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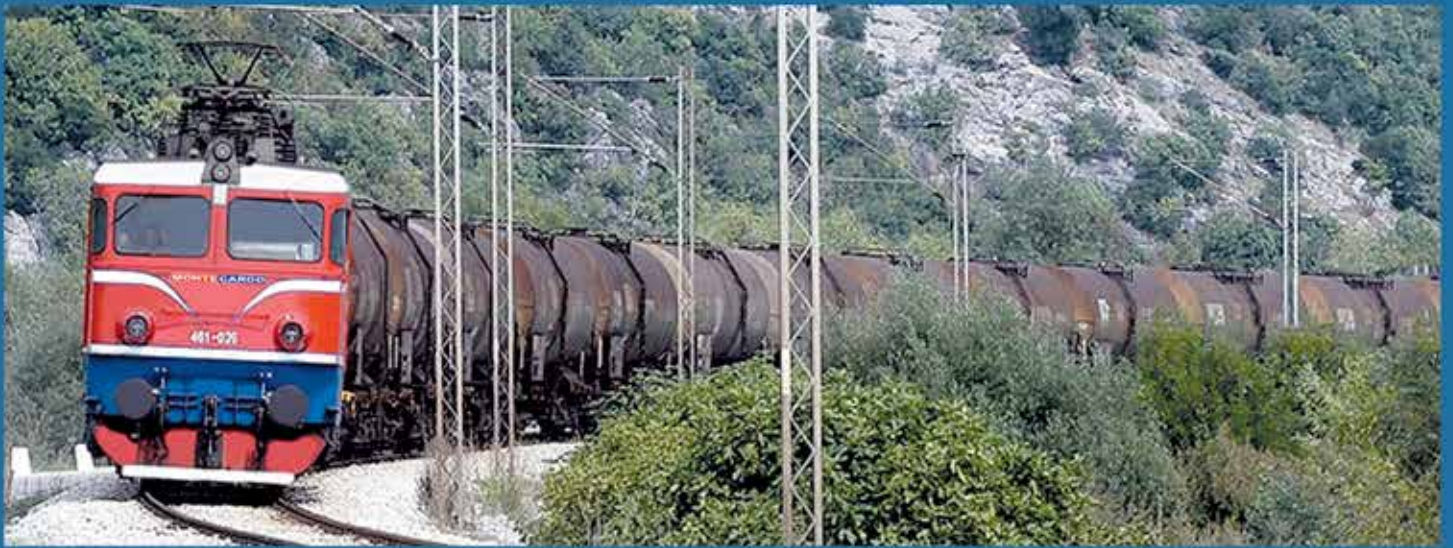
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Shared Successes Represent The Best Protection For MONTENEGRO'S FUTURE



MILO ĐUKANOVIĆ

PRESIDENT OF MONTENEGRO

Dear readers,

We live in turbulent times filled with challenges and changes. One of the greatest crises in human history is still smouldering. New economic leaders are emerging, while economic trends shift around the world. All this influences investors and the prospects of businesses worldwide.

The OECD recently reduced global growth projections from 3.9% to 3.7% for the current year, or from 3.8% to 3.7% for 2019. Similar projections for the global economy has also been offered by the IMF, while growth for the EU is projected to be 2.2% this

year and 2% next. The level of global debt has today reached an historic maximum. Ten years ago it was twice the global GDP, while today it is 2.4 times as high, equating to an increase of 72 trillion dollars over a ten-year period. National debts have increased rapidly in developed countries, even doubling in many cases. Likewise, company debts have also risen. The problem of high debts is expressed further in fast-growing economies.

In such a complex situation that brings with it many unknowns, we have boldly taken the fate of Montenegro's future economic development into our own hands. Almost all economic indicators confirm

that we're moving in the right direction as a country. Economic development is fast and dynamic. GDP totalled over €4.3 billion at year's end 2017, while GDP per capita was around €7,000. This is twice as high as in 2006, when we renewed our independence. The Montenegrin economy's rate of real growth in 2017 was 4.7%, while in the first and second quarters of 2018 it stood at 4.5% and 4.9% respectively. Such growth is a consequence of significant investments in infrastructure, but also openness, monetary stability, the free flow of capital, low taxes and the Montenegrin economy's growing competitiveness.

I would like to briefly remind you of the most important achievements that marked the last decade of our development. Market economy, protection of property rights and the rule of law are embedded in our laws and inspire trust among domestic and foreign investors. Our goal is to be at least a step ahead of others, because we understand the importance of investment to the overall development of society. Statistics from the World Bank, agency Standard and Poor's and United Nations Trade and Development Conference (UNCTAD) confirm the results of our efforts. Specifically, Southeast Europe attracted 5.5 billion euros of foreign direct investment in 2017, which represents a 20% increase compared to 2016. During the same period, Montenegro recorded growth of 30%, while the first six months of this year saw a 47% increase in foreign direct investments.

We became a member of the World Trade Organisation and concluded numerous free trade agreements that allow us to access markets of 800 million consumers. All of this clearly confirms the values we've adopted and are committed to affirming. Among Montenegro's key economic values, I would single out the openness of our economy. Confirming that Montenegro is an open country and part of global flows is its tourism sector, which accounts for more than 20% of GDP. In a country with fewer than 650,000 inhabitants, the number of tourists in the previous year totally around two million.

According to the World Economic Forum's report on the Global Competitiveness Index for 2017/18, Montenegro has improved its position by five places compared to the previous report. Agency Moody's confirmed Montenegro's rating of "B1" in its latest

report, while changing its outlook from a "stable" position to a "positive" position. This change primarily reflects the confidence of investors in the economic progress achieved and Montenegro's clear economic prospect. In the report of the World Bank's Doing Business Index for 2019, Montenegro is ranked 50th among 190 countries.

Within just a year of joining NATO, investments from Alliance member states have doubled; while in the period since the renewal of the country's independence, Montenegro has been among the top countries in Europe for attracting foreign direct investment, both measured per capita and in term of their contribution to GDP. The net inflow of FDI during this period amounts to over six billion euros. It has been FDI that has actually provided an important impulse to achieving economic growth.

However, our goal wasn't only to attract as much investment as possible, rather to ensure that those are high-quality investors. In order for us to achieve this goal, we have significantly improved the business environment. Among the investors developing their businesses in Montenegro, there is a large number

Montenegro is a safe and politically stable country, with a clear vision of its own economic development that has a basis encompassing tourism, energy, agri-business and the development of infrastructure

of so-called "global players", who found in this small economy not only challenges for their projects, but also security, stability and clear rules, or everything that comprises the business environment of a country. On the other hand, such investors became promoters of Montenegro as a prestigious and high-quality investment destination. Montenegro is today among the most attractive investment destinations in the Mediterranean, especially when it comes to investment in tourism, real estate, energy, industry and agriculture, while foreign investors are treated like nationals.

The process of registering a business in Montenegro is simple and fast. If we translate that into the domain of figures: the minimum capital required to start a business is €1, while the registration process can be completed in four days. The tax system in Montenegro is proportional, with very competitive rates. Corporate tax stands at 9%, personal income tax at 9% and 11%, while VAT is 21% and 7%. In

addition to the aforementioned, investors have direct financial incentives for new projects, tax breaks in less developed parts of the country, employment subsidies in business zones and competition between local governments in determining tax rates and local fees, with the aim of attracting new investments.

Thus, it is evident that Montenegro is a safe and politically stable country, with a clear vision of its own economic development that has a basis encompassing tourism, energy, agri-business and the development of infrastructure.

However, despite all the challenges we face, alongside political stability, NATO membership and a leading position in the ongoing negotiation process with the European Union, Montenegro also remains fully committed to accelerated economic development.

Through the new instrument of the Economic Citizenship Programme, we want to encourage and generate interest among new investors. Our country's

I expect the Programme to have strong multiplier effects on the overall economy, to become a significant source of revenue and a platform for new investments. With a well-conceived campaign, it is possible to attract the attention of prominent businesspeople who would accept to relocate the headquarters of their businesses. With this we would not only increase the level of investments, but also improve our country's image and raise business standards.

