



MFIC | Montenegrin Foreign
Investors Council

WHITE BOOK

Investment climate in Montenegro **2020**



WHITE BOOK

Investment climate in Montenegro 2020

March 2021

CONTENTS:

1. FOREWORD	6
Christoph Schoen, President of the MFIC	
2. EXECUTIVE SUMMARY	9
3. INTRODUCTION	13
Montenegrin Foreign Investors' Council	13
Council Bodies	13
Communication with the Government and Public Administration	15
Main Events and Activities in 2020	19
4. MFIC BUSINESS ENVIRONMENT RATING INDEX 2020	25
Tenth year of the MFIC Index	25
Rating the Industries	26
Individual Focus Areas	28
Individual Areas for Rating	30
5. MONTENEGRO - OVERVEIW	33
Montenegro overveiw	33
EU Integration Process	34
European Commission: Montenegro Report 2020	35
EBRD Transition Report 20120 - 2021	37
World Bank Group: Western Balkans Regular Economic Report	37
Doing Business Report (World Bank) – Ease of Doing Business	39
Global Competitiveness Indeks (World Economic Forum)	42
Corruption Perception Index (Transparency International)	43
Economic Freedom (Fraser Institute)	45
Economic Freedom Report (Heritage Foundation)	47
Important Events in 2020	50
Final Conclusions	53



6. EVALUATION OF REGULATORY ENVIRONMENT IN MONTENEGRO	55
Business Environment	56
Adoption and Implementation of the Laws	57
Public Administration	58
Digitalization and e-services	59
Grey Economy	61
Taxation	61
Different Amounts of Taxes at Municipality Level	63
Regulatory Framework and MFIC Committees	65
Information and Communication Technologies (ICT)	65
Electronic Communication Law	66
Draft Law on Measures to Reduce cost of Deploying High Speed Electronic Communications Networks	66
Para-fiscal Burden on Internet Access Service	67
Implementation of the Law on Spatial Planning and Construction	67
Banking Industry	67
General Observations	67
Fraud Prevention	69
Money Market Development (MM)	69
Law on Consumer Loans	70
Implementation of the Law on Consumer Protection – Users of Financial Services	70
FATCA Implementation	71
Key Regulations according to the MFIC	72
Law on ID Card	72
Internal Trade Law	72
Labor Law	73
Proposals of the Measures to Enhance Digital Transformation Process	73
Terminalisation of Public Administration through Introduction of Electronic Payment in the Operations of Public Institutions in Montenegro	73
Enabling Paperless Interactions with Customers	73
Enabling Paperless Interactions with Government Bodies	74
National Identity Number Data Exchange	74
Regulatory and Technological Factors Needed to Support E2E Internet	
Sale of Basic Banking Products	75
Creation of the Digital Transformation Working Group	75
Other barriers	76
Implementaion Status of the Accepted Recommendations from the White Book 2019	79
7. PRIORITIES FOR 2021	105
8. ANNEX	108
Full Members of the Council	108

1. FOREWORD



Christoph Schoen
PRESIDENT OF THE MFIC

The Montenegrin Foreign Investors' Council is pleased to publish the 11th edition of the White Book: Investment climate in Montenegro for 2020, 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 2020 and compares it with previous years, 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 2020 was characterized by enormous challenges which were directly triggered by the worldwide COVID-19 pandemic crises as well as challenges which already existed before and which sharpened during the last year. While being fully aware of economic and socio-political impacts as well as of the magnitude and the variety of tasks the new Government will need to manage we have reinforced our commitment for active and professional support and cooperation with the Government and the administration in the upcoming period.

In this context, we will continue to participate in governmental working bodies – Competitiveness Council and

Commission for Suppression of Grey Economy – which proved to be helpful platforms to address and monitor our recommendations which represent best European and international practices and standards.

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. From the experience of our members, “rule of law” recorded a significant decline (0.4 points) for 2020. We believe that predictable business environment, which implies the transparency of the activities of administration is of crucial importance. Monitoring the implementation of activities to improve the rule of law will remain at the top of the Council's priorities in the coming years.

Analysing the results of perception based evaluation of ease of doing business in Montenegro, from the experience of our members, we calculated the MFIC Index for 2020 at 6.4 (on the scale of 1 to 10). The result for 2020 shows a significant decline compared to 2019, which was considered in several segments as a record year, but also a decline compared to 2017 and 2018, when the Index was 6.5. Such a significant decline in the Index, by 0.5 points, has not been recorded since the evaluation has been introduced, but the decline was to be expected given that 2020 was marked by the COVID-19 pandemic, which had a significant negative impact on the entire Montenegrin economy.

The corona virus pandemic has resulted in extensive socio-economic impacts, putting a significant number of

companies at risk of closing down. The crisis has particularly affected small and medium-sized enterprises and their employees. Government of Montenegro was taking steps to reduce the negative impacts of the coronavirus on businesses and employees.

The second quarter of 2020 was characterized by economic and social closure in order to prevent the spread of the infection, and the implementation of numerous epidemiological measures to protect public health. In such an environment, a high economic decline of 20.2% was recorded.

The prolonged duration of the health crisis has led to a high economic contraction in the summer months, when most of the tourist traffic is generated, which generates significant private and public revenues in the country. According to the Report on the Implementation of the Economic Reform Program, the real decline in GDP for the first half of 2020 was 10.3%, while revenues from tourism in the first half of 2020 were lower by 78.5% compared to the comparable period 2019, while a decline of 95.3% was recorded in the second quarter.

Having in mind the above said, the tourism sector in 2020, compared to 2019, from the experience of our members, recorded the largest decline of as many as 0.8 points (from 6.9 to 6.1).

MFIC Index as well the industry ratings for the 2020, have confirmed the Council's long-standing message that serious reform processes must be continuously implemented within the analysed sectors, in order to further improve the business environment, attract foreign investments and increase the economic standard of all citizens.

Close and continuous communication with the Government and public administration authorities will remain 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 what would allow them to increase efficiency in business operation processes and to avoid negative and harmful consequences for the entire business community.

Our Committees (Banking, ICT, Insurance and Regulatory Policy) will closely follow up regulatory framework changes in their sectors and propose initiatives for improvement in areas relevant for our member companies' business operations.

We will continue to be an active member of the Government Competitiveness Council and Commission for Suppression of Grey Economy. Also, we will continue to closely cooperate with EBRD Secretariat to the Competitiveness Council towards achievement of our common goals and promotion of our common interests. Through active participation in Government working groups and by providing comments and suggestions to most important economic strategic documents we will work towards fulfillment of the Council's goals and creation of better business environment conditions.

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

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

The promotion of Montenegro's investment potential, as well as the promotion of the interests of the international business community in Montenegro, will remain our priority in the future. Montenegrin Foreign Investors' Council will continue to fully support reform processes in Montenegro and its integration into the EU.

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





2. EXECUTIVE SUMMARY

We are proud to present the eleventh edition of the White Book: Investment climate in Montenegro 2020 which summarizes the results of perception-based questionnaire about the ease of doing business in Montenegro. It also indicated the trend of business climate improvement in the last decade. The answers to the questionnaire were filled by the foreign investors, members of the MFIC, based on their personal experience and perception. The White Book describes the most important regulations for business development and outlines main challenges for decision makers to foster further economic development. Surely, 2020 was a special year as it was marked by COVID-19 pandemics which created a demanding and challenging economic situation. This year disclosed the flaws of the economic policy and small (restricted) Montenegrin market.

Thanks to a high response rate from the MFIC members to the predefined questionnaire (93% of members), we calculated the MFIC Index for 2020 at 6.4 (on the scale of 1 to 10, whereas 1 is the poorest score and 10 the best). The result for 2020 shows a significant decrease compared to 2019 which was the best year regarding several factors, and a decrease as well compared to 2017 and 2018 when the Index was 6.5. Such important Index decrease by 0.5 has not been recorded so far, but

it was expected bearing in mind that the year 2020 was marked by COVID-19 pandemics that had extremely negative consequences on the country's economy.

- ▶ If we compare the Indices of all ten years, from 2011 to 2019, the Index shows that the business environment is pretty stable and is gradually improving, especially after 2015. In 2019, the Index almost reached the score 7 having in mind that the average rating for the eight previous years ranged from 5.8 to 6.5 (maximum rating is 10). It was accepted as a straight signal that foreign investors believe that the year was marked by more important, more specific improvement compared to previous years.
- ▶ Yet, the year 2020 has brought out all the weaknesses of the Montenegrin economy and indicated the necessity of its diversification, what mirrored in the MFIC Index for this year. These events from 2020, extreme by their nature, show that the MFIC message is a proper and essential one suggesting for years already that serious reforms must take place within the analyzed sectors in order to improve business environment, attract foreign investments and increase economic standard of all the citizens in Montenegro.

When we talk about the year 2020, the drop of all the individual ratings is evident, what is understandable given the overall Index decrease. Accordingly, telecommunications and ICT industry received the greatest rating, despite heavy drop. Compared to 2019, tourism industry record the highest decrease for 0.8, banking/finance for 0.6, transportation/logistics and production/energy 0.3, while trade has the smallest decrease compared to 2019 – 0.2.

To rate the individual focus areas, the members considered to what extent these categories impact positively or negatively their business: labour market and employment, property development, taxation/contributions, corporate governance, rule of law. The members have been evaluating these categories for ten years so we can trace the perception change and the actual trend. Like in ten previous years, the MFIC members stress out to the rule of law as an area of key importance for further improvement of business environment. By analyzing prior ratings and after three consecutive years with the rating of 5.6, there is a slight increase at 5.7 in 2019. The year 2020 had a negative impact in this domain where a drop by 0.4 points is recorded.

The adoption of the Labor Law, as one of the crucial systemic laws, marked the year 2019 and its implementation was evaluated in the 2020 questionnaire so the rating increase for 0.2 points has been observed for this area. New Labor Law represents a step forward when it comes to prevention of grey economy and protection of employees' rights. Still, further improvements are necessary to increase flexibility and mobility of the labor force.

Property development shows a decrease by 0.1 point compared to record 2019 when the rating was 6.4. After minimum increase in 2019, corporate governance records a significant decrease of 0.4 points in 2020. In spite of challenging 2020, it is interesting that taxation records an increase by 0.2 points compared to 2019. The rating for this area is quite stable and it ranges

between 5.7 and 6.5 for the previous 10 years, with the highest ranking given in 2020.

Six categories additionally evaluated by the MFIC members are Human Capital, Black Market and Inspections, Regulations for Public-Private Partnership, Public Procurement, Digitalization of Public Services, Regulations on Personal Data Protection.

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

To better present the overall business environment in Montenegro, we dedicated the White Book's section "Montenegro Overview" to present important conclusions from international reports. Generally observed, in international frameworks Montenegro recorded a drop in 1 report while it progressed in 2 out of 5 most important reports. Until the publication of this White Book edition, the Report on ease of doing business of the World Bank and Global Competitiveness Index of the World Economic Forum for 2020 have not been published yet.

In this regard, the following recommendations are important:

- ▶ more efficient reform implementation and further steps to improve tax procedures;
- ▶ significant modernization of the work of cadastral and notary services, especially when it comes to the respect of deadlines in the procedures, costs reduction and introduction of modern, electronic systems that would shorten the registration procedure;
- ▶ creation of foundation for further infrastructure inve-

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

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

- ▶ implementation of measures to improve the work of the administration and raising efficiency at all levels, especially in the part of a greater consistency in the implementation of policies at local and state level;

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

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

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

The section “Regulatory framework and MFIC Committees” presents the work of the active MFIC Committees: ICT Committee (established in 2014), Banking Committee (established in 2017), and Insurance

Committee and Regulatory Policy Committee are established in November 2019. The representatives of these sectors have found their interest in uniting within the MFIC and in creating a joint platform for mutual communication and for communication with the decision-makers. Key regulations of importance for business environment were analysed: the Law on electronic communications, the Law on measures to reduce the costs for installation of electronic communication networks of high speed, the Cinematography Law, the Law on spatial planning and construction, the Law on Consumer Loans, the Law on Consumer Protection – users of financial services, FATCA Law, the Law on ID Card, and the Law on Internal Trade.

This year’s edition of the White Book contains the recommendations related to the proposed measures aiming at enhancing digital transformation process through terminalisation of public administration through introduction of electronic payment in the operations of public institutions in Montenegro, digital communication with the users, with public institutions, exchange of data on National identification number and implementation of regulatory and technological preconditions required to support E2E Internet sale of basic banking products.

In the part “Other barriers” 30 barriers are recognised and identified by the MFIC members.

The section “Implementation status of the accepted recommendations from the White Book 2019” collects the answers of the line institutions to the recommendations of the MFIC members related to the amendments of the regulations from the White Book 2019. Out of 15 amendments of the regulations, the implementation of 9 recommendations is ongoing (60%), 3 recommendations are implemented (20%) while 3 recommendations (20%) are considered not implementable at this moment

MFIC MEMBERS:



3. INTRODUCTION

MONTENEGRIN FOREIGN INVESTORS COUNCIL

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

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

Starting with five founder members (Crnogorski Telekom A.D., NLB Montenegro Banka A.D., Montenegro Stars Hotel Group d.o.o., KAP A.D. and Daido Metal A.D.), the MFIC membership base has been constantly expanding and today it comprises 42 members that re-

present around 35% of national GDP. The Council gathers together representatives of numerous and varied industries – banking and financial services, telecommunications, metallurgy and mining, energy, tourism and hospitality, the consumer goods sector, manufacturing, information and communication technologies, transportation and auditing.

COUNCIL BODIES

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

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

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

▶ **NOVEMBER 2020 – NOVEMBER 2021:** **Mr. Christoph Schoen (Addiko banka) President**, Mr. Pal Kovacs (Crnogorska komercijalna banka), Ms. Nela Vitić (Ocean Montenegro), Mr. David Margason (Porto Montenegro) and Mr. Ivan Bojanović (SAGA Montenegro).

In line with the Statute, the MFIC Board of Directors established specialized MFIC Committees within the Council:

- ▶ ICT Committee (established in 2014)
- ▶ Banking Committee (established in 2017)
- ▶ Insurance Committee (established in 2019)
- ▶ Regulatory Policy Committee (established in 2019)

This mechanism is recognized as a proper one to identify the business barriers that the investors are facing and to find possible solutions thereto as well as to communicate them to relevant addresses. The ICT Committee

Chairman is Mr. Ivan Bojanović, from Saga SG, and the Banking Committee Chairman is Mr. Christoph Schoen, from the Addiko Bank. The Insurance Committee Chairman is Ms. Nela Belević, from Uniqa insurance while the Chairman of the Regulatory Policy Committee is Ms. Ljudmila Popović-Kavaja from Telenor.

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

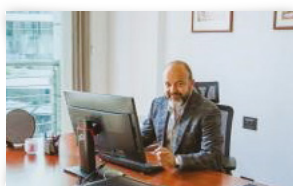
BOARD OF DIRECTORS 2020-2021



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



Nela Vitić
CEO of Ocean Montenegro



Ivan Bojanović
CEO of SAGA Montenegro



David Margason,
Managing Director, Porto
Montenegro



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



Nela Belević
(Uniqa osiguranje), Insurance
Committee Chairman



Ljudmila Popović Kavaja,
(Telenor), Regulatory
Committee Chairman



Ivan Radulović
MFIC Executive Director



COMMUNICATION WITH THE GOVERNMENT AND PUBLIC ADMINISTRATION

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

The Competitiveness Council, former Council for elimination of business barriers and the Council for improvement of business environment, regulatory and structural reforms, is one of the most important communication channels chaired by the Prime Minister since its establishment in 2009. The MFIC is a member of the Competitiveness Council since its establishment. At the session held on 11th February 2021, the Government of Montenegro brought the decision on establishing the Competitiveness Council. As it is stated in the Decision, the Competitiveness Council aims at contributing to greater economic competitiveness and faster economic growth. It includes the engagement on improvement of processes and procedures and proposing structural reforms to improve competitiveness, creation of the plan to suppress grey economy, improvement of labor market and employment. One of the important tasks of the Council is to publicly promote the importance of dialogue between the private and public sector in order to improve competitiveness, create stimulating business environment and enhance the life quality of citizens.

The new Decision on establishing the Council contains some amendments to enhance its efficiency and remove the shortcomings recognised in the work of the previous compositions. New elements in the composition and manner of work have been introduced. The number of members is reduced from 36 to 20. In addition to five business associations being members in previous compositions (Chamber of Commerce of Montenegro, Employers Association of Montenegro, Montenegrin Foreign Investment Council, American Chamber of Commerce in Montenegro, Montenegro Business Alliance), the Council will be joined by the representatives of women business associations. This is an important step that aims at economic strengthening of women.

The Council will be chaired by the Ministry of economic development while the Ministry of finance and social care is proposed as the deputy. Within the Council, the Prime Minister will be represented by two advisors, for economic and legal questions.

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

When it comes to the implemented activities in 2020,

due to COVID-19 pandemics as of March, the first planned session of the Competitiveness Council in 2020 could not be held. In 2020, one live session was held (8th June 2020) dedicated to the measures related to the economic recovery of the country from COVID-19 pandemics. To monitor the implementation of the adopted Agenda of the Council as much as possible and to keep the continuity of open and constructive dialogue among the Council members in the circumstances occurred due to coronavirus, the Secretariat to the Competitiveness Council submitted the materials online (18 documents in total) for review, with the possibility for the Council members to give comments, suggestions and proposals of conclusions to the presented documents (international and national reports), 5 initiatives and 4 reports analysing the inclusion of the businesses in adoption of the legal regulations, with the proposal of measures to improve public and private dialogue when adopting regulations.

The Secretariat to the Council with their Report on the implementation of conclusions from previous Council sessions is responsible for continuous monitoring of the implementation, with the special accent on informing about the fulfilment of requests of the business associations.

When it comes to the material prepared and submitted by the MFIC, the Competitiveness Council reviewed and adopted the Information on the results of the White Book 2019 at the session held on 27th April 2020. In its eleventh White Book edition, the MFIC pointed out that the year 2020 was marked by deterioration of business environment reflected in the decrease of the overall Ease of doing business Index.

MFIC Index for 2020 at 6.4 (on the scale of 1 to 10, whereas 1 is the poorest score and 10 the best). The result for 2020 shows a significant decrease compared to 2019 which was the best year regarding several factors, and a decrease as well compared to 2017 and 2018 when the Index was 6.5.

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

MFIC members considered to what extent each of these categories impacts positively or negatively their business: labor market and employment, property development, taxation/contributions, corporate governance,

rule of law. Compared to all other ratings for 2020 that have decreased, some important categories witness Index increase for 0.2 points (labor market and employment and taxation). The rating decreased in three other individual categories. These ratings vary between 6.5 and 10 and bring to a conclusion that these areas are recognized repeatedly as priority by private sector since they require a systematic approach and a reform agenda. The results for 2019 are a bit of concern for the rule of law that records a decrease by 0.4 points and reaches 5.3 what is 2016 rating.

Like in previous years, according to the MFIC members the rule of law should be stressed out as an area of key importance for further improvement of business environment. By analyzing prior ratings and after three consecutive years with the stable rating of 5.6, there is a slight increase at 5.7 in 2019. The year 2020 had a negative impact in this domain where a drop by 0.4 points is recorded. Monitoring the implementation of the activities to improve the rule of law will remain at the top of the MFIC priorities in the following years as well. By taking into account the priorities of the MFIC members and for more detailed analyses of business environment, six new categories were introduced: Human Capital, Black Market and Inspections, Regulations for Public-Private Partnership, Public Procurement, Digitalization of Public Services, Regulations on Personal Data Protection.

Out of six analyzed areas, we observe the rating decrease in three areas compared to 2019 (public and private partnership, black market and human capital). Minimum increase was recorded for public procurement, digitization of public services remained at the same level while regulations on personal data protection recorded an increase of 0.2 points.

At the online session held on 30th June 2020, the Competitiveness Council analysed and adopted the answers of the line institutions to the recommendations contained in the White Book 2019. The White Book identifies 15 recommendations relating to the state administration institutions.

The Agenda of the Competitiveness Council for 2020 defines the MFIC Initiative to define measures to eliminate barriers for development of e-services. This includes development of electronic services related to so-called end to end services when it comes to online submission of requests and being approved the loans, including online account opening and video identification (as additional security measure), implementation of instant payments for further modernisation of Montenegrin payment system and implementation of

payments using QR code for automatised payment process (simplified process, its improvement and costs reduction).

Accordingly, in February 2020, the working group was established, coordinated by the Ministry of Finance and social care and composed of the representatives of the MFIC, Revenue Administration, Police Administration) and the Secretariat to the Competitiveness Council. As a result, the Action plan was made with the activities assigned to responsible institutions. Out of nine activities, two were implemented while the implementation of the remaining activities is ongoing.

The mutual conclusion of the representatives of public and private sector, members of the working group, is that it is necessary to work on the implementation of the proposed measures in order to enable digital banking services. The representatives of private sector, as initiators of this cooperation, are satisfied with the undertaken and implemented activities, mutual understanding and defined mutual goals. It is necessary to accelerate the implementation dynamics of the assumed obligations and to continue to follow up the agreed activities and deadlines.

The MFIC is a member of the working group coordinated by the Secretariat to the Competitiveness Council, in line with the Competitiveness Council which is engaged in the preparation of the Registry of Levies since May 2020. The working group monitors project implementation and contributes at every stage to the Registry quality.

In October 2020, the Registry was first presented to the public. Relevant institutions at state and local level and business associations are invited to give their comments and thus contribute to the improvement of database. The Registry was modified in line with their inputs and the levies which were not in the database were updated.

The Registry of Levies contains the levies updated on 31st January 2021, described with 20 attributes.

- ▶ Registry of levies is created as online application www.javninameti.gov.me.
- ▶ All the levies in the Registry can be browsed online (over 2000 levies, more than 27000 allocated levies described with 20 attributes and transposed from almost 800 regulations). Also, search results may be exported in excel so that the users can make internal analysis.
- ▶ All users can leave their comments to specific levies.

▶ The application is available in Montenegrin and English language and the name of the levy is fully translated in English.

▶ In addition to the version for users, there is a version for administrators who can change or add new levies. The administrators can produce 4 kinds of reports.

▶ There is User Manual and Administrator Manual in PDF.

▶ In addition to the levies database, there is licences database at the same platform. It can also be browsed to get the data on all the levies to be paid to get a specific licence. This database is not completed yet, the beta version is available.

▶ One of the special benefits of the work on the Registry of Levies is identification of regulations to be put out of effect. The Secretariat forwarded to the working group a list of 417 regulations to be put out of force as they are obsolete or unapplicable from other reasons. More than 80 regulations have been removed so far.

The creation of the Registry of Levies should be accompanied by the normative framework. Given that the levies have been listed for the first time in one place, it would be desirable to adopt special regulation (ideally a law). The subject of the Law would be definition of the levies, which natural and legal persons are obliged to pay levies, introduction and manner of running the Registry, ownership over the Registry (Ministry of economic development and Ministry of finance and social care). It would be good to define as well that none levy can be charged if it is not contained in the Registry. This would be beneficial to the companies who would use the website of the Registry as the only information source about all the levies in Montenegro. The MFIC will continue to contribute to the improvement of the Registry with its expert assistance and participation.

At the session held on 22nd March 2019, the Competitiveness Council required from the Secretariat to the Competitiveness Council to coordinate the working group composed of the representatives of the Ministry of Finance, Ministry of Economy, Ministry of public administration and Tax Administration and to create the Analysis on company registration process with the measures for improvement, acceptable action plan and responsible holders. The main goals of this process referred to the following:

- ▶ *Simplifying the process of company registration in order to reduce the time needed for company registration and the required steps.*

- ▶ *Allowing complete electronic registration and data modification and company status.*
- ▶ *Improvement of quality of CRCC database and connection to other relevant registries.*
- ▶ *Definition of CRCC status and organisation.*

In 2020, Secretariat to the Competitiveness Council, in cooperation with the working group and representatives of business associations, worked hard to implement the activities defined in the Action plan and their status was updated at Government sessions. It is important to mention the participation of the MFIC representatives in creation of two Rulebooks important for the registration process: Rulebook on registration process, content and keeping of the Central Registry of Commercial Companies and Rulebook on criteria and fee for company registration in the CRCC. The first Rulebook prescribed for the first time all the documentation needed for registration (establishment, modification, removal) for all companies registered in the CRCC. This ensures a single action and reduces legal insecurity in the registration process. Also, the registration process will be facilitated for the parties in a sense that there is no possibility that any document / data are missing when they submit documentation, whether electronically or in person.

When the second Rulebook came into effect, the fees for registration, modification and removal of joint stock company were reduced from 50€ to 40€ while the fees for registration, modification and removal of any other company registered in the CRCC were reduced from 10€ to 5€. Also, along with the e-registration development, the system for electronic collection of administrative fees is developed, being the integral part of the single information system managed by a state administration body responsible for the operations of electronic administration and operations.

As of 25th December 2020, the portal E-firma was launched enabling the electronic registration of founding a single-member limited company, with founder-resident, with minimum capital of 1€ as well as the registration of changing the data on the company. It is also possible to order online the certifications issued by the CRCC such as excerpt and certificate on activity.

The activities on registration process improvement will continue, with the end goal to ensure full electronic registration of all companies registered in the CRCC.

The MFIC is recognized as one of the main stakehol-

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

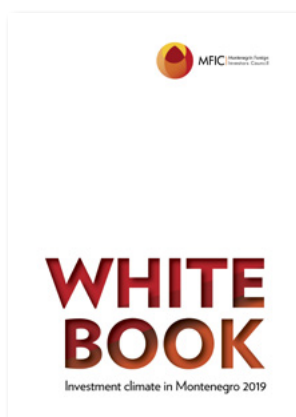
EVENTS AND ACTIVITIES IN THE LAST YEAR

Below are presented some of the main events and activities in 2020 which make part of the regular annual agenda:

JANUARY 2020: Donation to the Institute for Children Disease – the MFIC directed its socially responsible activities to the youngest members of society, especially those requiring medical care. “Working for children and with children gives additional motive for our future social engagement. We are proud that the purchase of new beds will help improve the conditions to stay in hospital for children and their parents”, said Mr. Christoph Schoen, President of the MFIC.



MARCH 2020: The MFIC published the tenth edition of the White Book (presenting the 2019 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. Business index indicates the assessment of the ease of doing business in Montenegro based on the perception of the Members. According to the tenth White Book edition, 2019 was marked by the improvement of business environment what is reflected in the increase of the MFIC Index and indicates the reform implementation directed at improvement of economic conditions and business climate



Donation of the MFIC to the Government of Montenegro: in order to implement the activities to prevent COVID-19 virus, the MFIC donates 10.000 EUR to the National Coordination Team for Contagious Diseases.



MAY 2020: In cooperation with the lawyer’s office Karanovic&Partners and the Ministry of Finance, the MFIC organised webinar on the implementation of the new Law on public and private partnership adopted in December 2019 which entered into force as on 1st July 2020.

Webinar:
IMPLEMENTATION OF THE NEW LAW ON PUBLIC-PRIVATE PARTNERSHIP

May 27, 2020 // 11:00-12:30

PRESENTERS:

			
Milena Rončević Pejović Karanović & Partners	Mina Srečković Karanović & Partners	Darko Jovanović Karanović & Partners	Jelena Jovetić Ministry of Finance

*Members are invited to register by sending an email to info@mfic.me not later than May 25

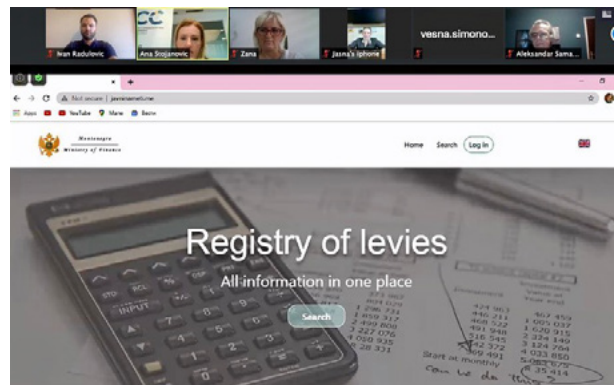
JUNE 2020: Tenth session of the Competitiveness Council was held – the UNDP Report on economic assessment of COVID-19 impact to the economic system in Montenegro was analysed. As the Report specifies, the crisis showed that the preservation of (short-term) macroeconomic and financial stability is a key to improve resilience to economic shocks and that such stability is a required precondition to maintain high growth in middle term.

EVENTS AND ACTIVITIES IN THE LAST YEAR



OCTOBER 2020: Meeting of the working group for creation of the Registry of Levies in Montenegro. The Secretariat to the Competitiveness Council presented to the members of the working group beta version of the Registry. Currently, the Registry contains 2031 levy from 580 regulations. It will contain the list of levies at state and local level natural and legal persons are obliged to pay. The basic goal of creating this Registry is centralisation of the data on levies charged in Montenegro, at state and local level in order to simplify the business process and increase transparency.

JULY 2020: Participation of the MFIC at the conference of the Ministry of public administration dedicated to digitalisation of public services..



Crna Gora
Ministarstvo javne uprave

Uprava
za servis građana
Narodna služba uprave

Projekat finansira
Evropska unija

#ZavršiElektronski

panel

Od šaltera do klika: eUprava za privredu

Bojana Bošković
Ministarstvo
finansija

Dušan Polović
Ministarstvo
javne uprave

Nada Rakočević
Privredna
komora

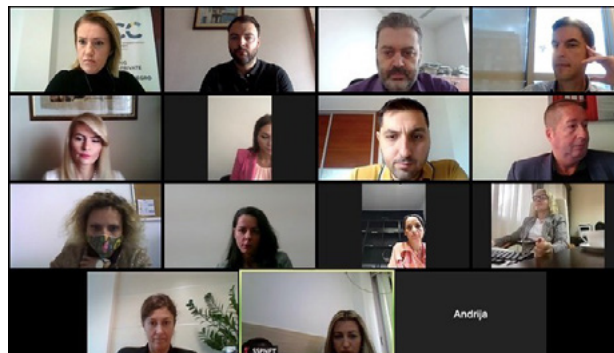
Dušan Banović
Savez stranih
invešitora

Predrag Lešić
Američka privredna
komora

konferencija "Od šaltera do klika – Završi elektronski"
29. 07. 2020. godine, 9:30 h • @MinjavneupraveCG

LIVE

Projekat sprovodi konsorcijum koji predvodi **KPMG** | Kampanja "Završi elektronski" sprovodi se u okviru Projekta "Efikasna interna i eksterna komunikacija Strategije reforme javne uprave", koji finansira Evropska unija. Korisnik projekta je Ministarstvo javne uprave Crne Gore, a projekat sprovodi konsorcijum koji predvodi KPMG. Za sadržinu materijala u okviru kampanje, odgovorno je Ministarstvo javne uprave i ona ne tražava zvanične stavove Evropske unije.



