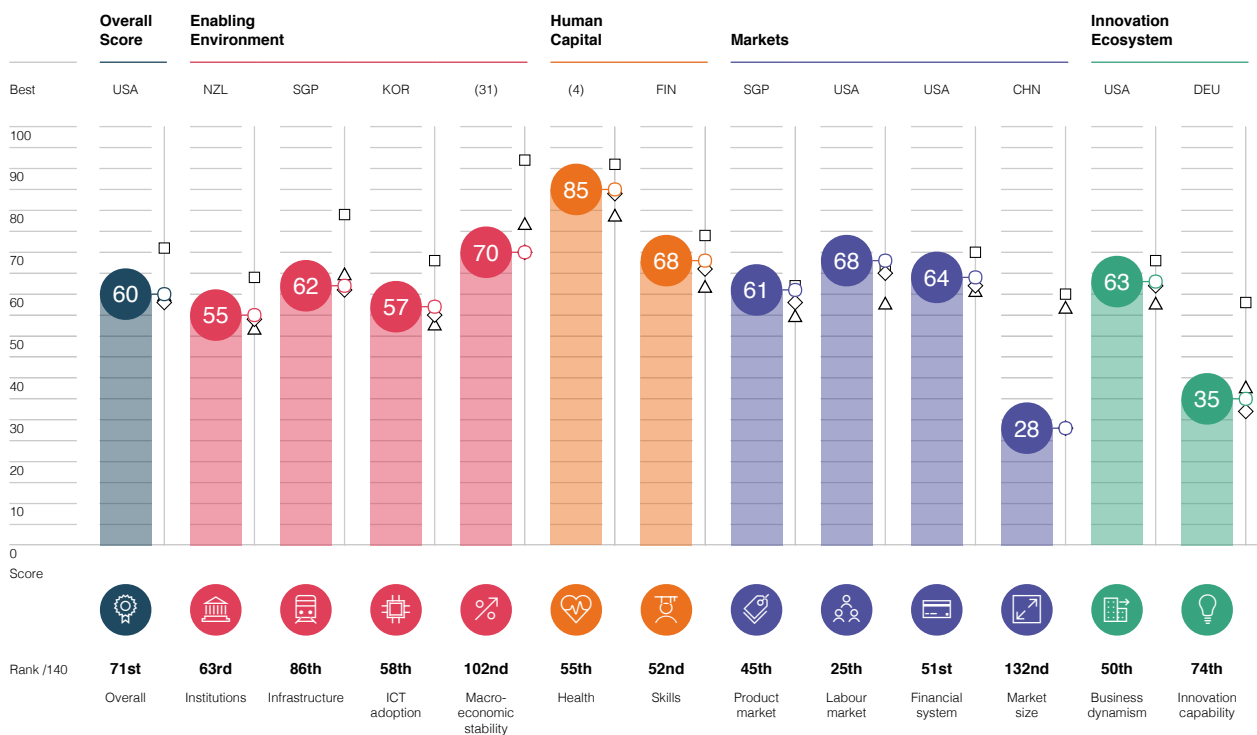
Montenegro

Global Competitiveness Index 4.0 2018 edition

Rank in 2017 edition: 73rd/135

Performance Overview 2018

Key ◇ Previous edition △ Upper middle income group average □ Europe and North America average



Selected contextual indicators

Population millions	0.6	GDP (PPP) % world GDP	0.01
GDP per capita US\$	7,647.0	Unemployment rate %	16.1
10-year average annual GDP growth %	2.0	5-year average FDI inward flow % GDP	11.6

Social and environmental performance

Environmental footprint gha/capita	3.4	Income Gini 0 (perfect equality) -100 (perfect inequality)	31.9
Global Gender Gap Index 0-1 (gender parity)	0.7		

Montenegro

← Previous: #91 Saudi Arabia

Next: #93 Honduras →

OVERALL SCORE **60.5**

WORLD RANK **92**

RULE OF LAW

Property Rights	55.4 ▲
Government Integrity	39.5 ▲
Judicial Effectiveness	51.8 ▲

GOVERNMENT SIZE

Government Spending	32.6 ▼
Tax Burden	85.3 ▲
Fiscal Health	23.2 ▼

REGULATORY EFFICIENCY

Business Freedom	73.3 ▲
Labor Freedom	73.4 ▲
Monetary Freedom	81.6 ▼

OPEN MARKETS

Trade Freedom	84.7 —
Investment Freedom	75.0 —
Financial Freedom	50.0 —

with the score of 46 providing it with the ranking of 64 out of 180 countries. Since in the last year report that included 176 countries Montenegro was ranked 64 with 45 scores, it can be concluded that Montenegro kept its position with the increase in scoring for 1 score. According to the Index of Corruption Perception 2017, Montenegro has a better ranking than Serbia (77), Bosnia and Herzegovina (91) and Macedonia (107) while Slovenia (34) and Croatia (57) are ahead of Montenegro.

This indicates the efforts made by the State to prevent corruption are recognized, what is an important recommendation for investments.

Credit rating agencies following Montenegro Moody's and Standard and Poor's reviewed the stabilization of public finance and with their reviews encouraged further reforms of fiscal consolidation what especially indicated to a stable and positive outlook of the reviews.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Doing business	84	77	65	56	56	51	44	36	46	51	42	50	
Corruption Perception Index - Transparency international	84	85	69	69	66	75	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 Institute	76	58	78	47	37	28	49	38	62	59	85	72	
Global Competitiveness Index - WEF	82	65	62	49	60	72	67	67	70	82	77	71	
Credit rating - Standard & Poor's	BB+	BB+	BB+	BB	BB	BB-	BB-	BB-	B+	B+	B+	B+	
Credit rating - Moody's	-	Ba2	Ba3	Ba3	Ba3	Ba3	Ba3	Ba3	Ba3	Ba1	Ba1	Ba1	

IMPORTANT EVENTS IN 2018

EU-WESTERN BALKANS SUMMIT: IMPROVING CONNECTIVITY AND SECURITY IN THE REGION

A summit between the leaders of the European Union and the Western Balkans partners in Sofia On May 17, 2018 confirmed the European perspective of the region and set out a number of concrete actions to strengthen cooperation in the areas of connectivity, security and the rule of law.

President of the European Commission Jean-Claude Juncker said: *“This summit has allowed us to forge even closer links with our friends from the Western Balkans who, step by step, each day come a little bit closer to the European Union - each at its own pace and merits. Being anchored in the European Union means sharing values and principles, including respect for the rule of law, independence of the judiciary and freedom of expression – because the European Union is first of all a community of values and law.”*

The summit and the resulting Sofia Declaration stress the importance of the Western Balkans’ continued commitment to the rule of law, the fight against corruption and organised crime, good governance, as well as respect for human rights and rights of persons belonging to minorities. The effective implementation of reforms in these areas is key for the region’s further progress along the European path. EU and Western Balkan leaders agreed to take a number of actions to improve energy and transport infrastructure, as well as digital connectivity in the region. The EU and Western Balkans partners also laid the ground for an ever closer cooperation in the areas of security, migration and in tackling geopolitical challenges.

CONNECTING INFRASTRUCTURES, ECONOMIES AND PEOPLE

To support the implementation of the Sofia Declaration and drawing on the Commission’s Western Balkans Strategy and its six flagship initiatives, President Juncker announced today a new package of measures which will boost connectivity within the region and with the EU, notably through the Western Balkans Investment Framework.

▶ The EU will provide grants for additional 11 high-priority transport projects (road, rail, ports) worth €190 million. This investment can leverage up to €1 billion in loans from international financing institutions. This includes funding for the first two sections of the ‘Peace

Highway’ (Nis-Pristina-Durres) and the ‘Blue Highway’ along the Adriatic coast.

▶ In order to develop the new Digital Agenda for the Western Balkans, the EU has earmarked €30 million for investments in broadband rollouts across the region. Partners agreed to extend the region’s arrangements to reduce roaming costs to all six partners, while at the same time the EU will develop a roadmap to lower the cost of roaming between the Western Balkans and the EU.

▶ Moreover, the EU will support the region’s energy transition through promoting renewable energy sources, including a sustainable use of hydropower.

▶ In the area of economic connectivity, the Commission continues to support the region’s own plan to develop a Regional Economic Area, and the Summit welcomed commitments to step up work on recognition of qualifications, as well as on trade facilitation within the Western Balkans.

▶ The Commission will increase its support for youth and education, in particular by doubling the funding for Erasmus+ for the region and by launching a pilot project for mobility in vocational education and training. The Commission will also establish a “Western Balkans Youth Lab” in 2018, providing space for innovative policy-making addressing the needs of young people. Finally, it will support the expansion of the Regional Youth Cooperation Office and introduce an intra-regional mobility scheme.

Further elements of the EU’s annual Connectivity Package will be presented later on during the year. In addition, partners committed to the Digital Agenda for the Western Balkans. It will support the move of the Western Balkans towards a digital economy, and includes steps such as a roadmap to lower the cost of roaming as well as a technical assistance package for potential investments in areas such as broadband.

Source: www.ec.europa.eu

WESTERN BALKANS SUMMIT: LONDON 2018

On 10 July 2018, the United Kingdom welcomed the Heads of Government of the Berlin Process participants, the Prime Ministers of Bulgaria and Greece, as well as representatives of the European Institutions, International Financial Institutions, the Regional Cooperation Council (RCC) and the Regional Youth Cooperation Office (RYCO). The London Summit built on the previous Berlin, Vienna, Paris and Trieste Summits in the framework of the Berlin Process, as well as the 25 February 2018 London European Bank for Reconstruction and Development (EBRD) Western Balkans Investment Summit; 18 April 2018 Skopje Digital Summit and 17 May 2018 Sofia EU- Western Balkans Summit.

The summit focused on 3 areas:

- ▶ increasing economic stability with a view to improving the business environment, encouraging entrepreneurship, addressing youth unemployment, and promoting regional inter-connectivity
- ▶ strengthening regional security co-operation to help tackle common threats, including corruption, serious and organised crime, trafficking of people, drugs and firearms, terrorism and violent extremism
- ▶ facilitating political co-operation – to help the region

resolve bilateral disputes and overcome legacy issues stemming from the conflicts of the 1990s and strengthen democracy

At the Summit the UK announced it would commit £10 million to help build digital skills and employment prospects for young people in the Western Balkans. The funding will see the British Council provide training in every primary school in the region, reaching around one million children, to bolster digital literacy and core skills across the region, and help improve the employability of young people across the region.