It is planned for the Programme to encompass, to a large extent, natural resources and the less developed part of Montenegro. When it comes to that region of the country, which is undoubtedly abundant in terms of development potential and significant resources, we're open to additional incentives and special conditions for investments in production. Furthermore, the best confirmation that we're determined to develop Montenegro in a balanced way, and to work step by step to create conditions for the

market to properly reflect the value of resources, is represented by a project like the one to construct the first section of the motorway connecting the north, the centre and the south. In addition to this, it is also worth mention-

Through the new instrument of the Economic Citizenship Programme, we want to encourage and generate interest among new investors. We give this opportunity only to those who have proven their credibility in a personal and professional sense, and whose resources have an undoubted legal origin

vital national interest is in using the experiences of other countries to implement this Programme in a way that eliminates all the risks that could be associated with its application. That's why applications will only be available for those who have proven their credibility in a personal and professional sense, and will allow the influx of resources that have an undoubted legal origin.

We believe that every programme can only be enduring and stable if both sides see the clear benefits of mutual cooperation. The state's interest is in using the Individual Investment Programme to further encourage development, creates new jobs, reduce the foreign trade deficit and carry out transfers of knowledge and new technologies. I would emphasise in particular the importance of new knowledge and technology, because in that way we can raise the competitiveness of our economic system. On the other hand, applicants will benefit from a favourable tax system, a visa-free regime for countries in the Schengen zone and integration into the State's economic and political systems.

ing the construction of infrastructure and ski centres, including 250km of modern ski trails. The state is currently investing around a billion euros in these two projects in the country's northern region alone.

Respected readers,

Since the renewal of our independence, we've acted carefully and with great patience, effort and work to build the international reputation of our country and, regardless of the development challenges ahead of us, we are firmly committed to building long-term partnerships and strengthening mutual trust, because where there's no trust there can be no business.

A market economy doesn't divide countries between large and small, but rather between successful and unsuccessful. Successful economies – through investments, the building strong institutions and strengthening international cooperation – create conditions for faster economic growth and development. That is why I firmly believe that the successes we can achieve together represent our best protection of Montenegro's future.



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We Lead A Responsible ECONOMIC POLICY



The strong growth of Montenegro's economy in 2018 is encouraging and provides an incentive for us to continue this economic growth trend. Such positive trends are already reflecting on the improvement of citizens' living standards and the creation of new jobs

DRAGICA SEKULIĆ

ECONOMY MINISTER OF MONTENEGRO

Montenegro's total economic growth in 2017 stood at 4.7%, while in the first half of 2018 it totalled 4.8%. Montenegrin Economy Minister Dragica Sekulić expects this trend to continue. "The model for the growth of Montenegro's economy, in the 2019-2021 period, will remain under the strong influence of investment cycles, which will have a dominant impact on economic flows. In this context, numerous investments and investment projects have already impacted on citizens' standard of living, via increased hiring and a reduced unemployment rate, thus increasing the base of the population that earns disposable income," says our interlocutor.

■ **If we look at sector-based performance, where were failings recorded and where were the positive indicators the strongest?**

- Viewed on the basis of area of activity, the

most significant growth has been recorded in the construction sector, with growth of 40.4% in completed construction works and 20.3% in realised effective working hours. Industrial production has increased by 36.1%, primarily due to increased levels of electricity production totalling 117.8%. Retail sales growth in real terms is up 3.9%, while the number of overnight tourist stays in collective accommodation increased by 11.7%.

Additionally, 2018 has seen a continuation of the improvement of the situation on the labour market, which is primarily a result of growth in economic activity and the associated increased demand for labour, but also a result of incentives for self-employment and active hiring policies.

■ **For how much longer can Montenegro rely on economic growth from the tourism sector? What is the pace at which other tourism-related industries are joining this growth?**

- In terms of the economic growth coming from tourism, we're aware that Montenegro is a country that represents an attractive destination for tourism and business, and the tourism sector consequently contributes greatly to overall economic growth. According to preliminary data from the

Central Bank of Montenegro, revenue from tourism (foreign guests) for the first six months of 2018 amounted to €230.1 million, which is 12.7% more than in the same period last year. However, increased economic growth due to tourism is closely connected to investments, job creation and the improving quality of life in our country.

Furthermore, it is also important to note that continuous investments in tourism have resulted in increased accommodation capacities. Specifically, 33 hotels, with 1,738 beds, were opened in 2017, while in 2018 some 21 hotels with 1,570 beds opened, over 70% of which represented new accommodation capacities in high category hotels.

■ **How much has the digital transformation process advanced in Montenegro and to what extent, for example, can the tourism economy rely on the network of e-services for tourists?**

- The public sector should, in general, respond better to the challenges of the digital economy. Montenegro is aware that, although a certain vision of an innovative ecosystem exists, the public sector still needs to play a more decisive role in providing fertile ground for innovation. A coordinated multi-sector approach is required, given that there is evident fragmentation from

GROWTH

The model for the growth of Montenegro's economy, in the 2019-2021 period, will remain under the strong influence of investment cycles, which will have a dominant impact on economic flows

ADVANTAGE

With its accession to NATO, Montenegro has become an even more attractive destination for serious investors and multinational companies, and we expect this trend to continue

DIGITALISATION

We need to move away from our "comfort zone" and use the latest digital technologies to improve competitiveness and operations

the perspective of managing implementing projects. The State and local administrations require better coordination mechanisms, and both of them should secure a more stimulating approach to the innovation ecosystem generally. In this sense, activities are directed towards establishing a legal and business environment that will enable start-ups, but also innovative companies generally, to operate unhindered and to register and develop their businesses in Montenegro, and not beyond its borders. We need to move away from our "comfort zone" and use the latest digital technologies to improve competitiveness and operations.

■ **Are you satisfied with the dynamics of FDI inflows and will they continue**

to play the role of a key economic stabiliser?

- The dynamics of FDI inflows are more than satisfactory. The development of sectors – primarily energy, tourism, agriculture and industry, but also other sectors – resulting from FDI provide us with an incentive to think in this way. Regardless of the fact that we're a small country with quite a small market, we're still a signatory of the CEFTA agreement and a WTO member, and have concluded a large number of bilateral agreements, which provides investors operating in Montenegro with "access" to a much larger market of over 800 million potential consumers. Inflows of FDI totaling €466.8 million were recorded in the period from January to July 2018, which

represents an increase of 47.6% compared to the same period of last year.

■ **What is it realistic to expect when it comes to the dynamics of reducing the debt to GDP ratio?**

- Positive trends in the macroeconomic environment are also reflected in the collection of budget revenues, which estimates suggest will amount to €1,757 million, or 38.2% of GDP, which is at the planned level, while it also represents an increase of €190.7 million, or 12.2%, compared to last year.

It is estimated that all categories of tax and non-tax revenues will grow compared to last year. When it comes to tax revenue, the largest deviation will be from VAT revenue collection of €77.4 million, as a result of the increase

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in the standard rate, but also an increase in economic activity. Taxes and contributions from earnings will simultaneously be higher, by €34.8 million, through the collection of outstanding tax debts and the strengthening of tax discipline. Likewise, there will be a €20.1 million increase in income on the basis of income tax, as a consequence of positive trends in the macroeconomic environment. When it comes to non-tax revenues, the biggest deviation was recorded in the collection of capital revenues, totalling €32.7 million, primarily due to the payment of dividends from electricity company EPCG.