SEPTEMBER 2020: Meeting with the new ambassador of the European Union – EU Delegation in Montenegro and the MFIC decided to intensify their cooperation regarding improvement of business environment, strengthening the rule of law and EU integration process.



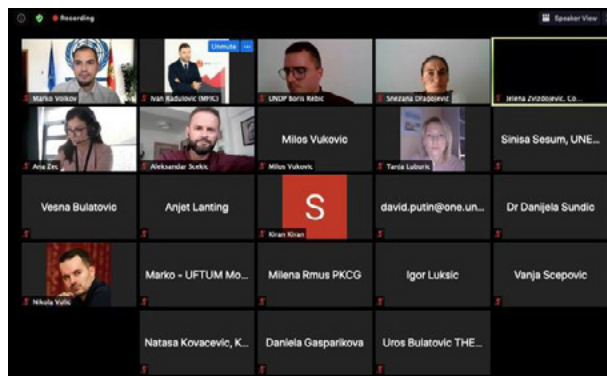
Meeting of the working group to eliminate barriers for development of electronic services in banking sector and telecommunication sector – implementation of the Action plan and future activities regarding electronic opening of bank account and electronic identification, introduction of instant payments in Montenegro, development of money market, fraud prevention and implementation of FATCA agreement.

NOVEMBER 2020: Mr. Christoph Schoen, MFIC President, met with Mr. Huan Santander, new Head of UNICEF Representation Office in Montenegro. They spoke about mutual cooperation in future period. One of the topics was inclusion of private sector into the

identification of priorities and mutual interest when it comes to the development of children in Montenegro.

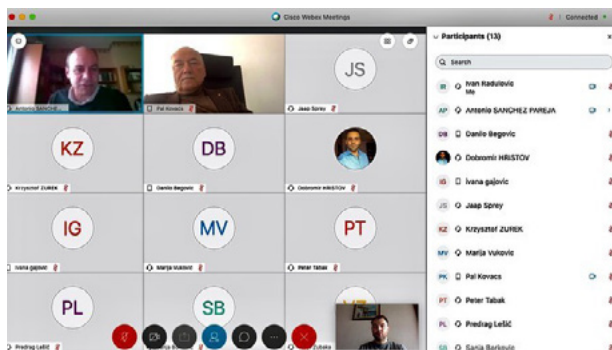


has taken on. This assessment will form the basis for preparing a new UN cooperation framework with the country for 2022-2026.



MFIC representatives met with the representatives of the European Commission within their preparation mission for Montenegro and their 2021 Economic Reform Program. They exchanged their views on key structural challenges, especially long-term unemployment of women and the youth, strengthening of regulatory framework, digitalisation, e-fiscalisation, Government support measures during pandemics and economy formalization.

DECEMBER 2020: The MFIC donated to the Institute for Children's Diseases equipment worth 5 thousand EUR. Three beds were donated to the Institute for Children's Diseases for the needs of organisation and epidemiological separation of pediatric patients at the Institute. The previous donation in the amount of 11 thousand EUR equipped the rooms with 4 hydraulic hospital beds with tables, 2 examination tables and procured instruments of surgical equipment for the needs of the Institute.



Ivan Radulovic, MFIC ED, participated in the consultations with the United Nations Development Programme - UNDP in Montenegro in the area of economic transformation. He has highlighted the importance of further strengthening the rule of law, further development of legal institutions, improvement of the efficiency of the judiciary system, further suppression of grey economy, digitalisation and use of technology to support the development of business activities. The United Nations in Montenegro is currently undertaking an assessment of the progress made and challenges that Montenegro faces on the path to sustainable development, in line with the global 2030 Agenda and international obligations that Montenegro

The MFIC published the fifth edition of the Guide to the MFIC in Montenegrin and in English, in cooperation with the regional publisher Alliance International Media (AIM). In this publication, the MFIC members evaluate business environment and



investment climate in the country and identify the areas which need to be intensely worked on. In addition to the MFIC members, Ms. Oana Cristina Popa, EU Ambassador in Montenegro, Mr. Jaap Spray, Head of EBRD Representation Office for Montenegro, Mr. Emanuel Salinas, Head of the World Bank Office in Montenegro and Mr. Radoje Zugic, Governor of the Central Bank of Montenegro exchanged their views and opinions.

The Ministry of Economic Development initiated a meeting with the MFIC and other business associations regarding the analysis and further development of the third package of measures to be implemented shortly. A continuous communication and follow-up of the tasks implementation will be coordinated by the Secretariat to the Competitiveness Council.



Annual Assembly of the MFIC – Montenegro is an attractive investment destination, it was assessed by Mr. Christoph Schoen, MFIC President, and added that the MFIC members intend to continue expanding their operations and making new investments in a number of sectors. At the Annual Assembly held in hotel Hilton, Schoen said that the MFIC is faced enormous challenges, directly triggered by the worldwide pandemic crises and challenges, which already existed before and which sharpened during this year. “I therefore use the opportunity to reinforce our commitment for active and professional support and cooperation to the Government and the administration in the upcoming period”, said Schoen. As he explained, the Council comprises 42 members and its work has been guided throughout the years, from foundation in 2009 up till today, by the same valid set of principles – consistency, transparency, equality and predictability. “These values are today more important than ever”, said Schoen. He also stated that the MFIC will continue its regular activities next year. When it comes to publishing of the White Book, he said that the MFIC will continue its cooperation with the Government and other organisations. “We will continue the work of our committees to insist on amendments to the regulations and specific improvements”, Schoen added. According to him, this year was particularly difficult, not

only for coronavirus pandemics but for political situation as well. “We need to move on to see how we can cooperate with the new Government. We will insist on some new forms of cooperation with the Government to achieve our goals”, said Schoen.

Minister for Capital Investments, Mladen Bojanić, stated that all domestic and foreign investors will have full institutional support from the Government. “We will be your partner and protector of your businesses, in order to make this space even more attractive for foreign and domestic investors,” said Bojanić. He assessed that investors, when it comes to Montenegro, in the previous period faced problems in the area of the rule of law and the fight against corruption.

“Every regular investor who comes to Montenegro with the desire to invest rightly demands the full rule of law and wants us to ensure healthy competition by minimizing, if not completely eradicating, corruption,” said Bojanić. He announced that a special department for the fight against corruption will be formed within the Ministry, to which investors will also be able to turn. Investors rightly expect the efficiency of the entire state administration. “It is one of our priorities that we will pursue. Also, I am sure that the problem with the unpredictability of tax, customs and overall fiscal policy has been your problem so far.” He also stated that the spatial plans and technical permits related to the construction were long overdue, which affected the slowdown of the works of certain investors or forced them to withdraw. Ministry believes that the largest capital investments for Montenegro are needed in road infrastructure and energy sectors. “It is something that should start the Montenegrin economy, that is, conditionally speaking, public works. It certainly opens space for small and medium-sized businesses, which at this moment, however, can hardly be a generator of development, if we have problems in infrastructure matters,” Bojanić concluded.

MFIC Annual Assembly was also attended by the Ministers of Finance and Social Welfare and Economic Development, Miloško Spajić and Jakov Milatović.







4. MFIC BUSINESS ENVIRONMENT RATING INDEX FOR 2020

TENTH YEAR OF THE MFIC INDEX

The MFIC Index or evaluation of ease of doing business in Montenegro by the MFIC members celebrates its tenth jubilee. The Index is based on the perception of the MFIC members who evaluate Montenegrin business environment by answering a tailor-made questionnaire. The evaluating form for the most of the questionnaire has remained unchanged for a decade and in that sense, it represents an excellent ground for business environment analysis. The Index aims at providing different stakeholders, starting from the present and potential new foreign investors and decision makers in Montenegro, with a quantitative overview of how investors, that already run a business in the country, perceive the business environment.

Thanks to a high response rate from the MFIC members to the predefined questionnaire (93% of members), we calculated the MFIC Index for 2020 at 6.4 (on the scale of 1 to 10, whereas 1 is the poorest score and 10 the best). The result for 2020 shows a significant decrease compared to 2019 which was the best year regarding several factors, and a decrease as well compared to 2017 and 2018 when the Index was 6.5. Such important Index decrease by 0.5 has not been recorded so far, but it was expected bearing in mind that the year 2020 was marked by COVID-19 pandemics that had extremely negative consequences on the country's economy.

Between 2015 – 2019 the Index showed that total business environment was stable, gradually progressing, reaching the year 2019 with the foreign investors believing that some specific improvement was made compared to previous years. Yet, the year 2020 has brought

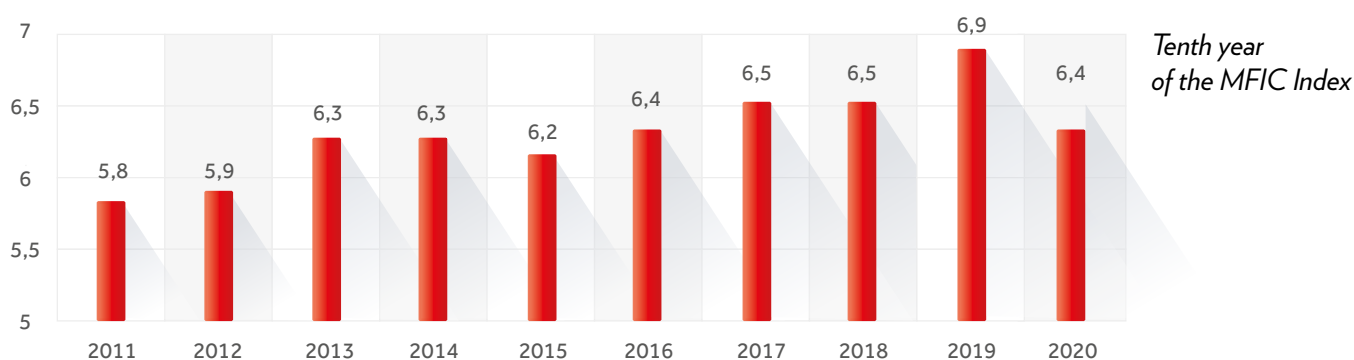
out all the weaknesses of the Montenegrin economy and indicated the necessity of its diversification, what mirrored in the MFIC Index for the previous year.

Q2 2020 was marked by economic and social lock down in order to prevent virus spreading and implement numerous epidemiologic measures to protect public health. In such environment, a high economic decrease of 20.2% was recorded.

Prolonged health crisis caused big economic contractions in summer months in which it generates the largest part of tourism-based revenues thus creating significant private and public revenues in the country. According to the Report on implementation of the Economic Reform Program, real GDP drop for the first half of 2020 amounts to 10.3% while tourism-generated income in the first half of 2020 were lower by 78.5% compared to the same period 2019. In the Q2, a decrease of 95.3% was recorded.

Bearing this mind, tourism sector recorded the decrease of 0.8 points in 2020 (6.9 in 2019 to 6.1 in 2020).

These events from 2020, extreme by their nature, show that the MFIC message is a proper and essential one suggesting for years already that serious reforms must take place within the analyzed sectors in order to improve business environment, attract foreign investments and increase economic standard of all the citizens in Montenegro.



RATING THE INDUSTRIES

For the tenth time, in order to keep continuity and data comparability, when rating the industry, our members considered how easy or difficult their daily operations are due to the general business climate and regulatory environment. They also evaluated other factors such as administration, regulatory framework, business infrastructure categories like roads, education, etc. In other words, conditions that are “provided” by the state institutions in Montenegro, and not the conditions regarding external and other factors impacting the economy.

The MFIC members rated Telecommunications, Bank-

ing/Finance, Tourism, Production/Energy, Trade/Retail, and Transportation/Logistics. When we talk about the year 2020, the drop of all the individual ratings is evident, what is understandable given the overall Index decrease. **Accordingly, telecommunications and ICT industry received the greatest rating, despite heavy drop. Compared to 2019, tourism industry record the highest decrease for 0.8, banking/finance for 0.6, transportation/logistics and production/energy 0.3, while trade has the smallest decrease compared to 2019 – 0.2.**

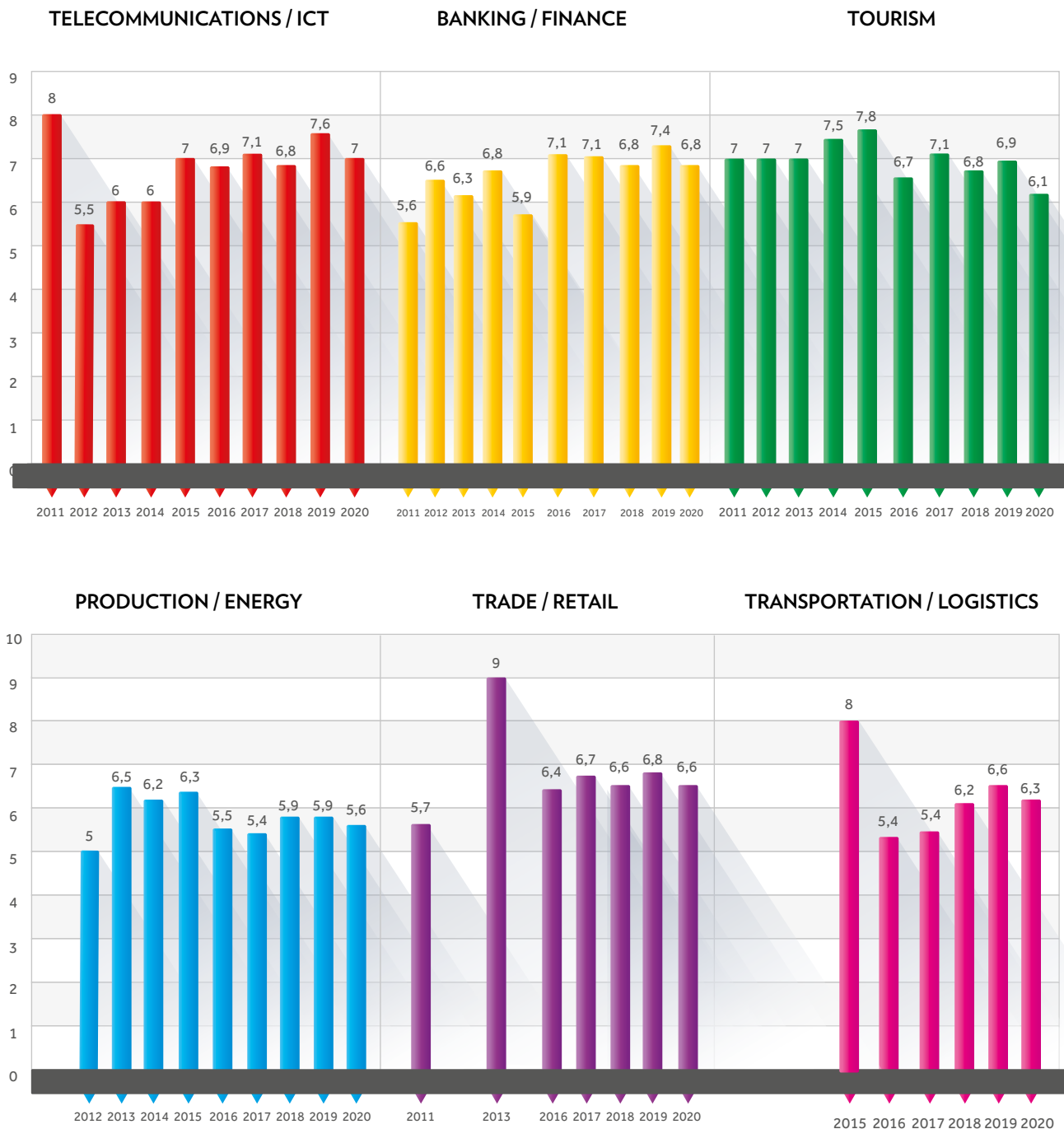


Table Tenth year of the industry rating

► 1. TELECOMMUNICATIONS / ICT

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

► 2. BANKING / FINANCE

Banking/Finance sector - it is identical to the ICT sector - after an excellent 2019 rating, there is a drop of 0.6 points bringing the rating 6.8 – the same as in 2018. This sector got the highest score ever in 2019 – 7.4. It was an important increase since 2018 when the score was 6.8.

► 3. TOURISM

Tourism industry in 2020 – due to the pandemics, the year was extremely difficult. It is observed as well in 2020 rating amounting to 6.1. This is the lowest rating since this kind of evaluation is introduced. The decrease of 0.8 points is a clear indicator that the industry suffered a huge damage which is not fully solved through support packages.

► 4. PRODUCTION / ENERGY

Production/Energy industry records low ratings for these ten years of evaluation (the lowest ratings compared to other industries). In that sense, the year 2020 recorded a smaller decrease for 0.3 points. This industry still has the lowest rating.

► 5. TRADE/RETAIL

Trade/Retail industry records the smallest decrease, for 0.2 points, and it indicates that this industry suffered less damage than other analyzed industries.

► 6. TRANSPORTATION/LOGISTICS

Transportation/Logistics industry recorded increase in 2019 while in 2020 this industry was affected by the crisis with the recorded decrease of 0.3 points.

An important part of the analysis is how representatives of the industries perceive their own industry. The evaluations of the representatives from ICT, banking and tourism on the environment in their respective industries from 2016 to 2020 are given below :

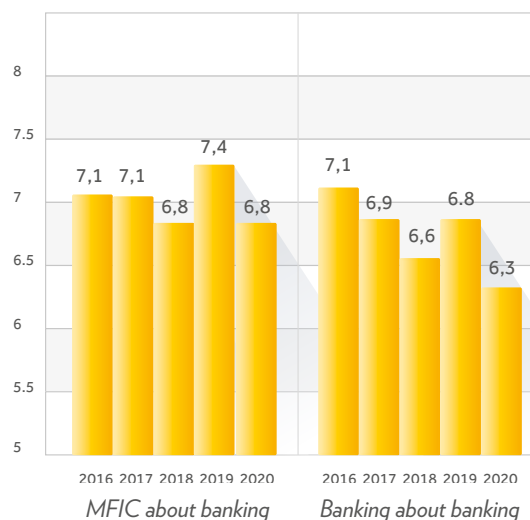
The members representing the ICT and Telecommunications sector in the MFIC gave the identical rating for 2020 as for 2019 which was the highest rating for this industry since this evaluation has been performed. Bearing in mind that 2019 was marked by the increase from 5.7 to 7.4 (the greatest Index increase), keeping

The opinion of the MFIC members representing telecommunication and ICT sector, banking and finance industry and tourism on the situation in their respective industries from 2016 to 2020:

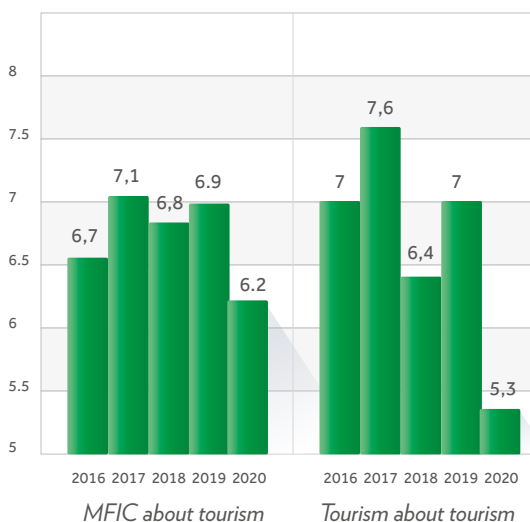
► What ICT sector in MFIC thinks about development of local ICT environment?



► 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 same rating shows the optimism that this industry has managed to cope with the economic challenges brought by the pandemics. As in previous years, the rating given by the representatives of the telecommunications and ICT and the rating given by other members differs for 0.4 points.

Like in previous years, in 2020 as well the ICT industry is recognized as the industry of priority by the MFIC, and some specific actions were initiated in order to define and implement the measures for further development in this area.

The members representing the Banking sector in the MFIC (the banks) rated their industry 6.3 what indicates a continuous inferior rating given by the banks' representatives compared to the other MFIC members.

On the other hand, the rating of 6.3 represents a decrease by 0.5 and is the lowest rating so far. This indicates that the banking industry faced some problems in the operations in 2020.

Additionally, if we add the ratings of the insurance companies to the banking industry, we get the score of 6.9 which is lower by 0.3 points compared to 2019 (2019 – 7.2; 2018 – 6.7). Compared with the rating given by the banks, a decrease of 0.6 points is observed.

Finally, the members representing the Tourism sector in the MFIC rated their industry with 5.3, which is lower for 1.7 points compared to 2019 and for 0.8 points compared to other MFIC members. These are the biggest negative differences in ratings and an important indicator of the issues that hit tourism industry in 2020.

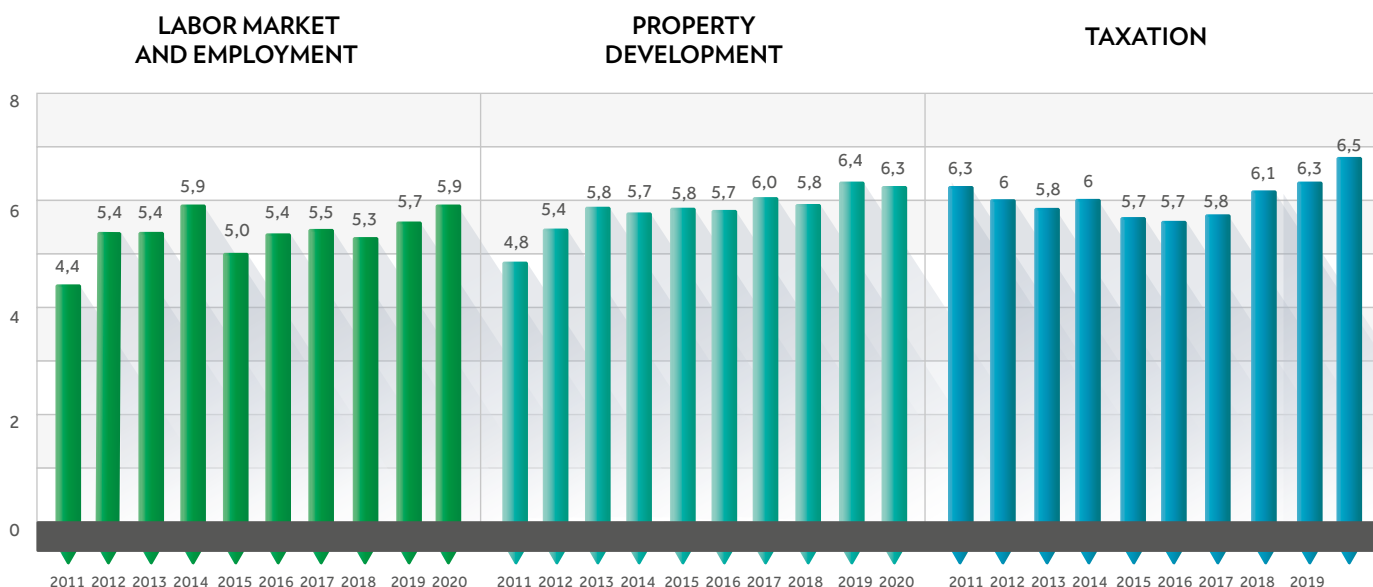
INDIVIDUAL FOCUS AREAS

For tenth year in a row, 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.

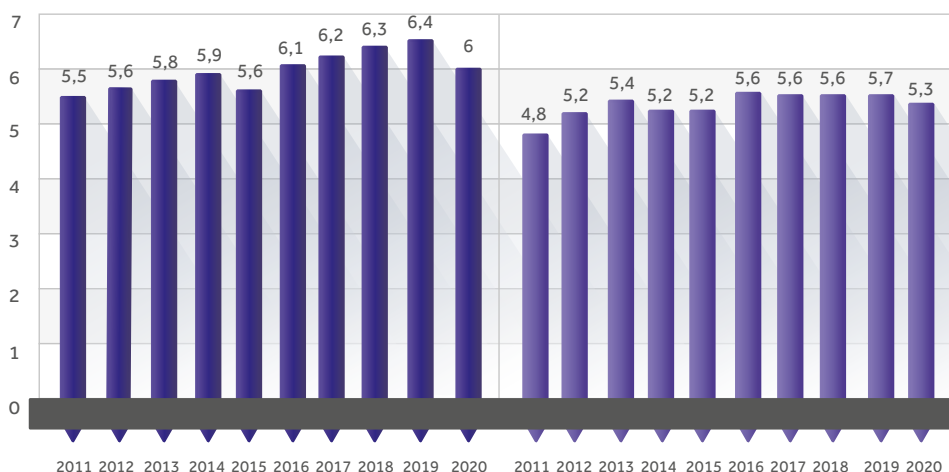
▶ Rule of Law and provisioning of public services includes the length of commercial disputes and court cases, permits and licenses, temporary residence and work permits, etc.

Compared to all other ratings for 2020 that have decreased, some important categories witness Index increase for 0.2 points (labor market and employment and taxation). The rating decreased in three other individual categories. These ratings vary between 6.5 and 10 and bring to a conclusion that these areas are recognized repeatedly as priority by private sector since they require a systematic approach and a reform agenda. The results for 2020 are a bit of concern for the rule of law that records a decrease by 0.4 points and reaches 5.3 what is 2016 rating.



CORPORATE GOVERNANCE

RULE OF LAW



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

In 2018 and 2019, **labor law and employment** was a particularly popular topic in the light of adopting new Labor Law. The investors advise, as they did before, that a systematic reform continuation is needed in terms of harmonization with the EU standards. The adoption of the Labor Law, as one of the crucial systemic laws, especially complex due to often misinterpreted different interests of employers and employees, marked the year 2019 and its implementation was evaluated in the 2020 questionnaire. The rating increase for 0.2 points has been observed for this area. New Labor Law represents a step forward when it comes to prevention of grey economy and protection of employees' rights. On the other hand, when it comes to labor market flexibility, our proposals to improve specific regulations in order to simplify business operations and eliminate barriers, prepared jointly with other business associations in Montenegro, were not accepted by the law drafters. We believe that the Labor Law needs further improvements to ensure fairness and protection of the employees, with the simultaneous promotion of sound competition by increasing flexibility and mobility of the labor force for further development, productivity increase and investment attraction.

Property development shows a decrease by 0.1 point compared to record 2019 when the rating was 6.4.

After minimum increase in 2019, **corporate governance** records a significant decrease of 0.4 points in 2020.

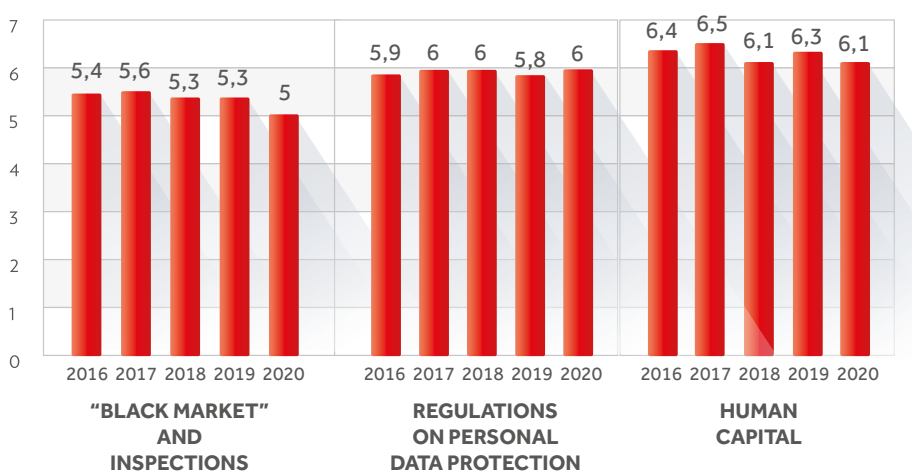
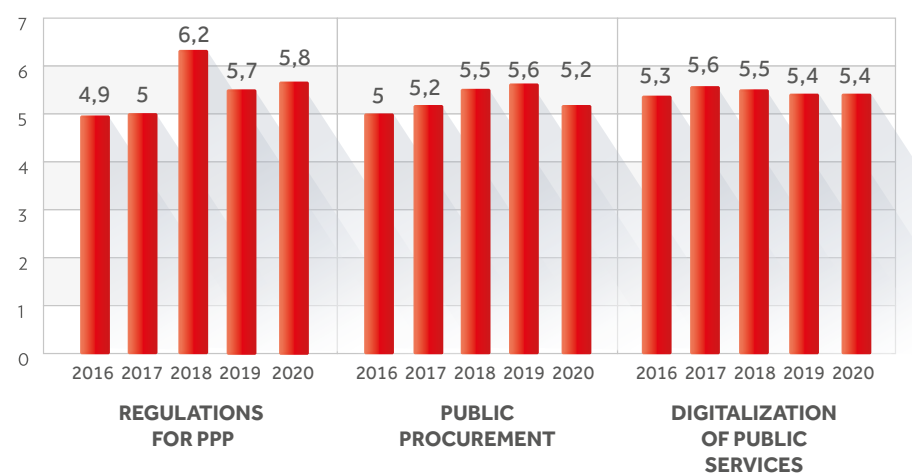
In spite of challenging 2020, it is interesting that **taxation** records an increase by 0.2 points compared to 2019. The rating for this area is quite stable and it ranges between 5.7 and 6.5 for the previous 10 years, with the highest ranking given in 2020. This confirms that the improvement was made in this area by simplifying procedures of tax payments, introducing e-services, implementing the activities to prevent grey economy and strengthen tax discipline.