The UK also announced an expansion of its Global Entrepreneur Programme across the Western Balkans, which will help foster entrepreneurial spirit and provide mentoring to talented young people with an aspiration to scale up an existing business.

Over 140 civil society and youth representatives from the region attended the London Summit's Civil Society and Youth Forum.

Source: www.gov.uk

FINAL CONCLUSIONS

Generally observed, Montenegro maintains stable reviews in the international circles regarding its economic reviews. Decision-makers should be guided by the international reports 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 are equally inclined 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 in company registration process and further steps to improve and simplify tax payment procedures;
- ▶ significant modernization of the work of cadastral and notary services, especially when it comes to respecting the prescribed deadlines in the administrative procedures, costs reduction and introduction of modern, electronic systems that would shorten the registration procedure;
- ▶ creation of foundation for further infrastructure investments,

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

- ▶ continuation of implementation of measures of growth of labor market flexibility, improvement in education and healthcare policy with the creation of basis for investments;
- ▶ to continue with the policy of improving the work of the administration and raising efficiency at all levels, especially focusing on greater consistency in the implementation of policies at local and state levels;
- ▶ to create basis for further public finance policy with special focus on new investment activities that may contribute to stabilization of public finances with the reduction of deficit and maintenance of public debt;

Regarding political positions 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.



MFIC Montenegrin Foreign
Investors Council



**EU INTEGRATION PROCESS,
NATO MEMBERSHIP AND
REGIONAL INITIATIVES
ARE CRUCIAL FOR
THE RULE OF LAW**



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. In other words - 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 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 2018 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, and 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 decision 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 the unpredicted costs, additional trainings or additional employees and time.

PROCESS OF ADOPTING AND IMPLEMENTING THE LAWS

For years already, including the period to which this White Book refers, foreign investors, and a good portion of domestic investors we believe, have objections to the process of law adoption i.e. to the prescribed procedure of public debate which formally means that all stakeholders were consulted, that they had time and means to react, and that their voice was heard and acknowledged. 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. There are many talks about the intention of state bodies to truly include private sector in the process of law adoption, but in practice, we do not have such examples. We had such examples during the adoption of the Law on spatial planning and construction, Labor Law, Law on public procurement, Law on public - private partnership, etc.

The MFIC welcomes the adoption of the new Regulation on election of the NGO representative in the working groups of the state administration bodies and the organization of the public debate in the preparation of the laws and strategies. This Regulation prescri-

bes, among others, that in case of the public debate regarding the text of the draft law, Regulatory Impact Analysis (RIA) should be implemented and published. The RIA should answer whether the regulatory intervention is needed in an analytical and systematic approach and if it is needed, which is the defined regulatory option that is the best solution for the problem. It should also present the impact assessment of the solutions from the regulations to the economy through defining direct, indirect, positive and negative impacts and inform on the costs that the regulation amendment would impose to the economy.

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.

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, their interpretation or we can say, their "mood", what hampers the business environment directly and has adverse effects to business predictability. There are still many examples of lack of coordination and cooperation between public bodies which often causes situations where an investor is forced to obtain different statements/certificates that public bodies should exchange among themselves.

The MFIC lists public sector digitalization as one of the

key 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 the public policies, public finance management, special issues of local self-government system and strategic management of the public administration reform process and financial sustainability. When it comes to the implemented activities, the short-term Government Work Plan 2018-2020 and the Plan on public administration optimisation 2018-2020 were adopted. The Law on civil servants and state employees and the Law on local self-government are implemented; the number of e-services has increased for 83% (456) and the register of e-licenses is created on the E-administration platform. The Report on the implementation of the Action Plan to implement the Strategy of the Public Administration Reform 2018-2020, from the period January-July 2018, states that 57% of the planned activities are implemented, whereas four activities were fully implemented while three activities were partially implemented.

GREY ECONOMY

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

Since the informal economy was recognized as a big obstacle to a consistent economic growth given its width, the year 2018 was especially challenging for the Government of Montenegro. In January, the Government expressed its decisiveness to limit the space for

informal business when it established the Commission for Suppression of Grey Economy as a response to the increased grey economy in trading with excise products. The goal of the Commission is to support the inspection bodies and to encourage the mutual cooperation of the inspections. It is presided by the Deputy Prime Minister for economic policy and financial system and it is composed of the representatives of the Ministry of Finance, Police Administration, Customs Administration, Tax Administration and Inspection Administration.

The priorities of the Government remain the prevention of public revenue losses through grey economy channels in order to reduce its scale and negative impact to the efficiency of the economic policy. The Government simultaneously worked to improve the business climate and eliminate the normative causes of grey economy and it intensified the actions to suppress the informal economy through joint cooperation of tax, market and customs inspectors.

Understanding that high administrative costs affect economic activity and represent a serious business barrier, the joint action of the Government and business community on the Law on administrative fees and the Law on municipal fees gave results. At the beginning of 2019, the Government adopted the proposal of the Law on administrative fees thus reducing 72 fees or 11% of total number and cancelling 49 fees or 7% of total number. In addition, the Proposal of the Law on municipal fees cancelled the possibility to introduce some fees what will contribute to the reduction of business costs, especially in micro and small enterprises and this will strengthen the competitiveness of the national economy. The MFIC supports the amendments to the Law on Foreigners proposed by a group of members of the Parliament defining that the deadline to be issued a license is shortened from 20 days to 15 days, including the deadline to apply to mandatory social insurance from 8 days to 24 hours to prevent the employers to avoid their legal obligation to check-in a foreign employee for social insurance.

As it is emphasized by the Government of Montenegro, the previous year was marked by an intense work on new legal regulations regarding labor market and inspection supervision, new manner of turnover taxation, creation of requirements to introduce additional measures of preventing falsification of excise duty stamps, and analyses of labor tax burden. The specific results of these activities would be visible this year and the space for grey economy will be limited.

To achieve the above-mentioned, the Government adopted the Regulation amending the Regulation on

labelling tobacco products and alcohol drinks with the excise duties stamps and the Regulation amending the Regulation on requirements and procedure on exercising the right to be exempt from paying the customs to limit the amount of drinks imported by the natural persons. The amounts are limited and their non-commercial feature is not brought in question – the amount of beer in hand luggage of a passenger with the right to be exempt from paying the customs is limited from current 16 liters to 2 liters while the amount of sparkling water with added sugar is limited to up to 2 liters.

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 180 persons were recruited on the operations of providing technical service and assistance to the employees of the Administration for inspection operations, Police Administration and Tax Administration.

Last year, as it is announced from the Government, the excise seized goods were over 4.4 M € worth, out of which the cigarettes prevail, over 4.1M€ - this is the result of the joint action of the Police Administration, Customs Administration and Prosecution Office. According to the preliminary reports, the inspections (market, tourist, customs and labor) imposed the fines of more than 5.3 M€. The stress is on follow-up of the issued working permits for the foreigners and their application for the mandatory social insurance. In its report “Working place and growth”, the World Bank pointed out that the employers give advantage to the foreign labor force as they can employ them informally. In tourism, the focus was on the control of checking in and out the tourists and renting the accommodation online and this contributed to the overall growth of income from tourism.

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 difference in comparison with the conservative and cautious approach that businesses are starting to resort to as a result of increasing number of new taxes.

As it is announced from the Ministry of Finance, in 2018 the Law on excise duty was amended to review the valid excise duty rates defined under the excise calendar. This Law revised the existing level of the excise burden for cigarettes, fine cut tobacco, ethyl alcohol, coal and sparkling water with added sugar.

In the part of cigarette taxing, it was suggested to reduce the current amount of the cigarette excise duty from 40€ for 1000 cigarettes (0.80€ per pack) to 30€ for 1000 cigarettes (0.60€ per pack). This solution applies as of 1st September 2018 to 31st December 2019. Further harmonization or gradual increase of specific cigarette excise duty will be made on an annual basis from 1st January 2020 to 1st January 2025. The excise calendar of gradual increase of cigarette excise duty from 1st September 2018 to 1st January 2025 is given below:

- ▶ from 1st September 2018 until 31st December 2019 in the amount of 30,00 euro,
- ▶ from 1st January 2020 until 31st December 2020 in the amount of 33,50 euro,
- ▶ from 1st January 2021 until 31st December 2021 in the amount of 37,00 euro,
- ▶ from 1st January 2022 until 31st December 2022 in the amount of 40,50 euro,
- ▶ from 1st January 2023 until 31st December 2023 in the amount of 44,00 euro,
- ▶ from 1st January 2024 until 31st December 2024 in the amount of 47,50 euro,
- ▶ from 1st January 2025 in the amount of 51,00 euro.

The rate of proportionate excise duty from 1st September 2018 until 31st December 2019 remain unchanged and it amounts to 32% of retail cigarette price, while this rate shall gradually reduce from 1st January 2020 until 1st January 2025 as follows:

- ▶ from 1st September 2018 until 31st December 2019 32%,
- ▶ from 1st January 2020 until 31st December 2020 30,5%,
- ▶ from 1st January 2021 until 31st December 2021 29,0%
- ▶ from 1st January 2022 until 31st December 2022 27,5%,
- ▶ from 1st January 2023 until 31st December 2023 26,0%,
- ▶ from 1st January 2024 until 31st December 2024 24,5%, from 1st January 2025 23,0%.

Such fiscal structure of specific and proportionate excise duties ensures market stability and it creates requirements to reduce the space for illegal cigarette trading. Thus, it contributes to a more certain budget income in future and a reduced dependence on market circumstances and price policies of tobacco companies. In addition, new excise calendar will ensure the level of competitive prices of tobacco products compared to the region and will create the conditions that the manufacturers and importers sell their products at the prices acceptable for the consumers. This will provide for continuous operations in Montenegro.

When it comes to soft drinks taxation, the Law revises the amount of the excise duty for soft drinks with added sugar or other sugaring or aromatization substances as follows:

- ▶ from 1st January 2018 until 31st December 2018 in the amount of 20,00 euro,
- ▶ from 1st January 2019 until 31st December 2019 in the amount of 25,00 euro, and
- ▶ from 1st January 2020 in the amount of 30,00 euro.