■ **One gets the impression that energy is among the central topics of the ministry and that it is extremely dynamic at this moment. To which factors do you attribute that?**

- Energy, alongside tourism and agriculture, represents the area with the greatest development potential in Montenegro and is among the strategically important directions for the development of any economy. The intensive development of the energy sector in Montenegro is obvious today. The reason for such intensive development lies in the fact that the Ministry of the Economy and the Government of Montenegro continuously implement a responsible policy, with an awareness for the potential we possess. In that sense, we can mention numerous tangible results. For example, today we are witnessing the existence

a total power output of 95 MW, and by year's end we expect to connect to the VE Mozura network, with 46 MW. Thus, during around 10 years of implementation of the government's policy in the field of electricity generation from RES, we will have gained new capacities of installed power totalling growth of 141 MW, or more than 16%. It should also be noted that the last production facility prior to the introduction of this mechanism was built in 1982.

Apart from this, we're talking about new investments totalling more than 200 million



for the construction of solar panels in Briska Gora has also been developed and we are awaited by the construction of new production capacities that utilise renewables with installed power of 250 MW.

Moreover, we will pay special attention in the coming period to a model that has already been recognised in the Energy Law, and that's the model of exchange at the point of connection. This model envisages the possibility of building production facilities connected to a distribution system, the construction of which can have a major positive impact on the budgets of citizens and companies. Specifically, the level of electricity costs can be reduced significantly via the optimal use of this model, and in communication with CEDIS we are considering the possibilities of further simplifying procedures that represent preconditions for the implementation of projects according to the model of exchange at the point of connection.

■ **Do you still have high expectations when it comes to the exploration of oil and gas in the Montenegrin coastal area? What stage is this work currently at?**

- The project of collecting 3D seismic data from the Montenegrin coastal area for the production of hydrocarbons is one process that we have awaited for decades. This is a process that's aligned with contemporary practises in the fields of geology, the natural environment and seismology. This is about a brand new industry in our country, and we are all participating together in this process, which I believe can only be beneficial to all of us.

What is most important to us is that we preserve the biodiversity of the sea and marine life.

People from our country's state institutions are aboard the ship on a daily basis, and with their colleagues from abroad they monitor events relating to everything that could possibly occur as a consequence of surveying and spending time aboard such a ship in our country.

The information that we will glean from these surveys is owned by our state, and that represents another added value of this activity that impacts directly on increasing knowledge about the territory of Montenegro and all of its natural wealth. ■

Local operators have participated significantly in the construction of infrastructure, new tourist capacities and power plants, with multiplier effects on the economy as a whole

of new production facilities, the operational launch of large infrastructure facilities, as well as excellent results in the domain of creating a legal and regulatory framework that guarantees operations in the energy field and is identical to that applied in EU countries.

■ **What kinds of results were provided by the Renewable Resources Incentive Programme? How did it impact on the installing of electricity production capacities?**

- The mechanism for encouraging electricity production from renewables has also justified the Government's policy in this area. We've to date gained new production facilities with

euros, and in excess of 80 new jobs. And a no less important fact is that we are talking about investments that are predominantly in the north of the country.

Such a policy for the development of the energy sector has led to the attaining of the national goal for electricity production from renewables, which was created as a consequence of the application of EU directives and regulations. And today we are in a situation where we are discussing an advanced model for encouraging the development of this sector. This model means that there will be no financial incentives for producers, but rather investors able to accept market risks will be sought. With this in mind, a project

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FASTEST GROWTH

In The Region



In the first nine months of 2018, Montenegro Airlines achieved the highest year-on-year growth among all airlines from the territory of the former Yugoslavia in terms of the number of transported passengers

In the period from the beginning of January to the end of November this year, Montenegro Airlines (MA) transported a total of 611,938 passengers in all three categories of traffic, with its fleet of up to six aircraft and 7,295 flights operated in regular and charter traffic. Compared to the same period of 2017, that represents an increase of 74,258 passengers, or 13.81%, with an additional plane utilised during the peak season, and 650, or 10%, more flights, notes Živko Banjević, executive director of Montenegro Airlines.

■ In which segments was the most growth recorded?

- Commercial indicators for the first eleven months of 2018 are the best in the history of the airline's operations. The closest eleven-month result in previous years is 19,000 passengers less than this year, and that previous total was realised with a larger fleet and an additional 2,389 flights.

Here it is important to note that the av-

erage load factor during these 11 months of 2018 was 70%, which is a historical maximum that's two per cent higher than the same period last year. We've also increased the number of destinations in regular and charter traffic this year, up to 30 destinations in 16 countries.

Growth in all commercial indicators, coupled with the fact that there has been a significant increase in revenue, fully justifies all commercial and other business decisions we've made in the previous period, primar-

attaining this total, MA's contribution to the total number of transported passengers in total traffic did not decrease, but rather remained at between 25% during the summer season and close to 40% during the winter season. This means that we've also contributed to increasing the number of passengers and increasing the accessibility of Montenegro, which has impacted favourably on the tourist sector and the economy as a whole. And in this, despite growing competition, we retained our existing markets

The average load factor during the first 11 months of 2018 was 70%, which is a historical maximum that's two per cent higher than the same period last year

ily those related to increases in the volume of traffic and the leasing of a sixth aircraft to cover the previous summer season.

Montenegro's airports also recorded an increase in the number of passengers handled in 2018 compared to last year. And in

and conquered new ones, which has naturally had a positive impact on operations and operational results.

Now, following a successful November during which 35,100 passengers were transported – representing 4,650 or 15%

more than last November – we can say that the total number of passengers will amount to 640,000.

■ **Major consideration is being given to the airline's privatisation and the search for a strategic partner. To which part of operations will this primarily be related to?**

- Our company is focused on implementa-

is that a functional airline exists in this area and functions in the interests of Montenegro's citizens and the entire Montenegrin economy, as well as representing a stable link with Europe and the rest of the world. The interest in purchasing MA alone shows us that potential investors also recognise that the Company is achieving significant results on the route to recovery and that this is being done in the right way, while they

Bratislava, Košice and Poprad-Tatry in Slovakia, Ostrava in Czechia, Brive-la-Gaillarde and Marseille in France, Salzburg and Linz in Austria and the Iranian capital of Tehran.

The company's operations are characterised by high seasonality. During the peak season period, about 45 commercial, charter and low-budget airlines fly to Montenegro, all of which are larger than MA in financial and operational terms. That number is significantly lower during winter, and during that period the airlines that do fly to Montenegro mainly serve their global airline network for passengers from Montenegro. The fact is that a large number of airlines only have seasonal operations in Montenegro, which shows that winter operations don't prove profitable. MA's positive financial results during the summer season aren't sufficient to cover the losses of the winter months.

Revenues generated by charter flights, code-share agreements and all of MA's routes of regular traffic cover all costs fully, with adequate earnings. However, these revenues cannot completely cover fixed and additional costs at every destination, and those are all costs that are in addition



tion of phased project that serves to optimise the Company's operations in a flexible way, without excluding the option of finding a strategic partner and the possibility of privatisation.

You see, in principle, the period of certain disturbances in the airline industry has already started and will continue in 2019 and beyond. Growth in demand for aviation services, with a simultaneous lack of funds for operations, a professional and licensed workforce, the need to develop and modernise the entire ancillary infrastructure, and enormous increases in fuel prices and the like, will undoubtedly shake the airline industry at all levels. This will primarily impact on smaller airlines like us, so one of the options in our case is to find a stable and reliable partner at the level of a strategic partnership or by entering into the ownership structure. If such an option was taken, the focus would primarily be on the operational and commercial parts of the business.

What's most important for Montenegro

also recognise the importance of the airline for this area and the potential of the market.

■ **Are all destinations profitable?**

- During 2018, MA has flown, or is still flying, to 30 destinations in 16 countries. Eight of those destinations are year-round: Belgrade-Serbia, Ljubljana-Slovenia, Rome-Italy, Vienna-Austria, Zurich-Switzerland, Frankfurt-Germany, Paris-France and Moscow-Russia. Regular seasonal destinations include: Dusseldorf, Munich and Leipzig in Germany, Lyon in France, London in the UK, Copenhagen in Denmark, and Russia's St. Petersburg. Our charter destinations are: Tel Aviv in Israel, Naples, Bari and Palermo in Italy, Oslo in Norway, Helsinki in Finland,

to direct operational costs. One of the key challenges for management is to use the business plan, increased revenue and optimised costs in order to minimise losses and reduce the negative impact of winter months on operations at the annual level.