INDIVIDUAL AREAS FOR RATING

By taking into account the priorities of the MFIC members and for more detailed analyses of business environment, a few new categories were introduced since 2016 that the MFIC members recognized as important areas that need to be in focus of the state authorities, since they are representing the existing or potential barriers to businesses. These are **Hu-**

man Capital, Black Market and Inspections, Regulations for Public-Private Partnership, Public Procurement, Digitalization of Public Services, Regulations on Personal Data Protection.

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



Out of six analyzed areas, we observe the rating decrease in three areas compared to 2019 (public and private partnership, black market and human capital). Minimum increase was recorded for public procurement, digitization of public services remained at the same level while regulations on personal data protection recorded an increase of 0.2 points.

Generally observed, low ratings up to six are still evident, and it is quite worrying that we do not record any significant increase in the observed areas. These results show that all these areas / categories should be in the top priorities of the Government in the next period and

that reform processes should be implemented in line with the best international standards and practice.

Moreover, these ratings indicate that these areas will be of priority for the MFIC in the next period, and the MFIC will support the development in these areas with concrete proposals. The MFIC members are willing to get involved and contribute to decision makers in order to have better results.





5. MONTENEGRO - OVERVIEW

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. Due to decreased investment growth, the economy in 2019 slowed down to a more sustainable pace. Export, especially of services, was growing, but not enough to curb the large current account deficit. Financial sector stability has been reinforced following the bankruptcy and resolution of two local banks and the strengthening of the banking supervision framework. Labour market conditions improved, but the unemployment rate remains high, particularly among women, youth, Roma and low-skilled people. Labour activation measures and coordination between employment and social services recorded limited progress. Montenegro's economic outlook deteriorated substantially since the second quarter of 2020, as the COVID-19 quarantine measures introduced in April brought large parts of the economy to a halt. Public finances, which improved in 2019, are under significant pressure in 2020 due to fast growing costs to finance the authorities' policy response to the pandemic combined with a sharp decline in budget revenue due to lower economic activity. Meanwhile, in spite of some signs of improvement of the business environment, measures to fight against informality were delayed and there is a persistent and very large number of companies with frozen bank accounts. State-owned transport companies are not competitive and their losses are being transferred to the state. The institutional capacities of the competition and anticorruption agencies remain weak. To improve market economy function-

ing, Montenegro should in particular:

- ▶ use the available fiscal space to mitigate the crisis-induced impact on growth and employment;
- ▶ provide public guidance on the implementation of laws that affect businesses and ensure that the guidance is consistently followed by the public administration;
- ▶ advance restructuring and privatisation of loss-making public companies, respecting EU state-aid rules;
- ▶ reduce the tax wedge for low-income earners.

Montenegro has made some progress and remains moderately prepared in terms of its capacity to cope with competitive pressure and market forces within the EU. Investment in knowledge and human capital is very modest, resulting in low innovation and productivity levels of local companies. Educational outcomes need to improve across the board, as well as the provision of upskilling and reskilling measures. Several important infrastructure projects are being implemented, gradually transforming Montenegro into a net exporter of electricity and developing transport networks. Physical broadband networks are being developed by the private sector while the authorities strengthened the legislative framework. However, the economy presents a weak industrial base characterised by low value-added activities, constrained by the small size of the market and the low technological know-how of most local companies.

In order to improve competitiveness and long-term

growth, Montenegro should in particular:

- ▶ improve the quality and labour market relevance of education, in particular at secondary and vocational education levels;
- ▶ make sound cost-benefit analysis an integral part of public investment management.

Parts of the regulatory business environment recorded some improvement, but contract enforcement remains relatively weak. In 2019, the government started implementing various measures aimed at improving the efficiency of state administration, reduce the costs and shorten administrative procedures. Thus, the law on administrative fees and the law on local communal fees abolishes 49 taxes and reduces the tax rate of another 72. So far, one quarter of local municipalities are yet to implement these two laws. The new public procurement law has the potential (pending the adoption of secondary legislation) to create a more transparent system aligned to a large degree with the EU acquis. The government's electronic portal (eUprava) currently provides 249 e-services, most of them informational. Work is in progress concerning the development of the e-cadastre, as some procedures cannot be completed online yet. The large number of indebted companies represents a challenge. Montenegro compares favourably with OECD countries in terms of time and cost to resolve insolvency (for instance, it takes approximately 1.4 years in Montenegro to complete liquidation proceedings with an average cost of 8% of the estate, compared to the OECD's average of 1.8 years and 1.6% cost of the state). However, some owners prefer deserting the firm and open a new one benefiting from the simplicity and low registering cost. There are more than 18,000 companies and entrepreneurs with frozen bank accounts due to unpaid claims totalling EUR 648 million or 13.5% of GDP. Up to 20% of these firms are bankrupt or inactive. The bailiff system remains the key pillar for enforcement of debt claims, with 26,600 cases filed in the first half of 2019 (of which, 17,917 still pending), compared to just 380 cases referred for out-of-court mediation in the same period. In 2019, the Tax Administration introduced 590 petitions for bankruptcy of indebted companies.

Measures to fight against informality have been delayed. Montenegro is confronted with several key obstacles in the fight against informality, such as weak enforcement capacity, corruption and a high regulatory burden. Inspectors cannot access the private premises of natural persons where informal activities are suspected, unless there is evidence of a criminal offense. A new law on inspections was adopted by the gover-

ment in January 2020, but failed to remediate this issue. In July 2019, the parliament adopted the law on fiscalisation of trade of goods and services to introduce the electronic fiscal invoice system for real-time transfer of data from businesses' terminals to the tax administration, supporting the fight against the informal economy. However, the law was amended in December, postponing its implementation to January 2021 due to delays with the acquisition of software and adoption of secondary legislation. The Special Prosecutor's Office continues investigating several cases of corruption, but efforts need to be stepped up to improve the rule of law

High interest rates and indebtedness of local companies are two major obstacles to gain access to finance. Bank lending to private sector grew by nominal 27.5% over the last five years, recording very weak growth until 2018 while the economy grew at a faster pace. As a result, private sector credit declined as a share of GDP, from 64.8% in 2014 to 58.6% in 2019, raising to 60.4% of GDP in June 2020. However, the demand for new loans has decreased by 35% year on year since the outbreak of COVID-19 (in March until mid-July). The most significant decrease was registered for cash loans, followed by mortgage loans and credits used for preparations for the tourist season. Meanwhile, commercial banks have restructured EUR 75 million worth of loans. As part of the measures aimed at supporting economy amid the pandemic crisis, the Central Bank of Montenegro introduced a moratorium on loan repayments for six months, resulting in a 50 % fall in commercial banks' profits.¹

EU INTEGRATION PROCESS

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

Chapter 8 (Competition), the final negotiating chapter for Montenegro, was opened in June 2020. Overall progress in the accession negotiations will depend on progress in the area of rule of law, as per the requirements in the Negotiating Framework. Progress towards meeting the interim benchmarks set in the rule of law chapters 23 and 24 will be key for further progress in the negotiations.

The EU accession process remains an important economic policy anchor for Montenegro. There is broad support in Montenegro for integration with the EU and therefore, to align its legislative framework and practices

1 European Commission: 2020 Montenegro Report

with the EU. Over the past year, Montenegro adopted important pieces of legislation concerning the labour market, credit institutions, public procurement and state administration. However, weak institutional capacities and insufficient coordination between public institutions, and in particular between central and local levels, continue hindering the effective formulation of economic policy and its implementation. Montenegro's Economic Reform Programme provides a comprehensive formulation of economic policies, but policy implementation is often subject to ad-hoc decisions. The policy guidance jointly adopted in May 2019 in the context of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey has been partially implemented. Montenegro confirmed its first cases of COVID-19 infections on 17 March 2020. On 19 March, the government adopted a first package of measures to help the economy to deal with the consequences of the COVID-19 crisis. Measures consisted of deferral of tax obligations, a moratorium on loan repayments, and the provision of credit lines to help companies improve their liquidity. Authorities adopted a second economic package on 9 April, and a third one on 23 July, including subsidies for business and employees. The international community also contributed to support Montenegro's efforts in tackling the COVID-19 pandemic. On 25 May, the European Parliament and the Council adopted a decision on providing macro-financial assistance (MFA) of up to EUR 60 million to help Montenegro cover part of residual external financing needs, to enhance macroeconomic stability and mitigate the negative socio-economic consequences of the pandemic, complementing assistance by International Financial Institutions, such as the International Monetary Fund (IMF) through rapid financing instrument (RFI) assistance²

EUROPEAN COMMISSION: MONTENEGRO REPORT 2020

Accession negotiations with Montenegro were opened in June 2012. To date all 33 screened negotiating chapters have been opened, of which three have been provisionally closed. Montenegro continued to broadly implement the Stabilisation and Association Agreement (SAA) and the meetings of the joint bodies under the agreement took place at regular intervals.

The public political commitment of the Montenegrin authorities to the strategic goal of European integration is regularly and consistently stated as the key priority for the country and mostly also translates to

policy decisions.

The COVID-19 pandemic is a global shock that has not spared the Western Balkans. The final extent of its footprint in terms of loss of human lives and damage to the economies is still difficult to assess, but early estimates foresee a drop of between 4 and 6% of Gross Domestic Product in the region. Thousands of citizens are at risk of losing their jobs, and temporary government support measures (unemployment benefits, deferrals/waivers to tax and social security contributions, etc.) have an important fiscal impact.

Concerning Montenegro's ability to assume the obligations of membership, important work on alignment and preparation for the implementation of the EU acquis has taken place in most areas. The country has reached a good level of preparation in areas such as company law, intellectual property law, energy, and foreign, security and defence policy. It is moderately prepared in many chapters, such as free movement of goods, agriculture and rural development as well as food safety, veterinary and phytosanitary policy. Montenegro is at some level of preparation in the areas such as environment and climate change, and social policy and employment. Good progress has been made in the areas of Social policy and employment, Financial services, Agriculture and rural development, and food safety, veterinary and phytosanitary policy and Science and research.

Looking ahead, Montenegro should focus in particular on competition policy, economic and monetary policy, statistics and financial control, and specifically on the functioning of the judiciary and freedom of expression. Strengthening the administrative capacity for ensuring the application of the EU acquis remains an important challenge for Montenegro. Montenegro has continued to fully align with all EU common foreign and security policy positions and declarations.³

2 European Commission: Montenegro Report 2020

3 European Commission: Montenegro Report 2020



MONTENEGRO

on its European path

#EUenlargement

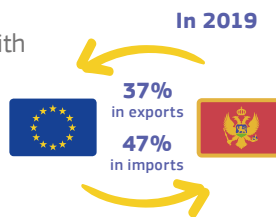


©Balsa Rakocevic



Trade & investment

- The EU is Montenegro's biggest trading partner
- The EU's Foreign Direct Investment in Montenegro reached €55.3 million in 2018
- Volume of trade with the EU was €1.38 billion in 2019



Mobility & empowerment

- Visa-free travel to the EU since December 2009
- In 2015–2020: over 4,153 participants from Montenegro in student, academic and youth exchanges under ERASMUS+
- Reforms of the social welfare and child-care systems implemented with EU support



EU funding

- The EU is the largest provider of financial assistance to Montenegro
- €504.9 million in EU pre-accession funds 2007-2020
- €804 million provided in European Investment Bank loans since 1999
- €172.9 million provided since 2009 in Western Balkans Investment Framework grants, to leverage investments of estimated €1.7 billion



Supporting transformation

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

Key milestones

DECEMBER 2008

Application for EU Membership

MAY 2010

Entry into force of the Stabilisation and Association Agreement

DECEMBER 2010

EU candidate country status granted

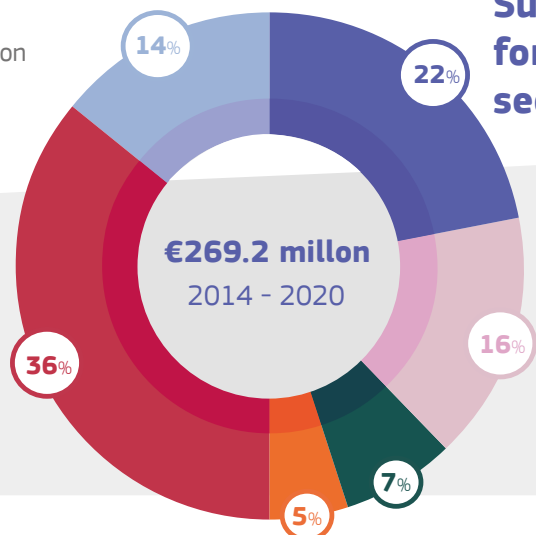
JUNE 2012

EU decides to open accession negotiations

JUNE 2020

After eight years of accession negotiations all the 33 screened chapters have been opened, of which 3 are provisionally closed

Support for key sectors



COVID-19 response

From IPA 2014-2020, €53 million in bilateral assistance for Montenegro to cover urgent health needs and economic and social recovery, and €455 million for regional economic reactivation package. In addition, €60 million was approved by the EU in Macro-Financial Assistance for Montenegro and the European Investment Bank is providing €1.7 billion to the region. In December 2020 the Commission adopted a €70 million package to help fund the access of Western Balkans partners to COVID-19 vaccines.

Last updated: 01/2021

EBRD TRANSITION REPORT 2020-2021: STATE STRIKES BACK

HIGHLIGHTS:

- ▶ The Covid-19 pandemic is weighing strongly on growth in 2020. The economy relies heavily on tourism, and foreign tourist arrivals declined by over 80 per cent year-on-year in the first half of 2020, contributing to a sharp fall in GDP
- ▶ The government adopted three packages of economic support measures as a response to the coronavirus crisis. The packages are worth over €1.5 billion (more than 30 per cent of GDP) and aim to maintain the liquidity of companies, saving jobs and supporting vulnerable groups.
- ▶ The country is progressing on greening energy generation. The decarbonisation agenda of the state electricity company (EPCG) relies on an extensive renewable investment plan.

KEY PRIORITIES FOR 2021:

- ▶ Fiscal adjustment should be resumed as soon as Covid-19 concerns recede. Besides maintaining a primary surplus over the medium term, further strengthening of budgeting procedures, public investment management and public and tax administration is needed. Construction of further sections of the major cross-country highway should be preceded by a careful cost-benefit analysis.
- ▶ Informality needs to be tackled through further measures. Unfair competition from the informal sector weighs primarily on local micro, small and medium-sized enterprises. Government measures should be focused on underlying causes such as the regulatory burden, weak enforcement capacity and corruption, and simplifying tax legislation and reducing para-fiscal charges would also be beneficial.
- ▶ The bank asset quality review should be completed. This would help give a clear picture of the underlying strengths and weaknesses of the banking sector. In addition, the central bank should closely monitor financial stability and issues arising from the Covid-19 crisis.⁴

WORLD BANK: REGULAR ECONOMIC REPORT FOR THE WESTERN BALKANS: MONTE- NEGRO: AN UNCERTAIN RECOVERY

- ▶ The economy is projected to contract by about 12 percent in 2020, the deepest recession in two decades.
- ▶ The unprecedented crisis has reversed recent employment gains and poverty reduction, though wage subsidies and other crisis mitigation measures have so far prevented even more unemployment.
- ▶ The loss of revenues is expected to widen the fiscal deficit in 2020 to about 12 percent of GDP.
- ▶ The economy is forecast to grow strongly in 2021 but it will be 2022 before the full loss in GDP will be recovered.

Montenegro must now deal with its deepest recession in two decades. Economic activity was expected to soften from the 4.1 percent growth in 2019, but in 2020 the COVID-19 crisis has dragged the economy into a recession estimated at 12.4 percent; tourism, the sector most affected, accounts for almost 25 percent of GDP. After growing by 2.7 percent in Q1, GDP fell by 20.2 percent in Q2, primarily driven by a sharp decline in private consumption and investment, while net exports contributed positively to growth. High frequency and sentiment indicators suggest the recovery was slow when the economy reopened: in July, retail trade contracted by 32 percent, and international tourist overnight stays were only 6 percent of last year's, while industrial production recovered and recorded a modest decline of 1 percent. Because of disruptions in international travel and a steep second wave of COVID-19 in the Western Balkans since mid-June, the 2020 tourism season is expected to be the worst on record. Since tourism usually peaks from July to September, tourism receipts in 2020 are expected to drop from 2019 by 75 percent, pushing down exports of goods and services by an estimated 45 percent. As a result, private consumption is estimated to decline by 12.5 percent, though government consumption is expected to rise by 6.6 percent. Meanwhile, the high uncertainty, disruptions in supply chains, and restrictions on worker movement are projected to reduce investment, including construction of the priority section of the motorway, by an estimated 21 percent. Lower investment and consumption and plummeting tourism are expected to cause imports to

contract by 32 percent.

The crisis has wiped out recent employment gains.

Over 80 percent of jobs in Montenegro are in services, which have been heavily affected by the crisis. The administrative data show that by July employment had plunged 9 percent. While all sectors registered declining employment, the labor-intensive tourism, retail, and construction sectors were hit the hardest. Registered unemployed rose from 34,576 in July 2019 to 42,367 in July 2020. Households are suffering from lost jobs and income. Still larger layoffs were prevented by the government wage subsidy programs for the most affected sectors, which supported over 64,000 employees, almost half of all in formal private jobs. Poverty (income below the standardized upper-middle-income-country poverty line of \$5.5/day in 2011 PPP) is estimated to increase by around 2 percentage points to 20.4 percent in 2020.

The government adopted a set of measures to mitigate the impact of the crisis.

Its measures included three-month deferrals of taxes and contributions (valued at €45 million); Investment and Development Fund of Montenegro (IDF) loan repayment deferrals (€160 million), IDF credit lines of €150 million, wage subsidies for the most affected sectors (€50 million); support for tourism (€19 million) and agriculture (€8 million); and supplementary cash transfers for the vulnerable (€4.2 million). Though the measures, which tracked most EU policy responses, were well-targeted, a significant share of the vulnerable population depending on the informal sector, may have received little support. Efforts are needed to identify this group of people and help them to maintain their livelihoods. The government has presented an ambitious medium-term investment plan to support post-COVID economic recovery.

The financial sector has been resilient so far.

The Central Bank of Montenegro (CBM) issued a 90-day moratorium on loan repayments, initially universal but later extended only to the most affected sectors. To further encourage bank lending, the CBM lowered reserve requirements by 2 percentage points. By August bank lending had grown by 7 percent, driven primarily by loans to households (7 percent) and the private sector (8.59 percent). However, deposits fell by 6 percent, with drawdowns of 6 percent by the private sector, 11 percent by the general government, and 5 percent by households. The loans-to-deposit ratio reached 98 percent, the highest since September 2015. In June, non-performing loans were 5.6 percent of total loans, and the capital adequacy ratio was a healthy 19.6 percent. But bank net profits in the first seven months of 2020 were down by almost 50 percent due to less fee

income and higher loan provisioning during the crisis which is expected to lead to rising NPLs, which needs to be attentively monitored. In July, international reserves were €1.1 billion, covering 6 months of merchandise imports.

OUTLOOK AND RISKS

Uncertainty is high, and Montenegro faces both fiscal and external risk.

The outlook depends heavily on the trajectory of the COVID-19 pandemic. Assuming that new outbreaks will be restricted to the upcoming winter and spring, Montenegro's economy is expected to rebound briskly in 2021 with estimated GDP growth of 6.9 percent driven by a recovery of tourism receipts from the very low 2020 base. The total output loss due to the crisis is projected to be fully recovered only in 2022, when the economy is projected to grow 4.2 percent. Tourism is expected to recover in 2021 to 80 percent and in 2022 to 95 percent of its 2019 levels, which would support export and consumption growth. The expected completion of the motorway priority section is projected to push investment in 2021 but attenuate total investment in 2022. External imbalances are expected to remain elevated in 2021, but in 2022 completion of the motorway section and stronger tourism exports would reduce the CAD to 11 percent of GDP. Moreover, the high import dependence of investment in Montenegro is expected to decline with completion of major projects. The outlook for employment is highly uncertain, depending as it does on recovery of labor-intensive sectors. The speed of recovery of low-skill jobs will partly determine how fast poor and vulnerable households can regain their income. Addressing long-standing job challenges is critical for robust welfare improvements. The large fiscal deficit will likely push public debt to a new peak in 2021, after which it is forecast to resume declining. With current policies, the fiscal deficit is expected to decline to 5.2 percent of GDP in 2021 and 1.6 percent in 2022, as capital expenditures plunge after the competition of the highway and revenues recover. The crisis has diverted Montenegro from its debt reduction path and brought debt sustainability issues to the forefront, given higher debt service costs. PPG debt is projected to peak at 98 percent of GDP in 2021 and then recede to 93 percent. Vigilant debt management and a tighter fiscal stance will be needed to place Montenegro on a firm and accelerated debt reduction trajectory as a recovery takes hold.

Downside risks dominate, among them a protracted pandemic, more financial upheaval, and worsening global and regional trade. Duration of the pandemic and the speed with which a vaccine becomes widely

available will determine the speed of recovery. Given its dependence on regional and EU economies, one major risk is a weaker than expected recovery in these countries. Most worrisome is the possibility that a new COVID-19 wave in summer of 2021 will lead to travel restrictions.

Medium-term fiscal risks and vulnerabilities are also significant. Given global recession and uncertainties, external funding may tighten and in 2021–22 amortization of €745 million in public debt (15 percent of 2021 GDP) is still sizable. Only careful fiscal management can mitigate those risks. Proceeding with the second section of the highway is a risk to the sustainability of public debt. Although most risks are negative, the governance and economic management reforms announced by the new parliamentary majority could give positive momentum for a speedier economic recovery.⁵

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

Researches of international organisations on the countries regarding economic requirements for investments and other analyses covering various economic aspects are important precondition for a country to be positioned in a global economic map. This segment is not only important from the political point of view and does not represent only the parameter to rank good and bad market players but it is also a foundation for the reforms in the countries pretending to be leaders in investment context. More serious analyses of the economic environment are of priority to improve the policy of attracting foreign investors and to create economic forecasts to strengthen the economy in the country. The reports that analyzed Montenegrin economy are Doing Business Report (the World Bank), Report on Economic Freedoms (Heritage Foundation), Index of Economic Freedoms (Fraser Institute), Index of Corruption Perception (Transparency International) and Index of global competitiveness (the World Economic Forum).

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

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

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

The most significant progress was made in the area of building permits, where Montenegro improved for 35 places in the rankings in this area, now reaching the 40th place on the ease of getting a building permit list. Montenegro significantly reduced the cost and time required to obtain a building permit as building permit was replaced by the building consent and the exploitation permit was cancelled. Montenegro progressed as well in the area “cross-border trade” where the activities on border compliance and documentary compliance were recognized under sub indicator “export costs”.

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

As for the indicator “starting a business” Montenegro dropped for 11 positions (from 90th to 101st). It should be stated that the percentage of cost per capita reduced from 1.3 to 1.2.

Insignificant lower ranking was observed for the following indicators: “paying taxes” (decrease for seven positions), “getting credit” (decrease for three positions), “protecting minority investors” (decrease for five positions). Compared to the previous report, Montenegro had a lower ranking in the area of “registering

5 WB: Regular economic report for the Western Balkans: Montenegro: Uncertain recovery

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

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

property” and is ranked 83 (76th last year).

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

Compared to the last year’s report, the decrease in ran-

king is observed for Montenegro, Bulgaria, Romania, Slovenia, Croatia, Kosovo, Serbia and Bosnia and Herzegovina, while the progress was achieved by the North Macedonia and Albania.

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

GLOBAL COMPETITIVENESS INDEX (WORLD ECONOMIC FORUM)

This year's special edition aims at supporting the recovery strategy, inviting for a holistic approach, covering several policies and establishing a synergy between various reform goals. Special edition differs from the previous editions which clearly indicated to the competition ladder based on which it was possible to compare the competitiveness level among the countries. So, in this year's report the countries are not ranked.

These amendments were made due to lack of data of different international organisations and the need for new ideas which will be directed at economic recovery, after COVID-19 pandemics disturbance. This edition is focused on the unique context, priorities arising from the pandemics and the priorities brought up earlier such as the need for a greater productivity.

The recommendations and timeframes are grouped within four broad areas of action: 1) reviving and transforming the enabling environment, 2) reviving and transforming human capital, 3) reviving and transforming markets, and 4) reviving and transforming the innovation ecosystem.

Each of these areas of action include priorities the policy makers have to consider to develop a productive, economic system for mutual prosperity and ecologically compatible system. These priorities are shown through three timeframes:

- ▶ the past 12 years, assessing the evolution of key drivers of sustainable and inclusive productivity since the financial crisis, including the short-term shock impact of the COVID-19 crisis;
- ▶ the next two years (revival), which looks at priorities to restart the economy while embedding criteria for longer-term productivity, inclusion and sustainability beyond immediate responses to the COVID-19 crisis;
- ▶ the next 4-5 years (transformation), which looks at the priorities for economic systems that fully integrate social and environmental targets into policy design.

Even though the current priority is response to medical crisis, this moment also represents a unique opportunity to look back at fundamental growth and productivity factors. This is the moment to specify how we can shape our economic systems in the future so that they are not only productive but that they lead to ecological sustainability and mutual prosperity.

In the last report, Montenegro was placed 73rd out of 141 economies and it dropped for two positions (2018 ranking 71/140). But even though there was a decrease in ranking, the number of points increased from 59.6 (last year) to 60.8.

When comparing the data from the 2018 Report, Montenegro recorded improvement in 10 observed indicators but only for 5 points at most.

Montenegro improved its positions in the following

pillars: Institutions, Infrastructure, ICT Adoption, Financial System, Innovation Capacity and Product Market.

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

Lower ranking was given to Serbia (7 positions), Albania (5 positions) and Bosnia and Herzegovina (1 position). Compared to Montenegro, lower ranking was given to Albania (81), North Macedonia (82), Bosnia and Herzegovina (92), while Slovenia (35), Croatia (63) and Serbia (72) were better ranked.

CORRUPTION PERCEPTION INDEX - TRANSPARENCY INTERNATIONAL

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

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

GLOBAL OVERVIEW

► CPI 2020 analyzed 180 countries and territories

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

Country	2019	2018	2017 ^{<2>}	2017/2018	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
Slovenia	35	35	35	48.	56.	59.	70.	62.	56.	57.
Croatia	63	68	66	74.	74.	77.	77.	75.	81.	76.
Serbia	72	65	70	78.	90.	94.	94.	101.	95.	95.
Montenegro	73	71	73	77.	82.	70.	67.	67.	72.	60.
Albania	81	76	80	75.	80.	93.	97.	95.	89.	78.
North Macedonia	82	84	n/a	-	68.	60.	63.	73.	80.	79.
B&H	92	91	90	103.	107.	111.	n/a	87.	88.	100.

WORLD	Average points	The best ranked country /territory	The worst ranked country /territory
North and South America	43	Canada	Venezuela
Asia and Pacific	45	New Zealand	North Korea
Easter Europe and Cental Asia	36	Georgia	Turkmenistan
EU and Western Europe	66	Denmark	Bulgaria, Hungary, Romania
Middle East and North Africa	39	UAE	Syria
Sub-Saharan Africa	32	Seychelles	Somalia / South Sudan

▶ Even though the findings show that some countries are well ranked, there is no country with 100 points. More than two thirds of total number of the ranked countries in 2020 Index have the results lower than 50.

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

Top 10 best ranked countries/territories include: Denmark (88), New Zealand (88 points), Finland (85), Singapore (85), Sweden (85), Switzerland (85), Norway (84), Netherlands (82), Germany (80) and Luxemburg (80).

The worst ranked countries/territories include: South Sudan (12 points), Somalia (12), Syria (14), Yemen (15), Venezuela (15), Sudan (16), Equatorial Guinea (16), Libya (17), North Korea (18), Haiti (18) and the Republic of Congo (18)

When it comes to other developed countries in the world, according to CPI results, the following positions were obtained: Germany (9th position), Japan (19th position), United States of America (25th position), China (78th position) and Russia (129th position).

MONTENEGRO'S POSITION ACCORDING TO THE CORRUPTION PERCEPTION INDEX 2020

▶ Montenegro is at 67th position with the rating 45 according to CPI 2020.

▶ In the last year's report, Montenegro was ranked 66th with the rating 45 – the position deteriorated this year even though the number of points allocated remained unchanged.

▶ With its position (67) Montenegro is ranked better than Romania (69), Bulgaria (69), Serbia (94), Kosovo (104), Albania (104), B&H (111) and North Macedonia (111), while Croatia (63) and Slovenia (35) obtained better positions.

▶ Out of the countries from the neighbourhood, the ranking improved for Romania (for 1 position), Albania (for 2 positions) and Bulgaria (for 5 positions).

▶ Out of the countries from the neighbourhood, the ranking deteriorated for Bosnia and Herzegovina (for ten positions), North Macedonia (for 5 positions), Serbia (for 3 positions) and Kosovo (for 3 positions).

Country	Ranking 2020 out of 180	Points 2020	Ranking 2019 out of 180	Points 2019	Ranking 2018 out of 180	Points 2018
Slovenia	35	60	35	60	36	60
Croatia	63	47	63	47	60	48
Montenegro	67	45	66	45	67	45
Romania	69	44	70	44	61	47
Bulgaria	69	44	74	43	77	42
Serbia	94	38	91	39	87	39
Kosovo	104	36	101	36	93	37
Albania	104	36	106	35	99	36
B&H	111	35	101	36	89	38
North Macedonia	111	35	106	35	93	37

ECONOMIC FREEDOM INDEX - FRASER INSTITUTE

Fraser Institute is an independent, international, research and educational organization seated in Canada and the USA. The Institute cooperates actively with similar research and independent organisations in more than 70 countries worldwide. Among the topics covered by the Fraser Institute analysis, there is an assessment of respecting economic freedoms worldwide. The Report “Economic Freedoms of the World 2020” measures economic freedoms in 162 countries based on 42 indicators. To measure the economic freedom, a scale from 0 to 10 is used, whereas higher rank means higher freedom degree. The Report is based on 2018 data (2018 Index).

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

Economic freedom index includes the following areas:

- ▶ Size of government;
- ▶ Legal System and Property Rights;
- ▶ Sound Money;
- ▶ Freedom to trade internationally;
- ▶ Regulation.