The Ministry of Finance points out that this excise calendar represents an instrument to harmonize the prices in domestic market with the regional prices, especially because the excise products are very important for the state budget and excise tax payers are expected to meet their legal obligations. On the other side, the flexibility of the state is demonstrated regarding the introduction of fiscal burden ensuring the motivation of the excise tax payers for being present in the market.

When it comes to the future amendments of excise duties, those will be amended according to the valid excise calendar. The Government program for 2019 envisages the amendments to the Law on excise duties and these amendments will refer to the harmonization with the Directive 2003/93/EEC in the area of energy products taxation and with the Directive 2008/118/EC on general arrangements for excise duty.

DIFFERENT AMOUNTS OF TAXES AT MUNICIPALITY LEVEL

LOCAL SELF-GOVERNMENT – FOCUS FOR REFORM

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

Various analyses prepared in the previous period by the Foreign Investors' Council and other business associations as well, including their given recommendations, referred to the numerous fiscal obligations. From the "Analysis of fiscal burdens at local levels" prepared by the Ministry of Finance in 2013 until today, substantial reform steps in this area are lacking. 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.

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 it 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. In this sense, the special accent is on the payments for specific construction fees and use of commercial facilities that can be accessed from the municipal road (a set of fees defined by the local self-governments based on the Law on roads). In addition, the emphasis is as well on the local communal fees to install commercials and banners; fees for memberships in tourist organisations, diverse fees and local communal taxes on telecommunication and energy infrastructure.

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.

▶ ALL FISCALITIES OF THE LOCAL SELF-GOVERNMENTS

REGULATORY BASIS		FISCALITIES BASED ON DECISIONS OF THE LS GOVERNMENT UNITS
TAXES	Law on Property Tax	Property Tax
	Law on Real Estate Sale Tax	Real Estate Sale Tax
FEES	Law on financing the local self-government units	Surtax to the personal income tax
	Law on personal income tax	Personal income tax
	Law on financing the local self-government units	
	LAW ON MUNICIPAL FEES	Use of space on public surface, except for the purpose of selling newspapers, books and other publications, objects of ancient and artistic craftworks and home-made objects and products
	Municipal fees	Playing music in restaurants and bars, except the music reproduced through gramophone, tape recorder, radio, TV and alike)
		Using billboards and advertisement panels, except those on the main roads and regional roads
		Using space to park motor and towed vehicles, motorbikes and bicycles at arranged and labelled spots
		Use of free areas for camping, by putting tents or other temporary objects
		Use of glass cases to show the goods out of business premises
		Keeping of vessels and other facilities on the water
	Keeping of restaurants and other hospitality facilities and theme objects on the water	
	Keeping of concrete foundations and foundations for stone crushing and processing and sand manufacturing	
	Use of free space for carting, theme parks and circuses;	
	Use of coast in business purpose	
CHARGES	LAW ON ADMINISTRATIVE FEES	Around 150 different charges for the administrative procedures before local services
	Local administrative fees	
OTHER	LAW ON ROADS	Charge for non-scheduled transport
	Charges for using municipal roads and other fees	Annual charge for the lease of road land
		Annual charge for the lease of another land owned by road manager
		Charge for connection of access road to the municipal road
		Charge for installation of pipelines, water and sewage system, electrical, telephone and telegraph lines on public road and alike
		Annual charges for pipelines, water supply lines, sewage lines, electrical, telephone and telegraph lines on public road and alike
		Charge for the construction of commercial facilities that can be accessed from the municipal road
	annual charge for the use of commercial facilities that can be accessed from the municipal road	
	LAW ON SPATIAL PLANNING AND CONSTRUCTION	Charge for communal equipment of the construction land (Fee for town planning and rent)
		Fee for issuing urbanistic and technical requirements
	LAW ON TOURIST ORGANIZATIONS	Fees for membership in tourist organizations

* Source: The Ministry of Finance

RECOMMENDATIONS:

1.

To precise under the Law on financing local self-government units a clear foundation for all fiscal obligations that the local self-governments may envisage by their regulations and towards their tax payers, together with the amount of these taxes. The current Law lists the fiscal obligations that the local self-governments define in line with other laws. These provisions do not clearly specify the purpose of paying such taxes and why those should be borne by the legal entities (ex. the Law on financing the local self-government units lists the taxes that the local self-governments define in line with the Law on roads. The Law on roads specifies that the reason why the legal entities pay such taxes (ex. fees for construction and use of commercial facilities that can be accessed from the road) is for the construction and reconstruction of the roads. The question is why the legal entities are put in less favorable position than the natural entities or citizens because such obligation is imposed only to the commercial facilities (legal entities). At the same time, it is questionable why legal entities would finance the construction and maintenance of the roads if the roads are public infrastructure and it is the obligation of the State (in this case of the local self-government) to construct such an infrastructure.

2.

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.

3.

To review the amendments to the regulations on defining the tax payers of the fees for memberships in tourist organisations while taking into account which business activities are treated as part of the tourist industry. In addition, when creating this policy, the Government should bear in mind the manner of calculating these payments, differences at the local levels and burdens to the investors that are not transparent enough.

4.

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).

5.

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.

DIGITALIZATION AS PRECONDITION FOR ECONOMIC GROWTH



REGULATORY FRAMEWORK AND THE MFIC COMMITTEES

As it is stated in the introduction, there are two active and operational committees within the MFIC: ICT Committee and Banking Committee. Representatives of those sectors have found their interest in uniting within the MFIC and in creating a joint platform for mutual

communication and for communication with the decision-makers. We will present below briefly the work of these two committees i.e. main topics that were elaborated in the previous period.

1. 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. We are 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."

TELECOMMUNICATIONS

Telecommunication sector supports the Government of Montenegro orientation towards digital economy and digital transformation through various initiatives (Western Balkan initiatives, ICT strategy 2020 in pla-

ce based on the European Digital Agenda 2020), but the implementation and proper understanding how this industry can contribute to the economy development is still not visible. In regards to general market issues, transparency, predictability and respecting rule of law principles remain the key topics that have the biggest impact on regulatory environment as such.

Telecommunications are one of the most important drivers of any economy, the catalyst for development of other industries. The telecommunication market is connecting people, encouraging businesses and it has been a backbone for every industry over the years. Digital transformation is changing the way we communicate, work and live. The use of digital technologies can generate significant benefits in terms of speed, efficiency and transparency across the borders.

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. Consumers today are generally capable of identifying, claiming and accessing their content of choice more than ever before.

The global telecommunications market continues its transformation and is underpinning the economy that is digital, sharing and interconnected. This evolution is mainly driven by the ongoing innovations and technological developments relating to M2M, Big Data Analytics, AI, Cloud Computing and the over-arching Internet of Things. The industry is working hard to keep up with these rapid changes.

Having said that, the EU Digital Single Market policies aim to create the right conditions for digital networks and services to flourish. High-speed, secure and trustworthy infrastructures and services will be supported by the right regulatory conditions.

The EU has promptly recognized the challenges and

with the European Electronic Communications Code, formally adopted in December 2018 aims to drive investment in new high-capacity networks (principally the fifth generation of mobile telecommunications or fiber) and create a 'level playing field' between telecommunications companies and over-the-top providers OTTs (Skype, WhatsApp, Viber).

There is no reason why the Montenegrin regulatory framework would differ from any other framework effective in the EU.

With the globalization trends taking its course and rapidly impacting all the industries, ICT in Montenegro is operating in a very challenging business environment. Namely, despite all internal innovation and changes, in the past several years operators are facing with notable market decline. Regardless of industry decline, operators are continuously investing in putting the needs of customers as a top priority. In addition, OTT players with zero investments in access networks and zero obligations towards regulator such as paying license fee, spectrum fee etc., highly influence the market conditions. Digital transformation also needs digital skills.

Montenegrin ICT development regulatory framework should, similarly to the EU one, face the challenges and define mechanisms and measures to adequately respond to such challenges.

Embracing digital transformation, ensuring a regulatory framework that is future proof, can have an important impact on economic growth and employment.

As the European Commission has clearly outlined in its 2018 Strategy for the Western Balkans, digital transformation is not just part of the European project in the Western Balkans but can be a crosscutting boost to transform the region.

More harmonized digital transformation across the Western Balkan region could potentially also improve the regions' investment attractiveness and increase funding both from the private sector as well as international financial institutions. ICT industry has its own important role in that process, as well.

Free flow of data is an important element in the process of facing with the challenges of global trends on one side and in creating the business models that are both agile and adaptive, on the other side.

We find that current rigid regulatory outlook does not positively correlate to the growth. Unlike this situation, the EU has made an essential step in the creation of a

single European Space for the free flow of data, complementary to the General Data Protection Regulation (GDPR).

LAW ON ELECTRONIC COMMUNICATIONS

What we perceive as a particular issue is a rather challenging interpretation of Article 39 of the Electronic Communications Law (enacted in 2013) implying that all network elements and associated equipment have to be on the Montenegrin territory. The subject interpretation is a business barrier as such especially for service providers that operate in an international environment, as part of corporate groups, as it is the case with Montenegrin operators. It is also the barrier for end user to have state of art service in the same time such product is launched for the EU citizens. Namely, operators need to be allowed to apply technically and organizationally integrated solutions at the level of international groups in order to ensure innovation and improve their services and optimize their resources. By adopting the EU regulatory framework and standards, Montenegro should 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, respecting the provisions of the electronic communications Law and other effective regulations.

In that regard we are of the opinion that our previous suggestions with regards to Article 39 of the Electronic Communications Law should be accepted by the Government. As we were proposing there is a solution that would eliminate the room for misinterpretation of the subject provision by adding one additional paragraph after paragraph 1 of Article 39, which should be as follows:

"If a part of electronic communications infrastructure and associated equipment used for the provision of electronic communications services is located outside the territory of Montenegro, the owner of the electronic communications network that uses this infrastructure and associated equipment shall provide the consent of the owner and the holder of electronic communications infrastructure and associated facilities in order to meet obligations under paragraph 1 of this Article, as well as of the relevant regulatory bodies and / or state authorities that supervise and reimburse all costs if the monitoring and control is

performed outside the territory of Montenegro “.

On this occasion we would like to emphasize other issues/barriers that we are facing in daily business:

LAW ON ROADS

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. According to our experiences 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..

THE CINEMATOGRAPHY LAW

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.