MA is the country's second largest state-owned company, with total annual revenues of 70 million euros and indirect effects on tourism revenues ranging from 150-180 million euros annually. The direct effects related to the payment of gross earnings, payments for the services of Airports of Montenegro, the engagement of the domestic economy beyond tourism etc., which also remain within Montenegro, total up to 15 million euros annually. ■

MA is the country's second largest state-owned company, with total annual revenues of 70 million euros and indirect effects on tourism revenues ranging from 150-180 million euros annually

We'll Fulfil PROMISES TO CITIZENS

Public Administration Reform is one of the most important priorities of the Government of Montenegro. I believe that we've created the institutional and normative prerequisites required to provide professional, expert and efficient public administration

SUZANA PRIBILOVIĆ

MONTENEGRIN MINISTER OF PUBLIC ADMINISTRATION

For this special edition we discussed public administration reforms and the results that this comprehensive process of change should bring to the economy and citizens with Suzana Pribilović, Minister of Public Administration of Montenegro.

■ How should the public administration look following the culmination of the reforms in 2020?

- I believe that in the previous period, with our dedication to the obligations undertaken, we've justified the existence of the ministry of public administration and established public administration reform as one of the most important priorities of the Government of Montenegro. We've also created the institutional and normative prerequisites, through the adoption of several pieces of legislation, primarily the Law on State Administration, the Law on Civil Servants and State Employees and the Law on Local Self-Government, which should ensure a professional, expert and efficient public administration. We started the process of optimising the number

of employees, and in parallel proposed new solutions regarding the reorganisation of public administration through the new Law on State Administration. In the previous period, the number of electronic services has increased, so today we have 564 services under the jurisdiction of 50 institutions. Reform simultaneously implies a change of awareness to change our old habits, to act in accordance with modern standards, in order to provide citizens with the best service.

■ You announced at the beginning of the year that around three per cent of public sector employees at the central level and five per cent at the local level would lose their jobs by the end of 2018. How realistic is it that this measure will be implemented within the deadline set?

- The government recently adopted the Report on the Implementation of the Optimisation Plan Until 2020 for the first two months of implementation. Considering that this is a short implementation period, the Report on the Implementation

of the Optimisation Plan aims to indicate movement trends in the implementation of the plan for the first two-month period, as well as the challenges that accompanied the launch of implementation of the Optimisation Plan. The high-quality way in which the process of coordination was established resulted in us having a trend of reductions in the number of employees as soon as the first reporting period, in a total amount of 339 employees: 96 employees at the central level and 243 employees at the local level. In order to monitor the optimisation process in the best possible way, the Ministry of Public Administration has conducted a series of activities aimed at strengthening coordination of the implementation of measures from the Plan, and we have significant political support for its implementation, which is crucial to the success of this process. I believe that we're on the right path to achieving the indicators set by the end of 2020.

■ Alongside staff streamlining, how else can you ensure the quality of the work of the public administration?

OPTIMISATION

I believe that the series of activities we are undertaking will lead to us having a better administration in 2020 that will be more in the service of citizens, with lower operating costs

DIGITALISATION

The goal of the Government of Montenegro is to enable citizens and businesses to service the greatest possible number of their needs via electronic means alone

RESPONSIBILITY

The public administration is ready to be evaluated by citizens, and is also ready to adapt to their demands

What measures are available to you?

- First of all, I would like to emphasise that this is about the optimisation of public administration, and not about rationalisation, as it is often presented in public. This means that we want to create a better quality public administration with lower costs. High-quality personnel are a prerequisite for high-quality management, so we strive to retain the best staff, but also to create an environment to which the best will come. Evidence for that is to be found in the activities undertaken by the Ministry in the previous period, and here I'm primarily referring to the new Law on Civil Servants and State Employees.

■ Will these personnel changes have negative ramifications for the European integration process, which requires a large number of professional people? How capable is the public administration of attracting high-quality experts in this field?

- Absolutely not; we've established the system so that no single section can threaten the EU membership negotiation process. We were particularly careful about this when defining optimisation measures. That's why the Optimisation Plan itself, through the description of measures for limiting employment, details situations when it is possible and cases in which someone can be hired. In accordance with his, deviation from the plan is envisaged, inter alia, for working engagements on the basis of projects funded via EU funds or donations.

■ How much will the digital transformation process help in the optimising of your work?

- Montenegro's transformation into a modern state must be accompanied by the digital transformation process, as one of the key preconditions for the country's economic development. Trends indicate that activities focused on the integra-

tion of people, processes and technology will bring the highest value and greatest benefits to each business organisation. Accelerated technological changes and the overall growth of information continually raises the importance and responsibility of ICT in the era of the new technological



negro, at the proposal of the Ministry of Public Administration, as the competent ministry, proposes activities that will help in processes aimed at optimising public administration in Montenegro. The goal of the Government of Montenegro is to enable citizens and businesses to service the greatest possible number of their needs via electronic means alone, starting from a unique system of identification and access to all electronic services, to the possibility of electronic signatures and exchanges of documents, as well as realising these services without the need to submit any accompanying documentation.

■ What are Montenegro's plans regarding the Digital Agenda, which was adopted this June and is under the jurisdiction of your ministry?

- The Ministry of Public Administration participates actively in the work of the Working Team for the coordination of activities within the framework of the Berlin Process. Montenegro recognised digital development as one of its priorities way back in 2003, with that year's

The Ministry is working on the development of the ICT sector in order to improve anti-corruption mechanisms in public procurement processes, by providing electronic services and developing a concept of open data

revolution. While working on the plan for optimising the work of the public administration in Montenegro, we considered the experiences of EU countries as being very useful in considering all measures that can impact on the efficiency and efficacy of the work of the public administration.

In that sense, the digitalisation of public administration processes implies an entire set of measures that transform public administration into an administration orientated towards citizens and services. This is precisely why the strategic and planning documents of the Government of Monte-

adoption of the first Strategy for the Development of the Information Society, after which strategic planning in this segment continued. Moreover, with the aim of furthering digital development and increasing trust in electronic transactions, through the legal framework responsible for regulating secure and reliable electronic transactions, we adopted legislation in the field of electronic identification and electronic signatures. With the aim of utilising software solutions developed in the EU and fulfilling the obligations of the Digital Agenda related to inter-

operability, the Ministry of Public Administration signed a Memorandum of Understanding between the European Union and Montenegro in Brussels that relates to Montenegro's participation in the ISA² programme.

Improving digital competences, as one of the obligations envisaged by the Digital Agenda, is also in the focus of current activities. The implementation of analytical activities regarding the state of digital skills in the countries of the Western Balkan six, WB6, is underway, and its improvement is included on the Agenda of the Multi-Annual Regional Economic Area Action Plan for the WB6.

cess contribute to reducing this phenomenon?

- Digitalisation transforms public administration in countless ways, impacting on the speed of information exchanges with the aim of achieving faster communication and data analysis, which can contribute significantly to the fight against corruption, where information and communication technologies have opened up new doors for the prevention, detection and prosecution of perpetrators of corruption. Digitalisation, as a way of providing services using ICT technologies, means by definition the use of services at a distance, via the internet. It is precisely this kind of

Why did you choose to regulate the work of independent bodies in a new way?

- The aim of the new legislation is to improve the organisational structure and harmonise the organisation of the state administration with European standards in a way that establishes a clear typology of state administration bodies and a clear line of accountability in the system. In the state administration system, alongside ministries and administrative bodies, for the first time, state agencies and funds, which perform state administration tasks, are being introduced, and in this way the organisational structure is harmonised with EU standards. In this way, a legal framework will be established for the clear organisation and typology of the authorities and will contribute to the coherence of the system, which is one of the strategic goals of public administration reform established in the Strategy of Public Administration Reform until 2020.