GLOBAL RESULT

Top 10 countries: Hong Kong (8,94) and Singapore (8,65) occupy the two first positions. Other countries ranked among the first 10 follow: New Zealand (8,53), Switzerland (8,43), Australia (8,23) United States of America (8,22), Mauritius (8,21), Georgia (8,18), Canada (8,17) and Ireland (8,13).

Other big countries: ranking of other big countries: Japan (20), Germany (21), Italia (51), France (58), Mexico (68), India (105), Russia (89), Brazil (105) and China (124).

The worst ranked countries: the ten worst ranked countries follow: Central African Republic (153), Democratic Republic of Congo (154), Zimbabwe (155), Algeria (157), Iran (158), Angola (159), Libya (160), Sudan (161), and Venezuela (162).

The countries belonging to the group of the most free countries had an average GDP per capita of 44.198 USD in 2018 while the least free countries had an average GDP of 5.754 USD.

MONTENEGRO IN WORLD ECONOMIC FREEDOM REPORT: ANNUAL REPORT 2020

According to the report „World Economic Freedom 2020“, Montenegro improved its position for two places and is ranked 80th with the score 6.94 among 162 countries. In the previous report, it took 82nd position with the score of 6.86.

Compared to Index 2017, the indicator „government consumption“ belonging to the “size of government” has deteriorated from 5.94 to 5.84. On the other side, the score for the indicator related to public enterprises and investments reaches 2.78 what is a consequence of increased share of public investments in infrastructure.

In other four areas monitored in the Fraser report, Montenegro records improvements.

Rating for legal system and property rights increased

from 5.03 to 5.22. The rating increased for the indicators “judicial independence” (5.15 to 5.41), “impartial courts” (4.63 to 4.89), “protection of property rights” (5.68 to 6.14) and “reliability of police” (5.18 to 5.89). These ratings are a key element of economic freedoms and civil society and they indicate how efficient the Government is.

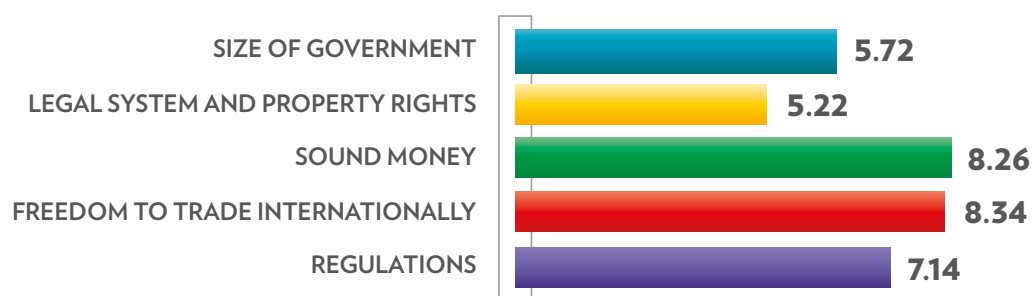
Within the category sound money treating inflation rate, freedom to own foreign currency bank account, the rating is high (8.26).

The category of freedom to trade internationally dealing with tariffs and movement of capital has the high score of 8.34.

The category of regulation including the questions of labor market, banking market and company regulation have high grades (7.14). It is important to mention that sub-indicator „regulation regarding employment and dismissal of employees” increased from 4.70 to 5.12. High scores are recorded for sub-indicators „starting a

Rank of Montenegro regarding economic freedoms, Indices 2008 - 2018

Montenegro	CATEGORY										CATEGORY COMPONENT 5					
	1		2		3		4		5		5A		5B		5C	
	Score	Rang	Score	Rang	Score	Rang	Score	Rang	Score	Rang	Score	Rang	Score	Rang	Score	Rang
	Size of Government	Legal System and Property Rights	Sound Money	Freedom to trade internationally	Regulation of economy control, labor market and banking sector	Credit market regulations	Labor market regulations	Business environment regulations								
2008	5,84	96	5,94	60	7,91	74	7,19	50	7,61	31	9,59	13	7,91	20	5,33	101
2009	5,96	86	6,13	52	9,49	25	6,75	62	8,01	12	9,80	7	8,29	19	5,95	71
2010	6,00	94	6,47	42	9,57	21	7,77	35	7,90	25	9,78	12	8,01	20	5,91	79
2011	5,70	107	6,30	49	8,90	58	7,80	38	7,60	41	9,6	18	7,1	59	6,1	74
2012	6,2	93	5,9	58	9,4	34	7,7	36	7,7	31	10,0	1	7,2	57	6,1	94
2013	7,2	46	5,6	69	8,5	75	7,8	35	6,8	99	6,7	138	7,3	53	6,4	73
2014	6,5	71	5,5	81	8,6	82	8,2	23	7,5	53	8,9	70	7,2	57	6,4	81
2015	5,1	132	4,8	89	8,4	84	8,1	33	7,3	65	8,3	87	6,9	61	6,7	62
2016	6,93	61	4,92	89	8,27	91	8,16	33	6,94	88	6,67	137	7,43	39	6,72	60
2017	5,93	108	4,89	91	8,15	100	8,17	31	7,04	83	6,67	133	7,66	32	6,78	63
2018	5,72	123	5,22	71	8,26	94	8,34	28	7,14	80	6,67	135	7,67	33	7,08	63



business“ (9.60) and „restrictions in obtaining the licences“ (9.25).

Out of the countries in the region, Bosnia and Herzegovina is placed 82nd while Serbia (74), North Macedonia (71), Croatia (61), Slovenia (62) and Albania (26) have rankings better than 80th position of Montenegro.

ECONOMIC FREEDOM REPORT - HERITAGE FOUNDATION

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

Economic Freedom Index represents the reviews of the Heritage Foundation and in its 26th edition it presents the list of global economic freedoms for 180 graded countries. The publications published by the Heritage Foundation since 1995 follow the ratings of the countries worldwide within 12 economic freedoms which assess rule of law, government size, regulatory efficiency and open markets.

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

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

GLOBAL OVERVIEW

The global average economic freedom score of 61.6 for 2020 is the highest ever recorded in the 26-year history of the Index. The growth of global economic freedoms in 2020 was encouraged by increased economic free-

doms evident for 124 out of total 180 ranked economies. Based on Index standards for evaluation, global economy is “moderately free”.

In 2020 the results of the Index show that the principles and lessons of economic freedoms are widely understood, accepted and implemented in practice by a significant number of countries worldwide. Indeed, there is compelling evidence that economic freedom and economic prosperity go hand in hand. For relatively few countries that continue to follow a state-centered or socialist path, the negative consequences have been readily apparent in their faltering economic performance and a corresponding fall in their Index rankings.

Out of 180 economies ranked in the Index, six are considered free, 31 country is assessed as “mainly free” with total points between 70 and 80, and 62 countries may be considered “moderately free” with the scores between 60 and 70 points. This means that total 99 economies or 55% of all nations and territories assessed in the 2020 Index have a satisfactory degree of economic freedoms, what gives an opportunity to create a favourable business environment and a greater economic development and prosperity.

On the other side, the results have decreased in 50 countries, while the results are unchanged in six countries. Namely, 45% of the countries evaluated in Index 2020 (81 economies) has total number of scores below 60, out of which 62 economies are considered “mainly unsatisfactory” (50-60 points). These are the economies adopted specific features of market system but with unsatisfactory results related to the rule of law and their market opening. The remaining 19 economies are mainly the countries where individuals almost do not have economic freedoms i.e. most of the aspects within economic freedoms is assessed as “repressed” (results below 50 points).

MONTENEGRO IN INDEX 2020

According to the Heritage Foundation Index, Montenegro increased the number of points compared to the previous year and with 61.5 points it is in the zone of

moderately free countries. At the global list, Montenegro is at 91st position out of 180 countries worldwide, what is a slight increase for 1 position compared to the last year. This increase is followed by a significant increase of the indicator “government integrity” with some modest progress within the indicators “property rights”, “judicial efficiency”, “tax burden”, “fiscal health” and “labor freedom”.

At the regional list, Montenegro occupies 42nd position out of 45 European countries. This is a drop of 3 positions compared with the last year. Its total result is below regional (69.8) and almost identical to a global average (61.6).

The economy of Montenegro has been moderately free for over a decade. GDP growth has been good by European standards, driven by household consumption, investment in infrastructure, and higher tourism receipts.

The number of points within four indicators has decreased: “government spending”, “ease of doing business”, “monetary freedom” and “free trade” while two indicators “financial freedom” and “investment freedom” remain unchanged regarding the number of points.

Credit rating agencies monitoring Montenegro, Moody’s and Standard and Poor’s, evaluated the stabilization of public finance and with their ratings they encouraged further reforms of fiscal consolidation. This is especially indicated by a stable and positive outlook of the last ratings given by these agencies.⁶

6 Source: Ministry of Finance and Social Care

Areas in which Montenegro progressed

Indicator	Points 2020	Points 2019	Change
Tax burden	85.4	85.3	+0.1
Labor market freedom	74.8	73.4	+1.4
Property rights	59.1	55.4	+3.7
Court efficiency	55.3	51.8	+3.5
State integrity	47.5	39.5	+8.0
Fiscal health	23.4	23.2	+0.2

Areas for which Montenegro got lower scores

Indicator	Points 2020	Points 2019	Change
Government spending	32.1	32.6	-0.5
Ease of doing business	70.8	73.3	-2.5
Monetary freedom	80.3	81.6	-1.3
Free trade	83.8	84.7	-0.9

Areas in which the position remain unchanged

Indicator	Points 2020	Points 2019	Change
Financial freedoms	50.0	50.0	/
Investment freedom	75.0	75.0	/

INTERNATIONAL INDICATOR ^[2]	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Doing Business	77	65	56	56	51	44	36	46 ¹	51	42	50	50	
Corruption Perception Index - Transparency International	85	69	69	66	75 ^[1]	67	76	61	64	64	67		67
Economic freedoms - Heritage Foundation	-	94	68	76	72	70	68	66	65	83	68	92	91
Economic Freedom of the World - Fraser Institut	58	78	47	37	28	49	38	62	59	85 ^[1]	72	83	80
Global Competitiveness Index - WEF	65	62	49	60	72	67	67	70	82	77 ^[2]	71	73	
World Freedom - Freedom House	Partly free	Partly free	Free	Free	Free	Free	Free	Partly free	Partly free	Partly free	Partly free		
Credit rating - Standard & Poor's	BB+ (neg. 10.11.)	BB+	BB (neg. 31.03.)	BB (neg. 13.12.)	BB- stable (June)	BB- negative	B+ stable (Nov)	B+ stable	B+ negative	B+ stable	B+ stable	B+ stable	B+ negative [5, B+ negative (September)]
Credit rating - Moody's	Ba2 (stable 12.03)	Ba3 (neg. 30.04.)	Ba3 (neg.)	Ba3 (stable 30.03.)	Ba3 stable	Ba3 stable	Ba3 negative	Ba3 negative	B1 negative	B1 stable	B1 positive	B1 positive, B1	B1 stable, B1 stable September

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

[2] Revised rank for 2017 is 90;

[3] Revised rank for 2017 is 73;

[4] Revised rank for 2017 is 73;

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

IMPORTANT EVENTS IN 2020

MAY 2020: EU-WESTERN BALKANS ZAGREB SUMMIT

The EU-Western Balkans summit took place on 6 May 2020 via video conference due to the COVID-19 pandemic. It brought together:

- heads of state or government from EU member states
- leaders from the six Western Balkans partners: Albania, Bosnia and Herzegovina, Serbia, Montenegro, the Republic of North Macedonia and Kosovo.

The President of the European Council, Charles Michel, chaired the meeting.

The President of the European Commission, Ursula von der Leyen, Andrej Plenković, Prime Minister of Croatia, which currently holds the presidency of the Council, Josep Borrell, the High Representative for Foreign Affairs and Security Policy, David Sassoli, the President of the European Parliament, representatives of the European Bank for Reconstruction and Development, the World Bank, the European investment Bank and the Regional Cooperation Council also participated.

The EU leaders adopted the Zagreb declaration, with which the Western Balkans partners have aligned themselves.

At the summit EU leaders reaffirmed their unequivocal support for the European perspective of the Western Balkans. The EU is determined to strengthen its support to the region's political, economic, and social transformation.

Western Balkans partners reaffirmed this perspective as their firm strategic choice. They also recommitted to carry out and effectively implement the necessary reforms towards European values and principles and the primacy of the rule of law.

The EU leaders also stressed the importance of good neighbourly relations, regional stability, and mutual cooperation. This includes implementing bilateral agreements in good faith and with tangible results, including the Prespa Agreement with Greece and the Treaty on Good Neighbourly Relations with Bulgaria. It also refers to finding solutions to bilateral disputes and dedicating additional efforts to reconciliation.

The EU and the Western Balkans are together fighting

the coronavirus and its effects. The EU actively supports the efforts to combat the coronavirus outbreak and its impact on societies and economies, while the Western Balkan partners have given valuable support during the pandemic towards the EU

- ▶ financial assistance: the EU has mobilised a package of over EUR 3.3 billion to the benefit of the Western Balkans to support the health sector, to support social and economic recovery and provide assistance through the European Investment Bank, as well as macro-financial assistance;
- ▶ co-operation and coordination in the form joint procurement and the unrestricted trade-flow of protective personal equipment, ensuring the fast flow of essential goods through Green Lanes linking the EU and Western Balkans, the supply by the EU of testing material to check the correct functioning of coronavirus tests in the Western Balkans, as well as close cooperation with relevant health bodies;
- ▶ addressing disinformation and other hybrid activities originating in particular from third-state actors seeking to undermine the European perspective of the region.

The EU urges the Western Balkans leaders to fully exploit the potential of regional cooperation to facilitate the economic recovery after the crisis. including:

- ▶ deepening regional economic integration,
- ▶ building on EU rules and standards to bring the region and its companies closer to the EU Internal Market, through the Regional Economic Area (REA).

The leaders exchanged views on the new phase of close cooperation to tackle the significant socio-economic impact of the COVID-19 crisis.

As a next step, the European Commission is invited to come forward with a robust economic and investment plan for the region aiming to boost the economies while improving their competitiveness, to better connect them within the region and with the EU.

As a result, Western Balkans should be able:

- ▶ to fully link to the EU's single market,
- ▶ to create jobs and entrepreneurial opportunities,
- ▶ to improve the business and investment climate,
- ▶ to promote the Green Agenda for the Western Balkans,
- ▶ to strengthen the digital economy and connectivity.*

*Source: ec.europa.eu

NOVEMBER 2020: EU-WESTERN BALKANS SOFIA SUMMIT WITHIN THE BERLIN PROCESS

The European Commission welcomes the commitment expressed at the summit in Sofia on November 10th 2020 by the Western Balkan leaders to further strengthen regional cooperation as a way to advance on their European path. The region's positive response to the Economic and Investment Plan, its commitment to enhanced connectivity and endorsement of key initiatives such as the establishment of a Common Regional Market, the launch of a Green Agenda for the Western Balkans and further support to Roma integration will help accelerate the post-pandemic recovery by spurring on sustainable economic growth.

President of the Commission, Ursula von der Leyen, said ahead of the summit: "The Western Balkans is an absolute priority for my Commission since my very first day. The region's future is in the European Union. 2020 has been a challenging year but we firmly stood together. Our Economic and Investment Plan recently adopted will speed up the economic development of the Western Balkans and it will boost its convergence with the European Union, support the implementation of fundamental reforms and bring the region closer to the EU single market. This plan can help you to change the daily lives of your people and the business of the region four to five years from now."

High Representative/Vice-President Josep Borrell added: "I am glad to see Western Balkan leaders embracing the vital role of regional cooperation. It's as important for reconciliation as it is for economic recovery. We must not forget that the recovery needs to be sustainable and socially just. That's why the Economic and Investment Plan and the Green Agenda for the Western Balkans is focused on modern, green, and people-focused investment. This also means that the investments need to be underpinned by the fundamental reforms required on the European path."

Attending the summit, Olivér Várhelyi, Commissioner for Neighbourhood and Enlargement, stressed: "The engagement with our Western Balkan partners remains a key priority for the EU and the European perspective remains a driver for change in the region. The commitment of the region's leaders to develop a common regional market and implement a green and digital transition is crucial for bringing the region closer to the EU. Together with investments in connectivity and human capital, these are key elements of the Economic and Investment Plan for the Western Balkans which the European Commission put forward in October. This will

bring tangible benefits to the people in the Western Balkans and strengthen our ties with the region."

The initiatives endorsed in Sofia build on commitments previously taken by the region at the EU-Western Balkans Summit in Zagreb in May 2020. They will be supported by the Economic and Investment Plan for the Western Balkans adopted by the European Commission on 6 October 2020. This plan aims to mobilise up to €9 billion of EU grants to speed up the region's socio-economic recovery from the COVID-19 pandemic and to accelerate its economic convergence with the EU. In addition, it foresees a new Western Balkans Guarantee Facility, which can raise investments of up to €20 billion.

At the meeting in Sofia jointly hosted by Bulgaria and North Macedonia and attended by several EU Member States and EU institutions in the context of the Berlin process, the Western Balkan leaders welcomed the Plan and committed to implementing the reforms necessary to achieve its ambitious objectives.

The leaders at the summit also welcomed the new 2020 connectivity package with six projects in the areas of sustainable transport and clean energy presented by the Commission under the Western Balkans Investment Framework. This package constitutes the first step towards the implementation of the flagship projects of the Economic and Investment Plan, while at the same time completes the delivery of the EU's 2015 pledge to deliver €1 billion in support of connectivity in the region.*



*Source: ec.europa.eu

SUSTAINABLE TRANSPORT

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

Connectivity reforms and simplified border crossing procedures are key.

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

CLEAN ENERGY

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

Decarbonisation and transition to clean energy will be key.

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

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

ENVIRONMENT & CLIMATE

The new Green Agenda for the region, just presented, is expected to be endorsed at the Western Balkan summit in Sofia in November. It will cover green transition, decarbonisation, depollution of air, water and soil, circular economy and promote biodiversity, urban mobility and green transport solutions.

- FLAGSHIP 7 – Waste and Waste water management

DIGITAL FUTURE

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

- FLAGSHIP 8 – Digital infrastructure

PRIVATE SECTOR

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

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

HUMAN CAPITAL

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

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

- FLAGSHIP 10 – Youth Guarantee

Integrating the Western Balkan Regional Market into the EU Single Market

The EU Single Market

Mobility of People

Digital Market

European Value Chains

Connecting Economies

Common Western Balkan Regional Market

Free Movement of Goods

Regional Investment Space

Free Movement of Capital

Free Movement of Services

Enlargement Negotiations

FINAL CONCLUSIONS

Generally observed, Montenegro kept the same position in 1 and progressed in 2 out of 5 most important international reports regarding its economic reviews. Until the publication of this White Book edition, the Report on ease of doing business of the World Bank and Global Competitiveness Index of the World Economic Forum for 2020 have not been published yet. Decision-makers should be guided by the international reports reviews to implement the reforms more efficiently and to implement more intensely the innovative solutions. This is especially important in the regional ranking since all countries equally incline to the investment attraction and creation of better requirements for business. Thus, Montenegro should invest more efforts not only to preserve the existing positions but also to progress faster than others.

In that sense, the following recommendations are important:

- ▶ more efficient reform implementation and further steps to improve tax procedures (paying surtax to the income tax is a special procedure which is implemented 12 times per year; no system connection and data share between Tax Administration, local self-government units and funds; complicated system of tax returns and requests with mandatory books which is time-consuming in terms of data collection to fill in the tax return form; relatively high contribution rates impacting total tax burden; long and not enough automatized procedures of VAT return);
- ▶ significant modernization of the work of cadastral and notary services, especially when it comes to the respect of deadlines in the procedures, costs reduction and introduction of modern, electronic systems that would shorten the registration procedure (software connection of the notaries with the Land Administration to increase legal security – this would help simplify the procedure of property registration for end users; impossibility to submit the documentation online; impossibility to pay taxes online; necessity to respect deadlines defined under the Law on State Surveying and Cadaster of Immovable Property);
- ▶ creation of foundation for further infrastructure investments, both traffic and communal infrastructure, but

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

- ▶ keeping up with the measures of labor market flexibility and freedom growth, improvement of education and healthcare policy with the creation of investments opportunities;
- ▶ to continue with the policy of improving the work of the administration and raising efficiency at all levels, especially in the part of a greater consistency in the implementation of policies at local and state level;
- ▶ further development of Montenegrin economy and society through digitalisation as development and transformation policy;
- ▶ to create grounds for improved public finance policy with special focus on new investments that may contribute to stabilization of public finance with the reduction of deficit and maintenance of public debt.

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



6. EVALUATION OF REGULATORY ENVIRONMENT IN MONTENEGRO

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

ons for attractive and stimulating environment in Montenegro.

Therefore, in this section we collected feedback from the MFIC members concerning key areas that were important for investors in 2020, 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, digitalisation and e-services, grey economy, taxation, different amounts of taxes at municipality level.**

BUSINESS ENVIRONMENT

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

The working agenda for 2020 of the Competitiveness Council has recognised the Initiative of the MFIC regarding the definition of the measures to eliminate the barriers for e-services development.

Accordingly, in February 2020, the working group was established, coordinated by the Ministry of Finance and social care and composed of the representatives of the MFIC, Revenue Administration, Police Administration) and the Secretariat to the Competitiveness Council. As a result, the Action plan was made with the activities assigned to responsible institutions. Out of nine activities, two were implemented while the implementation of the remaining activities is ongoing.

The activities that are implemented follow:

- ▶ Enabling the offer of “end to end” e-services to apply and get a loan for the existing clients of a bank. Banks in Montenegro do not offer “end to end” service to apply and be approved a loan or credit card to existing clients. The CBMNE provided the opinion that there are no obstacles for this in the Law on banks and bylaws to sign contracts with clients remotely. It was pointed out that the banks need to respect the provisions of the Law on anti-money laundering and terrorism financing relating to the obligation to identify the client when starting a business relationship by

having insight into their personal ID documents in the presence of the client. It is also stressed out that starting the business relationship includes signing of contract if the client does not have an account with the bank. They also state that the manner of banking products placement to the existing clients (those who have been identified properly) i.e. the use of new distribution channels depends on the risk assessment made by the bank and the capacity of the established risk management system by the bank as well as undertaking of all the measures prescribed by the Law. It is also stressed out that it is necessary to apply all principles related to externalization management if external service providers participate in the process.

- ▶ Enabling smooth operation of e-services of the banks by extending the working hours of the Credit registry of CBMNE. To have future electronic services available to clients 24/7/365, it is necessary to have active Credit registry in the same way. The CBMNE will extend the working hours for 2 additional hours, with the need to make new evaluation as the number of users of e-services grows. The Credit registry will be available from 8 am to 10 pm every day, except on state holidays.

The activities with ongoing implementation follow:

- ▶ Development of e-services in terms of client not going to a bank when applying for a loan to submit mandatory documentation (confirmation from the employer on employment) – the banks should receive such information from the Revenues Administration.

- ▶ Reducing the steps needed for company registration in terms of cancelling the obligation of the request submitter to provide the proof on share capital payment to the CRCC – this proof should be provided by a bank to the CRCC.

- ▶ Opening of transaction account in banks without going to a bank – the amendment of the Law on Anti-money laundering and terrorism financing is required to allow the banks to open the accounts online (submitting the request and activating the account), without client coming to the bank.

- ▶ Enabling the payment service providers to execute individual instant transfers (instant payments) 24/7/365 in a few seconds.

- ▶ The need to establish a body, such as Fraud Prevention Forum to deal with fraud prevention in banking system and to serve as platform to exchange data among banks.

- ▶ The need to create a working group composed of the CBMNE members and representatives of the banks (MFIC members) regarding the launching of money market development in Montenegro.

- ▶ The need to expand the working group dealing with

the adoption of bylaws and resolving open issues with the representatives of IT sector so that the banks could properly implement the requirements for FATCA reporting.

The mutual conclusion of the representatives of public and private sector, members of the working group, is that it is necessary to work on the implementation of the proposed measures in order to enable digital banking services.

ADOPTION AND IMPLEMENTATION OF THE LAWS

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

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

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

In order to improve public and private dialogue in Montenegro, timely participation of private sector in the process of regulations drafting and use of joint capacities and experiences of all stakeholders in the legislation adoption process, the Secretariat to the Competitiveness Council prepared the Report on inclusion of private sector into the process of legislation drafting in 2020, in line with the conclusion of the Competitiveness Council. The Report is made based on the collected

data i.e. answers to the questionnaire sent to the business associations, members of the Competitiveness Council and all the ministries that planned to adopt law according to the Government Work Plan for 2020.

By analyzing the answers of business associations, the percentage of their involvement in the drafting of 86 laws subject to analysis was 34,9% (30 laws). For the purpose of this analysis, it is important to state that if any business association was involved in any way in the process of law adoption, it was considered that business associations were involved. In 46.7% of cases (out of laws where business associations were involved), business associations were involved during initial consultations (16.3% out of total number of laws), 53.3% during the public debate (or 18.6% compared to total number of laws). Their involvement in the operations of the working group was at 50% (or 17.4% compared to total number of laws). When asked about their involvement in the preparation of the RIA template, the associations stated that they were involved in the drafting process of one regulation (1.2% of total number of regulations).

Out of total number of laws where the associations were involved, they provided specific comments in 80% of cases or 24 laws. If the answers of the business associations are ranked (comments not at all accepted -1, partially accepted -2, largely accepted -3, fully accepted -4), the average rating obtained on the perception of business associations regarding their comments acceptance is 2.0 (at the scale from 1 to 4).

By analyzing these laws in the preparation of which the business associations were involved, the question was raised if their involvement was adequate. In 63.9% of cases the business associations state that they were adequately involved and in 30.6% of cases they were partially involved. If the answers of the business associations are ranked (not at all involved -1, insufficiently involved -2, partially involved -3, adequately involved -4), the average rating obtained on the involvement of business associations is 3.5 (at the scale from 1 to 4).

On the other side, based on the answers from the ministries, out of 86 analyzed laws, private sector was involved in 62.8% i.e. in the preparation of 54 laws. Private sector was mostly involved during the consultation stage in 77.8% of cases compared to the number of laws the business took part (42 laws or 48.8% of total laws). During the public debate private sector was involved in the preparation of 39 laws or 72.2% compared to the laws the creation of which they took part in or 45.3% compared to total laws. Public sector participated in the work of working groups in 38.9% of cases (21 laws or 24.4% compared to total number of laws).

According to the competent institutions, private sector was involved in the preparation of RIA template in 13% of cases (7 laws or 8.1% out of total laws).

If we observed the answers of the businesses compared to 2019 Annual report, a decrease of involvement percentage is observed in the answers of the businesses and the ministries. Namely, in 2019 the businesses were involved in the elaboration of 40% of laws compared to 34.9% in 2020. Decreased involvement of the businesses is evident when it comes to the involvement in the public debate (31,1% in 2019 compared to 18.6% in 2020). Based on the answers from the ministries, the business involvement decreased compared to 2019 (72.2% in 2019 vs 62.8% in 2020). It should be noted that COVID-19 pandemics marked the year 2020 and this impacted all the participants in this process.

PUBLIC ADMINISTRATION

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

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

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.

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

As it is stated in the European Commission Report on Montenegro for 2020, Montenegro is moderately prepared on the reform of its public administration. Overall, some progress was made during the reporting period. Montenegro started the implementation of the law on civil servants. The medium-term policy-planning framework, merit-based recruitment, human resource management and rationalising of the organisation of the state administration continued to advance well. Strong political will is still needed to effectively ensure the depoliticisation of the public service, the optimisation of the state administration, and the implementation of managerial accountability, including the delegation of decision-making. Two recommendations of the Commission from 2019 still remain open and valid.

In the coming year, Montenegro should in particular:

- ▶ draft and adopt new Public Administrative Reform (PAR) and Public Financial Management (PFM) strategies with realistic objectives, based on the results of the evaluation of the previous strategy, and assessment and the 2019 PEFA, respectively;
- ▶ continue with optimisation of the public administration through effective implementation of the plan;
 - ▶ improve citizens' access to public information by
- ▶ finalising the Law on access to information in line with the SIGMA principles of public administration

Montenegro adopted a national interoperability framework in line with the European interoperability framework. Eleven institutions have already been connected to the single information system for electronic data interchange. A law on electronic government and amendments to the law on electronic identification and electronic signature were also adopted during the reporting period.

DIGITALIZATION AND E-SERVICES

Advanced progress and constant changes in ICT industry created the need to innovate communication channels and organisation in service provision at all government levels. The objective is modernisation of state administration. Development of e-government is based on different organisational, technical, financial and political preconditions. The introduction of e-government brings important changes in the entire society, organisational values and culture and manner of business of all economic entities in the market. A successfully designed and implemented e-government can improve efficiency and availability of public services, simplify administrative procedures and processes, increase the trust of the citizens in the government and their participation in the administration and ensure significant savings for all users (citizens, companies and the very State). It is important that the Government of Montenegro recognised the importance and values of the e-government and made efforts to implement this concept in its operations, through the reform process of public administration and information society development.

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

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

It is also necessary to fully establish and integrate the systems which are preconditions for e-services gover-

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

The results published in the Report on the implementation of the Action plan to implement the Strategy on public administration reform 2016-2020 for 2019 show that almost all strategic indicators are achieved in the largest extent. What was missing is development of selected e-services already mentioned. The good results are achieved in the areas of interoperability system development, number of e-services, e-democracy system development and data availability and document management in the Government of Montenegro.

What is evident is that almost all the activities were implemented by the Ministry of Public Administration, digital society and media bearing in mind that the defined indicators regulated the development of systems representing basic pillars for e-government development. Still, it is important to point out once again that e-government is a process requiring the engagement of all institutions at central and local level so in the forthcoming period the responsibility of all the institutions in the process must be identified.

The year 2020 was marked by a global healthcare crisis caused by COVID-19 pandemics. Social distance measures which were in force in Montenegro constantly, conditioned the need for faster digitalization development, primarily in the healthcare and education and in other areas. New online channels for citizens via websites and mobile apps were created. As a result, it can be expected that the use of e-services must increase in Montenegro.