ROAM LIKE AT HOME (RLAH) FOR THE WB6

Apart from the already implemented Regional roaming agreement, there is an ongoing initiative to introduce RLAH as of July 2021, with first reduction of roaming prices from July 2019, as part of the Western Balkan Roaming Policy. We understand and support the motivation of the EU Commission for lowering the roaming charges. This initiative introduces a big step for the entire region but it should be introduced in a gliding path, over time. It took 10 years for the EU to introduce RLAH, but WB6 are encouraged to complete this process in almost 2.5 years. The business community asks for transparent and predictable roadmap of all the initiatives that will affect the region. In the lack of the clear roadmap, the telecommunication companies will face unpredictable business environment that may limit the investments and lead to the cliff edge market value decrease. WB roaming policy roadmap with adequate milestones and realistic timeframe has to be the result of common consent of all stakeholders in order to ensure maximum benefits for the users, citizens of the WB countries and further investments in the region in parallel.

TRANSPOSITION OF DIRECTIVE 2014/61/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MEASURES TO REDUCE THE COST OF DEPLOYING HIGH-SPEED ELECTRONIC COMMUNICATIONS NETWORKS

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 as the physical infrastructures suitable to host electronic communications network elements, such as physical networks for the provision of electricity, gas, water and sewage and drainage systems, heating and transport services will be available for electronic communications operators under transparent and nondiscriminatory conditions and reasonable prices. This will also enhance synergies across sectors and it is expected to significantly reduce the need for civil works due to the deployment of electronic communications networks contributing the environment protection and public health as well.

Finally, we do hope that Montenegro, on the EU path, in the coming period will adopt pro-investment policies to *sustain the sector's momentum, by reviewing all factors affecting operators: macro-economic, the market place, government policy, regulation, competition, legacy aspects and technology changes, customer expectation and globalization, which would lead to integration into the European Digital Single Market and European Cloud. It is a crucial step towards tackling the challenges from Digital Transformation and reaping the benefits from it. Digital environment should support global competitive initiatives while telco operators remain important investors and partners to the Government.*

2. BANKING INDUSTRY

The years 2016 and 2017 were important years for banking industry in Montenegro and the MFIC recognized the need to establish the MFIC Banking Committee in February 2017. The Committee is set as the platform that would give our members belonging to this sector

the opportunity to directly and concretely communicate the greatest issues and common interests internally but also with different stakeholders. The MFIC members from banking sector are: NLB Montenegro Banka, CKB, Société Générale banka Montenegro, Erste Bank, Addiko Bank, Hipotekarna banka, and the EBRD as associated member of this Committee. Addiko Bank is currently coordinating the work of the Committee.

In the latest European Commission Report for Montenegro it has been noted that the banking system as a whole improved its solvency and liquidity position. There are fifteen banks in Montenegro, with foreign-owned banks accounting for 80.4 % of total capital, largely dominating the sector. Considering the relatively large number of entities and the small size of the economy, some mergers and acquisitions could be expected in the medium term. In 2017, the aggregated capital adequacy ratio was 16.4 %, well above the regulatory minimum of 10 %. Banks' profitability remains low albeit improving, with return on assets (ROA) and return on equity (ROE) of 0.9 % and 6.9 % respectively. The ratio of NPLs dropped to 7.3 % of total loans at the end of 2017 as a result of sell-offs of impaired assets to factoring companies and, more recently, new regulation facilitating loan restructuring and the clearing of banks' balance sheets. However, large disparities still remain across lenders, with the smaller non-EU and domestic banks presenting a significantly weaker position, calling for the reinforcement of the banking supervision framework and carrying out independent asset quality reviews for all banks.¹

According to Montenegro Economic Reform Programme 2019-2021, the main features of the operations of banks for the first eleven months of 2018 were an increase in assets, loans and deposits and a mild decline in capital. The downward trend of non-performing loans and interest rates has continued and is currently at a historical minimum. The stability of the banking sector is supported with adequate capitalisation, given that the solvency ratio of 17.15 percent at the end of September 2018, exceeds the statutory minimum of 10 percent. The system has been operating at a profit at the system level, and it was €36.5 million at the end of November. Non-performing loans and receivables at the end of November 2018 were 7 percent of total gross loans and receivables.²

An overview of the important topics concerning Banking Committee members is given below.

¹ EU Commission: Montenegro 2018 Report

² Montenegro Economic Reform Programme 2019-2021

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.

For the 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 of 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 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.³

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.

³ European Central Bank

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...

CREDIT BUREAU

After last year's report and recommendations from the White Book, several meetings were held with the Central bank of Montenegro where the recommendations

and activities to improve the existing reports from the Credit Bureau were analysed in details. This has provided the reports of significantly improved quality which would be further improved in the following period.

DATA VOLUME AND STRUCTURE

The Credit Bureau and its report have been significantly improved in 2018 compared to the 2017 reporting. The following information were included in the report: instalment / annuity amount, distinction between due and undue payment, loan purpose, repayment plan, date of questionable claim occurrence, interest rate, number of inquiries per client in the previous one-year period. New reports were also created such as:

Personal report – history: data on specific claim; transition matrix, PPKS reports per activity and maturity, purpose and maturity, category and maturity for the bank that makes the search or for the system of banks.

Such overview of the information with additional reports represents a positive progress.

REGULAR DATA UPDATE

The Central Bank of Montenegro required that the exchange of the data on daily and monthly level is fully automatized and it is an added value of this information segment.

LAW ON CREDIT INSTITUTIONS

The Law on Credit Institutions, which is undergoing public consultation process, will regulate the establishment, management, operation and supervision of credit institutions, the conditions under which legal entities with head office outside Montenegro can provide banking and/or financial services in Montenegro, as well as the publication of information by the Central Bank in the field of prudential regulation and supervision of credit institutions.

The new Law contains provisions indicating that they will be further regulated by by-laws which are presently not available. 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.

LAW ON CORPORATE PROFIT TAX

Our suggestions related to the Law on Corporate Profit Tax are given below. At the same time, we believe that it would be useful to take into account the regulations and bylaws from the neighboring countries, like Croatia and Serbia, when defining the final solutions.

1. 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.

In accordance with Article 18 of the Law the increase of impairment at the level of the bank is recognized as expenses for the tax purpose, what is in accordance with the regulations of the Central bank of Montenegro.

PROPOSAL:

- It is necessary to delete “created impairment” and to leave “writing off of the value”

- It is necessary to define whether the claims dereco-

gnition 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 indebt 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 initiation 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.*

2. BASIS FOR INCOME TAX

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.
- One of the examples are equity instruments measured by their fair value through the other comprehensive income. The effects of selling these securities are not recognized in the profit and loss account but remain within the equity or other comprehensive income.
- It is necessary to modify the tax application so these sale effects could be properly recognized.

3. EFFECTS OF THE ERRORS FROM THE PREVIOUS PERIODS, AMENDMENTS TO THE ACCOUNTING POLICIES AND NEW INTERNATIONAL ACCOUNTING STANDARDS IAS 8

PROPOSAL:

It is necessary to define the tax treatment of the effect of correcting the errors from the previous periods and retrospective corrections made in order to implement the amended accounting policies and new international accounting standards and accordingly, to add positions in the PD form.

4. IMPLEMENTATION OF IFRS 16

By implementing the IFRS 16, the legal entities, or the banks, must record the assets taken for lease as fixed

assets that can be used. Legal entities should recognize these assets in the same way they recognize the assets they use in their operations (fixed assets), given that there is a difference in the estimated depreciation period i.e. these assets should be depreciated in accordance with the requirements defined in the Lease agreement.

PROPOSAL:

Within the tax depreciation calculation, it should be defined where these assets belong i.e. in which way the tax depreciation should be calculated. One of the proposals is to define a new depreciation group that will be in line with the Lease agreement.

VAT LAW

Article 27 stipulates that the banking and financial services are exempt from VAT such as:

a) Approving and managing credits, as well as approving and managing guarantees that is other forms of credit insurance by the creditor;

The Rulebook envisages that the financial services referred to in Article 27 point 4 of the Law include the services of loan approvals when delivering the product via financial leasing.

Factoring is a manner of financing that ensures that the creditor can have cash before its maturity for what the factor charges the interest and the fee for its service. Accordingly, the aim of the factoring is to overcome the current liquidity problems with short-term financing. In the EU, VAT is regulated under the Directive 2006/112/EC from 28th November 2006 with its amendments (hereinafter referred to as: the Directive). According to the European Court of Justice, VAT treatment of factoring in the EU is as follows:

- transfer of claims does not represent the service so the fee for such transfer does not subject to the VAT,
- factoring fee and other administrative fees represent a service fee for collection of debts so they subject to the VAT,
- The interest arising from factoring is exempt from VAT without the right to the withholding tax.

Furthermore, the Tax Administration in Croatia published the explanation regarding factoring tax treatment in Croatia⁴. Accordingly, *“If the factor finances the tax payer from whom it repurchases the receivables within factoring operations by giving them a loan or a credit, the interests calculated by the factor for the loan are exempt*

⁴ www.porezna-uprava.hr/HR_publikacije/Lists/mislenje33/Display.aspx?id=19445
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from VAT. We point out that this also applies to the reverse factoring.”

PROPOSAL:

- 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.

INTRODUCTION OF NEGATIVE FEES FOR OVERNIGHT (O/N) BALANCES THAT THE BANKS HOLD WITH THE CENTRAL BANK OF MONTENEGRO

At the beginning of 2017, the Central Bank introduced new maintenance fees in amount of 0,3% on cash balances placed with the Central Bank. Beside the fact that this was introduced quite unexpectedly and without any prior notifications to the banks, main issue was raised whether commercial banks will, according to the individual pricing policies, introduce the same ▶ treatment for clients' cash held with banks. According to the Warning letter received by the Governor of the Central Bank in November 2017, all banks should carefully consider any similar pricing policy introduction taking into consideration the negative effects of such ▶ policy on the stability of deposit market and banking sector in Montenegro. Additionally, all banks pay 0,5 ▶ % fees on all deposit balances to Deposit Protection Fund. In a situation where banking market experiences the liquidity surplus, we would recommend to the State to consider amending the existing regulation in a way to exclude from Deposit Protection the fee calculations of those depositors which according to Article 6, paragraphs 2 and 3 of the Deposit Protection Law are not entitled to the payment of the guaranteed deposit. We believe that by excluding the calculation of the premium for DPF deposits for the depositors referred to in Article 6, paragraphs 2 and 3 of the mentioned Law, current liquidity costs could be divided between the State and commercial banks.