High-quality personnel are a prerequisite for high-quality management, so we strive to retain the best staff, but also to create an environment to which the best will come

As part of these activities, the project “Regional Approach for Improving Digital Ability in WB6 Countries” was launched, supported and funded by the Regional Cooperation Council (RCC), which aims to provide a framework that supports regional activities related to digital skills in the Western Balkans.

■ **The Head of the Cooperation Section at the European Union Delegation to Montenegro, Hermann Spitz, recently assessed that Montenegro has made some progress in the fight against corruption. To what extent can the digital transformation pro-**

interaction of citizens and the economy, with the state or local administration, that is considered one of the important anti-corruption mechanisms, as confirmed by numerous studies and research. Participation in the Open Government Partnership, as a call for the development of e-Democracy, impacts on the awareness of citizens and increases their interaction with public administration, while on the other hand we see public administration reform through the process of digitising and automating work flows.

■ **The draft law on state administration was met with various comments.**

■ **One of the measures you've also announced is the gauging of citizens' satisfaction with the services provided. How will you measure citizens' attitudes and when will we be able to receive the first results of this measurement?**

- Specifically, according to the Action Plan, by year's end we should prepare a methodology for gauging satisfaction among citizens, and then identify the state administration and local self-government bodies that provide public services, which will form the basis upon which we will annually publish the results of these measurements in the period ahead.

■ **How ready is the administration to be evaluated by citizens and to adapt to their demands?**

- I think the public administration is ready to be evaluated by citizens, and is also ready to adapt to their demands. This is supported by the fact that some state and local government bodies carried out some measure to gauge citizen satisfaction in previous years. Our aim is to create a unique methodology and take on the role of coordinator, and to establish a mechanism for the systematic monitoring of the quality of services provided. ■

Portonovi **OPENING IN 2019**

The 26-hectare waterfront resort will comprise 275 properties – residents can choose from a characterful range of low-rise apartments, penthouses and town-houses in individual zones interwoven with landscaped pathways, all with light and elegant interiors and fitted out for modern comfort and functionality



Montenegro has been an interesting choice for us as a country, and not only due to its indisputable natural beauty. Since gaining independence in 2006, Montenegro has been providing attractive offers for foreign investment, with a focus on large-scale tourism and hospitality. This has been driven by the enabling of a growth-focused tax system for businesses, equal treatment for foreign and local businesses, market access, and efficient business start-up procedures. Moreover, Montenegro's growing influence as one of Europe's hottest tourist destinations is undeniable, and thus represents an opportunity that we've recognised.

Portonovi has been created having in mind discerning citizens of the world, seeking meaningful connections surrounded by culture and pristine nature. The 26-hectare waterfront resort will comprise 275 properties – residents can choose from a characterful range of low-rise apartments, penthouses and town-houses in individual zones interwoven with landscaped pathways, all with light and elegant interior spaces fitted out for modern comfort and functionality.

World-class amenities, including a marina and hotel spa that will deliver the very best in service, as well as understated luxury, are the assets of our elegant neighbourhood, which is set to become one of the

most sought-after residential and leisure destinations in the Mediterranean. Securing Europe's first One&Only at Portonovi sets a certain precedent; coupled with high-quality, trusted brands like D-Marin and Chenot, we're seeking discerning guests attracted to the outdoor lifestyle. Through them, you can be confident that your every need is taken care of at Portonovi, with 'excellence of service' as our motto that's reflected at every point throughout your day.

the fabric of this beautiful, ever-changing nation. Portonovi, as an exquisite mixed-use inspiring waterfront resort in Montenegro, is located in one of most beautiful spots on the Mediterranean coast.

ENGAGING WITH STUDENTS

This story that's being written is inextricably linked to the local community – Azmont Investments will be delivering on continuous, long-term investments into the

Portonovi, as an exquisite mixed-use and inspiring waterfront resort in Montenegro, is located in one of most beautiful spots on the Mediterranean coast

PERFECT EUROPEAN HOME

Apart from the unmatched residential area, as of 2019 Portonovi will be the perfect European home on a picturesque Mediterranean coast, featuring the D-Marin Portonovi Marina for boats and super yachts. The marina will host yachting adventurers exploring the Mediterranean, Adriatic and Dalmatian coasts in style. D-Marin Portonovi Marina will serve as the stopover of choice for charter vessels traversing the Adriatic and central Mediterranean.

There is no similar offer available. Portonovi Resort represents the essence of Montenegro and is weaving its story into

local area of Herceg Novi and the home of Portonovi, through employment and specialist training, as well as improved infrastructure to access the country by air and the resort by road. Besides employment opportunities provided during the Resort's construction and once it becomes operational, as an investor we have also directed our efforts towards supporting education. By supporting local young people's education through investment in local schools, vocational training and the development of a curriculum for the hospitality sector, Portonovi engages with students and prepares them to consider a career in hospitality, tourism and hotel management. ■



Tech SUCCESS STORY

doMEn d.o.o., the registry operator of Montenegro's top-level internet domain country code, .ME, is celebrating the tenth anniversary of the launch of the '.ME' domain

.ME, the country code domain for Montenegro, is ideal for any individual or company seeking to add a personal flavour to their online identity.

This intrinsic quality is what makes it very marketable and equally attractive to web savvy professionals, start-ups and established companies. However, doMEn d.o.o., the registry operator of .ME domains, had to make .ME stand out among hundreds of other domain extensions and educate the global audience about the advantages of .ME over other domain names, which was not an easy task in a B2B industry.

According to doMEn, .ME's success has come as a result of their decision to market it not only to traditional business partners, such as domain and hosting companies, but also to end-users like big businesses, startups, mar-

keters designers and developers, which is something that has never been done before.

A proactive approach to the domain growth and marketing in the emerging markets is what sets doMEn apart from other registry operators. Company representatives literally spent months in China and India talking to partners and coming up with market-specific sales and marketing strategies. Today, according to doMEn d.o.o. CEO Predrag Lešić, the company has over 920,000 domain names, more than 350 partners accredited to offer .ME and end-users from almost every country in the world. Most importantly, .ME is widely



used by major international companies like Google, Mercedes, PayPal and Time as well as messenger services and social networks like Facebook (m.me and fb.me), WhatsApp (wa.me), Line (line.me)

and Telegram (t.me).

Despite the international success of .ME extension, doMEn has never forgotten that .ME is the resource of the country of Montenegro and has always tried to give back to the local community. This is why the company adopted a long-term corporate social responsibility strategy from its very launch. The focus of CSR activities is on the investment in education in STEM (science, technology, engineering and mathematics), development of a start-up ecosystem and raising awareness of the business opportunities created by the digital age. As CEO Lešić points out with pride that, to date, the company has invested over a million euros

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in different CSR activities in Montenegro.

The main CSR projects include the School of Programming, which was launched ten years ago and has been attended by more than 1,000 children from

Montenegro, then the Knowledge Olympiad for Montenegrin students, the FIRST Lego League which is a year-long competition where primary school children learn about robots using Lego Mindstorms technology, as well as Spark.ME conference.

Spark.ME conference is doMEN's brain-child created with the aim of bringing together the greatest tech minds from the region and the world to motivate and educate the attendees. Focused on online business and marketing, it provides the participants with the opportunity to listen to the experts from major world companies like Microsoft, Facebook, Skype and Dropbox, and to witness start-ups being "roasted" on stage by judges from early-stage venture funds and accelerators like 500 Startups, Microsoft Ventures and Eleven.

As Lesić explained, this conference was not designed to be the biggest in this part of the world, but rather the most inspirational – which is why Spark.ME became a great source of pride for the company.