Lack of electronic payments within e-services is recognised as one of great inconveniences and impacts significantly the quality of provided services and overall e-government development. Even though there are few examples of electronic payments, the implementation of National system for electronic payment of administrative fees (NS-NAT) managed by the Ministry of Public administration, digital society and media will bring the actual progress in this domain. This system should ensure the collection of administrative fees and

enable simple and consistent control in order to remove the existing collection problems. It should also introduce central place for supervision and control and enable the payment by payment cards of commercial banks via POS terminals on the counters and electronic payments over the e-services portal.

The largest number of e-services in Montenegro created on the e-Government platform developed as unique e-counter of public administration. At the moment, e-Government portal provides 596 services within the competencies of 51 institutions. Out of this number, 185 services are e-services, 409 services are informative services out of which 356 for legal persons and 216 for natural entities. Despite large numbers of e-services on the e-Government portal, their development level should be observed, not the total number of services.¹

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

In addition, we believe that the Strategy should contain:

- ▶ analysis of current digitalization level per industries/segments of the companies, and a detailed analysis of the ICT sector in Montenegro in terms of GDP share per segment. It would be good to present the best practice of the neighboring countries in terms of penetration of electronic identification and other electronic services;
- ▶ special segment dedicated to definition of goals and digitalization of small and medium enterprises;
- ▶ Segment dedicated to encouraging investments, providing grants for industry digitalization, research and development of startup communities and overview of current situation in this regard (funding, for which time period and alike).

Submitted proposals refer to the following:

- ▶ The need to continue reinforcing the capacities regarding cyber safety to ensure a required protection of citizens and economy from cyber threats;
- ▶ Development of e-business through the development of capacities linked to the artificial intelligence as one of the important drivers of digital transformation of industry and public sector;
- ▶ Promotion of the fact that the regulatory framework, with the coming changes (electronic identification) enables that the process of selling services, activating additional and new services, delivery of bills and payment may be digitalised from the very beginning to the end because it equals or will soon equal digital and physical identification of service beneficiary, electronic and physical stamp, electronic and physical bill, electronic and physical payment;
- ▶ Development of e-education – fast changes caused by digitalisation require new competencies and work places for which the existing school programs are insufficient or even do not exist;
- ▶ Definition of goals for basic and advanced digital skills of entire population;
- ▶ Digitalization of healthcare through further development of tele-medicine, connected devices, biotechnology and alike; this should contribute not only to the reduced time the patients spend in hospitals but to their faster recovery. New development technologies such as 5G network will create the possibility for improved mobile broadband products and services, by supporting the use of many connected devices. This will improve the services related to prevention of diseases, development of tele-counselling system, online issuance of prescriptions and referral letters for further healthcare protection, specialist medical examinations and alike;
- ▶ E-social protection which should enable online services to the most vulnerable population categories such as the persons with the disabilities, with mobility impairments and the old persons, especially those living alone, and the centres for social care, in cooperation with medical institutions, should be able to have timely information on the condition of these persons and ensure timely medical protection (devices enabling remote monitoring of conditions and vital functions of these persons may be a solution);
- ▶ Identifying electronic identity with physical identity in legal terms which would be available via usual smart devices to access Internet and would not require additional technical requirements for end users (card reader and alike);
- ▶ Covering the goals related to standardisation of instant payments and QR code, identification of clients and account opening in the absence of a client, contracting digital banking services and loans as well as other

¹ Ministry of Public Administration, Digital Society and Media

banking products and services via digital banking services for the existing clients of banks;

► Definition of instant payments – instant payments have been developing in the EU for a while and in the last couple of years these are present in the region. They represent a more cost-efficient alternative to card transactions and contribute to reduction of merchant costs. This service would meet the request of the banks who want to offer innovative digital solutions of the clients as well as the request of the users of payment services who want to make payments on weekend and in the evening.

GREY ECONOMY

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

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

As it is stated in the EC Montenegro Report 2020, the Montenegrin tax administration is implementing its annual action plan for suppression of the grey economy. Between January and December 2019, it conducted 2,646 tax audits, leading to €67 million in tax adjustment, and issued 1,217 misdemeanour orders for over €1.9 million. The tax administration also updated its 2019-2022 business strategy in accordance with the EU’s fiscal blueprint, and established a reform commi-

tee and a risk management board to monitor its implementation. Despite certain indications of business environment improvement, the measures to suppress grey economy are postponed, and there is a large number of companies with frozen bank accounts.

TAXATION

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

Regarding fiscal and customs policy, the following regulations were amended in 2019 and 2020:

Law amending the Law on social insurance contributions (Off. Gzt of MNE, no 42/19) adopted by the Parliament of Montenegro on 23rd July 2019 – Under this Law, contributions for the health insurance paid by the employer were reduced for 2 points thus increasing the minimum wage share in average salary in Montenegro to 43%. This demonstrates readiness to find an optimal solution to improve the standard of employees with minimum wage, employment growth and economy competitiveness as well as generation of income projected under fiscal consolidation.

Law amending the Law on personal income tax (Off. gazette of MNE, number 67/19) adopted by the Parliament on 22nd November 2019 – this Law defines that the income from sports activity and income from copyrights and similar rights, patent, trademark and income of freelancers in culture are allocated in independent income sources instead of income from freelance activity and property and property-related rights. The list of revenues which are not taxable is extended based on life monthly compensation attributed to an athlete

with the top national result and national team selector, scholarships to a prospective athlete, sport disability allowance, awards to the sportsman/sportswomen of the year, awards to a sport administrator and premiums allocated from the budget of Montenegro in line with the regulations on sport and life-long compensation of an artist based on the status assigned in line with the law regulating the culture.

Law amending the Law on Tax Advisors (Off. Gzt of MNE, no 47/19) adopted by the Parliament of Montenegro on 31st July 2019 – this Law harmonises the valid Law on Tax Advisors with the Directive and the Law on services in order to equate resident and non-resident natural and legal persons providing the services of Tax Advisors regarding the use of single market advantages for both service providers and beneficiaries as of the day of accessing the European Union.

Law amending the Excise Tax Law (Off. Gzt of MNE, no. 76/20), adopted by the Parliament of Montenegro on 31st July 2019. These amendments improved the existing Law, harmonized it with the relevant directives what would contribute to a better collection of excise taxes and to strengthening of control mechanisms to fight grey economy when trading excise products. The Law introduced a new national application for excises i.e. new information system for electronic data exchange what will enable software integration for digital data exchange applicable as of 1st January 2021. In order to harmonize the prices in local market with the prices in the region and to stimulate domestic production and existence of excise tax payers in the market, the Law helped to decrease excise tax amount for ethyl alcohol, soft drinks with added sugar and liquids to fuel e-cigarettes. In addition, based on the possibilities prescribed by the Directive 92/83 on harmonizing the excises structure on alcohol and alcoholic beverages, this Law introduces small craft breweries into the existing excise tax system.

Law amending the Law on fiscalization in transaction of goods and services (Off. Gzt of Montenegro, no 76/20), adopted by the Parliament of Montenegro on 29th December 2020 - it regulates the fiscalization process of cash and non-cash payments in the transactions of goods and services; content of the fiscal bill; payers of fiscalization and other issues of importance for fiscalization. The amendments to the valid Law were conditioned by the lack of time for the fiscalization of taxpayers to adapt to the new system. It was the initiative of big taxpayers, professional associations, micro, small and medium enterprises. The implementation process is additionally complicated by COVID-19 pandemics which impacted the reduction of companies'

economic activities.

By taking into account the need of the business community, this Law envisages the possibility of transition period until 1st June 2021 to set the system of electronic fiscalisation in real time (online). This means that taxpayers have the possibility to choose the manner of recording their turnover in the first five months, with the obligation to start applying online fiscalisation as of 1st June 2021. Also, it defines that at the moment of migrating to the new system of electronic fiscalisation in real time, taxpayers would not be able to return to the previous system.

This Law defines the terms of Taxpayer fiscalisation identification code (IKOF), unique identification code of account (JIKR), number of fiscal account for cash payments, number of fiscal account for non-cash payments and cash deposit. This Law is amended in terms of eliminating the issuance of the decision based on submitted paper form for manufacturer, keeper of software and the very software. The application is now made based on electronic certificate to automatically generate the code for manufacturer, keeper of software. This Law shall establish the system to allow data accessibility on turnover of products and services for the following goals:

- efficient turnover control or control of all deliveries of products and services, what would significantly contribute to reduction of informal economy in this area;
- gradual reduction of tax administration what would facilitate the procedure of accounting and paying tax obligations;
- creation of requirements for efficient management of tax audits and procedures of forced collection by applying clear criteria for risk analysis in the operations of taxpayers.

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

Proposal of the law amending the Law on Personal Income Tax in order to implement short-term measures to support the economy in Q1 2021 regarding new employments. The proposal of the Law shall include the exemption from paying a part of calculated personal income tax for the period of three years for the tax payer who concludes an indefinite employment contract by 31st December 2021 with a person registered with the Unemployment Bureau for more than three months, provided that this new employment will increase the number of employees compared to the number of registered employees as on 31st December 2020.

Proposal of the law amending the Law on VAT –

as a measure to support the economy, will amend the part related to the increase of limit of generated profit from 18.000 EUR to 30.000 EUR as a requirement for mandatory VAT registration. This measure refers to definition of profit limit to obtain the status of taxpayer, with the view to create better requirements to keep the liquidity of companies for increased support to the entrepreneurs and micro enterprises which are currently in the least favorable position.

Proposal of the law amending the Law on contributions for mandatory social insurance, in relation with the measures to support the economy – to provide the requirements to implement overall reforms of business environment, economic growth, more favorable conditions of generating profit and suppression of grey economy. This measure will largely help the businesses and provide more favorable conditions of generating profit. This Law introduces a new element for an employer who concludes an indefinite employment contract by 31st December 2021 with a person registered with the Unemployment Bureau for more than three months, this employer is exempt from the obligation to pay pension and disability insurance for the salary disbursed as on 31st December 2023.

The proposal of the new Customs Law is prepared which will be fully complied with the Customs Law of the European Union (Regulation 952/2013 of the European Parliament and the Council from 9th October 2013). This proposal creates the requirements for establishing and implementing new computerized transit system (NCTS) and other customs IT system to enable interconnectivity and interoperability with the EU systems and largely facilitate external trade operations to the businesses.

Proposal of the law amending the Law on tax administration – this Law will harmonise the existing law with the EU directives in the part related to the exchange of information kept by the Revenues Administration with competent tax authorities of the EU member states and other countries.

Proposal of the Law amending the Law on Corporate Income Tax – this law will harmonise the current law with the Council Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different EU member states and the EU Council Directive 32003L0049 on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States. In order to prevent tax evasion or reduce tax evasion, by taking into acco-

unt a growing number of taxpayers having transactions with related persons, the amendments will be made in the part related to taxation of income from transactions between the related persons in the area of transfer prices. Proposed legal amendments will improve the existing legal solutions regarding the definition of related persons, methods needed to define „arm’s length pricing“, keeping and submitting required documentation on transfer prices to justify these transactions. The amendments will also define the provisions related to the prevention of capitalisation hiding or restrictions of recognizing the expenses based on interests and related costs for borrowing or the loan up to a specific amount of taxpayer equity value.²

DIFFERENT AMOUNTS OF TAXES AT MUNICIPALITY LEVEL

Local self-government – focus for reform

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

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

The Competitiveness Council intends to improve the situation in this area with its measures so the recent activities related to the adoption of the two important laws (Law on administrative fees and Law on local municipal fees) confirm the efforts made to improve this area.

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

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

while 3 were kept with defined limits for their amounts.

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

By 22nd February 2021, the Government of Montenegro approved the proposal of the Decision on local administrative fees and the Proposal of the decision on local communal fees for these municipalities: Andrijevica, the Capital of Podgorica, Nikšić, Tuzi, Danilovgrad, Bijelo Polje, Kolašin, Mojkovac, Plav, Gusinje, Pljevlja, Rožaje, Žabljak, Šavnik, Plužine, Prijestonica Cetinje, Bar, Herceg Novi, Kotor. For municipalities of Ulcinj, Tivat and Budva, the Government gave its consent to the proposals of the decision on local communal fees, while for municipalities Berane and Petnjica, the Government gave its consent to the proposals of the decision on local administrative fees.

It was observed that under the new decisions on local administrative fees for which the Government gave its consent, a larger number of fees was kept at the same or lower level than the one defined in the previous decisions on local administrative fees. More precisely, the new Decision on local administrative fees cancels a significant number of fees. The percentage of cancelled fees for these municipalities ranges between 32% and 68% compared to the valid decision. By taking into account the reduction of fees in percentage per municipality, it can be concluded that the average fees reduction ranges between 35% and 60%.

In addition, the new decisions on local communal fees cancels some fees ranging from 48% to 85% compared to the previous decision. By taking into account the reduction of fees in percentage per municipality, it can be concluded that the average fees reduction ranges between 7% and 85%.

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

It is also very important here to increase transparency in the work of the local services. More precisely, the in-

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

REGULATORY FRAMEWORK AND THE MFIC COMMITTEES

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

INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT)

It is well-known story of how telecommunications became decoupled from physical equipment and weaved its way into almost every part of our lives. The telecom industry has had a deep impact on all other industries today and has changed our global society in many ways. Information technology and the ability to connect and communicate is an essential part of how societies operate. In today's digital ecosystem, telecommunication has become the basis for governments, businesses, communities, and families to interact. Companies are relying on telecommunications to foster operational efficiency and stimulate growth. Telecommunications industry has evolved, driven by technological change, benefited consumers and removing boundaries between industries while calling for constant evolving regulatory approach to ensure that consumers get the full benefits of developments.

In regards to general market issues transparency, predictability and respecting rule of law principles remain the key topics which have the biggest impact on regulatory environment as such.

Digital transformation is a game changer. ICTs have moved far beyond the realm of simple 'communications'. They have become the foundation for every sector in economy and a sine qua non of national growth.

Due to coronavirus (COVID-19) pandemic ICT has had an even more decisive impact on the wider society in 2020. It has become an increasingly important tool for development, providing access to information for science, technology and innovation, fostering and enhancing regional and international cooperation and knowledge-sharing. People around the world have shifted

to telework and online conferencing, while a large share of retail trade that has normally been based on physical shops has moved to e-commerce. In addition to enabling continued business in many areas, ICT has also helped social and cultural activities to continue during the pandemic, thus contributing to maintaining a better quality of life while in isolation.

We are using this opportunity to express gratitude to the MFIC for the support in 2020 in achieving digitalization activities for the benefit of customers of this industry. On the other side, the coronavirus outbreak is causing widespread concern and economic hardship for consumers, businesses and communities across the globe. The COVID-19 impact on telecom business is primarily in roaming, due to a lack of international travel, challenges in corporate and small- medium-sized enterprise markets, and general consumer spend pressures, particularly in the prepaid mobile segments. Considering that Montenegro is a tourist destination and tourism participates with around 25% in GDP while electronic communications is largely dependent on tourism, it does not make the general picture of the economy and telco business as optimistic, not only for the current year, but also for the next period. Medium-term implications are still not fully foreseen as macroeconomics threaten industries highly dependent on consumers' confidence and government policies. Having said that, the ICT industry expects the reduction of industry related fees in line with the market decline due to COVID-19, as this industry was not the part of the incentives programmes.

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

ICT in Europe in focusing on creating a more entrepreneurial ICT ecosystem and helping innovative companies bring new products to the market faster. The European Union (Directive (EU) 2018/1972 i.e. European Electronic Communications Code („EECC”) transposed in national legislation of EU countries, intends to level the playing field and - as a consequence - extends rules to providers that were not regulated on the basis of the current framework, such as over-the-top (OTT) players which offer a variety of services. The EU Commission plans that Europe will be well advanced on the road to becoming a Gigabit Society by 2025, conti-

ning to push digitalization and 5G should remain high on their agendas. EU Commission has issued Recommendation 2020/1307, September 2020, on a package of measures to reduce the cost of setting up large capacity networks and ensure timely and investment-friendly access to radio spectrum for 5G networks to encourage connectivity in to support economic recovery from the COVID-19 crisis. Mentioned Recommendation, among other things, defines the principles among EU members that are aimed to promoting appropriate reserved prices that reflect minimum levels of fees for radio frequency rights; providing, on a non-discriminatory basis, the possibility for fees for radio frequency use rights to be paid in instalments within those rights; combining financial incentives with commitments or formal commitments to accelerate or expand high-quality wireless coverage etc. Additionally telco operators expect that proclaimed upcoming transposition of „EECC” in the Montenegrin regulatory framework will bring the extended RF spectrum licensee validity period (instead of 15 years defined under the current Montenegrin e-Law ,the validity period should not be shorter than 20 years as EECC defines).

Telco operators in Montenegro are hoping that those trends on EU level will be transferred to our market. As digitalisation and 5G development is high on agenda of operators in Montenegro, its crucial to ensure regulatory preconditions, proper timing and pro-investment policies for 5G implementation. Stimulating and responsive business environment is crucial for further investments and operations in Montenegro.

Representatives of public administration, business associations and the ICT sector agree that, at this moment, digitalization of the economy is a priority factor for the economic growth of Montenegro. Digital Transformation implies collaboration between the public and private sectors focused on ensuring that digitalization unlocks new levels of prosperity for both industry and society.

It is expected that signing a Memorandum of Understanding on a roadmap for the 5G digital transformation of the six economies of the Western Balkans at the Tirana Digital Summit in October 2020 will accelerate the roll-out of the technology in the region.

Smart Specialization Strategy 2019-2024 the Government of Montenegro aims to modernize and increase the competitiveness of the Montenegrin economy relaying on three key strategic directions that represent the general long-term vision of the country’s development: Healthy Montenegro, Sustainable Montenegro and Digitalized Montenegro. As the pace of digital transformation accelerates, for-

mulating an effective regulatory approach becomes a defining moment. A combination of access to funding and business-friendly policies will create an environment that is conducive to technological innovation. The digital journey brings together all players – from different backgrounds – into one living cooperation, while telco operators remains important investors and partners to the Government.

Once again, we would like to take this opportunity to draw attention to some issues that telco operators are facing in their daily business, while its resolution is of even more importance in coronavirus pandemic:

ELECTRONIC COMMUNICATION LAW

Law on Measures to Reduce the Cost of Deploying High-speed Electronic Communications Networks

In 2019 the Ministry for Economy, responsible for telco sector organized public consultations and round table discussions on the two draft laws:

Draft Amendments to the Electronic Communications Law

Proposed changes, telco operators were interested in, referred to the following:

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

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

DRAFT LAW ON MEASURES TO REDUCE THE COST OF DEPLOYING HIGH-SPEED ELECTRONIC COMMUNICATIONS NETWORKS

Operators very much welcomed the opportunity of introducing such Law in the Montenegrin regulatory

framework that transposes the respective EU Directive 2014/61 i.e. BB Cost Reduction Directive. This Directive aims to reduce the costs of deploying high-speed broadband networks through facilitating shared use and coordinated deployment of physical infrastructure within the electronic communications sector and across other sectors such as energy, transport and water, thus streamlining permit granting procedures and facilitating access to end users' premises. It was expected that once the Law is enacted its implementation will also reduce the time for deploying networks, and assure transparency and non-discrimination principles in using the involved infrastructure.

Unfortunately, this Law was not enacted until the end of 2020, while telco operators are very much interested that the Law is enacted as soon as possible.

PARA-FISCAL BURDEN ON INTERNET ACCESS SERVICE

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

IMPLEMENTATION OF THE LAW ON SPATIAL PLANNING AND CONSTRUCTION

As the ICT Committee pointed out in the previous WB recommendations, the implementation of the Law on Spatial Planning and Construction continued to be an issue since the local governments differently apply regulations referring to maintenance and construction of the new infrastructure. Namely, the practice shows that in many cases the issued Urbanistic-Technical Conditions („UTC”), do not comprise the terms for connection to the telecommunication infrastructure or its protection. Consequently, the protection of electronic communication infrastructure, being assured by the Law on Electronic Communications, actually is not fully endorsed

by the Law on Spatial Planning and Construction, due to room for its misinterpretations.

Despite the fact that the National regulator for electronic communications supports telco operators in their endeavors to assure full interpretation of the both laws, when it comes to the protection of infrastructure, we believe that the responsible Ministry and the National Regulator should jointly work on raising the awareness of the „UTC” issuers, investors/constructors, for the necessity for protection of the telco infrastructure.

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

BANKING INDUSTRY

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

As stated in EC Montenegro Report 2020, Montenegro is moderately prepared in the area of financial services, with good progress made in the reporting period, notably on the alignment with the EU acquis in the field of banking and financial conglomerates, fulfilling last year's recommendation. In the coming year, Montenegro should in particular:

- ▶ adopt and start implementing secondary legislation related to the Capital Requirements Directive and the Capital Requirements Regulation;
- ▶ perform an independent review of the asset quality in the banking system, analyse its results and prepare plans for corrective actions, if necessary.

On banks and financial conglomerates, the legislation is partially aligned with the EU acquis. In December 2019, Parliament adopted laws on deposit protection, credit

institutions, resolution of credit institutions and amendments to the law on bank bankruptcy and liquidation. This aims to align the legal framework with the Capital Requirements Directive (CRD IV) and Regulation (CRR) as well as the Bank Recovery and Resolution Directive (BRRD). Work on implementing legislation, necessary for the full implementation of these laws, will continue in 2020. The new legal framework, once implemented, will significantly improve the supervision of credit institutions and allow for timely interventions in troubled credit institutions.

During the reporting period, the Central Bank of Montenegro amended a number of implementing acts on the credit registry, reporting, and minimum standards for credit risk management in banks. It also adopted implementing legislation on macro-prudential measures related to retail banking loans. July 2019 saw the establishment of the Committee for Banking Supervision, a standing advisory body to the governor of the central bank. The internal organisation of the central bank was also changed in order to strengthen its institutional and supervisory capacities. Montenegro established units for off-site supervision of credit institutions, supervision of operational risk of credit institutions, a new department for the resolution of credit institutions and the Resolution Fund.

These actions, taken in the wake of the bankruptcy of two small credit institutions at the beginning of 2019, increased the level of supervision and enhanced safeguards against credit risk. The main indicators for the banking sector remain positive, with the ratio of non-performing loans dropping to 5.1% of total loans in February 2020 and solvency ratio reaching 17.7% at the end of 2019, well above the statutory minimum of 10%. Nonetheless, an external, independent review of the asset quality in all 13 banks present on the Montenegrin market started in February 2020, with a view to strengthening stability in the banking system and confidence in the banking system. The review should conclude in 2021.

The Central Bank adopted in March 2020, in cooperation with the Government and commercial banks, the decision on temporary measures for the financial system in order to mitigate negative effects of COVID-19 pandemic to citizens and financial system of Montenegro. The measures include notably a 90 days moratorium on repayment of loans, possibility to restructure and prolong loans and a temporary prohibition to pay out the dividends to shareholders of banks. Another decision from May 2020 introduced further measures that banks may take to restructure loans of borrowers affected by the crisis and the possibility to prolong moratorium on repayments of loans for another 90 days.

According to the CBMNE Bulletin from January 2021, total assets and liabilities of banks amounted to 4,586.5 million euros at end-December 2020, recording monthly drop of 0.9% and the year-on-year decline of 0.4%.

In the structure of banks' assets, total loans accounted for the main share with 68.9%, followed by cash and deposit accounts with central banks with 19.3% and securities with 10.3%, while other asset items accounted for 1.5%. In regards to the structure of liabilities and capital, the main share of 73.5% was of deposits, followed by capital with 12.8%, borrowings with 9.9%, while other liabilities items accounted for 3.8%.

At end-December 2020, total capital of banks amounted to 586.7 million euros, recording a monthly decline of 6.3%, and an annual decrease of 1.9%.

Total banking loans granted amounted to 3,159.2 million euros at end-December 2020, which is the monthly drop of 2.7% and the year-on-year increase of 3.2%.

Loans disbursed to the non-financial and household sectors accounted for the main share of 79.1% of banks' loan receivables as at end-December 2020.

Total banks' deposits amounted to 3,372.9 million euros and they recorded monthly increase of 0.2% and a 3% decline in relation to December 2019.

As for the maturity structure of total deposits, demand deposits accounted for 71.3%, while term deposits accounted for 27.7%. The remaining 1% were funds in escrow accounts. In the structure of term deposits, the highest share was recorded by deposits with maturity from three months up to one year (48.1%) and deposits with maturity from one to three years (36%)

Observed by sectors, retail deposits accounted for the main share of 37.2% in total deposits at end-December 2020.

At end-December 2020, retail deposits amounted to 1,254.1 million euros and they recorded monthly increase of 2.0% and the year-on-year decline of 4.7%.

Liquid assets of banks amounted to 1,016.1 million euros in December 2020, showing monthly decrease of 6.4 million euros or 0.6%, yet 59 million euros or 6.2% increase in relation to December 2019. Both daily and ten-day liquidity ratios were above their statutory minimums for the entire banking system.

An overview of important topics analysed in 2020 follows.

FRAUD PREVENTION

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

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

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

The sixth oversight report on card fraud analyses developments in card payment fraud with a particular focus on the 2018 data, which is put into the context of a five-year period from 2014 to 2018. It is based on data reported by the card payment schemes in the euro area with a breakdown per Single Euro Payments Area (SEPA) country. The report covers almost the entire card market. The reporting card payment scheme operators are required to report card fraud as defined within their own rules and procedures. Card fraud is composed of (i) fraudulent transactions with physical cards (card-present fraud), such as cash withdrawals with counterfeit or stolen cards, and (ii) fraudulent transactions conducted remotely (card-not-present fraud), such as those with card details obtained by criminals through phishing and used for online payments.

The total value of fraudulent transactions using cards issued within SEPA and acquired worldwide amounted to €1.80 billion in 2018. When it comes to cards issued in the euro area only, the total value of fraudulent card transactions acquired worldwide amounted to €0.94 billion in 2018.

The upward trend in card fraud observed between 2012 and 2015 reversed until 2017 but increased again in 2018. The overall level of fraud in card payments shows the importance of continuous fraud monitoring and vigilance by card scheme overseers as well as security measures.

In respect of the composition of card fraud in 2018, 79% of the value of card fraud resulted from card-not-present (CNP) payments (i.e. payments via the internet, mail or phone), 15% from transactions at point-of-sale (POS) terminals, such as face-to-face payments at retailers or restaurants, and 6% from transactions at automated teller machines (ATMs).

Taking into consideration abovementioned, we point out to the necessity to implement further activities within the Action plan to implement the MFIC initiative to define the measures to eliminate the barriers to develop e-services in private sector. The point 5 of the Action plan refers to the creation of Fraud Prevention Forum within the Banks' Association to deal with fraud prevention in Montenegro and to serve as platform to exchange information among banks.

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

MONEY MARKET DEVELOPMENT (MM)

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

Preconditions for MM development in Montenegro

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

Benefits of MM development in Montenegro

Benefits of MM development in Montenegro follow

1. **More secure orders execution in national payment system** if the banks are generally liquid. With the MM development, the banks would be able to borrow on a short-term if needed for the daily liquidity as follows:
 - a. For instance, if a bank has significant funds abroad but it needs funds in the country. We know that the

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

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

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

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

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

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

Steps to be undertaken:

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

establish a full process that would include:

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

Taking into consideration abovementioned, we point out to the necessity to implement further activities within the Action plan to implement the MFIC initiative to define the measures to eliminate the barriers to develop e-services in private sector. The point 6 of the Action plan refers to the definition of requirements to launch money market in Montenegro.

LAW ON CONSUMER LOANS

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

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

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

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

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

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

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

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

FATCA IMPLEMENTATION

On 12th June 2014 the Government of Montenegro brought the decision to conclude and sign with the USA Government an Inter-Governmental Agreement (hereinafter: IGA) on improving the fulfillment of tax obligations at the international level and the implementation of FATCA regulations. On 16th March 2018, the Law on FATCA was adopted. From 2014, the banks started to identify in their systems the customers who have the accounts and are American taxpayers. Based

on properly established base of clients who subject to this regulation, the banks are obliged to prepare reports which will be forwarded to the IRS through Tax Administration (TA). However, there are some open issues regarding the implementation of the Law. It is necessary that the Montenegrin institutions clarify some elements of the signed IGA and terms and definitions. They should also address the non-compliance with the Montenegrin legislation, explain their referral to the unfamiliar laws of the USA and retroactively defined reporting deadlines as well as reporting manner, agreement validation, undefined precise penalties and they should precise their explanations on accounts, clients and alike.

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

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

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

Taking into consideration abovementioned, we point out to the necessity to implement further activities within the Action plan to implement the MFIC initiative to define the measures to eliminate the barriers to develop e-services in private sector. The point 7 of the Action plan refers to the need to extend the working group responsible for preparing bylaws and solving open issues with the representatives of IT department so that the banks could properly implement the requirements for FATCA reporting.

KEY REGULATIONS ACCORDING TO THE MFIC

LAW ON ID CARD

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

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

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

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

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

Article 6 paragraph 2 of the Croatian Law on Identity Card reads as follows: The form of the identity card shall contain: the coat of arms of the Republic of Cro-

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

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

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

INTERNAL TRADE LAW

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

Irrespective of paragraph 1 of this Article, wholesale and retail sale may be performed on Sundays in pharmacies, bakeries and pastry shops, florists, souvenir shops, and stores selling newspapers, plant protection chemicals and funeral equipment. The exemptions also cover the petrol stations and the attached stores, farmers' markets, stands and vending machines outside the farmers' markets, mobile shops, as well as stores, kiosks and vending machines at the bus stations, airports and ports. They also include the stands and kiosks open during the events, festivals, exhibitions and public screenings, as well as the wholesale storage facilities.

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

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

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

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

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.

In general, the Labor Law is quite restrictive and imposes a lot of administration, salary documentation, working hours, reporting to inspections and unions, internal and external announcements without explanation or reason for such administration.

Considering the above, due to problems in the practical application of the Law, we consider it justified to review the following provisions of the Labor Law:

- Article 90 (Absence from work whose duration may indicate a possible abuse of rights);
- Article 86 (Calculation of the amount of compensation for unused annual leave);
- Article 68 (Redistribution of working hours);
- Article 42 (Work from home);
- Article 47 (Annex to the employment contract for the transition from full-time to part-time);
- Article 102 (Salary compensation);
- Article 106 (The protected part of salaries in the process of collection through administrative prohibition is 70%, while the Law on Compulsory Collection prescribes 50% of salaries that may be charged);
- Article 172 (Dismissal of employees).