SLOW ADMINISTRATIVE PROCEDURE AT THE CENTRAL REGISTRY OF COMMERCIAL SUBJECTS

One of the administrative barriers that the banks encounter is slow administrative procedure at the Central Registry of Commercial Subjects regarding processing of requests. The Central Registry of Commercial Subjects is obliged to decide upon a submitted request four days after its reception and since they very frequently require additional documentation to be submitted, this deadline is regularly being breached. They usually insist on lots of unnecessary paperwork and by that, additionally slow down the process. Proposals for enhancement would be:

to establish the process in which it would not be necessary to submit PoA every time when submitting certain request, as the identity of the requestor may be confirmed by simple checking of the existing data in the system;

to organise that the filled-in request templates may be submitted electronically instead of hard copy only;

to ensure that additional documentation is required on the day of submitting of a request and not several days later, to make the process faster and obtain the excerpt within the prescribed deadline.

KEY REGULATIONS ACCORDING TO THE MFIC

LABOR LAW

The Labor Law is an umbrella law that is equally important for the economy and all employees and it is particularly sensitive since its aim is to protect and provide fair conditions for the economy and for the employees. As we pointed out earlier, we are convinced that the regulatory framework in any modern economy should be envisaged to stimulate the market development, to create professional positions, to increase productivity and to attract the investments. An effective Labor Law should provide for a basic fairness and protection of the employees, with simultaneous promotion of the sound competition for long-term and professional activities by increasing the flexibility and mobility of the labor force.

Different stakeholders assess the current Law as problematic and it was realistically expected that the Government would decide to go for a new Law and try to improve it. Unfortunately, strict solutions contained in the current Law are not solved by the new draft Law and those can still have a negative impact to the entire Montenegrin economy. This is the area which is still criticized by the business community, first of all because of its non-flexible provisions preventing the development of a stronger labor market and indirectly protecting the

employees with inadequate performance, thus contributing to a higher unemployment rate.

Public debate on the new Law took place in 2017 and according to the MFIC members it did not produce a document of a better quality i.e. the adoption of the new law in the current form will not resolve all the questionable provisions of the previous law, and it is even more considered that the new version in some segments would be more problematic than the currently valid Law when it comes to private sector. Many comments / suggestions on the proposal of the Law are not accepted even though they come from the real sector. Taking this into account, we believe that some elements of the new solutions should be questioned and improved in the following manner:

- we propose to eliminate the solution from Article 93 point 1 specifying that the past service is an obligatory requirement for the increase of the basic wage. The past service is an obligation from the past imposing it to the employer to value and pay the service that the employee executed with another employer – this creates the situation where the two employees doing the same job have different salary because their past service is different;

- We propose to delete from Article 92 paragraph 2 the collective agreement with the employer as an act defining the measures and norms to evaluate the performance of the employees. Namely, according to the current solution from the draft Labor Law, when it comes to the performance evaluation, the difference is made between the employers having the trade union and the employers without trade union. The employers having the trade union cannot individually define measures and norms for performance evaluation, what should be their right, but they need to agree with the trade union and define this matter under the collective agreement. If the agreement is not reached, it should be considered that the employees have standard performance and this is not a good solution. In this case, the employees showing a better performance than standard one and those who are low performers will have the same treatment what will affect the employees' motivation. Additionally, this will result in the situation that the employers without trade unions have more freedom to define the performance of the employees than the employers with the trade unions – in this way these employers are sanctioned (even though they are responsible employers).

- Article 94 of the draft Law shall be reviewed again because the MFIC members believe that this Article misinterprets the Directive 2006/54/EC and the Convention concerning Equal Remuneration for Men and

Women Workers for Work of Equal Value as this Article should promote the obligation of remuneration equality (as stated in the Directive and the Convention) as well as gender equity and it should prevent the discrimination of the employees based on gender. However, Article 94 transcends the gender equity regarding remuneration and guarantees the remuneration equity for all employees doing the same job or the work of the equal value which cannot be implemented in practice – this limits both the employer and the employee in exercising their rights and that is the right to negotiate and contract the employment terms and conditions (including the remuneration amount). We believe that this should be arranged within the labor market itself and it should not be forbidden to the employer to agree with the employee the remuneration amount higher than the legally defined minimum and regulatory framework. Depending on the needs of the labor force at the specific moment and situation in the labor force market, the employer and the employee should feel free to negotiate and agree the terms and conditions regarding the employment and remuneration amount, within the legal categories.

- The MFIC members propose deleting paragraph 5 from Article 158 prescribing that the agreement on employment termination has a legal effect as of the day of its certification by the notary, court or local self-government unit. Such a rule represents a serious business obstacle (not envisaged under the current Labor Law), it complicates the administration and imposes the costs to the employer and the employee and is a step back compared to the Labor Law in force (this is also a deviation from the legal norm that a legal affair arising from the main agreement should be concluded in the same form as the main agreement). In addition, such solution will create many dilemma in its implementation so the courts should also give the answer to the question if the employees in Montenegro can terminate their employment by agreement on Saturday or Sunday or during the holidays because it will be prescribed that the agreement has the legal effect once it is certified by the competent body and the competent body does not work on the following days. Such solutions, as well as some other solutions in the published draft Labor Law, sanction the responsible employers and do not contribute much to the improvement of business environment in the country.

- We propose to challenge the obligation from Article 5 paragraph 7 under which the Job Description Act contains, as a mandatory element, the number of employees, because this slows down the employment procedure and reallocation of employees, because if the employer would like to modify the number of em-

employees, they should first amend this Act (the Act should be sent to the Trade Union for opinion 5 days before the modifications are adopted and the Act should come into force eight days after it has been published on the notice board). Therefore, the fact of specifying the number of employees creates business barriers that the current Law does not recognize. We are of opinion that the definition of the mandatory elements of the Job Description Act will not improve the respect of regulations in our country and it will not additionally protect the rights of the employees – it will only impose additional obstacles to responsible employers that have respected these regulations so far.

- The chapter “Rights of employees in case of the employer’s change” is not harmonized enough with the Council Directive 2001/23/EC of 12 March 2001 on the approximation of the laws of the Member States relating to the safeguarding of employees’ rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses because the Law regulates only the restructuring operations when the employer has changed (and ownership) and the Directive does not only relate to these restructuring operations of the employer but also the situation when the legal form of the business activity is transferred to a new employer, or its part, business activity itself or its part. So, the Law does not regulate (but it should) the change of the employer caused when undertakings, businesses or parts of undertakings or businesses are transferred to a new employer within a legal arrangement. Because of this, we suggest to regulate this area in the same way in which it is regulated in the Croatian Labor Law.

Of course, the draft Law contains the improvements that are welcome by the business community and observed as a great progress towards the increase of competitiveness of our country. In that sense, the introduction of the deadline for time limitation of the monetary claims should be mentioned as this will improve the legal security in the labor market.

LAW ON CONSUMER PROTECTION

The recommendation given in the White Book 2015 reading “*We recommend revoking the provision on obligation to get approval from the Organization for Consumer Protection*” still remains.

According to Article 36 of the new Law on Consumer Protection (Official Gazette No. 2/14 and 6/14), public service providers are required to get approval from the

Organization for Consumer Protection prior to forming the final price of a service. As the electronic communications sector is already under a strict regulatory regime, this legal provision creates unnecessary additional obligations for providers, i.e. seeking an opinion from a non-governmental organization although a regulatory body exists – the Agency for Electronic Communications whose purpose is, among others, to regulate wholesale and retail prices, and operators of electronic communications are required to notify the Agency of all price changes.

We believe that this recommendation should be reviewed again having in mind the best EU practice in this area and especially the fact that the received opinion represents a statement which is not binding for the trader as it is not required and obligatory to act according to the obtained opinion.

LAW ON FOREIGNERS

One of the laws of great importance for foreign investors is surely the Law on Foreigners. The new Law on Foreigners was adopted in Montenegro (Official gazette 12/2018 from 23rd February 2018) including all international standards and actions related to the foreigners that are equivalent to the EU member states. The Law has become effective as of 3rd March 2018.

The MFIC believes that the Law on Foreigners should be amended in a manner that would enable foreign citizens to be employed i.e. appointed as the General Manager, in more than one company that are incorporated or in majority ownership of the company where the foreigner is employed. In fact, for the needs of conducting business activities, the company plans to create a number of new companies that will be in the sole ownership of the same company, all for managing certain phases of the project such as marina, golf, hotel management, etc.

According to the law currently in force, General Manager of the company, as a foreign citizen, may not be appointed the Manager in one of these companies at the same time, since there is the obligation to employ new persons on that position, even though such persons are not needed and will not occupy such position. Based on this, and without the intention to compromise the existing system, we requested from the competent Ministry of Internal Affairs to approve amendment to the Law of Foreigners in a manner that would, together with the existing rule that the foreign citizen may work in Montenegro only with the employer that employed

them, prescribe an exception where the foreign citizen may work at the same time “in one or more affiliated entities provided that the employer is the founder or majority owner of such affiliated entity, as well as that the position in question requires the same level of education”. We consider that this amendment cannot cause the abuse of the existing system, but on the other hand enables the investors to manage certain segments of their projects in a simplified manner.

In relation with this recommendation, the Ministry of Internal Affairs informed the MFIC that the Law on Foreigners does not define the terms and rights and obligations of the employees since those matters are defined under the Labor Law, and if the provisions of the Labor Law are modified, the provisions of the Law on Foreigners may be amended i.e. if the Labor Law prescribes the possibility that “one person can be a Managing Director in several companies” that will create legal conditions for amendments to Article 66 of the Law on Foreigners and technical requirements for the implementation.

At the same occasion, the Ministry of Labor and Social Care informed us that the proposal of the Labor Law envisages that the Employment Agreement may be concluded for the part-time but not shorter than (20 hours) of full time noting that this limitation does not refer to employment agreements of the managing directors so it means that there is a legal framework that one person can be a Managing Director in more than one company.

By taking into account the above-mentioned, we would like to ask the Ministry of the Internal Affairs to initiate the amendment to the Law on Foreigners having in mind the opinion of the Ministry of Labor and Social Care that there is a legal ground that one person can be a Managing Director in more than one company.