Propelling this project forward is Dean Kamen, who is also the founder of

FIRST (For Inspiration and Recognition of Science and Technology), one of the two



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companies responsible for creating the FIRST LEGO League. Kamen insists that the success of every country lies in its ability to transform its culture to enable the creation

of a world in which science and technology occupy a special place, and where young people strive to become scientists and technological leaders. ■



We Have A Jewel That We're CAREFULLY PRESERVING



There are few destinations in the world like Montenegro, where you can enjoy both beautiful beaches and medieval coastal towns on the same day, and then head to mountains, authentic ethno-villages and five national parks

PAVLE RADULOVIĆ

MONTENEGRIN MINISTER OF
SUSTAINABLE DEVELOPMENT & TOURISM

The Montenegrin Ministry of Sustainable Development & Tourism recently announced one of the country's most important strategic documents – the Strategic Marketing Plan for Tourism in Montenegro. With this in mind, we asked Minister Pavle Radulović what kind of approach he is bringing to promoting the country's tourism potential.

“The Strategic Marketing Plan implies a very focused approach to marketing activities on several high priority markets, in order to position ourselves as a visible destination brand,” explains our interviewee. “It is very important that we utilise the funds available to us for marketing destinations in the most effective way for the country in the five-year period ahead. On the other hand, we're aware that we must improve the quality of those destinations, that it is essential to pay more attention to the development of tourism products. We have ambitious goals that might

require change within the actual organisations that operate in the field of tourism, but also greater investments in marketing than have been made to date. I am encouraged by the fact that this year's budget for these purposes is higher than the previous one.”

■ **For every single euro invested today, you generate income of 500 euros per tourist. Which forms of promotion have proven to be the most successful when it comes to attracting tourists?**

- Over recent years, we've been building Montenegro's position as a destination for high-paying tourists by raising the quality to a higher level - from the product offered to tourists to the quality of service. We thereby achieve the best advertising, though that relates to guests who've already come to Montenegro. In today's digitally transformed world of images and advertisements, it is clear that marketing and promotional activities are crucial for us to attract new tourists from strategically important emitting markets. Fairs and tourist expos, short presentations, PR activities and promotions in print and online media or via outdoor campaigns, as well as television programmes about our country, have all proven to be good ways of communicating with interesting markets. We promote our tourist offer via the aforementioned promotional channels throughout Europe and around the world.

■ **Will the Law on Tourism, coupled with implementation of the Law on Spatial Planning and Building Construction, lead to a reduction of the grey economy in tourism?**

- Our goal is to reduce to a minimum the impact of the grey zone in tourism and to raise the level of protection of those who operate regularly in this area. The provisions of the new Law on Tourism and Hospitality, with the accompanying policy of penalties, have precisely that goal, along with raising the level of protection for users of tourism and hospitality services. With the implementation of this Law, intensive controls were conducted during this year's peak tourist season by the competent state and municipal inspectorates, resulting in a large number of decisions banning operators from performing activities, sealing off facilities, imposing monetary fines through misdemeanour charges, submissions of requests for initiating such proceedings, control of the implementation of ordered measures etc. Apart from that, a correlation has been established between this Law and the Law on Spatial Planning and Building Construction, whereby companies, registered enterprises, entrepreneurs and private individuals who've operated hospitality services within illegal facilities are obliged to submit evidence that legalisation procedures have been launched for said hospitality facilities within a legally

RECORD

This will be the first year in which Montenegrin hotels alone will have had more than a million tourists and significantly more than four million overnight stays

SUSTAINABILITY

We want to bring tourists to our mountains, meadows and lakes and to accommodate them, but in a way that does not desecrate the authentic natural treasures of Montenegro

ASSETS

Natural "landmark" sites are our main assets: the deepest canyon in Europe, the largest lake in the Balkans, 150 peaks higher than 2,000 meters and the only fjord in the Mediterranean

prescribed deadline. Failure to do so will result in the refusal of extended approval to continue operations.

■ **When these grey zone statistics are included, how many tourists visited Montenegro this year and what kind of results were achieved?**

- We are exceptionally satisfied with the tourist year behind us. It was characterised by an excellent pre-season during which we achieved double-digit growth rates, traditionally good occupancy levels during the summer months, but also an extended season – given the considerably high occupancy rate of hotel capacities during these autumn months. According to statistics currently available to us, during the first nine months of this year Montenegro's collective accom-

modation capacities accommodated almost a million tourists, which represents growth of almost 13 per cent. Calculated in terms of nights stayed, we're talking about a figure exceeding 3.8 million, which is an increase

alone will have more than a million tourists and significantly more than four million overnight stays.

When it comes to unofficial statistics, Montenegro was visited over the course of the

The fact that our people work in the hotels of world brands like Regent, Chedi, Four points by Sheraton, Hilton and Aman, which have exceptional service criteria, represents an invaluable experience for them and an opportunity for success

of almost eight per cent compared to the first nine months of 2017. On the basis of these statistics, I would like to stress that, viewed as a whole, the first nine months of this year were more successful than the whole of last year. Furthermore, this means that this year will be the first in which Montenegrin hotels

first nine months of 2018 by more than two million tourists. According to Central Bank of Montenegro data, foreign tourist revenues for the first three quarters of 2018 total just under a million euros, which is an increase of 8.3% compared to the same period last year. Budget revenues for foreign residence taxes

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as of 18th November 2018 amount to almost eight million euros. And this segment has seen growth of 15 per cent compared to the same period last year, and when we add to that the revenues from domestic tourists, we believe that this revenue will be notably higher.

■ **We are today seeing many more developed tourist destinations striving for fewer tourists and limit their arrival. How have you reconciled the need to develop tourism with the need to protect and preserve the environment?**

- Space is the most sensitive resource that Montenegro has at its disposal, and we must thus be careful in finding an optimal balance between sustainable development and environmental protection. That means, for example, that we want to bring tourists to our mountains, meadows and lakes, to accommodate them and create an offer that will ensure money stays in our country, but in a way that does not desecrate the authentic natural treasures of Montenegro. An even greater challenge is on the coast, which has much more urban development than the northern part. We must persevere in providing a high-quality offer that will attract fewer tourists but with deeper pockets.

■ **How many tourists visit Montenegro during winter and how does their structure differ from peak season guests?**

- Montenegro has exceptional potential for

for that period and we expect that trend to continue in January and February, given that we are constantly improving our winter tourism product.

■ **What would you like tourists to associate Montenegro with when they think of the country?**

- The main objective of our umbrella concept of promotion is to position Montenegro as one of the leading tourist destinations, with a rich and varied offer, or as a year-round destination with a strong tourist brand. Our locally authentic characteristics as a destination remain, overall, that which is most



- The private sector is an important partner for us in the formation of the tourism products of Montenegro, both from the aspect of their share in providing accommodation services and from the aspect of developing the offer itself. The additional impulses with which we create the prerequisites for more favourable business conditions for the private sector are reflected in the key new additions brought by the Law on Tourism and Hospitality. They relate to the introduction of new types of hotels, such as an integral hotel and new business models in hotels – condos and the mixed business model, then the simplifying of procedures for starting and running a business, encouraging the development of tourism in underdeveloped areas, which encompasses the forming of tourism development zones and a programme of incentive measure.