PROPOSAL OF THE MEASURES TO ENHANCE THE DIGITAL TRANSFORMATION PROCESS

1. Terminalisation of public administration through introduction of electronic payment in the operations of public institutions in Montenegro

Non-cash transactions mean lower payment costs, greater efficiency and security for citizens and economy and more transparent financial flows, more efficient tax collection and faster economic growth for the state. It is estimated that a significant part of budget revenues is lost per year because of unrecorded cash payments and fiscal bills. This project includes the support to eliminate this sectoral risk. With electronic card payments (on POS terminals and online i.e. e-government portal), cash would be invested into a better infrastructure, education, healthcare, social contributions, pensions and alike. The initiative is fully complied with the current goals of the Ministry of public administration, digital society and media to provide efficient services to all the citizens, inclusive, equal and accessible public administration to everyone.

In accordance with the information, there are regulatory assumptions for efficient and future implementation of the program goal. The representatives of the MasterCard company are ready to be the partner to the Ministry to implement this important project by offering their experience and expertise. We remind that this idea is already presented to the Ministry and we have positive feedback.

2. Enabling paperless interactions with customers

Important progress has already been made in terms of legal environment adjustment for the needs of digital transformation of society by introducing Law on electronic identity and electronic signature as well as Law on electronic document.

Those two laws enable to move transactions E2E online by digital signing of documents and practically elevates qualified electronic signature same as handwritten signature. However, success of this new opportunity and vast usage depends on how customer friendly is actual use of qualified electronic signatures.

Our suggestion, at least for the contracts with clients for new telecommunication services (or changing tariff

plans/activation of campaign benefits that result in contract prolongations) is to be even more flexible in order to reach maximum acceptance of online transactions. This would mean to allow for the online transactions to have initial identity verification (by eID of appropriate security level, depending of transaction type) but ordering process should be allowed w/o contract signing (just agreeing on general terms and conditions for particular service, with summary of commercial offer that it is ordered). Order summary is required to allow the end users to make decision based on complete information and easier operators' offer comparison.

According to the existing Law on Electronic communications electronic communications, providers regulate mutual rights and obligations with the end users by written contract. Updating the law in terms of recognizing a.m. process that is based on eID (included in the new ID) would support paperless interactions.

Recognizing that certain percentage of end users would still prefer to maintain off line relationship, by signing contracts in branches, we believe that the introduction of digital signature to be accepted as valid to sign documents in our stores (e.g. tablets, like signature for ID or passport).

Since significant portion of customer base still prefers to do business via Call Center we believe that having call recorded for the purpose of proving the activation of telecommunication services at a distance, such an action would be fully justified from the legal aspect because it is used to prevent fraudulent activities and protect the interests of users. With an audio recording that proves the consent and declaration of the user's will, as well as subsequent confirmation of the same by sending an SMS message to confirm customer's identity, there would be a so-called two-factor authentication, which unequivocally proves the statement of the user's will.

Another important item is bills and bill delivery. In this digital era new methods of informing customers of monthly bills were developed, such as sending e-bill on e-mail, sending personalized SMS with the link in order to download the bill, download bill from providers' mobile app. All these electronic methods must have equal treatment as delivering paper bill. We consider them to be even more secure since we are able to trace whether bill was actually delivered to the customers, as oppose to sending it via Post office, and therefore should be treated as preferable way of sending invoices.

It is worth mentioning the case of the Government of the Republic of North Macedonia, which during pandemic situation introduced the possibility according to which issuers of invoices inform recipients that the invoice

will be delivered electronically (PDF or other form delivered as message, via link, e-mail, etc.). The recipient of the invoice has ten days to express his non-acceptance of receipt of such invoice, and if the recipient of the invoice does not decide on the request of the issuer of the invoice within that period, it will be considered agreed to send the invoice in electronic form.

Recommendations for the Ministry of public administration, digital society and media:

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

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

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

3. Enabling paperless interactions with government bodies

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

Submitting requests for construction and network maintenance would be another service of interest to us to be migrated online.

Recommendations for the Ministry of public administration, digital society and media:

To extend portfolio of e-Government services according to the abovementioned.

4. National Identity number data exchange

National identity number that was introduced at the same time as new ID cards provides a solution to a problem of Telco providers to uniquely identify their customers on one side, and on the other side to ensure personal data protection, what was not the case of the UCN and in addition UCN is not the information to be mandatory registered.

However, in this process we have recognized two issues:

- ▶ - Awareness of citizens on what their NIB is (national identification number) – since it is not printed on ID card;
- ▶ - Many of legacy systems in Montenegro (public administration bodies, banks, etc.) are based still on UCN as unchangeable datum that identifies a person unmistakably.
- ▶ Our proposal would be to exchange data with Ministry of Interior in order to be able to add in legacy systems national ID and have online portal where citizens by entering JMBG can receive back info about their NIB.
- ▶ This is important having in mind that based on Law on electronic identity and electronic signature, information about NIB is published in the certificate, and having this information in easy way available for the customers will remove obstacles such as multiple visits to Certification Authority in order to get trusted services.

Recommendations for the Ministry of public administration, digital society and media:

Taking into account that the Ministry of Interior is responsible, we recommend creating a joint work group in order to define process and data exchange.

At the same time, we recommend suggesting to the Ministry of Economy, the amendment of the Law on electronic communications and the Rulebook on customer registration to foresee national identification number in the Registration form of the customers

5. Regulatory and technological factors needed to support E2E Internet sale of basic banking products – mainly account opening and loan approval process

Regulatory amendments to support customer identification and AML procedure by network channels (ex. video call);

Regulatory amendments to support signing of loan agreements by e-banking – without using qualified digital signature;

Application of eID and Trust services in the country (mobileID and digital signatures);

The extension of working hours of the Credit registry of the Central bank of Montenegro to make it accessible 24/7 (at the moment available from 8 am to 10 pm which limits the availability of online services when it comes to loan approval);

The Revenues Administration and the Fund for Pension Insurance should make their respective database available (so that the banks and other legal entities could integrate their systems and get the information on salaries / pensions of the customers);

6. Creation of the working group that would deal with the digital transformation process composed of the representatives of financial sector, telecommunication sector and experts for development of e-Government who would work together with the Ministry of public administration, digital society and media to prepare/ amend the regulations, support the development process and prepare technological infrastructure.

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. It is needed to streamline the local taxes which currently vary from municipality to municipality and therefore result in a non-transparent and therefore less attractive investment climate. The Secretariat to the Competitiveness Council has started to compile a registry of these parafiscal fees. The next step should be a concerted effort to streamline these fees across the territory of Montenegro.

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

3. Mutual harmonization of legal solutions in order to promote e-business. For example, Law on business organization prescribes that the using of official stamp is not obliged for business organization.

4. Obligation to obtain the certificate from the Central Depository and Clearing Company of Montenegro for the incorporation purposes that the shareholder of the company does not have over 30% of share in another Montenegrin company. We consider that these documents/information could be obtained officially or through centralized base of corporate data and not to add to the investor an additional step for incorporation process. We are aiming to simplify the incorporation procedure and not to make it even more complicated.

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

6. Presentation of the Income Statement: the currently binding statutory local chart of accounts, and the model financial statements issued by the institute of chartered accountants of Montenegro isn't adopting the two methodologies of income statement presentation (by nature and by function), and limits it to one methodology that doesn't necessarily suite the business nature of all companies, especially real estate development companies. They should allow the two methodologies based on the nature of business.

7. Managing Director of Subsidiaries: Currently a foreign employee is not allowed to be a managing dire-

ctor of more than 3 companies, which doesn't facilitate the operations of a group of companies as we have in Luštica. The managing director of the parent company should be allowed to serve as the managing director of all subsidiaries within the group.

8. High fees for the used transmission capacity paid by the electricity producers connected to the transmission system - Starting from 1st January 2014, the Amendments to the Methodology for determining regulatory allowed revenue and prices for the use of the transmission system have set the obligation of the electricity producers connected to the transmission system to pay for the grid capacity used. Up until 1st January 2014, the grid capacity used was charged exclusively to the electricity customers so the entire regulatory allowed revenue of the Transmission System Operator (TSO) was covered by fees collected from the customers. Bearing in mind that electricity generation in Montenegro has not been a regulated activity since 2012, EPCG, as the electricity producer, is unable to incorporate the said cost into the price of its services. In 2019, the Amendments to the Methodology for determining the regulatory allowed revenue and prices for the use of the transmission system entered into force, the essence whereof is for the producers to participate in the covering of the allowed transmission system losses in addition to the transmission capacity used. Consequently, the fees paid by the producers are charged as per available capacity and the generation of the generating capacities. The 2021 fees determined in this manner amount to 200, 9417 €/MW/month and 2,7291 €/MWh respectively. Should the overall cost of CGES allocated to the producers connected to the transmission grid (10.578.086 €) be divided by the 2021 balanced generation of these producers (3.307 GWh) the resulting unit price would stand at 3,198 €/MWh. This price severely exceeds the amount set by the EC Regulation no. 838/2010 on laying down guidelines relating to the inter-transmission system operator compensation mechanism and a common regulatory approach to transmission charging.

9. Additional costs incurred by the producers arising from the implementation of the Law on protection against adverse climate effects, coal excise taxes and local environmental fees - The new Law on protection against adverse climate effects entered into force in early 2020 and, inter alia, it binds the producers emitting CO₂ to purchase emission credits. Although the important part of emission credits are allocated free-of-charge, given the tendency for them to be reduced by 5% per year, EPCG's expenses on these grounds amounted to the excess of €7 million in 2019 for the electricity generation from TPP Pljevlja in 2020. The coal excise tax was introduced in Montenegro and EPCG incurred the expense of €4.7 million on this ground in 2020. More-

over, the local environmental fee was introduced by the Municipality of Pljevlja in early 2020 so EPCG incurred additional €1million worth of cost on this ground. The newly introduced charges increase the unit generation price of TPP Pljevlja importantly, thus significantly reducing the prospects for the pressing investments in TPP which would contribute to both the efficiency increase and environmental protection.

10. Limitations in terms of market valorization of electricity sold to domestic customers - Although electricity market for industrial and commercial customers was formally opened in 2009 and for households in 2015, no new suppliers have been present in Montenegro due to low energy prices and legal limitations. The reasons are as follows: Unfavourable socio-economic ambience for the end electricity customers in Montenegro reflecting in impossibility for payment of market electricity price, Legal limitation in terms of percentage of energy price increase for households and small customers supplied by EPCG as a dominant supplier (Public supplier by the end of 2016). Article 249 of the Energy Law, until establishment of liquid market, limits annual rates of energy prices increase for households and small customers supplied by EPCG to 6%. Current prices of EPCG energy for supply of households and small customers amounting to 42,39 €/MWh, and for supply of industrial and commercial customers amounting to 44,932 €/MWh, represent only about 80% of current market price, so it is obvious that EPCG is not able to adequately valorize on the market more than 80% of its generation, due to the mentioned limitations.

11. Contribution (fee) to the touristic organization of Municipalities - municipalities are changing this fee based on the profit of each Company. This is a scaled fee. It is not clear if this fee should be calculated based on the profit of all the retail outlets of a certain company taken together in each municipality, or if the fee should be applied separately for each retail outlet on its own. Because the fee is scaled according to the profit, estimates on the fee can vary significantly.

12. Approval for the installation of advertising and pricing signs (business signs for each retail outlet) and payment of annual fees. We do receive an approval for the installation of these signs from the relevant authorities who issue the construction permit, but then following the completion of the construction, we need to re-apply and receive approval at the Municipal level. We believe that this should be decided by a single authority. Additionally, it is not very clear in the law what it is considered to be an advertising sign and thus liable to a fee. Also, the guidelines regarding the level of the fee for each sign are not clear, and thus various municipalities charge different rates.

13. Regulation on user authentication/enrollment

and electronic contract signing without a need to visit an institution (bank, telco, insurance company, other service provider etc.). It is doable today for example with Visa/MasterCard payment cards, but this suggestion is about user authentication without having a card, bank account or other type of contract previously signed with an institution.

14. Judicial practices are uneven, i.e. different judges in same or similar situations give different judgements which is not in line with rule of law standards. Constitutional Court of Montenegro has declared that Articles of Association of one association in Montenegro are unconstitutional and has revoked it, but has in consequent proceedings upheld the decision of basic and high courts which were solely based on Articles of Association that were already declared as unconstitutional. Constitutional Court of Montenegro does not deliver judgements in timely manner which is not consistent with the right to a trial within a reasonable time. Also, even though the Constitutional Court is required by law to discuss cases in order in which they were received in Court, in practice this is not the case.

15. Labour Law is inadequate and should be more flexible. In particular, employer should have more flexibility in terminating the employment contract as current conditions for termination of contract are rather strict and are not suitable for market economy. Employer is required to conclude, as a rule, employment contract with indefinite term, which is in practice extremely difficult to terminate, as termination requires a lengthy and complicated procedure, further complicated by judicial practice which is rather lenient towards employees. Therefore, employers are forced to keep employees even if they are not performing their work obligations, which can have direct negative effect on business results of a company as well as on the employment rates in the country.

16. Law on Sales Tax on Used Motor Vehicles, Vessels, Airplanes and Aircrafts prescribes unjustifiably high tax rate.

17. Decision making in court processes - It is expected that court's decisions are made based on the presented facts, consistent in all cases, consistent for all court's instance, professionally and timely. Improvement in decision making in court processes is leading to the trust upgrade in the court processes.

18. Efficiency and unification of official opinion of State units - Improvement of response time in official requirements submitted to the State units is leading to the efficient and professional state units. Also, it is essential to unify response / answer from different State units and avoid providing different opinion for the same topic from various State units.

19. Process of forced collection by public executors

- the process is slow, and blockage of client's accounts can sometimes last for days. This especially evident in certain municipalities e.g. public executor in Budva.

20. Centralization-simplification of client account data - adoption of the law on concluding distance contracts (which implies identification of consumers) through a channel / method that is already recognized and implemented in other countries in Europe and the Region (video identification, 2FA...)

21. Connect entities (banks) with the Revenues Administration in terms of more simple gathering of the relevant information on the clients, such as the amount and regularity of taxes paid by clients and data on which company they are employed in, etc.

22. Proposal for simplification in PI segment payment system is for client to have only one account number and only one bank at the moment that client is using for its income(s). Account can be transferred to any bank depending of clients will and/or contracted obligations. Benefit is in simplification in regular and forced due debt collection and efficiency in Revenues Administration control.

23. Digitalization of State agencies - in the first line: exchange of client information without paper from the Revenues Administration and Pension fund; in the second line: Cadaster (for immovable and statuses for mortgages, online inscribe of mortgage and changes of statuses allowed from client and bank side), Ministry for internal affairs (ex. Information for movables, up to date addresses of clients).

24. Centralizing client data needed for rating calculation or decision making, or making credit standing grade on the state level considering all data derived from client behavior in paying due obligations for: loans, telephone, electricity, water, garbage, taxes, car registration.

25. Proactive approach in property protection – law change - update of Law on forced execution, regarding extraordinary situations (ex. COVID) for providing assistance of Police force to Public bailiffs during eviction from Bank property, what would support proper implementation of Property law. Current situation is that Bank cannot enter its property that is repossessed 10 months ago due to absence of Police assistance to Public bailiffs.

26. Efficiency in court processes and higher legal experts' proficiency - verdicts and opinions of higher instances in legal processes are expected to be provided efficiently with proficiency of legal experts that should depict problematic cause on a professional, understandable and timely manner. Defining deadlines and penalties for crossing prescribed deadlines for decision making. Companies do have situations in which for several years court decisions are not provided due to various reasons.

27. Harmonization of laws and uniform interpretation/understanding - several laws are defining similar topic (ex. Labor law and Forced execution law regarding maximal financial obligations vs. salary), these laws are not aligned and in this respect, it leaves room for different interpretation. Law(s) should clearly define non-financial obligations and separate them from financial obligations due to fact that there are companies that are not licensed that are interfering with market share of banks, making debt collection more complicated together with financial standing of clients.

28. Operations of court experts - we would outline the need for more unified approach in activities of court experts and their engagement in processes of force collection for the Bank. In several legal proceedings where the Bank was conducting off-court sale or was conducting repossession of collateral, court experts were engaged to complete estimation of real estate. First estimation of real estate was done by the court expert of construction profession that was selected. The calculated estimation was challenged by the debtor and the court ordered second estimation and for that purpose selected different expert but this time from the mechanical engineering background and calculated estimation of real estate was then significantly different (difference was more than 50%).

29. Centralization of employee related data - with centralization of employee related data, the employer submits data to the central data location. Data are visible/available to the all connected/relevant units. Revenues Administration as central data location for employee and employee's salary data provides relevant data to the Health Fund (already implemented) and Pension Fund. Data centralization ensures improvement in data processing, data control as well as data transparency. Another centralization is centralization of state units (Employment Agency, Health Fund, Pension Fund etc.) in order to save time resources and ensure central data processing.

30. Digitalization of State units - Digitalization of State units (Employment agency, Revenues Administration, Pension Fund, Health Fund etc.) enables digital data transfer of employee's related data (ex. the job position announcement, new employee registration, changes related to the employee's registration, various employee's confirmation, annual pension data, salary refund etc.). On the same time, digital data transfer avoids paper exchange, time-consuming administration, robust storing space, human mistakes and ensures financial savings.

IMPLEMENTATION STATUS OF THE ACCEPTED RECOMMENDATIONS FROM THE WHITE BOOK 2019¹

RECOMMENDATION FOR THE MINISTRY OF ECONOMY (LAW ON ELECTRONIC COMMUNICATIONS)

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

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

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

ANSWER OF THE MINISTRY OF ECONOMY:

The Law on Electronic Communication allows and leaves to the users to decide if they will receive their bill electronically. Therefore, upon their request and with their consent, they receive e-bill.

However, having in mind the habits of the citizens, and respect towards the senior population compared to the share of population not having Internet access or not using it enough, we believe that the measure of issuing electronic bill as the only and mandatory option (if the user does not refuse it) would be premature at this moment but we are of opinion that we should follow that direction. This service is significantly present in our market. The operators submit e-bill to their users after having received users' consent.

When it comes to this recommendation, we believe that the paper bill delivered by post should still remain but we should also develop the ways to improve this practice by taking into account the needs, interests and rights of end users in order to increase the share of bills delivered and paid electronically until the moment when the Law defines it as the only and mandatory option.

COMMENT OF THE AGENCY FOR ELECTRONIC COMMUNICATIONS AND POSTAL SERVICES:

When it comes to the recommendation 1 from the MFIC White Book to stipulate e-bill as a single and mandatory bill delivery, the Agency states that such way of bill delivery is allowed already. The practice of delivering e-bills in Montenegro is largely present in Montenegro but it is up to the very user to decide how they would like to receive their bills. When the user agrees to electronic delivery or they require it, the bills are sent electronically.

The Agency also believes that this recommendation is not elaborated enough for having a final attitude regarding this matter. We believe that it is neglected that some users of public

¹ Answers of the line institutions as on 31st December 2020

electronic communication services are not yet computer literate. According to the Monstat survey about using electronic communications at households in October 2019, 73.5% persons used Internet in the last 3 months; 70.5% persons who used Internet sent or received an e-mail which means that 51.82% of the Montenegrin citizens uses e-mail. That is why the delivery of the bill by post should remain as basic (defined) manner of delivery but this practice should be improved and developed by taking into account needs, interests and rights of the end users, with the aim to increase the share of bills delivered electronically over time.

RECOMMENDATION FOR THE MINISTRY OF SUSTAINABLE DEVELOPMENT AND TOURISM (LAW ON SPATIAL PLANNING AND CONSTRUCTION) AND THE AGENCY FOR ELECTRONIC COMMUNICATION AND POSTAL SERVICES

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

Damage or cutting of electronic communications cables or other infrastructure while constructing and reconstructing buildings, roads etc. are almost frequent problem. The reason for this is the fact that while issuing the urbanistic technical conditions and drafting project documentation the telecommunication segment is not treated in almost all cases. Namely, the practice shows that in the issued Urbanistic-Technical Conditions publicly available, there are no conditions for connection to the telecommunication infrastructure or its protection at all. In some rare cases UTC comprise only the list of regulations that need to be taken into account while making the contract.

Therefore, the authorities responsible for issuing Urbanistic Technical Conditions and evidences required for the preparation of technical documentation in most cases do not comply with the Law obligations defined in Article 74 paragraph 5 of the Law on Spatial Planning and Construction. Unlike telecommunication infrastructure, other installations, such as energy and water systems are protected appropriately since all publicly available issued technical conditions require „energy consent” and “water system consent”.

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

ANSWER OF THE MINISTRY OF SUSTAINABLE DEVELOPMENT AND TOURISM:

units interpret differently regulations and make different decisions on infrastructure maintenance and construction of new infrastructure“, we point out that the respect of regulations is mandatory for all legal and natural entities.

By recognizing the infrastructure importance for state development, the derogated Law on Spatial Planning and Construction stipulated the possibility for local self-government units to make decision on construction of local structures of public interest for the construction of local structures of immediate interest for local population. In this way, the option was given to overcome issues, especially in infrastructure equipping and construction of structures which were not recognized by planning documents. Based on this decision, the Executive body of the local self-government unit specifies the location to build the given structure.

Definition and adoption of such decision is exclusively within the competencies of local self-governments and there are some smaller discrepancies in some local self-government units, but the essence remains the same for everyone – to enable the construction of facilities or structures of interest for local population even though these facilities are not included in planning documents. We believe that this is not a business barrier but the opposite – opportunity to develop local community even though it is not recognised in planning documents. Such decision shortens the implementation period of some investment activities for the time needed to amend and adopt new planning document. It is true that there are always some challenges in implementation of legal regulations.

Further on, in line with the Law on Spatial Planning and Construction, urbanistic and technical conditions are issued. These conditions contain all the information from planning document, primarily current condition and planned condition.

Current condition contains all entry data the designer received from specific entities before creating planning document. This means that if he/she did not receive the land registry of underground installations for specific planning document from the Real Estate Administration, these data should be obtained at least from the entities that required having these data in the plan. In addition, the designer considers the data received from different entities including the information on their further development.

Based on these entry data, the draft of a planning document is prepared and sent to the public debate and to a large number of institutions for opinion. Once the planning document is adopted, we can issue urbanistic and technical conditions for that plan.

Among other elements, the urbanistic technical conditions include a section related to the telecommunication infrastructure – current condition and planned condition.

Construction of facilities is based on the elaboration of technical documentation based on issued urbanistic technical conditions and regulations impacting directly or indirectly the construction process. When it comes to telecommunication, when designing telecommunication infrastructure every designer must respect the provisions of the Law on electronic communications and rulebooks adopted based on this Law. This element does not have to be included and should not be included in urbanistic technical conditions because Article 68 of the Law on Spatial Planning and Construction defines basic requirements for a structure. Article 72 of the same Law defines that technical regulations elaborate basic requirements for the structure, requirements for elaboration of technical documentation, necessary features of construction products compared to their main elements, manner of construction works execution and other technical requirements regarding the facility and its construction. Furthermore, Article 122 of this Law sets out that a person who makes the design is obliged to elaborate technical documentation in line with urbanistic technical requirements, the Law, special regulations and rules of profession in relation to the matters not regulated by law. The reviewer is obliged to control all these elements and confirm the compliance with the laws (including all laws and not only the umbrella law regulating construction of all facilities).

Based on the above mentioned, the main design is elaborated in line with all laws and technical regulations defining specific sector, including telecommunications.

It should be stated that all designers have access to the database kept by the Agency for Telecommunication in line with Article 29 paragraph 1 of the Law on electronic communications. These are the registries related to the electronic communications and include the registries of operators, allocated radio frequencies, assigned numbers and addresses and electronic communication infrastructure and associated equipment, while operators are obliged under Article 55 of the Law to deliver these data to the Agency on quarterly basis.

If this database is updated, the risks to damage or cut the cables or other infrastructure when constructing and reconstructing the buildings and other is minimal.

In addition to the Law on Electronic Communications, all operators are obliged under the Law on State Survey and Cadaster to input in the land registry the data on infrastructure they own (Article 139). The most important, in line with Article 128 of the Law on State Survey and Cadaster, cable registry is a unique and public record about the cables and rights over those cables while state bodies, private companies and other legal and natural entities are obliged to use the data from cable registry for the operations which require information about the cables and under-

ground facilities, especially when elaborating technical documentation and executing works. This means that if there are no data in the official and public records on cables and rights over these cables, designers and contractors will not be aware that they exist and in these cases, the cables may be damaged or cut during the construction.

Based on this, design and construction of telecommunication infrastructure facilities is regulated under several laws that mutually comply. To ensure smooth implementation, the actors in this process starting from cable owner, planner, designer, reviewer, contractor, professional supervision, all inspections and the very users must respect the laws.

ANSWER OF THE AGENCY FOR ELECTRONIC COMMUNICATIONS AND POSTAL SERVICES:

With reference to recommendation number 2 from the MFIC White Book to clarify the provisions of the Law and the instruction on the implementation of the Law to be published by the line ministry, we believe that all possible measures should be taken to prevent the damage of electronic communications networks and infrastructure and interruption of telecommunication traffic and financial losses. All relevant entities should participate in the definition and implementation of such measures.

We would like to mention that when providing the data and recommendations for the elaboration for spatial planning documents, this Agency indicates to the need to protect the existing electronic communication networks defined under the Law on Electronic Communications. Unfortunately, we cannot control the respect of the given recommendation during construction and we do not have the way to control if adequate protection of electronic communication networks and infrastructure is planned and performed.

We use this opportunity to point out that in the previous period the Agency addressed relevant institutions several times regarding the issues dealing with the implementation of the Law on Spatial Planning and Construction:

- Ministry of Sustainable Development and Tourism (Letter no 0404-4940/1 from 12th June 2017) in order to deliver the Remarks, proposals and comments to the draft of the Law. We pointed out in the letter that the draft Law was very unclear and imprecise and that there is a large possibility of abuse as some provisions related to technical requirements can be interpreted differently (content of technical conditions, entities issuing technical conditions and deadlines to deliver technical conditions, consents to the issued technical conditions).

- Ministry of Economy (Letter no 0404-2446/1 from 14th March 2017), Ministry of Sustainable Development and Tourism (Letter no 0404-2447/1 from 14th March 2017) and Ministry of Public Administration (Letter no 0404-2447/1 from 14th March 2017) regarding inadequate implementation of the previous Law on Spatial Planning and Construction in terms of fees calculation. In these letters, the Agency lists the problems the operators face due to different procedures applied by local self-government units when issuing building permits for construction of electronic communication networks and infrastructure and due to the implementation of different local regulations, calculation of fees and taxes to install and use the electronic communication networks and infrastructure. Accordingly, the Agency asked that all base stations are equally treated everywhere in Montenegro as temporary structures and that the fees for installation and use of electronic communication networks and infrastructure are treated and calculated in a similar way in Montenegro using the examples of good practice from the EU countries (ex. by defining maximum and adequate amounts of fees and taxes).

- Ministry of Sustainable Development and Tourism (Letter no 0404-5697/1 from 17th July 2018) in order to interpret Article 82 of the Law on Spatial Planning and Construction (“Official gazette of Montenegro, number 64/17) related to the consents for technical documen-

tation for electronic communication network in the process of main design audit. It was required that the Agency or the Ministry (within their competencies) inform the reviewers who are responsible for obtaining the consent within this process. The Ministry of Sustainable Development and Tourism sent the letter no. 106-26/293 on 27th July 2018 stating that the consent from Article 82 of the Law on Spatial Planning and Construction is issued only in case if any special law prescribes the necessity to have that particular consent. Since the Law on Electronic Communications does not prescribe the obligation to issue the consent, it is not necessary to ask the consent from the Agency. It was also stated that the Ministry would inform hereon the license holders of the reviewer and professional supervision.

- Ministry of Traffic, Ministry of Economy, Ministry of Sustainable Development and Tourism, Inspection Administration, Traffic Directorate, Public Works Administration and all local self-government units with the letter number 0405-2012/1 from 20th March 2020 pointing out to the need to undertake the measures to preserve electronic communication infrastructure and integrity of electronic communication networks and services.

The Agency also addressed the Chamber of Commerce of Montenegro during the public debate on amendments to the Law on Spatial Planning and Construction (13th February 2020) and it required specific amendments.

The Agency sent these letters based on the following problems:

- damage to the sewage telecommunication and cable telecommunication and threat to the existing radio corridors;
- insufficient capacities of electronic communication infrastructure in newly built structures what disables the provision of electronic communication services in line with the valid laws related to the construction and electronic communications;
- different application of the valid Law and relevant regulations regarding the procedures to install temporary structures by local self-governments in a way that there are significant differences in the form and content of the requirements specified by the Decisions of the local self-governments; this slows down and complicates the construction and prevents the operators to implement their development plans;
- urbanistic technical conditions mostly do not contain the required data on the existing electronic communication infrastructure nor the list of relevant regulations based on which technical documentation is elaborated.

The Agency pointed out that these problems arise from missing details or insufficiently prescribed details about the electronic communication infrastructure (requirements to connect to the infrastructure, protection and development of electronic communication infrastructure and radio corridor, content of the urbanistic technical conditions).

Based on these problems, The Agency also proposed specific amendments:

1. Since the obligation to include electronic communication infrastructure into urbanistic technical conditions when these are issued was not prescribed, the same element is missing in urbanistic technical conditions issued so far (Article 55 paragraph 1 point 13 prescribes that the UTC contain the conditions to connect to the infrastructure). That is why it is necessary to amend Article 5 to add “conditions to connect to the infrastructure” to read:

“Conditions to connect to the infrastructure represent the conditions of construction specifying technical possibility and conditions to connect the facility to communal, traffic, energetic, electronic communication and other infrastructure issued by the body for technical conditions.”

In this way, the obligation of the investor to obtain telecommunication consent would be prescribed i.e. contained in urbanistic technical conditions.