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 right to compensation for sick leave over 60 days is stipulated under the Law on Health Insurance as one of the basic rights of the insured person. This right is linked with the employment and legal status, which means that

the employees being temporarily incapable to work for the period longer than 60 days are entitled to the compensation. The basic requirement to enjoy this right is that the request submitter has paid the contributions.

Based on the data of the Ministry of Health, the costs based on sick leave in 2018 amounted to 5.0 M€. The funds budgeted for 2019 for this purpose by the Fund for Health Insurance amount to 4.8 M€ based on the Decision on funds allocation.

We were informed by the line Ministry that 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.

Also, it was emphasized that based on Article 168 paragraph 1 of the Law on Healthcare and Article 79 of the Law on state administration, the Ministry of Health has established the Commission that would control the work of the healthcare institutions in terms of performing the operations to define temporary incapability to work, upon the request of the employer. The Commission was created under the Decision number 011-397/2017 from 30th October 2017. The goal of this Commission is to prevent illegal statements of temporary incapability to prevent the abuse of this measure which results in financial consequences, both for the employees and the employers, and consequently for the healthcare institutions and overall financial overview of public revenues and expenses. In the previous years, from February to December, the Ministry of Health visited 12 healthcare institutions based on 28 requests by the employers and controlled the sick leaves approvals for 126 insured persons, out of which 67 requests were not justified while 59 requests were justified.

PUBLIC PROCUREMENT LAW

The investors point out to regulations dealing with public procurement process as one of the key obstacles in doing business. Bidders face very often the following challenges in the process of public procurement: rigidity of the process in terms of eligibility criteria; copying the same documents for each tender position for the same tenderer; submission of documents already in the possession of that or other public bodies; in case of appeal, payment of fees amounting to 1% of the estimated public procurement value; imprecise requirements or the lack of document specifications with regard to

the subject of procurement; an inferior status of bidders with the state commission which does not involve representatives of the real estate sector. In addition: multiple institutions in charge; submission of numerous documentation; payment of different taxes and fees; waiting for the administration's "reply", etc. make public procedures complicated and ultimately very expensive. It is necessary to improve transparency of procedures and to apply properly the ethical principles.

Public Procurement Law does not promote competitiveness; the quality of the offer is not graded adequately, while the stress is given to the price criteria. Public procurement should enable a larger number of interested bidders to bid, with equal conditions. The call or amendments to the tender documentation, based on specific criteria or subcriteria for selection of the most advantageous offer, do not provide for the application of competition as key principle of public procurement.

The adoption of the new Public Procurement Law is planned for Q1 2019. As the Public Procurement Administration informed us, they work intensively on harmonization of the legislation referring to the public procurement with the EU rules from 2014. This new Law regulates in more details the issues referred to in the White Book, and they concern the following:

- 1) the European Single Procurement Document (ESPD) a preliminary statement of the company that the company meets the requirements and that there are no reasons for its exclusion, instead of delivering all required evidence, including confirmation from the competent state bodies;
- 2) introduction of the criterion of the most advantageous offer in terms of cost-efficiency, as a unique criterion to select the most advantageous offer in the public procurement process;
- 3) linking the registries kept by the public bodies (Tax Administration, judicial bodies, criminal records);
- 4) obligation of the economic operator to firstly make a market analysis and consult with the legal entities on the draft of tender documentation for the purchase of goods, services and works of high value;
- 5) new forms of public procurement are introduced (innovation partnership, competitive dialogue, competitive procedure with the negotiations with the ordering public body instead of negotiations with previously published invitation to tender (this procedure hasn't change for the ordering sectors) and new techniques (dynamic procurement system, e-auction, e-catalogue), while the call, as a current procurement process, was arranged as a special procurement regime;
- 6) new rule set out – procurement of small value, value thresholds for small procurements are defined as well

as the obligations of the ordering party to publish on their website the rules on small value procurement – it is also defined that these procurements may be organized electronically;

- 7) it is regulated that the Government of Montenegro shall adopt new rules on centralized public procurements and the procurements for diplomatic and consular representation offices of Montenegro abroad, military and diplomatic representatives and units of the Army of Montenegro in international armed forces and peacekeeping missions and other activities abroad;
- 8) special procurement regimes were defined (light regimes) for social and other special services;
- 9) Government Procurement Agreement (GPA) was introduced;
- 10) the principle of environmental protection and energy efficiency was introduced;
- 11) there is a possibility to reduce the number of qualified candidates, bids and solutions;
- 12) mixed procurement was introduced depending on the subject-matter of the procurement and different legal regimes;
- 13) mandatory requirements and suitability requirements are closely defined as well as the basis to exclude the legal entities and manners to prove;
- 14) special conditions for the community of legal entities and subcontracting were set out;
- 15) all registries kept by the competent bodies will be linked (e-Certis);
- 16) list of the approved legal entities is introduced;
- 17) manner of submitting the application forms for qualification and offers in written and electronic form is prescribed;
- 18) awarding process is regulated in details;
- 19) possibility to modify the decision was introduced;
- 20) public procurement contract conclusion for sectoral ordering parties is regulated in details;
- 21) procurement of special purpose means and procurement related to defense and security is regulated;
- 22) the manner of keeping the records and reporting on the agreed public procurement and documentation archiving are regulated as well;
- 23) a single deadline to appeal on all procurement processes was introduced;
- 24) procedure of rights protection is adjusted to the new public procurement procedures and other issues fully complied with the EU directives

LAW ON BANKRUPTCY

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.

The Ministry of Economy informed that the given recommendation is already implemented and some details such as the public availability of the evidence submitted by another creditor in case of challenging the receivables are already regulated by the regulations. So, in line with the provisions of Article 114 paragraph 4 of the Law on bankruptcy (Official gazette of MNE, no. 1/11 and 53/16), in case of challenging the receivables, the bankruptcy manager shall submit to the court the explanation on the reasons to challenge the receivables, in addition to the list of the accepted and questionable receivables. Additionally, in line with the Law on administrative procedure (Official gazette of MNE, no. 56/2014, 20/2015, 40/2016 and 37/2017) each party (each and every creditor) is entitled to a full insight in the procedure roll-out and in all the actions/information regarding the 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. The Ministry of Economy replied that such recommendation is not accepted because the current Law regulates clearly the matter of justified and rational Reorganization plan. Accordingly, in line with Article 164 paragraph 1 of the Law, it is defined that the bankruptcy judge may officially or upon the proposal of a stakeholder, order to the bankruptcy manager or other competent persons hired to define the accuracy of the data from the proposed Reorganization plan. The bankruptcy judge may also order to the plan submitter to remove the inconveniences related to the content and measures given in the Plan and specify a suitable deadline for their removal. Additionally, the paragraph 2 precisely that the bankruptcy judge, upon the official duty or the proposal of a stakeholder, may reject the proposed Reorganization plan under specific circumstances.

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.

In that sense, the Ministry of Economy replied that these statements would be discussed within the Working group that is working on the amendments to the Law, the adoption of which is planned in 2018. According to the currently valid Law, the matter of collecting the receivables of secured creditors is elaborated in details. Accordingly, in line with Article 137 of the Law, in case the property to be sold is collateral of one or more secured creditors, the secured creditor may, within 10 days as of the day of receiving the notification on the suggested sale, propose more advantageous manner to cash in the assets including assets taking over with the costs compensation, and in accordance with Article 143, secured creditors have priority right in distribution of funds generated by the sale, according to the priority rank they have in line with the Law and based on estimated proportion of assets value that is the subject of the secured right in comparison with the estimated value of the company.

Regarding the statements with potential adoption of the Reorganization Plan in terms of banks status or their rights and possibilities to collect their receivables, in accordance with Article 162 of this Law, it is defined that the Reorganization Plan may be submitted by the secured creditors having at least 30% of the secured receivables compared to total receivables towards the debtor, and if the secured creditors consider it needed, in line with Article 170 of this Law, at the hearing to discuss the proposal of the Reorganization Plan and voting of the creditors, after the bankruptcy judge makes the decision on adoption of the Plan, the secured creditors

may submit the appeal against the decision. The Ministry of Economy has the position that, according to the Law, the rights of the secured creditors presented under these provisions which were carefully prepared and compared with the experience of the neighboring countries, are fully protected.

In addition, we point out that the Government of Montenegro, taking into account the need for the sustainable financial stability of the system as a whole, or individual banks, through elaboration and implementation of the Law on agreed financial restructuring of the debts towards the financial institutions (Off. Gzt MNE, no 20/2015), provided an additional incentive to the banking sector to collect their receivables. The Law regulates the conditions and manners of financial restructuring of the debts that a legal entity, entrepreneur or individuals as beneficiaries of the mortgage loans have towards the banks, micro financial institutions and leasing companies, and the experience shows that this Law did not apply much despite its goal to reduce the share of NPL.

From this point of view, we can say that the Working group that works actively since April 2018 on amendments to the current Law, analyzed carefully the suggestions regarding the secured creditors. As this matter is fully regulated by the Law additional provisions could not be proposed.

However, when it comes to the rights of the secured creditors, the provisions were introduced specifying that the secured creditors shall submit the receivables report in the deadline defined under Article 112 to treat their receivables in the equal manner as the receivables of the bankruptcy creditors. This was done to avoid any dilemma regarding the interpretation of the provision under Article 112 i.e. if the given provision refers to the secured creditor as well. Additionally, it was suggested to amend a part of Article 139 paragraph 2 referring to the collection of the secured creditors.

Taking into consideration that drafting of the final version of the Law is still ongoing, Ministry of Economy will take into consideration comments submitted by the MFIC.

LAW ON PUBLIC - PRIVATE PARTNERSHIP

In the previous period, the MFIC had the recommendations for the Government regarding the importance of further infrastructure improvement in Montenegro. Economic growth, with the increased investments inflow, requires increased investments in this area. This is

especially important for Montenegro as a tourist destination. In that sense, we have suggested why it is important to pass the Law on public-private partnership that would open some space for private investments in this part of the Montenegrin economy.

Additional acceptance of international standards through definition of regulatory framework that would enable investments under this model is directly linked to the necessity of adopting this Law.

Big projects that can be implemented following the model of public-private partnership regarding traffic infrastructure, healthcare and education would open up new foundations for foreign investors. However, such investments are not only linked to big projects but also to smaller investments in communal infrastructure, as an example. This would contribute to the improvement of the quality of the communal services at the local level and the quality of work of local self-governments.