■ **Do you have a long-term strategy to resolve the shortage of personnel in the tourism sector?**

- Tourism contributes around 23% of the country's GDP to the national budget of Montenegro and is perhaps the branch of the economy that generates the most jobs. The Strategy for Human Resources Development in the Tourism Sector envisages a significant number of direct jobs in the hotel industry, travel agencies and other areas, whilst envisaging that the greatest demand in the coming period will be for qualified professionals in the hotel and hospitality sector. Analysis of the supply and demand ratio according to levels of professional qualifications is carried out on an annual basis and indicates that during the peak season there is a shortfall that is evident to the largest extent in the area relating education levels I and II (unqualified and semi-qualified labour), where demand exceeds supply by an average of up to 40%. This is also confirmed by the fact that over 80 per cent of the total number of work permits issued for foreigners apply to these two levels of professional education. Increasing accommodation capacities, as well as diversifying the offer, imposes a constant need for new staff, which is why there is continuous implementation of staff training courses for vocational education and qualifications that will satisfy specific requirements and types of offers in the tourism sector. ■

Our goal is to reduce to a minimum the impact of the grey zone in tourism and to raise the level of protection of those who operate regularly in this area

the development of winter tourism and there are ever more tourists deciding to spend their winter holidays in our country, mainly coming from the countries of the region, but also Russia, France, China and elsewhere. Montenegro's mountains are suitable for the development of ski tourism and all other types of adventure and sports tourism. We've positioned ourselves in recent years as the region's top destination when it comes to breaks during the holiday season, and this year all tourists can expect New Year's celebrations to include rich programmes lasting several days and featuring the region's most famous music stars. What is already certain is that most of the hotels are fully booked

interesting to visitors from all over the world, and major differences in a small area are still in the domain of wonders. There are few destinations in the world like Montenegro, where you can enjoy both beautiful beaches and medieval coastal towns on the same day, and then head to the mountains, where there are numerous opportunities for active holidays in pristine nature, accommodation in authentic ethno-villages, and enjoyment in the five national parks that cover fifteen per cent of the country's total territory.

■ **How do you intend to involve the private sector in the story of tourism development?**

Improvement **ALREADY VISIBLE**



The new municipal government of Ulcinj has confirmed that it is on the same “course” as the Montenegrin Government, so foreign investors can allow themselves feel as though they're at home, says Fatmir Gjeka, director of the Ulcinj Tourist Organisation, speaking for this special edition

Montenegro has for years been characterised as the country with the highest foreign investments per capita in the region. This is primarily a result of the favourable and stimulating economic policies of the Montenegrin Government, but also the fact that foreign investors know this is a safe and stable country for their businesses. A crucial role is also played by the fact that Montenegro became a NATO member last year and is a step away from becoming an EU member. Ulcinj is among the most beautiful towns on the Adriatic Sea and has the greatest development resources in the Mediterranean, a rich history, an exceptional climate, friendly and hospitable people. As such, investments are mainly focused on tourism, energy (wind farms and solar power plants) and agriculture. The new municipal government has also confirmed that it is on the same “course” as the Montenegrin Government, so foreign investors can allow themselves to feel as though they're at home. After all, you can ask all those who've invested their capital in Ulcinj.

■ **Ada Bojana, as well as the entire complex that surrounds it and is unique in terms of its beauty, is set to become**

one of the most exclusive resorts. What kinds of investments are involved and how much will they contribute to the economic development of not only Ulcinj but Montenegro as a whole?

- The Island of Ada, a paradise island where the River Bojana empties into the Adriatic Sea, is planned to be a luxurious resort which will offer around 3600 beds. The Montenegrin Government will soon announce an international tender for a long-term lease. Some foreign investors



Ulcinj and definitely incorporate our city on the tourist maps of the world. We are also convinced that future investors will have the sensibility for the needs of the community as well, because excellent results can only be achieved in synergy.

■ **A major renovation of existing infrastructure is required to support the great plans you have. What has been done to date and what else is envisaged?**

- A number of important infrastructure projects are currently being implemented and there are some announcements about other meaningful projects due by 2020, above all in road infrastructure (reconstruction of the main road to the border crossing with the Republic of Albania called Sukobin), improvement of the electrical distribution

We hope that new investments will further expand the tourist offer of the City of Ulcinj and definitely incorporate our city on the tourist maps of the world

have already expressed interest, including some of the most famous tour operators in the world. Since it is planned to be a long-term lease, all these processes should be analysed well.

Ada, with its 3.8km beach, has huge potential not only for the City of Ulcinj, but also for the entire region. Along with Long Beach (a 12-km-long sandy beach), it represents two of the most important sites in Montenegro in terms of potential. We hope that new investments will further expand the tourist offer of the City of

system, works on the sewage and water supply network etc.

We have strong support for our plans and projects from central authorities, as we all know that the development of tourism, the overall economy and the quality of our citizens' lives are significantly hindered without modern infrastructure.

A 180-berth marina project is planned to be built in Liman, under the western walls of the Old Town, so the citizens and their guests will have a safe harbour for their boats and yachts. ■

Good Conditions For Continuing ECONOMIC GROWTH



Montenegro is continuing its stable economic growth supported by the measures of the country's central bank, which enables the unhindered functioning of the banking system, which contributes to strengthening the economy's competitiveness and liquidity

RADOJE ŽUGIĆ

GOVERNOR OF THE CENTRAL BANK OF MONTENEGRO

Economic growth in Montenegro, driven by investment expenditure, strongly marked 2017 and 2018, amounting to over four per cent annually. At the same time, fiscal consolidation had a moderate impact on reducing aggregate demand, as well as a positive impact on the control and reduction of fiscal vulnerabilities, assesses Radoje Žugić, Governor of the Central Bank of Montenegro (CBCG). The expectations of the CBCG for 2019 are that the trend of increasing in economic activity will continue and that growth will total around three per cent.

■ **What kinds of results are being recorded by the banking sector and, in your estimation, how will this business year end compared to 2017?**

- The banking sector is characterised

by stability, profitability, liquidity and solvency. All key balance sheet positions are growing. Thus, at the end of the third quarter, compared to the end of last year, total assets had increased by 5.52%, total loans by 10.70%, total deposits by 5.88% and total capital by 0.83%.

Active interest rates have also reduced year-on-year. The average measured active effective interest rate amounts to 6.4% and is 0.58 percentage points lower compared to the same period of 2017. It is particularly significant that the average measured effective interest rate for registered companies has also fallen. It amounted to 4.92% at the end of September 2018, which is 0.74 percentage points lower than the same period of 2017. We expect this trend to continue and the banking sector to thus provide a contribution to treating the weaknesses of real economy, i.e. to contribute to strengthening its competitiveness and liquidity.

■ **Have your expectations been fulfilled regarding the increased lending activity of banks during this year?**

What do the latest statistics on the dynamics of lending to the economy and citizens tell you?

- In the first nine months of 2018, the lending activity of banks totalled 858.2 million euros, which represents growth of 10.07% compared to the same period of last year.

At the end of September 2018, total corporate loans amounted to 1.7 billion euros, which accounts for 58.4% of all loans, while retail loans totalled 1.2 billion euros, or 41.6% of banks' loan portfolios. Compared to the same period of 2017, retail loans were up by 12.15%, while corporate loans increased by 9.76%. Loans to the economy amounted to a billion euros and registered growth of 13.73% compared to the same period of 2017.

The noted tendencies, along with growth in the offers and good liquidity of banks, lead to the conclusion that we can expect a growth trend for banks' loan activity in the period ahead.

■ **In your opinion, what is the optimal level of risky loans and when do you expect it to be reached?**

CONTINUITY

The expectations of the CBCG for 2019 are that the trend of increasing in economic activity will continue and that growth will total around three per cent

STABILITY

The banking sector is characterised by stability, profitability, liquidity and solvency. All key balance sheet positions are growing, while total non-performing loans are reducing

RATIONALISATION

Thanks to internal economy measures, the CBCG demonstrated high growth in net results and an increase in total balance sheet assets and total capital at year's end 2017

- There is a continuous reduction in both total non-performing loans (NPLs) and their participation in total loans. The highest level of NPLs was recorded in August 2011, when it stood at 25.9%, while at the end of Q3 2018 it stood at 6.71%. That statistic testifies to the significant progress achieved in the policies and practises of managing banks' non-performing assets.

The Central Bank of Montenegro, through its regulatory and supervisory activities, pays particular attention to credit risk. The existence of prudential filters, i.e. regulatory reserves, the obligation of banks to adopt and apply operational strategies for resolving problems regarding non-performing loans, the possibility of consensual litigated restructuring of loans that are problematic in terms of collection, the constant supervision of the quality of banks' loan portfolios and the improving of the CBCG's Credit Registry, in terms of higher transparency and data coverage, all contribute significantly to improving the quality of banks' credit portfolios and the result is that poor quality loans are currently at their lowest level since the start of the global financial crisis.