2. In order to create assumptions for adequate treatment (protection and development) of elec-

tronic communication infrastructure and radio corridor, it is necessary to envisage it in Article 17 related to the General Regulation Plan of Montenegro by adding the following text after the word heritage in paragraph 6:

....„guidelines for development, protection and efficient use of electronic communication infrastructure and radio corridor;” ...

This proposal is a precondition to include it as well in the appropriate urbanistic technical conditions and technical documentation.

3. Within Article 55 paragraph 1, another point should be added to read:

„conditions for the facilities which may jeopardize the existing radio corridors in the zone where planning and construction of other facilities is not allowed“

4. Whereas:

- Article 74 paragraph 4 of the valid Law on Spatial Planning and Construction (issuing urbanistic technical conditions) reads: “The Ministry shall issue urbanistic technical conditions in line with the planning documents”

- each planning document (from spatial plan of Montenegro (3.7.1.5 Telecommunications) to the basic planning documents) contains the stage Telecommunication / Electronic communication infrastructure and Guidelines to issue urbanistic technical conditions. This points out to the obligation of communal equipment of telecommunication / electronic communication infrastructure. The opposite results in lack of constructing new infrastructure capacities for the stage telecommunication/electronic communication infrastructure, what is confirmed based on experience from the period after the valid Law was adopted (in 2017);

- The Law on using physical infrastructure to install high speed electronic communication networks in the Parliament procedure prescribes the manner of installation of high speed electronic communication networks, mutual use and coordinated construction of physical infrastructure to reduce costs as well as other issues of importance to use physical infrastructure to install high speed electronic communication networks.

It is necessary to amend Article 58 paragraph 3 to read:

“Arranged building land is a land which is communally equipped in a way that the access road is enabled as well as street light, sewage and connection to water supply, sanitary and electronic communication infrastructure”.

The Chamber of Commerce quoted the answer of the Ministry of Sustainable Development and Tourism to the submitted proposals:

“Urbanistic technical conditions contain the data from the plan and the designers must apply technical regulations when designing, including technical regulations from this domain. By introducing continuous professional education, this problem will be solved.”

At this occasion, the Chamber of Commerce of Montenegro suggested the following to the Agency:

“Bearing in mind the above mentioned and the fact that the Proposal of the Law amending the Law on Spatial Planning and Construction delegates the Chamber of Engineers of Montenegro for continuous professional education in the following period (several round tables were organized by the two chambers), we believe that it is necessary to organize something similar to round tables to discuss the issues and to find solutions to overcome these issues. We believe that this is a systemic approach to solve this matter. We hope that we will be able to discuss these issues more openly soon.”

The recommendation 2 of the MFIC White Book states that the Agency for Electronic Communications and Postal Services should have a proactive approach and invite all interested

parties intending to complete a construction project to obtain telecommunication consent as a required document of the UTC. This would ensure full implementation of the Law on Spatial Planning and Construction and the Law on Electronic Communications and bylaws.

We believe that this recommendation is not precise enough and based on the current legal solutions it cannot be implemented.

We agree that a proactive participation of the Agency would contribute to better implementation of the Law on Spatial Planning and Construction and the Law on Electronic Communications and bylaws. However, inviting all interested parties “intending to complete a construction project to obtain telecommunication consent as a required document of the UTC” is not enough because this consent is not prescribed anywhere in the regulations nor the entity to issue it (telecommunication consent is cancelled in the process “Regulatory Guillotine” in 2008).

Since the obligation to include electronic communication infrastructure into urbanistic technical conditions when these are issued was not prescribed, the same element is missing in urbanistic technical conditions issued so far (Article 55 paragraph 1 point 13 prescribes that the UTC contain the conditions to connect to the infrastructure). That is why it is necessary to amend Article 5 to add “conditions to connect to the infrastructure” to read:

“Conditions to connect to the infrastructure represent the conditions of construction specifying technical possibility and conditions to connect the facility to communal, traffic, energetic, electronic communication and other infrastructure issued by the body for technical conditions.”

In this way, the obligation of the investor to obtain telecommunication consent would be prescribed i.e. contained in urbanistic technical conditions, as proposed by the MFIC.

Based on the given proposals of the Chamber of Commerce of Montenegro and the recommendation of the MFIC, the Agency will communicate with relevant addresses (Ministry of Economy, Ministry of Sustainable Development and Tourism, local self-government units, designers and reviewers) to instruct on adequate implementation of the provisions of the Law on Electronic Communications and relevant bylaws.

RECOMMENDATION FOR THE MINISTRY OF FINANCE AND THE CENTRAL BANK OF MONTENEGRO (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 responsibly in their organizational units, including all employees and management of the bank in the prevention system. Any case of attempted, suspected or proven prohibited practices in this respect must be detected promptly, and thoroughly and professionally investigated. Measures must be taken to prevent the spread of consequences and accountability lines should be defined and a legal obligation towards other competent institutions should be enforced.

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

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

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.

ANSWER OF THE CENTRAL BANK OF MONTENEGRO:

Bearing in mind that operational risks are inherent in all business processes and that internal and external frauds represent operational risk categories, it is obvious that events of risk and losses based on these categories are integral part of operational losses. Every bank is responsible for operational risk management in their own business while employees shall have required knowledge and competencies to perform their tasks.

The banks mutually differ in various criteria, including products and services they offer and they can be at different development levels. The same applies to card operations. The White Book recommendations list the Report on card frauds of the European Central Bank stating the data on losses occurred in card operations which are divided into frauds where the card is not present (CNP) that include most of the losses in card operations as well as frauds on POS terminals and ATMs.

All these fraud types occurred in the Montenegrin banking sector last year. The affected banks were subject of extraordinary controls of the Central bank and extraordinary audit reviews of internal auditors. The reviews disclosed flaws in internal procedures and applied practices so the affected banks took measures to correct these anomalies.

Since the banking operations and services as well as related regulations and standards should be best known by the professionals in the banks in charge of their creation and placement and the banks should be introduced to these issues from the very start through their everyday operations, sharing the information about these issues that could occur in other banks should certainly be one of the mechanisms to reduce risks.

Banks' Association has already established several working groups dealing with different topics of importance for all banks whereas the Central Bank representatives do not take part in these groups. Such an organisational principle may apply to the body that would deal with fraud prevention.

Information on frauds that occurred in a bank can be helpful to another bank, especially when these banks operate in the same banking sector. The Central Bank believes that a voluntary and timely exchange of this information among banks could influence risk reduction in the system. During possible exchange of information, the banking secret and personal data shall not be disclosed. Since such exchange is not mandatory under the regulations in force, it is up to banks to set the manner of exchanging such information.

COMMENT OF THE MFIC:

The implementation of this recommendation is ongoing within the working group of the Competitiveness Council to eliminate obstacles for development of e-services.

RECOMMENDATION FOR THE MINISTRY OF FINANCE AND THE CENTRAL BANK OF MONTENEGRO (MONEY MARKET DEVELOPMENT)

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

ANSWER OF THE CENTRAL BANK OF MONTENEGRO:

The Directive 2008/48/EC was fully implemented when the Law on consumer loans (hereinafter referred to as: the Law) was passed on 31st July 2013 and started to apply six months later on 1st February 2014.

In order to raise the level of consumer information and to remove the weaknesses of the consumer position in contracting matters, the Law regulates all stages of commercial relationship between the consumer and the creditor.

The content and template of the consumer loan agreement is regulated under the provisions of Article 16 of the Law which explicitly set out 22 important elements that have to be incorporated in the text of the very agreement in a clear and transparent manner. The fact that the information on consumer loan precised under these provisions overlap with the information the creditor is obliged to give to a consumer at the advertising stage, pre-agreement stage through PK template or through repayment plan which is the integral part of the agreement does not have any influence to the creditor obligation stipulated under Article 16 of the Law. In that sense, the provisions of this Article absolutely exclude the possibility of “open agreement clauses” which would indicate to internal acts or some other document enclosed to the agreement which contains the information prescribed by Law. It also rules out the possibility for insufficiently clear definitions which would confuse the consumer that refer to the important elements of the agreement.

In line with Article 27 of the Law, effective interest rate represents the total cost of the loan to the consumer, expressed as an annual percentage of the total amount of loan. The Methodology to calculate and present the effective interest rate to loans and deposits, which is the integral part of the Decision on the manner of calculation and presentation of the effective interest rate to loans and deposits, defines in more details the elements for calculation, calculation method and presentation of the effective interest rate and minimum content of the loan repayment plan. Bearing in mind that the consumer uses the information on effective interest rate to compare different offers and make decision (as it is an indicator of total loan pricing), creditors are obliged to apply a uniform methodology to calculate effective interest rate. To insure a high level of consumer rights protection and proper application of the Law, the Central Bank provided required clarifications and interpretations to the creditors related to the provisions of the Law and positive regulations on consumer loans.

In addition, for better implementation and to remove dilemmas in the application of the Law, the Central Bank welcomed all initiatives to hold meetings and round tables sent by the creditors and the Banks' Association of Montenegro.

RECOMMENDATION FOR THE MINISTRY OF FINANCE AND THE CENTRAL BANK OF MONTENEGRO (IMPLEMENTATION OF THE LAW ON CONSUMER PROTECTION – USERS OF FINANCIAL SERVICES)

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

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

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

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

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

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

ANSWER OF THE MINISTRY OF ECONOMY (LINKED TO PREVIOUS RECOMMENDATION NO. 5):

By the end of the year, the Ministry of Economy will prepare new Law on consumer loans which will put out of effect the same or similar norms given in the valid Law on consumer loans and the Law on consumers – users of financial services. Currently, the existing Law on consumer loans

complied with the Directive 2008/48/EC regulates conclusion of consumer loan agreements and other issues of importance for loan agreements. This Law covers the regulations of the European Union related to the advertising of loan products, consumer protection and creditor obligations at the pre-agreement stage and loan agreement conclusion stage.

The new Law on consumer loans harmonizes this domain with the Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property. These are special rules brought by the EU related to the housing loans. This Law introduces more severe rules regarding the advertisement of housing loans and consumer protection at the pre-agreement stage and loan agreement conclusion stage. New rules should protect state economy in terms of more detailed verification of client creditworthiness. The new Law introduces more strict criteria the bank must fulfill in terms of professionalism and human resources to place housing loans. The new Law specifies the rules on who can be the intermediary in consumer housing loan approval.

With regards to the statements of the Ministry of Economy in May 2021 to the White Book 2019 recommendations related to the adoption of the new Law on consumer loans, this law is still in a drafting stage and is currently aligned with the national standards of elaborating the legislation.

The new Law on consumer loans is prepared together with the expert team in line with the Directive 2014/17/EU to include all the provisions. By the first half of February 2021, the draft will be sent for review to the working group so that it can be forwarded to public dispute after harmonisation. Then, it will be sent to the Legislation Secretariat.

ANSWER OF THE CENTRAL BANK OF MONTENEGRO:

The Central Bank gave negative opinion on the proposal of the Law on consumer protection – users of financial services pointing to the over definition and collision.

At the session held on 1st October 2015, the Central Bank adopted the Information on the issues in the implementation of the Law on consumer protection – users of financial services which was delivered on 2nd October to the Parliament Chairman, Chairman to the Parliament Committee for economy, finance and budget, Chairman to the Parliament Legislative Committee, to Mr. Andrija Popovic, proposer of the Law, to the Minister of Finance and the Minister of Economy.

At the initiative of the Central Bank, the meetings were held with the representatives of the Ministry of Economy and the Ministry of Finance where the Central Bank presented appropriate solutions to overcome the problems in the implementation of this Law.

The Central Bank could not begin with the elaboration of the bylaws since some bylaws regulating the same matters brought based on the Law on consumer loans were reviewed by the European Commission and were the basis to open relevant negotiation chapter.

It is necessary to point out that the Central Bank cannot propose the law and that it pointed out to the problem and expressed its will and readiness to fully contribute to finding the appropriate solutions to overcome the problem in the implementation of the Law on consumer protection – users of financial services.

When it comes to terms and manner of concluding consumer loan agreements and other issues of importance for consumer loans regulated under the Law on consumer protection, the Central Bank evaluates the level of protection of consumer loan beneficiaries by reviewing the compliance of creditor operations with the provisions of the Law on consumer loans.

We also point out that the consumers cannot be deprived of their rights defined under the provisions of the valid Law on consumer protection – users of financial services which are not regulated under other regulations, in a similar or different manner.

RECOMMENDATION FOR THE MINISTRY OF FINANCE AND THE CENTRAL BANK OF MONTENEGRO (FATCA)

On 12th June 2014 the Government of Montenegro brought the decision to conclude and sign with the USA Government an Inter-Governmental Agreement (hereinafter: IGA) on improving the fulfillment of tax obligations at the international level and the implementation of FATCA regulations. On 16th March 2018, the Law on FATCA was adopted. From 2014, the banks started to identify in their systems the customers who have the accounts and are American taxpayers. Based on properly established base of clients who subject to this regulation, the banks are obliged to prepare reports which will be forwarded to the IRS through Tax Administration (TA). However, there are some open issues regarding the implementation of the Law. It is necessary that the Montenegrin institutions clarify some elements of the signed IGA and terms and definitions. They should also address the non-compliance with the Montenegrin legislation, explain their referral to the unfamiliar laws of the USA and retroactively defined reporting deadlines as well as reporting manner, agreement validation, undefined precise penalties and they should precise their explanations on accounts, clients and alike.

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

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

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

ANSWER OF THE MINISTRY OF FINANCE (DIRECTORATE FOR TAX AND CUSTOMS SYSTEM):

1. REVISE FATCA - IGA

Interpretation of this agreement provisions caused specific misunderstandings and doubts in financial institutions in Montenegro. These institutions submitted many questions to this Ministry regarding legal and technical application of the agreement. To prepare the answers to these questions, the working group was created composed of the representatives of the Ministry of Finance, Central Bank of Montenegro, Tax Administration, banks and insurance companies.

Bearing in mind that the implementation of this agreement is very demanding, and its provisions make reference with the USA regulations with which we are not familiar, this Ministry forwarded the questions of the financial institutions to the competent USA bodies who replied partially in October 2019 and January 2020.

The Ministry of Finance prepared the answers to most of the questions and these will be forwarded to the working group members together with the answers of the USA Revenue Administration. After that, the working group will discuss all questions and answers.

2. PREPARE BYLAWS FOR THE IMPLEMENTATION OF THE LAW

In order to implement FATCA agreement and other EU regulations, this Ministry prepared the Proposal of the Law amending the Law on Tax Administration to harmonize it with the EU di-

rectives and FATCA agreement. The goal is to give competencies to the tax body to share automatically the data on financial accounts with competent bodies of other states.

This regulation will also prescribe the obligation of financial institutions in Montenegro to collect information on financial accounts which the residents of an EU member state or another state have or control and to deliver this information to the Tax Administration which will forward it to the competent bodies of other states, in this case the USA.

The European Commission gave positive opinion to the given Proposal and almost all opinions of the line ministries are obtained.

Given the current situation caused by COVID-19 epidemics, this Ministry expects to receive the remaining opinions in the following period and forward the Proposal to the Government of Montenegro for review and analysis.

After the Parliament of Montenegro passes it, this Ministry will prepare the bylaws for its implementation.

3. DEFINE PRECISE RIGHTS AND OBLIGATIONS IN LINE WITH FATCA IGA AND SOLVE OPEN ISSUES

After adopting the Proposal of the Law amending the Law on Tax Administration by the Parliament of Montenegro, the working group established by the Ministry of Finance will prepare the answers to the questions of the financial institutions to remove all misunderstandings and open issues related to the interpretation of this agreement.

4. CREATE UNIQUE IT SOLUTION FOR REPORTING TO TAX ADMINISTRATION

The EU directives prescribe single reporting templates, among which the template for reporting on financial accounts, while the USA IRS set out FATCA reporting template. Financial institutions, insurance companies and all other reporting entities will use these templates to submit the data to the Tax Administration of Montenegro which will forward them to the IRS. We point out that the Tax Administration of Montenegro undertakes all required activities to purchase and develop IT system used for automatic data exchange what can be time demanding to implement.

5. POSTPONE REPORTING PERIOD

Since information system of the Tax Administration cannot be used for automatic data exchange at this moment, this Ministry asked the IRS to approve to Montenegro to postpone the delivery of first reports by September 2020. However, due to the situation caused by COVID-19, the IRS sent the letter on 14th April 2020 informing that the postponement of the reporting period is approved to the end of 2020.

ANSWER OF THE CENTRAL BANK OF MONTENEGRO:

The role of the Central bank of Montenegro – Department for Banks Control regarding the implementation of FATCA agreement was discussed before. In 2019, we obtained comparative practice from the National Bank of Croatia and the Bank of Slovenia. Competent colleagues from these two central banks informed us that their supervision teams do not control the implementation of FATCA agreement nor do they participate in any activity regarding this matter.

If it would be needed to consult a representative of the Central bank of Montenegro, the representatives who would participate in the established working groups would be selected.

RECOMMENDATION FOR THE MINISTRY OF FINANCE AND THE AGENCY FOR INSURANCE SUPERVISION (IMPLEMENTATION OF IFRS 16 AND 17)

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

In addition to the delay in the implementation of the IFRS 16, the insurance companies are concerned with possible delay in translation and implementation of the IFRS 17 which will dramatically change the manner of accounting record of business events and financial reporting in this area. Insurance companies invest money and human resources to prepare for the new standard introduction within mother companies. That is why we expect Montenegro to accelerate translation process and adoption of new IAS/IFRS and to adjust related documentation (chart of accounts, templates of financial statements, tax regulations on income tax and alike) to avoid unnecessary costs of parallel legal reporting.

ANSWER OF THE AGENCY FOR INSURANCE SUPERVISION:

International Accounting Standards Board (IASB) issued an information that the effective date of application of the IFRS 17 for insurance agreement was postponed to the annual reporting period starting as on 1st January 2023.

Timely application of IFRS 17 is of crucial importance to improve the quality and accounting comparability of insurance agreements. However, the decision of the Board to postpone the date of effect for two years until 2023 will provide for the insurance companies worldwide to apply simultaneously the new standard which the Board considers useful for investors, insurance companies and other stakeholders. It should be noted as well that the Board expects to issue the amendments to IFRS 17 in Q2 2020. The Board does not expect that two-year delay will stop or slow down the implementation projects. Instead, companies, including smaller entities, will be allowed to deal with actual operational restrictions and to meet the new regulatory requirements. The Agency for Insurance Supervision will continue to monitor the activities of the IASB and the activities on IFRS 17 implementation in Montenegro.

RECOMMENDATION FOR THE MINISTRY OF INTERNAL AFFAIRS (LAW ON ID CARD)

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

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

Our members, electronic communication operators and banks, pointed out to the fact that some laws regulating electronic communication and banking operations prescribe the obligation to register the address of their service users. Since the template of the valid ID card does not contain the information about the user permanent residence, our members face problems with registration of this information which can be obtained based on personal statement of the user. We stress out that this way of collecting the information does not guarantee the accuracy of the information and the question arises if this obligation of electronic communication operators and banks makes sense bearing in mind that the accuracy of the information cannot be guaranteed as it is not registered based on official document. At the same time, we would like to emphasize that the ID cards of all neighboring countries, including Croatia as the EU member, as well as other EU countries, have the permanent residence of the ID card holder. We also point out that the Law on anti-money laundering and terrorism financing defines in Article 6 paragraph 2 that the reporting entities should identify the client and check their identity based on reliable, independent and objective sources and monitor customer's business activities.

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

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

ANSWER OF THE MINISTRY OF INTERNAL AFFAIRS:

When it comes to the amendment of Article 6 paragraph 2 of the Law on Identity Card to include the residence address in the ID template, the Ministry will take all required activities to include the address in the chip of the electronic ID with the amendment of the regulations to create legal conditions for this step.

COMMENT OF THE MFIC:

Given that this recommendation is not implemented, the necessity to implement it was indicated in the White Book 2020 edition.

RECOMMENDATION FOR THE MINISTRY OF ECONOMY (INTERNAL TRADE LAW)

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

Irrespective of paragraph 1 of this Article, wholesale and retail sale may be performed on Sundays in pharmacies, bakeries and pastry shops, florists, souvenir shops, and stores selling newspapers, plant protection chemicals and funeral equipment. The exemptions also cover the petrol stations and the attached stores, farmers' markets, stands and vending machines outside the farmers' markets, mobile shops, as well as stores, kiosks and vending machines at the bus stations, airports and ports. They also include the stands and kiosks open during the events, festivals, exhibitions and public screenings, as well as the wholesale storage facilities.

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

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

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

ANSWER OF THE MINISTRY OF ECONOMY:

Recommendation 10 from the MFIC White Book relates to the amendment of Article 35a of the Law on Internal Trading in order to promote Montenegro as a serious tourist destination to exclude shopping malls from the Law due to their specific activities or to reduce their working hours on Sundays from 6 hours to 8 hours in the following periods 10 am to 6 pm, 12 pm to 8 pm, 12 pm to 6 pm. It is also stated that the practice in the region is such that shopping malls in Serbia, Bosnia and Herzegovina, Croatia and Macedonia are open on Sundays while in Slovenia the working hours are shortened. Shopping malls in Great Britain, Finland, Denmark, Sweden, Bulgaria, Turkey and Romania are open on Sundays.

With reference to this recommendation, we point out that Article 35a paragraph 1 aims at enabling the employees in trading sector to use their weekly holiday on Sundays. The goal of introducing this provision is to improve the position of the workers in Montenegro in this sector. The exemptions defined under paragraph 2 of this Article are defined in order to meet the basic needs of the citizens (pharmacies, bakeries, funeral services and alike).

If we exempt shopping malls from the Law, trading facilities operating outside of shopping malls would be put in an unfavourable position, with the remark that service-based activities in shopping malls are not prohibited.

Bearing in mind the above mentioned, the Ministry of Economy will continue to monitor the effects of introducing free Sundays on employees and merchants and if it is justified, the Ministry will discuss potential amendments to the Law.

COMMENT OF THE MFIC:

Given that this recommendation is not implemented, the necessity to implement it was indicated in the White Book 2020 edition.

RECOMMENDATION FOR THE MINISTRY OF SUSTAINABLE DEVELOPMENT AND TOURISM (ISSUANCE OF CONSTRUCTION PERMIT AND URBANISTIC AND TECHNICAL CONDITIONS)

Construction Permits – The legal deadline for issuing Construction permits by the Ministry of Sustainable Development and Tourism (MSDT) is 60 days, in case an Environmental Impact Assessment Study is needed, or 30 days if it is not needed. This deadline it is not fulfilled very often. The “one stop window” for the issue of the permits does not work very well. It takes long time for the MSDT to obtain all the consents from other state institutions (ministries) and municipal and public utility companies, as documentation is sent by post mail. However, probably the biggest issue is that many institutions do not reply to the MSDT, and according to the Law if they do not reply within 15 days, then it is considered that the institution has issued a positive consent. Therefore, a construction permit is received at the end, which is only partial since some of the required consents have not been actually given, and thus various obstacles will be faced during the execution of the works, which have to be resolved along the way, thus creating additional expenses and delays. Usually, all of the consents that are stated in the construction permit as “no institutional reply” have to be obtained once again in separate processes, during technical acceptance. Mostly “no responses” come from CEDIS (electrical grid infrastructure) and the Ministry of interior, (Directorate for emergency). Suggestion: The policy of considering that a consent has been given, if there is no response within 15 days is problematic. All of the involved institutions shall be giving their consent, or state what the problems are. The actual situation on site should be notified from the beginning, so the investor aware in advance of all possible problems and expenses that will arise during the works.

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

ANSWER OF THE MINISTRY OF SUSTAINABLE DEVELOPMENT AND TOURISM:

Under the Law on Spatial Planning and Construction, the building permit is issued only for

complex engineering facilities which exclude telecommunication facilities. The construction of telecommunication facilities starts with the notice of construction commencement and documentation prescribed by Law.

Regarding the procedures to obtain approvals to final design of a complex engineering structure, the Ministry implements them in line with the Law. The institution which does not answer to the letter to receive the approval is responsible for all irregularities which arise from the „administration silence“. For other structures, the same procedure is implemented by the reviewer at the stage of final design review. In these situations the institute of positive presumption applies – if the institutions/body does not reply, it is considered that the consent is granted.

This is introduced to reduce business barriers because in the previous period it happened that a large number of institutions remain „silent“ and investors, together with this Ministry, did not have any instrument to get feedback. If we introduce again „waiting“ for a body/institution to answer to a request to issue the approval for the technical documentation, it would slow down the implementation of projects and contribute to deteriorated ranking of Montenegro in Doing Business report of the World Bank.

In the previous period, we worked hard to reduce the number of approvals for the project implementation i.e. construction, but not to the detriment of the quality of the constructed facility. We have fewer approvals for technical documentation and more technical regulations and standards which regulate in more details specific areas and which should apply during designing, constructing and maintaining the facility.

The consent for electric power is no longer needed document for issuance of building permit or notice of works commencement (except for the energy facilities). The Law on Energy defines only the consent for connection, which means that the facility is designed and constructed based on planning document and technical documentation. Once it is constructed, the operator of the electricity distribution grid gives consent to connect that facility, if it is constructed in line with the valid regulations.

Water supply consent for the technical documentation remains a mandatory document when issuing building permit or notice of works commencement so an investor is aware of the possibility to connect to this infrastructure. We have not found yet an adequate solution which would allow to cancel this consent what is the intention of this Ministry in the following period.

RECOMMENDATION FOR THE MINISTRY OF ECONOMY (LARGE AMOUNTS OF THE CHARGE FOR USED TRANSMISSION CAPACITY PAID BY ELECTRICITY GENERATORS CONNECTED TO THE TRANSMISSION SYSTEM)

Since January 1, 2014, the Amendments to the Methodology for setting regulatory allowed revenue and prices for the transmission system use have established obligation of electricity producers connected to the transmission system to pay for the engaged network capacity. Until January 1, 2014, the used transmission capacity was paid only by electricity customers, so that the entire regulatory allowed revenue of the Transmission System Operator was covered by charges paid by customers. Given that electricity generation in Montenegro has not been regulated since 2012, EPCG, in its capacity of electricity generator, is not able to directly 'include' the mentioned cost in prices for its services. The amounts of charges defined by the concerned methodologies for 2019

were 849.5877 €/MW/month, what amounts to 2,895 €/MWh, if converted into balancing generation of EPCG for 2019. According to the Energy Regulatory Agency's decision for 2020, producers are obliged to pay the fee to the Transmission System Operator calculated by power and energy in the amount of 202,2765 €/MW/month for the installed power of energy subject and 2,5281 €/MWh for its generation. These prices considerably exceeds the amount defined by the EC Decree no. 838/2010 on definition of guidelines relating to the charge mechanism between transmission system operators and the joint regulatory access to transmission collection.

ANSWER OF THE MINISTRY OF ECONOMY:

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

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

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

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

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

After the public debate was finished, the new Methodology to define regulatory allowed revenue and prices to use the transmission system was adopted („Official gazette of Montenegro“, no. 32/19 and 50/19).

On 2nd December 2019, the Agency adopted the Decision on defining regulatory allowed income and price for using transmission system from 1st January 2020 to 31st December 2022

(„Official gazette of MNE“, number 66/19). This Decision defines the prices to be paid by the electricity producers connected to the transmission system as follows:

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

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

RECOMMENDATION FOR THE MINISTRY OF SUSTAINABLE DEVELOPMENT AND TOURISM (NEWLY INTRODUCED LOCAL ECOLOGICAL TAX FOR TPP PLJEVLJA)

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

ANSWER OF THE MINISTRY OF SUSTAINABLE DEVELOPMENT AND TOURISM:

The statement from the White Book that the Decision on the amount and method of payment of a fee for protection and improvement of the environment of Municipality Pljevlja will have financial impact to the TP Pljevlja is elaborated in details in the Report on Regulatory Impact Assessment (RIA) which was the integral part of the material. Based on this document, the Ministry of Economy, the Ministry of Finance and the Ministry of Sustainable Development and Tourism provided their positive opinion on the introduction of this fee, before the Government gave its consent in October 2019. Namely, the Report states that a high level of pollution measured in Pljevlja lays in natural wealth of Pljevlja valley, what influenced the development of extracting industry (coalmine, lead and zinc mine) and construction of thermal power plant Pljevlja, including the use of coal in households. These industrial activities are specific because it is impossible to relocate them. In line with the basic environmental principle „polluter pays“ and the Environmental Law which gives the possibility to the local self-government units to prescribe the fee for environmental protection and improvement according to their needs and specificities, the funds collected for this purpose must be used only for environmental protection and improvement in Pljevlja. The RIA Report defines that the positive consequences of this regulation absolutely justify the costs they will cause because the benefit in terms of environmental protection and people’s health would largely exceed the envisaged costs.

RECOMMENDATION FOR THE MINISTRY OF FINANCE AND REAL ESTATE ADMINISTRATION (IMPROVE THE EFFICIENCY AND RESPECT OF LEGAL DEADLINES)

The MFIC points out to the necessity that the local units of the Real Estate Administration respect legal terms for bringing the decision on registration of the ownership title (sometimes more than 6 months).

ANSWER OF THE REAL ESTATE ADMINISTRATION:

Implementation of e-cadastre in real time – a huge progress was made and the data are fully transparent to all interested parties and search of the data was enabled through identification number or title deed (TD) / property deed (PD) or number of property.

In order to increase legal security, all system users are enabled to review the submitted requests for specific property in the tab active requests which is the integral part of the TD/PD. In addition, it is possible to monitor how the request is being solved using the code given when the request was submitted.

As on 22nd July 2019, e-service or web application to download copy of TD/PD for business users was enabled and these electronic documents have the same validity as those taken at the counters. In this way, the number of procedures is reduced as well as the time required to change the property rights.

The application is used in line with the legal regulations by the notaries and public bailiffs and by state bodies and local self-government bodies. For data security and protection, to access and use the application it is necessary to have “qualified certificate for qualified electronic signature issued on the cryptographic token” in accordance with the existing regulations. In line with planned activities, test version of the application is prepared for electronic delivery of requests by the notaries.

Request delivery by the notaries is a project the implementation of which is ongoing and it is necessary to ensure not only the application for this but also legal grounds prescribing obligations, competencies and functioning of such system. The Administration informed hereon the Ministry of Finance and the Ministry of Justice.