RECOMMENDATIONS:

- 1.** It is recommended to adopt as soon as possible the regulations for public-private partnership and to create institutional capacities for new projects under this investment model..
- 2.** After adopting the regulations, it is necessary that the potential projects are presented so that the investors can have a clear message from the Government that it is ready to invest in the partnership project under PPP principles. This would contribute to creating a clear position for the investors to eventually invest.

IMPROVEMENT OF MARITIME SECURITY AND ENVIRONMENTAL PROTECTION IN LINE WITH THE EUROPEAN AND INTERNATIONAL STANDARDS

It is necessary to urgently adopt the amendments of the relevant regulations following the model of the EU regulating the sailing security and provision of port services as well as special treatment of technical and nautical activities (pilotage, towage and mooring). It is especia-

lly important to adopt the *acquis* and the recommendations which exempt pilotage services from the right to have free market access (protection of the competition right) because pilotage services are the services of public interest.

We believe that the assignment of additional concession for provision of technical and nautical activities in the port of Bar significantly derogates from the EU regulations (I and II EU Directive on market access to port services) and the Regulation of the EU Parliament and Council (EU) 2017/352 and clear position of the European Court of Justice in the case *Corsica Ferries France v Gruppo Antichi Ormeggiatori del porto di Genova and others* (C-266/96, Bailii, [1998] EUECJ C-266/96).

Therefore, the European experiences demonstrate that the concessions for port services, among all pilotage services, are of exclusive feature. Even in the largest European ports only one concession is given – always to one concessioner (ex. in ports Rotterdam, Genova and Trieste). In some countries one concessioner is a pilot consortium as well but it is often a single legal entity providing services for each port, as it is the case in Croatia. This makes sense in less busy ports like in Montenegro because the volume of the maritime traffic would not be enough for the economic profitability of more than one concessioner bearing in mind relatively high investment rates and fixed operating costs, what is visible in balance sheets for the previous years of the current concessioner who was operating at the edge of profitability. The experiences show, especially the EU experience, that if there are more providers of the same port service it is inevitable that the economic sustainability would be disordered and thus the investments in equipment and pilot training would be reduced. The Resolution A.960 of the International Maritime Pilots Association stressed out the importance of investments in pilot training because this increases the safety of people, property and environment.

For these reasons, as it is already stated, in most European and other countries the pilotage services are exclusive and are assigned as concessions in the procedures executed by former (quasi) state organizations, what results in mixture of public and private interests. However, due to extreme importance of pilotage for the security and safety of people, property and environment, in most cases the applicable regulations in the mentioned countries limit the number of the potential service providers so only one provider can operate in a single port.

Having in mind the above-mentioned, we believe that it is necessary that the line ministry examine one more

time the possibility of assigning new concession in order not to jeopardize legal and economic security in domestic market what would send a negative message to foreign investors and spoil the image of Montenegro as regional leader in the European integrations.

In addition, we believe that it is necessary that the Government undertakes the measures for the harmonization of the relevant legislation with the EU and we recommend to stop the procedure of assigning new concession for port services in the ports Bar and Kotor, until the completion of that procedure and adoption of the new Law on concessions.

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. The Law on Spatial Planning and Construction entered into force in October 2017. We believe that the Law represents certain business barrier because the electronic communications infrastructure through which services of public interest are provided 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. One of the absurdities is an example of one of the municipalities that doesn't allow maintenance of existing infrastructure, relying on the fact that it does not exist in planning documents, despite the fact that the operator owner obtained building and use permits from the same local administration once the infrastructure had been built. There are other examples that prove the different implementation of the aforementioned Law, and in practice for us as operators, this represents legal uncertainty and a barrier for further investment.

2. High rates of contribution to earnings (about 53,15% of net earnings; with taxes about 70% of net earnings)

3. Public Procurement Law does not promote competitiveness to a sufficient degree, in particular in insurance. Namely, the quality of the offer is not graded adequately, while the stress is given to the price criteria. Therefore, the law should be amended as to promote grading of quality of the offer to a more extensive degree.

4. The Labor Law should be more flexible. In particular, employer should have more flexibility in terminating

the employment contract as current conditions for termination of contract are rather strict and are not suitable for market economy. Employer is required to conclude, as a rule, employment contract with indefinite term, which is in practice extremely difficult to terminate, as termination requires a lengthy and complicated procedure, further complicated by judicial practice which is rather lenient towards employees. Therefore, employers are forced to keep employees even if they are not performing their work obligations, which can have direct negative effect on business results of a company as well as on the employment rates in the country. Past work compensation should also be amended as employer should not be obliged to pay compensation for past work conducted for previous employers.

5. Tax audit / control - the companies face the issues related to the prolonged period of audit duration. Focus needs to be given in shortening the audit periods and especially in concluding the cases when there are objections and appeals from the tax payer side accepted by second instance bodies (Ministry of Finance). Proposal: 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.

6. The Customs Administration is responsible to verify / collect the excise duty which is applicable on fuel sales. They are also responsible to verify volumes and prices of fuel on which VAT is applicable. Suggestion: There is a need to strengthen and streamline the controls and checks, so that the State is guaranteed that there is not income lost. The aim should be to align with the EU regulations and practices. International Oil Companies with a presence in other European countries, can share experiences and provide consultation to the Customs department.

7. The Energy Regulatory Agency is responsible for providing statistical information regarding the sales and distribution of fuels into the Country. For this purpose, each petroleum products seller / trader is asked to report annually to the agency its sales. The aim is to have an accurate picture of the volume of petroleum products sold / distributed in the country. Each petroleum products seller / trader reports its total sales volumes. However, it is not adequate to report only the total sales, because there is substantial cross selling between petroleum trading companies and this creates double-counting. Suggestion: Petroleum products

sellers / traders to report sales on a more frequent basis (say every quarter), but also separately per channel of sales, that is:

- (a) Retail sales (directly to vehicles at petrol stations)
- (b) Sales to other petroleum products sellers / traders (e.g. Petrol Company A to sell to Petrol Company B)
- (c) Sales to other customers (commercial, industrial, offices, hotels, etc.) who are the final customers, in other words they use the fuel for their own use. These other commercial customers have fuel tanks at their own premises, and the product is delivered there.

In this way we will have an accurate picture of the volume of fuel which the country consumes.

8. Labor market deregulation is essential. 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.

9. Regulations restricting the employment of foreigners as directors in more than one company need to be urgently amended, at least permitting foreigners to be directors in affiliates or subsidiaries of the holding company they are employed by. Currently, we are forced to appoint a new director in every subsidiary or affiliate company which is often problematic in terms of impacting control over the affairs of the group businesses, finding appropriately skilled persons, often necessitates extensive & time consuming training in the business at additional cost, plus the considerable additional salary expenses.

10. 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 (or sometimes care) about 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.

11. Regulation is often made by coping legislation from region or EU, without proper adjustment to local environment. In the procedure of adopting laws, the remarks of subjects on which it applies are not taken into consideration, and very rarely drafts of laws that are on public debate suffer some changes while finally adopted. In many areas laws are not clear or they not regulate certain fields, so it is hard to understand and properly implement. Moreover, regulatory bodies have their own interpretation of regulations, which results in legal uncertainty and sanctions towards investors and legal entities. Labor regulation is very problematic and it

is very difficult for employer to terminate labor contract. Courts are protective towards employees and mostly ruling against employer in labor disputes of any kind. Consistency in application of laws is also problematic. Different approach in same situation is very common, depending to whom law should be applied. Selective application of regulation is making legal environment very unpredictable and difficult to follow.

12. Real estate administration - Real Estate Land Registry does not update information about burdens on the title deed. This leads to uncertainty and mistrust in official data recorded in this administration. The quality of information about real estate is affected by lack of base of the traded real estates at the state level, which would provide more realistic market insight and improve estimation of real estate value. Further, progress in this area was made by adopting the Law on spatial planning and construction, which accelerated the process of providing administrative conditions for construction, but it was not enough. Namely, law enforcement is disabled due to non-existence of by-laws and especially of planning documentation.

13. Concerning corporate governance, improvement should be made especially in the segment of small and medium enterprises and their financial reporting – these companies are not obliged to conduct an external audit of their reports which disables fair reporting and prevents creating real image of the company. When it comes to bankruptcy and liquidation, regulations and controls should be formulated and implemented in order to prevent tax evasion. Many measures should be undertaken in order to repress the grey economy.

14. Regarding existing legal framework in the labor area, improvements should be made through modification of Labor law. Obsolescence of claims for payment should be limited based on the practice in the region and should last for approximately three years. In addition, disciplinary process should be stipulated by the Labor Law. It is necessary to simplify this process and it would be desirable to externalize it. Furthermore, the definition of the 'Salary' should be defined more precisely in the Law. It would be practical to define minimum salary defined per industry or type of jobs, in order to protect employees, but with possibility to decrease salary for non-performers in a safe manner. Some areas should be prescribed in more flexible manner, such as duration and termination of the Employment contract and use of annual leave. Regarding Employment contract, the duration of the agreement on employment itself would not be a problem as long as the termination of the agreement on employment initiated by the employer is allowed in a more flexible manner. Further, duration and the way of using annual leave should give enough space to both employer and employee, to discuss and agree these terms. These are all suggestions that we hope

would be implemented in proposal for amendments to the Labor Law, which is about to be discussed, and hopefully adopted.

15. Regarding IT sector, main suggestion is related to e-signature. Namely, the law should define this area in a more comprehensive manner, having in mind that the law defining this area is not in compliance with other regulations. Improving this segment would notably accelerate digitalization in financial and telecommunication sector. For example, possibility of signing sale contracts/loan agreements by using the already existing electronic channels would remarkably facilitate business processes

16. 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 €/MWh/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.

17. 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).



7. PRIORITIES OF THE GOVERNMENT OF MONTENEGRO FOR 2019

In its agenda for 2019 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 period. 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 2019 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.

Furthermore, the important step is the follow up of the Action plan to suppress grey economy, especially in the areas where the informal activities are mostly present – tourism, construction and labor market.

Within the strategic topics, the Work Program introduces two important documents for the education: the Strategy of vocational education development in Montenegro (2020-2024) and the Strategy of higher education development in Montenegro (2020-2025). The opinion of the MFIC is that the interests of the Montenegrin labor market and investments activities in the education should be taken into account in the preparation of these documents.

The Program of Economic Reforms for 2020-2022 presents a series of measures aimed at meeting the obligations from the European Agenda of the Integration Process. However, this document is an important foundation for the MFIC members so that they can have a clear picture of macroeconomic situation in Montenegro and short-term Government plans regarding the economic sector.

When it comes to the new regulations, it is important to bear in mind the following:

► Introduction of new modern principles in the work of the administration is the basis for further economic development and investment growth, what is reflected in the new electronic mode of operations. The MFIC members expect that these solutions in the provision of public services and implementation of administrative procedures are included in the proposal of the Law on e-administration and the proposal of the law amending the Law on electronic identification and signature. This applies at the central level, for the most important administrative procedures implemented by the public sector upon the request of the investor, but also at the level of local self-governments.

▶ The innovated solution from the proposal of the Law on public procurement to be adopted envisages additional harmonization of this area with the principles and rules of the EU regulations. However, the MFIC suggests that the Government reinforces additionally the implementation and improves the efficiency of the institutions in the public procurement process. It is planned to adopt the Proposal of the Law on public-private partnership which would open up new investment possibilities for the Montenegrin economy. This proposal would create a new model of public agreements with the partnership where the public authorities bring authority and private sector brings knowledge and skills. In its previous White Book editions, the MFIC emphasized the importance of adopting this regulation and it is expected that its adoption will be completed this year in order to improve the public work and services, construction and reconstruction of public infrastructure.

▶ The activities on the preparation of the Proposal of the Turnover Tax Law started last year. As the Government expects, these regulations should change the existing system of taxation and introduction of the new, online model. Additionally, the Law aims at improving tax policy and reducing grey economy. The MFIC will monitor the activities in this domain and represent the opinion of the MFIC members during the preparation of this regulation.

▶ The Government plans to adopt this year the Proposal of the Law on Business Organizations which has a significant impact on the operations of business organizations. This regulation defines the registration of a company and significant reforms are expected in this

part as it is necessary to improve this initial step for business growth in Montenegro. Taking into account that the improvement of business environment in the areas that may present business obstacles is the reason to adopt these regulations, the MFIC expects important actions aimed at increasing the competitiveness of the Montenegrin economy.

▶ Preparation of the Proposal of the Labor Law will be among the Government activities of priority. The intention of this Law is to harmonize the labor regulations with the acquis of the EU and conventions and recommendations of the International Labor Organizations ratified by Montenegro. We point out to the recommendations of the MFIC regarding further labor market flexibility and improvement of labor legislation for the purpose of the economic growth.

Montenegrin Foreign Investors Council will carefully follow the preparation of the following regulations as well: Law on Value Added Tax, Law on Concessions, Law on Energy, Law on Roads, Law on Corporate Income Tax, Law on Health Insurance, Law on Ports and Law on Maritime Agency.

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



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



The astonishing beauty of Montenegro and the good business climate were what

enabled **Azmont Investments**, a Montenegro-based company, to enter the market in 2012. The growing Portonovi Resort, worth €650 million, has been developed by Azmont Investments as the biggest investment project by Azerbaijan outside of the country and outside of the energy sector. This world-class resort with its state-of-the-art marina, the first One&Only resort in Europe, is being created as the Adriatic's most sophisticated mixed-use resort destination. As a responsible corporate citizen, the company is doing its best to contribute to the good of society through well-planned and continuous CSR programmes. The Portonovi Resort remains the main project being carried out by Azmont Investments and as an investment company we are looking additionally for opportunities to invest even more in the future, not only in Montenegro, but in other countries as well.

www.azmont.com



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 health-care, 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 Montene-

gro 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



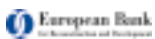
doME n Ltd is a Montenegrin joint venture, founded in 2008 by Afiliias Limited, GoDaddy.com and ME-net Ltd., that does business as a .ME Registry. The company was chosen by the Montenegrin Government to

operate the .ME ccTLD of Montenegro. Even though the .ME is a ccTLD, it soon opened its doors to worldwide registrations and has quickly achieved worldwide success.

Due to its deep inherent meaning in multiple languages

(English, Spanish, Dutch, Italian, Portuguese, Bulgarian and languages spoken in the former Yugoslavia) and limitless wording possibilities, just three days after its official launch, .ME recorded its 100,000th registration. .ME has continued its success over the years with a continuous and stable rise in registrations and more and more big brands being connected to .ME and its development programme – one of those being About.me, Facebook (fb.me, rooms.me, sling.me), Wordpress (wp.me), Time (ti.me), Mercedes (Mercedes.me) and others,

www.domain.me



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 Nikšić**

(EPCG).

The company’s energy activities are prescribed by the Energy Law, energy licences and the EPCG Statute.

The following activities are carried out by the company:

Electricity generation; Electricity supply; Electricity trading; Construction and maintenance of electric power facilities, ; Designing and supervision; and other activities prescribed by the EPCG Statute.

In carrying out its core activities, EPCG ensures a regular and high-quality electricity supply to its customers at the demanded voltage levels - a safe and stable electricity supply to the Montenegrin population and economy.

Elektroprivreda Crne Gore AD Nikšić possesses plants for electricity generation of a total installed capacity of 867.5 MW, of which 649 MW (75%) comes from the hydroelectric power plants at Perućica and Piva, while 218.5 MW (25%) comes from the thermoelectric power plant in Pljevlja.

www.epcg.com



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 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 hillsides 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 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



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.ramadapodgorica.me



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

and support in order to solve the business problems of their clients. S & T in Montenegro was established in August 2002 with 100% capital S & T Group AG. S & T Montenegro operates in business units: Business Solutions (network & security, enterprise systems and outsourcing) and Business Solutions (SW development).

In Montenegro, we offer solutions based on the products of our partners, world-renowned brands such as Microsoft, Oracle, Check Point, Juniper, Entrust, SafeNet, Trend Micro, Digi, ArcSight, Iron Mountain, VmWare, McAfee, Cisco, EMC, HP , IBM, Fujitsu, Hitachi, Imperva, Bosch, Cross-Match, MaxData ...

S & T Montenegro is a unique IT system integrator in Montenegro, with a reputation for reliability, due to the numerous successfully implemented projects in telecommunications

companies, financial institutions, government and public sector and the private sector, among which the most important projects that are of strategic importance for further progress of Montenegro:

- The web portal of the Government of Montenegro www.gov.me,
- Consolidation of DC and DR in NLB Montenegro,
- Central information corporate security solutions T-Com Montenegro,
- Web portal for On line services of the Government of Montenegro www.euprava.me,
- 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...



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

of the highest quality and safety. Sava Insurance Company is 100% owned by Reinsurance Company Sava Re, which is Slovenia's largest reinsurer and also the largest reinsurer in the region. The company's key advantages include 40 years of experience, an international reputation, good performance and stability of operations. Under the auspices of the Sava Insurance Company, in addition to the Directorate, there are branch offices operating in Herceg Novi, Kotor, Tivat, Budva, Bar, Ulcinj, Podgorica, Nikšić, Danilovgrad, Cetinje, Bijelo Polje, Berane, Rožaje and Pljevlja.

Sava Insurance Company Podgorica provides property and personal insurance products. Its property insurance products include household insurance products; its personal insurance products include accident and travel health insurance products; and its motor vehicle insurance products include motor third-party liability and motor hull insurance products.

Each client is provided with unique coverage solutions tailored to their particular requirements and expectations. By customising the coverage, Sava Insurance ensures that its clients have the best protection available. Sava Insurance is dedicated to protecting its clients' best interests and to building partnerships for generations.

www.sava.co.me



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-

nancial 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



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 healthcare 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



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

Societe Generale Montenegro has acquired the reputation of being one of the leading banks thanks to its professionalism and services of the best quality, based on the standards of the Societe Generale Group. As a client-oriented bank, it has significantly increased its market share, which proves a high level of confidence among its clients.

Societe Generale Montenegro won several international and national awards and acknowledgements out of which we point out the awards by The Banker magazine published by Financial Times Group from London for the best bank in Montenegro in 2012, 2014, 2015 and 2017 as well as the Euromoney Award for excellence for the best bank in Mon-

tenegro in 2012, 2015 and 2016.

As a socially responsible company, Societe Generale Montenegro was awarded the ISKRA philanthropy award in 2011, 2012 and 2015 for the overall contribution of the bank and its employees to the Montenegrin society and to the inclusive education. The bank also won the "Equality indeed" award which was given for the best practice in achieving gender equality in Montenegro, and was awarded three times for its care for the community by the Chamber of Commerce and Montenegrin Employers federation.

Societe Generale Montenegro has 20 branches, out of which 7 in Podgorica and the others in Danilovgrad, Cetinje, Ulcinj, Bar, Budva, Kotor, Tivat, Igalo, Nikšić, Kolašin, Bijelo Polje, Berane and Rožaje.

www.societegenerale.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 - Nikšićko Pivo, is a part of the Molson Coors Brewing Company, the world's third largest brewer. The origins of what we now know as Nikšićko Pivo date back to 1896. Trebjesa's portfolio consists of locally produced beers: Nikšićko Pivo, Nikšićko Gold, Nikšićko Cool Lemon, Nikšićko Cool Grapefruit, Nikšićko Nefiltrirano and Onogošt. Jelen and Apatinsko Pivo are brewed by licence and our portfolio is enriched

by some of the most famous world beer brands such as Staropramen, Corona, Becks, Leffe, Hoegaarden, Stella Artois and Löwenbräu.

Trebjesa plays a vital role in the national economy and contributes to development through various sponsorships, donations and local community projects.

The Chamber of Commerce gave an award to Trebjesa Brewery recognising it as the most successful company in 2016 in Montenegro.

www.pivaratrebjesa.com



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 insurance,

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 2018**

Publisher:

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

For Publisher:

Ivan Radulović
Executive Director of MFIC

Translation:

Jasmina Čeranić

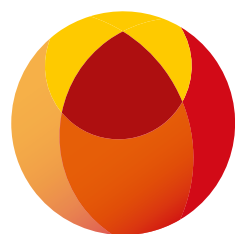
Designer:

Ana Đurković

Circulation: 200

Print: Copy Center

Podgorica, March 2019



MFIC | Montenegrin Foreign
Investors Council