It is also important to say that electronic payment of taxes is prescribed under the Law on Electronic Administration which will come into force as at 5th July 2020. The Real Estate Administration has already contacted the Ministry of Public Administration as it is a body responsible for the implementation of e-collection. When it comes to the deadlines to respond to a request, the Real Estate Administration analyses regularly the work of its local units and statistical data show that 90% of cases are resolved in the legally defined deadlines.

We do not want to contest the fact presented by the contributors that it sometimes takes more than 6 months to make the decision on property right record. We want to point out to potential issues which may be the cause of the presented conclusion – inefficient work.

Unfortunately, the Administration as well as all the same institutions of the Southeast Europe, is faced with the lack of professionals in all areas within the competencies of the Administration and this is overcome with organizational activities in terms of request allocation at the central level. The Administration also lacks professionals in other local units.

It should be noted that there are requests which cannot be resolved within the legal deadline due to the appeals on the first-instance decision. Implementation of expropriation elaborate can be a case for which the decision cannot be made within the legal deadline.

What also matters is legally prescribed administrative procedure related to the respect of the time period elapsed for finality and final decision.

We are aware that it takes years to train the employees. Legal reform is needed as well as full digitalization of all work processes in the Administration to ensure faster and more efficient operations with reduced number of procedures and time required to respond to the request.

The goal of the Administration is to modernize all processes and procedures within the scope of their competencies. The initial step would be to stipulate all processes within legal regulations. It is important to mention the necessity to provide funding to modernize the information system, recruit employees in line with the Job description act and to transfer knowledge at all operational levels.

Accordingly, the Administration submitted the initiative to the Ministry of Finance to amend the Law on State Survey and Cadaster as well as other regulations linked with the operations of the Administration.

The amendments to the Law on State Survey and Cadaster include a set of activities related to the following:

- establishing new e-services and payment of administrative fees in one spot;
- obligation to use e-service by business users in line with the regulations;
- creation and implementation of the service of submitting the requests for property rights record by the notaries;
- shortening the deadlines to resolve requests;
- creation of the Registry of prices for traded properties to increase the transparency in real estate market;
- creation of Address Registry, and
- other improvements related to the operations within the competencies of the Real Estate Administration.

Recommendations from the White Book match the action plan of the Real Estate Administration which clearly indicates that the goal is to implement a modern system of cadastral records.

RECOMMENDATION FOR THE MINISTRY OF SUSTAINABLE DEVELOPMENT AND TOURISM (AMENDING PLANNING DOCUMENTS)

The process of amending planning documents (state planning documents, higher order local plans, detailed urbanistic plans) is too slow and often delayed. It is necessary to respect set deadlines in all procedures.

ANSWER OF THE MINISTRY OF SUSTAINABLE DEVELOPMENT AND TOURISM:

The Law amending the Law on Spatial Planning and Construction came into effect on 14th October 2020. It shortened the procedure of elaborating planning documentation from Article 218 of the Law (spatial urbanistic plans, detailed town planning, local location studies, spatial plans of special purpose and alike) in a way that the deadlines and specific procedures are shortened. These deadlines and procedures defined for the elaboration of the Spatial plan of Montenegro and General regulation plan of Montenegro do not refer to the creation of these planning documents (concept design, previous participation and alike).

This is how the elaboration of planning documentation from Article 218 of the Law is accelerated.



7. PRIORITIES FOR 2021

In its agenda for 2020 regarding the economic policy and further improvement of requirements for the economic growth, the Government set out several activities which contain to a large extent the recommendations which the MFIC initiated through its materials in the previous years. The MFIC follows the activities of the government bodies to monitor if the recommendations of the MFIC are included in the measures to be implemented. The reason for this is a creation of business environment in the country that is at the level of the development as in the native countries of the investors. It is especially important to continue with these measures in the areas such as rule of law and efficiency of legal protection, improvement of economic conditions and business climate, improvement of infrastructure and implementation of new infrastructure projects, keeping the stability with the preservation of trust in the financial sector.

As it is stated in the expose of the Prime Minister in December 2020, the economic priorities of the Government of Montenegro refer to the following:

- ▶ **Reduction of expenses regarding public spending** to include more work, order and giving up of privileges;
- ▶ **Encouraging manufacturing production**, food

production, IT industry, tourism and all actions for economic development that is sustainable and inclusive, based on innovations and knowledge;

- ▶ **Directing capital investments in strategic priorities in Montenegro** – energy and traffic infrastructure primarily;
- ▶ **Improvement of corporate governance** in state-owned companies and their depoliticisation;
- ▶ **Promotion of humanistic dual economies** that rely on family-run farms in agriculture, mini industry, wood processing, tourism;
- ▶ **Measures for economic recovery** and support to the economic recovery after coronavirus pandemics.

Future progress in negotiations with the EU will directly depend on the implementation of reforms in the rule of law domain and fulfilment of clearly defined criteria in chapters 23 (Judiciary and fundamental rights) and 24 (Rights, freedoms and security).

On the other hand, Montenegrin economy has a weak industrial basis and is additionally limited by small market and low technological knowledge of domestic com-

panies. Trade deficit remains high, at 15% of GDP, and it reflects international non-competitiveness of our economy. Unemployment remains high, especially among women, the youth, Roma population and unqualified workers. Investment in knowledge and human resources is quite modest, what reflect in low level of company innovation and productivity.

In the upcoming period, besides the media freedom and judicial functioning, the focus will be on developing economic policy, improvement of competitiveness and sustainability of public finances, followed by health environment, contribution to the fight against climate change, more adequate social policy and employment.

In addition to the already presented Agreement which the leaders of three ruling coalitions signed, the mutual goals are:

- ▶ Consolidation of public finances with the overview of the situation after taking over the power;
- ▶ Determination to fight against corruption and organised crime and suppression of grey economy with stricter penalty politics for criminal acts;
- ▶ Adoption of new systemic laws starting with the priority ones: Law on property origin, Law on lustration, Law on Government, Law on Parliament, Law on spatial planning and construction.
- ▶ Adoption of declaration on permanent prohibition to construct small hydro power plants on Montenegrin rivers and amendment to the Energy Law;
- ▶ Continuation of active negotiations with the EU to achieve progress in all chapters with the focus on chapters 23 and 24.

When we talk about specific activities, it is important to state the following:

- ▶ **Consolidation of public finances** with the overview of the situation after taking over the power.

The analysis indicates clearly to the following: in 2020, instead of growth, we witnessed two-figure drop of GDP so that the public debt by the end of 2020 will exceed GDP. This increase of public debt is mostly caused by GDP decrease i.e. decrease of economic activities.

- ▶ Determination to fight against corruption and organised crime and **suppression of grey economy** with stricter penalty politics for criminal acts

- ▶ **Fundamental reform of public administration**, with the accent on resources and costs optimisation, more professional clerical system, quality improvement of administrative services and accountability at all managing levels.

Development policy of the Government (strongly based on the EU integration process) is based on 7 pillars:

- Green economy
- Digital transformation
- Regional cooperation and connectivity
- Competitiveness improvement
- Social protection
- Society of equal opportunities
- Good governance (EU integration process)

In line with the European approach, Montenegro should be based on the following:

- ▶ **Smart growth** - improvement of education by encouraging learning and citizens' skills, innovations and development of new products and services in the function of social challenges with the application of the ICT, as foundation of digital society.
- ▶ **Sustainable growth** - implementation of green economy, reduction of CO₂ emission, use of smart technologies, more dedicated environmental protection, improvement of business environment for small and medium enterprises and support to consumers in achieving their rights.
- ▶ **Inclusive growth** - increase of employment rate, change management in investment in knowledge and skills, modernisation in all areas, strengthening of social security, balanced growth in all parts of Montenegro.

In line with the public invitation of the Government of Montenegro, the MFIC submitted the proposals for the laws to be adopted/amended by the Government in 2021.

PROPOSALS FOR PREPARATION OF THE ANNUAL GOVERNMENT WORK PROGRAM FOR 2021

▶ **Law on electronic communications** –The Law envisages that in addition to handwritten signature, the contract may be signed in any other manner in line with the regulations on identification, electronic signature and ID which the operator makes available including without limitations electronic signature, advanced electronic signature, qualified electronic signature and signature in a digital form. These solutions represent an important step forward and we suggest the adoption of the Law as soon as possible.

▶ **Law on measures to reduce the costs for installation of electronic communication networks of high speeds** – the Law is in Parliament procedure and we suggest its adoption.

▶ **Cinematography Law** - for years the telco sector has been challenging the Film funding tax as the para-fiscal burden put on the internet service providers due to the fact that various cinematographic works can be found online. Since the subject ICT Committee recommendation was found reasonable and legally grounded by the majority of relevant institutions, including Ministry for Economy and Governmental Council for Competitiveness, it was expected that such unreasonable financial burden could be eliminated during 2020. We propose the amendments to the Cinematography Law that will eliminate such unreasonable financial burden put on the internet service providers.

▶ **Law on spatial planning and construction** - the protection of electronic communication infrastructure, being assured by the Law on Electronic Communications, is not fully endorsed by the Law on Spatial Planning and Construction, due to its misinterpretations. That is why we suggest amending the Law in line with the previously submitted recommendations.

▶ **Law on consumer loans** – we suggest the amendment to the Law to eliminate the collision of different provisions on consumer protection with the valid Law on banks / Law on credit institutions.

▶ **Law on consumer protection-users of financial services** - this Law is highly contradictory and non-compliant with other applicable laws and it contributes to legal uncertainty in the banking sector. Accordingly, we suggest its putting out of effect.

▶ **Law on ID card** –we suggest amending Article 6 paragraph 2 of the Law on ID card as soon as possible

in a way to include the permanent residence in the ID card template. We remind that this recommendation is accepted by the Ministry of Interior and that it is in line with the practices of neighbouring countries and the EU.

▶ **Law on Internal Trade** –We suggest amending Article 35a to cancel non-working Sunday. This initiative is supported by all business associations in Montenegro.

▶ **Labor Law** – we suggest amending the Law in order to eliminate business barriers and incorporation of jointly defined solutions with all business associations in Montenegro, accepted by the Competitiveness Council. Also, we suggest harmonising the Labor Law with the Law on enforcement.

▶ **Law on Sales Tax on Used Motor Vehicles, Vessels, Airplanes and Aircrafts** –we suggest defining realistic tax rates.

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

MFIC MEMBERS:

Addiko Bank

Addiko Bank AD Podgorica is owned by Addiko Bank AG, headquartered in Vienna, Austria

and is a part of a banking group operating in five SEE countries. The Group consists of six banks in Croatia, Slovenia, Bosnia and Herzegovina, Serbia and Montenegro, efficiently providing daily banking services for over 1.1 million clients. Since its successful re-branding in 2016, the Group has been operating under the Addiko brand.

As part of a financial group that is exclusively focused on markets and clients in the SEE region, Addiko Bank puts local customers at the core of its strategy: focusing on essential products and services relevant in the local economic environment, delivering efficient processes and ensuring faster decision making and simple communication.

The bank has branches in Podgorica, Niksic, Bijelo Polje, Herceg Novi, Pljevlja, Bar, Budva, Kotor and Tivat.

www.addiko.me



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

enabled **Azmont Investments**, a Montenegro-based company, to enter the market in 2012. The growing Portonovi Resort, worth €650 million, has been developed by Azmont Investments as the biggest investment project by Azerbaijan outside of the country and outside of the energy sector. This world-class resort with its state-of-the-art marina, the first One&Only resort in Europe, is being created as the Adriat-

ic's most sophisticated mixed-use resort destination. As a responsible corporate citizen, the company is doing its best to contribute to the good of society through well-planned and continuous CSR programmes. The Portonovi Resort remains the main project being carried out by Azmont Investments and as an investment company we are looking additionally for opportunities to invest even more in the future, not only in Montenegro, but in other countries as well.

www.azmont.com



Coca-Cola HBC is one of the world's largest bottlers of brands from the Coca-Cola Company. Coca-Cola

HBC Serbia and Montenegro produces, sells and distributes a wide range of soft drinks, including leading brands such as Coca-Cola, Coca-Cola Zero, Fanta and Sprite.

Coca-Cola HBC Serbia and Montenegro is investing in the development of the community and supports projects and initiatives across the country. We have integrated sustainability and corporate responsibility into every part of our business, aiming to build long-term value for our stakeholders.

<https://rs.coca-colahellenic.com>



Crnogorska Komercijalna Banka AD Podgorica is a member of the Hungarian OTP banking and financial group, one of the leaders in the

Central, Eastern and South-East Europe region. Successfully operating for more than 60 years, the OTP Group, with over 12 million customers in nine countries, 20,000 employees and over 1,000 branches, continuously provides for the secure growth and development of Crnogorska Komercijalna Ban-

ka, and guarantees quality services and stability of business to its customers. CKB is a universal bank and customers can use a whole range of different products and services. Friendly staff, developed network of 28 business units, over 4,500 POS terminals and nearly 100 ATMs successfully cover the territory of Montenegro and serve to satisfy all the banking and financial needs of its clients. CKB is the largest custody bank that offers the service of trading in securities

www.ckb.me



Crnogorski Telekom has been part of the DT Group since 2005.

Crnogorski Telekom is proud to be part of an industry that is truly transforming and shaping the way world telecommunications changes peoples' way and pace of life. As a clear technology leader, CT is helping businesses in Montenegro to grow, helping the national economy to develop and improving the quality of Montenegrin citizens' lives through pioneering and secure technology and diverse products and services to suit their changing digital lifestyles. By shaping its business to respond to the demands of a changing

world, and by always putting the customer at the centre of its activities, CT has managed to preserve during all of these years its undisputed role of market leader in Montenegro. CT is the largest telecommunications company in Montenegro that provides a full range of fixed and mobile telecommunication services (voice, messaging, internet, TV, leased-line circuits, data networks and ICT solutions). More than 354,000 customers in mobile and more than 143,000 accounts in fixed line of business. Roaming services are provided in more than 140 countries, with almost 300 mobile operators.

www.telekom.me



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

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

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

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

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

<https://www2.deloitte.com>



DHL is the leading global brand in the logistics industry. Our DHL family

of divisions offer an unrivalled portfolio of logistics services ranging from national and international parcel delivery, e-commerce shipping and fulfillment solutions, international express, road, air and ocean transport to industrial supply chain management. With about 350,000 employees in more than 220 countries and territories worldwide, DHL connects people and businesses securely and reliably, enabling global trade flows. With specialized solutions for growth markets and industries including technology, life sciences and healthcare, energy, automotive and retail, a proven commitment to corporate responsibility and an unrivalled presence in developing markets, DHL is decisively positioned as “The logistics company for the world”. In January 2001, DHL Express was

registered in Montenegro as an independent legal entity. Numerous contracts were signed with various business entities on the development of international express transport on the territory of Montenegro. Cooperation with the Customs Administration of Montenegro and Public Enterprise Airports of Montenegro resulted in opening of DHL customs warehouse within the Podgorica airport. DHL Express in Montenegro hold active certification for standards such as ISO 9001 and ISO 14001 and as a member of TAPA organization successfully certified in accordance with TAPA C standard.

With more than 1000 regular customers and 400 signed contracts with domestic and international companies DHL is the leader in Montenegro international express industry.

www.dhl.com/en/me



doME Ltd is a Montenegrin joint venture, founded in 2008 by Afilijs 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



Delta City is the first shopping mall in Montenegro which includes the most diverse stores but also contents for the families to have fun all day long. It is obvious that such a shopping concept has impacted the retail sale of the entire country and as such it has become a social phenomenon. By opening its door to all the institutions, individuals and organizations, it has grown together with the local community and became the community center. The shopping mall Delta City has 80 stores half of which include international brands like Zara, Bershka, Stradivarius, Cine-

plexx, Cortefiel, Pull & Bear, Oysho, Intimissimi, Tommy Hilfiger, Guess, New Yorker, Mango, Antony Morato, OVS Industry, Cortefiel and many others.

In 2016 the shopping mall Delta City becomes a part of the group Hyprop Investments. The company Hyprop Investments is the greatest African fund specialized in investments in shopping malls, and the newly established company Hystead Limited with its headquarters in London is now managing the shopping mall Delta City.

www.deltacity.me



The European Bank for Reconstruction and Development (EBRD) is an international financial institution that was established in 1991. Initially focused on the countries of the former Eastern Bloc, the bank has expanded its operations to support development in more than 35 countries, from Central Europe to Central Asia and the southern and eastern Mediterranean. Through its financial investments, business services and involvement in policy dialogue, the bank supports its countries of operations on their path towards a sustainable market economy, one which is competitive, well-governed, green, inclusive, resilient and integrated.

In Montenegro, the EBRD has so far signed financing agreements for 56 projects, with a cumulative business volume of €538 million, while significant efforts have also been put into providing technical assistance and initiating policy dialogue. The bank's current portfolio amounts to €352.8 million, of which 49 per cent is in energy projects, 25 per cent in transport and municipal infrastructure, 14 per cent in financial institutions and the rest in agribusiness and general industry. For the coming period the bank will continue to support private-sector development in Montenegro, as well as the country's further EU and regional integration and the associated Western Balkan connectivity agenda.

www.ebrd.com



Production and supply of electricity are the main activities of the Montenegrin **Electric Enterprise AD Niksic (EPCG)**. The company's energy activities are prescribed by the Energy Law, energy licences and the EPCG Statute. The following activities are carried out by the company: Electricity generation; Electricity supply; Electricity trading; Construction and maintenance of electric power facilities; ; Designing and supervision; and other activities prescribed by the EPCG Statute.

In carrying out its core activities, EPCG ensures a regular and high-quality electricity supply to its customers at the demanded voltage levels - a safe and stable electricity supply to the Montenegrin population and economy. Elektroprivreda Crne Gore AD Nikšić possesses plants for electricity generation of a total installed capacity of 867.5 MW, of which 649 MW (75%) comes from the hydroelectric power plants at Perućica and Piva, while 218.5 MW (25%) comes from the thermoelectric power plant in Pljevlja.

www.epcg.com



Erste Bank Montenegro has been operating under this name since 2009, when Erste&Steiermaerkische Bank d.d. acquired 100% of the share capital of Opportunity Bank AD Podgorica. It is a part of the Erste Group, which was founded 1819 as the first Austrian savings bank. Since 1997, it has developed into one of the largest financial services providers in the eastern part of the EU, with approximately 46,700 employees serving around 15.9 million clients in around 2,697 branches in seven other countries (Austria, Czech Republic,

Slovakia, Romania, Hungary, Croatia, Serbia). We offer a full range of financial solutions and services: deposits, loans, investments, consulting, advisory and other services. We are focusing on the Montenegrin market while offering clients who are active abroad financial services and advisory services via the Erste Group subsidiaries across the CEE region. The bank fosters long-term relationships with clients in all segments, offering accessible and transparent products as well as personalised consulting services.

www.erstebank.me



With its great experience and professionalism in the insurance industry, acknowledged financial strength and strong partnership with its parent company, Generali Group, **Generali osiguranje Montenegro** offers all types of non-life insurance products. The business of Generali osiguranje Montenegro encompasses a broad range of products and services, from mass-risk products (e.g. motor third-party liability insurance and accident insurance) to insurance of very complex industrial plants, and from family protection insurance policies to insurance contracts which meet the complex needs of com-

panies. Generali osiguranje Montenegro offers good business solutions in the area of insurance for large companies, medium and small enterprises and institutions in all business areas. The recognisable market appearance of Generali osiguranje Montenegro is further strengthened by the company's claims payment efficiency. With the aim of becoming the market leader and in compliance with the responsibilities assigned to company by the Generali Group, Generali osiguranje Montenegro is actively working on developing new insurance products which have not been present in our market so far.

www.generali.me



Hipotekarna Bank has a well-developed network of branches, sub-branches, multi-function ATMs and electronic banking (HB and mHB klik) services through which it provides to both retail and corporate clients a wide spectrum of financial services that range from traditional banking services to consultancy, but which also includes investment banking

services. With its state-of-the-art banking technologies and services, the bank is clearly focused on the future. Our priorities remain unchanged and include the security of our clients, as well as the best and most innovative services, which has earned us a distinct reputation in the Montenegrin banking market.

www.hipotekarnabanka.com



JUGOPETROL AD is the largest petroleum products company in Montenegro, operating the country's largest installation in Bar. The company owns and operates a network of 40 EKO-branded petrol stations and supply facilities in three harbours and two airports. The EKO Retail Network offers EuroDiesel and Unleaded 95 and 98, using the Avio Diesel and EKONOMY 95 brands. JUGOPETROL was established in Kotor, Montenegro in

1947. In October 2002, HELLENIC PETROLEUM GROUP acquired 54.53% of JUGOPETROL A.D. KOTOR through HELLENIC PETROLEUM INTERNATIONAL AG. In December 2014, the company moved its seat and headquarters to Podgorica, the capital of Montenegro, and was renamed JUGOPETROL AD.

JUGOPETROL AD is listed on the Montenegrin Stock Exchange.

www.jugopetrol.co.me



The Abu Dhabi Financial Group (ADFG) (and its Eastern European subsidiary, Integrated EE Holdings) was founded in 2011 and deals with real-estate investments worth billions of dollars globally, with its headquarters in Abu Dhabi, UAE, and provides a wide range of financial services. ADFG's property portfolio consists of residential and commercial properties in the UK, Eastern Europe and the UAE with 7,000,000 m² of top-quality real estate. The value of the projects in development amounts to \$4 billion in various locations in London, Abu Dhabi, Dubai, Montenegro and the Black Sea. During the last six years, ADFG has managed to have an optimum return on its investments for investors and has evolved in response to their needs by adapting to the

macroeconomic climate and following the dynamics of the market. The Abu Dhabi Financial Group (ADFG), through its subsidiary in Eastern Europe, Integrated EE Holdings, is one of the largest investors in Montenegro. Recognised for establishing and operating its projects such as The Capital Plaza, Hard Rock Café, CentreVille Hotel and Lučice Montenegro, the company has become an investor that is today changing the face of modern Podgorica and Montenegro. A successful major real estate investor, hotel and restaurant operator, Integrated EE Holdings is an organisation seen today in the region as one of the most prominent and respected business partners.

www.adfg.ae

karanovic/partners **Karanovic & Partners** has been present in the Montenegrin market since 2006, operating from its office in the centre of Podgorica. Working in cooperation with the experienced Montenegrin lawyers, our legal advisors in Montenegro are ideally placed to provide a wide range of corporate and commercial legal

services to national and international clients. The Montenegrin team is specialised in providing investors, particularly those in the hospitality and tourist sectors, with legal support in the areas of corporate law, real estate, banking and finance and infrastructure development.

www.karanovicpartners.com



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 payments processing network, connecting consumers, financial institutions, merchants, governments and businesses in more than 210 countries and territories. Mastercard products and solutions make everyday commerce activities – such as shopping, traveling, running a business and managing finances – easier, more secure and more efficient for everyone. Follow us on Twitter @MastercardNews, join the discussion on the Beyond the Transaction Blog and subscribe for the latest news on the Engagement Bureau.

Mastercard has been leading the development of a modern,

digital and transparent payments ecosystem in Montenegro through building strong partnerships with the public and private stakeholders on the local market. In that sense, 2018 was a stand-out year with the Balkans premiere of introducing card payments with traffic wardens and border patrols, as well as the high growth of usage of Mastercard contactless technology of 133 percent per annum, above the European average of 97 percent. Mastercard continues to provide its global technologies, experience and expertise to ensure that the cashless society in Montenegro is realised in its full potential..

www.mastercard.com



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 tugging/towing, pilotage and mooring/unmooring of the ships.

As daughter company of Port of Bar, it has been privatized on 2010 on a public tender by consortium Interlog doo Bar and Ocean Srl Trieste for 2.5 mil eur.

For this short period investors has significantly increased the quality of all three services and together with tariff policy they

gave to the port of Bar new dimension of competitive, high professional and above all, safe port.

Company has 35 employees and is acting as part of Ocean Team (16 companies) which, beside Bar, this kind of services performs in Trieste, Koper, Porto Nogaro and Monfalcone. Ocean Montenegro is proudly member of European associations such as EBA (European boatman association), ETA (European tugowner association) and EMPA (European marine pilots' association).

www.ocean-montenegro.com



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



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



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



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



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...

HS HARRISONS

Harrisons was the first International law firm to open offices in Montenegro, and remains the only English law firm practicing in Montenegro, where they have undertaken more high-level privatisations / foreign investment project since 2000, than any other law firm.

The firm's principal, Mark Harrison, has been working in Montenegro since 1996, when he acted for the Government on the country's first ever privatization, that of the Niksic (Trebjesa) brewery to Interbrew.

Thereafter Montenegro embraced privatisation and for 4 years Harrisons advised the Montenegrin Government, through the firm's appointment as sole legal adviser to the Tender Commission and the Privatisation Council.

The firm is involved on almost every major Real Estate/Tourism matter on the coast in Montenegro. It has underlined its status as the leading law firm for MENA investors, as it

now acts for companies from, inter alia, Abu Dhabi, Dubai, Oman, Qatar and Egypt.

Their real estate practice is complemented by commercial work for major Montenegrin companies, in addition to advising EBRD, IFC and DEG on numerous financing and equity projects over the years.

Likewise, it is perceived as the market leader in Capital Markets work, and was appointed on the first two Eurobond issues by the Montenegrin Government and on other loans by commercial banks to the Government.

To complement their activities in the Balkans and in particular their position in the financial, banking and capital markets' sector, Harrisons has an office located in the financial heart of the City of London, giving them the unique advantage of being the only law firm with offices in England, Montenegro and Serbia.



Company Tara Resources AG is a private, Swiss-based resources company, currently developing the Brskovo Project in Montenegro.

The Brskovo Project, located in Mojkovac Municipality, has the potential to be one of the largest and lowest cost open-pit zinc mines in Europe, producing zinc, lead and copper concentrates.

Mojkovac and the Brskovo mine has a long mining history, with silver mining and minting operations first recorded in the thirteenth century. These operations turned Brskovo into a

major European trade centre and a source of wealth in the local kingdom.

Since acquiring the project in 2018, Tara Resources has completed confirmatory resource drilling to confirm and grow the mineable resource, metallurgical test work and environmental studies, and a Preliminary Economic Assessment. Tara Resources is currently advancing the Feasibility Study for the project, as well as all requisite local project permits and approvals. The project is well serviced by road, rail and power, close to international ports, and has access to a local population experienced with mining.



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



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 insur-

ance, health insurance and various products of life insurance. Special attention is given to the introduction of new technological solutions, improving business processes and quality and quick payment of claims.

UNIQA became a symbol of reliability, responsibility and with a different, positive view of the world. Employees of UNIQA insurance pay attention to the wishes and needs of the people, encourage them to reach their dreams and discover what satisfies and makes them happy.

UNIQA team in Montenegro consists of more than 120 employees with constant growing number of external partners.

www.uniqa.me



Ekonomik Accountants was established in Montenegro in 2006 and represents 350+ companies in accounting, tax, human resource and adherent services. Our clientele represents a wide number of industries originating from 40+ countries coming from 6 different continents. We are proud on the fact the company is recently awarded by the “Best performing companies in Montenegro” and became in 2020 officially market leader in the auditing & accounting industry.

The drive for the highest Quality of Service is evident, represented by our qualitative team that consists of certified accountants, auditors, administrators, legal and court specialists for an exquisite business support that any company that is active in Montenegro deserves. The company works according the IAS and IFRS standards, the Institute of Certified Accountants of Montenegro, ICAM, IFAC, Institute of Accountants and Auditors of Montenegro, IRRCG and the Code of Ethics for Professional Accountants.



VAS Invest D.O.O Budva is SPV which develops luxury resort in Montenegro named – Smokva Bay Resort. Smokva Bay Resort will become Montenegro’s most highly anticipated premier development,

overlooking the expansive beauty of the Adriatic Sea and anchored by the world-class Raffles hotel. It will become the first private, gated resort community in Montenegro offering luxury branded and private residences in the seclusion of a pristine, natural coastline.



Henley & Partners is the global leader in residence and citizenship planning. Each year, hundreds of wealthy individuals and their advisors rely on our expertise and experience in this area. Our highly qualified professionals work together as one team in over 30 offices worldwide.

The concept of residence and citizenship planning was created by Henley & Partners in the 1990s. As globalization has expanded, residence and citizenship have become topics of significant interest among the increasing number of internationally mobile entrepreneurs and investors whom we proudly serve every day.

Trusted by governments, the firm also runs a leading government advisory practise that has raised more than USD 8 billion in foreign direct investment. We have been involved in strategic consulting and the design, set-up, and operation of the world’s most successful residence and citizenship programs.

While its origins date back more than 45 years, Henley & Partners as it is today was formed in 1997 as a result of a merger between a private client immigration consultancy and a fiduciary company. The group companies, as well as most of our individual partners, directors, and senior officers, are, where applicable, regulated by the respective authorities in their countries of operation. They are also members of various professional associations such as the Investment Migration Council, the Society of Trust and Estate Practitioners, The International Tax Planning Association, the International Fiscal Association, and the Fédération Internationale des Administrateurs de Biens Conseils et Agents Immobiliers.

We provide a range of services that are essential to protecting and growing our clients’ wealth. However, as we often act as close advisors to our clients, we intentionally refrain from offering investment advice or asset management. In these

sectors, we work with many of the world’s leading banks and most successful investment managers.

Henley & Partners’ office in Montenegro was established in November 2018, and the Government of Montenegro officially launched its citizenship-by-investment program in January 2019 as part of its ongoing efforts to attract foreign direct investment and increase economic activity in the country. In March 2019, the government-appointed Henley & Partners as one of the official global concessionaires of the program.

The World Bank classifies Montenegro as one of the fastest-growing Balkan economies, and the nation is quickly establishing itself as a key strategic destination for some of the world’s most important industries. Through our involvement in the citizenship-by-investment program, Henley & Partners aims to cement the country’s global stature.

**WHITE BOOK
INVESTMENT CLIMATE IN MONTENEGRO 2020**

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: 50

Print: Obod, Cetinje

Podgorica, March 2021



MFIC | Montenegrin Foreign
Investors Council