When it comes to the optimal level of NPLs, it is difficult to answer this question without placing it in the broader economic context. In this respect, the NPL level of 3.2% at year's end 2007, when the entire economy – including the financial system – was undergoing expansion, can be considered desirable from today's perspective.

■ **To what extent can supervisory measures compensate for the lack of instruments available to other banks that have their own national currencies?**

- High-quality supervision is much more important for maintaining the stability of the banking system than the

availability of monetary policy instruments. One World Bank study found that inadequate supervision existed in over 90% of banking crises.

In the case that supervision acts preventatively, it is unlikely that a situation will arise to use other instruments. Not one bank in Montenegro went bankrupt during the global financial crisis, which



currently operating on the market will change soon?

- The answer to the question of whether the banking market is oversaturated will only be provided by the market itself, but also banks' performance indicators. The increase in the number of banks in the previous period, coupled with announcements of the entry of some new players,

shows that Montenegro is recognised as a destination that's attractive for investment.

There interest in entering the domestic market, partly through plans to establish new banks, but also through plans to acquire shares in the capital of banks already operating in Montenegro.

■ **What is your stance regarding the strengthening of other forms of financing, such as venture funds and other riskier forms of financing?**

- The Montenegrin fi-

The increase in the number of banks in the previous period, coupled with announcements of the entry of some new players, shows that Montenegro is recognised as a destination that's attractive for investment

can't be said for a great many countries that had a wide range of monetary policy instruments at their disposal.

■ **It is commonly said that the Montenegrin banking market is oversaturated. You recently said that there are numerous requests to enter the domestic market. Is there any indication that the number of banks**

financial sector is "bank-centric" and dominated by financing via banks. Every form of developing market competition and alternative financing opportunities can have a positive impact on the efficiency of mediation and financing growth provided the application of sound economic practise exists in risk assessment. Higher risk need not necessarily mean that it will materialise negatively.

In healthy project financing, particularly when it comes to experienced investors, the ratio of yield to risk can be adequately balanced and represent a potential source of growth and new employment, and thus also have a multiplier effect on growth creation for other, smaller market players.

■ **How much has the banking sector advanced in the digitisation of services? Are the regulations governing this area sufficiently liberalised to enable the development of new financial e-services?**

- In recent years, the payment industry has undergone significant transformations thanks to the accelerated development of digitisation. The digital transformation process and the opportunities it offers have resulted in the emergence of new payment service providers and new channels for providing payment services, as well as new ways of paying, which ultimately has multiple benefits for the users of payment service, but also for society as a whole.

The CBCG's implementation of EU regulations in the field of payment services has provided all the prerequisites for new services, which led to the fact that commercial banks in Montenegro are keeping pace with trends in the field of providing payment services.

The CBCG will soon enable the possibility of providing even more modern, efficient and cheaper payment services, as well as better protection for users of payment services

Electronic, card-based and mobile payments in our country record a trend of continuous growth, and banks are increasingly available to users.

Following the implementation of a series of new EU regulations in the area of payment operations, which the CBCG is currently working on, it will be possible to provide even more modern, efficient and cheaper payment services, as well as better protection for users of payment services.

■ **You rationalised costs in the work of the Central Bank significantly in the previous period. What kind**

of business result do you expect in 2018?

- The financial operations of the Central Bank of Montenegro over the last two years has been characterised by a high level of rationalised costs, and thus realised expenditures in the previous and current year are lower than the planned amount.



criteria of the European Commission regarding the overall independence of central banks in the European System of Central Banks (ESCB).

Particularly good results were achieved in the field of managing international reserves, where – despite decidedly unfavourable and negative interest rates – higher gains than in previous years have been achieved. In this segment of operations, high savings were achieved through the undertaking activities aimed at compensating for part of the costs based on the negative interest rate that the CBCG pays when placing funds on international money markets and capital markets.

Significant rationalisation was also achieved in positions of administrative and operational costs, as well as in information system costs.

The business result expected by year's end 2018 confirms a continuation of the trend of successful operations and the realising of net gains exceed those planned and those realised in the previous year. Such a result is achieved thanks to growth in total revenues, without changing the pricing policy, and reduced execution of expenditures whilst ensuring the continuous implementation of all planned activities.

■ **The Central Bank rewards young experts in Montenegro. How satisfied are you with the responses of young people?**

- The CBCG established in 2007 an award that is presented to the best dissertations, masters' or Ph.D. works in the fields of banking and monetary policy and theory, with the intention of this institution being an active participant in the process of raising awareness about the importance of developing and fostering scientific and professional thought.

In the last ten years, a total of 27 awards have been presented, six in the category of the best doctoral thesis, 10 in the category of the best masters' work and 11 for the best graduate thesis/dissertation.

Through this award, we create a kind of synergy and an exchange of opinions in areas that are important to the financial sector. ■

Thanks to internal economy measures, the CBCG demonstrated high growth in net results and an increase in total balance sheet assets and total capital at year's end 2017. By implementing the provisions of the Law on the Central Bank, 50 per cent of the gains realised for distribution were allocated to the state budget, thus providing a contribution to the process of consolidating public finances. The remaining 50% of gains were directed towards strengthening the core capital of the CBCG, as one of the prerequisites for strengthening the financial independence of central banks and meeting the

Intensive INVESTMENT TIME



Since the restoration of independence in 2006, many foreign investments have been made in Montenegro. In mentioned period, investors from 110 countries recognized Montenegro as an attractive investment destination

From the restoration of independence until October 2018, Montenegro has succeeded in attracting about 8 billion euros of foreign direct investments. In that period, Montenegro had the largest inflow of FDI in the region measured as percentage of GDP, approximately 18% annually, says Miloš Jovanović, director of Montenegrin Investment Promotion Agency-MIPA.

"Foreign direct investment is a very important driver of the Montenegrin economy, and today we can say with certainty that Montenegro has been successfully integrated into global investment flows and has built its image of a quality destination for investment. This is shown by the fact that, from the restoration of independence until October 2018, we have succeeded in attracting about 8 billion in foreign direct investment. During this period, FDI per capita was among the highest in Europe, around 800 euros. Continuous work on confirming an attractive and high-quality business environment has given visible results, so today we can talk about a fully efficient, transparent and competitive tax system, an open economy, a series of incentives that the investor who decides to start his business in Montenegro can expect both from the state and local government, as well as the availability of a market with over 800 million consumers thanks to trade agreements we have signed, such as CEFTA and EFTA."

■ **MIPA has a wide range of services that provide great assistance and security to foreign investors. What precisely are they?**

- The Montenegrin Investment Promotion Agency represents a young team of professionals, with active approach towards promotion of brand of Montenegro in accordance with positive practice.. The main types of promotion are: production of professional promotional publications; participation in fairs, conferences and business forums; direct support to potential investors in the process of establishing a company in Montenegro; market research for the needs of potential investors; logistical support and

bone of the development of winter tourism in the northern region. The government is also working on preparing a tender documentation dossier for ski lifts at ski resorts Žarska and Cmiljača. We expect to enter the final phase of realization of large projects in tourism, such as Porto Novi and Luštica Bay, where investment has exceeded all expectations. As far as energy is concerned, laying of submarine cable between Montenegro and Italy is nearly completed, the wind farm Muzura will begin trial operations by the end of the year, the tender for the construction of a wind farm at Brajići has been announced for next year, and possibly for the construction of a solar power plant in Podgorica. With the

We expect to enter the final phase of realization of large projects in tourism, such as Porto Novi and Luštica Bay, where investment has exceeded all expectations

connections with state institutions and with small and medium-sized enterprises in Montenegro. We practice an interdisciplinary approach with regard to investor support, and the best confirmation of quality of our services is positive experiences of the investors to whom we provided support and assistance.

■ **New major investments have been announced as early as next year. Who are the investors and in which branches?**

- First of all we expect the finalization of some of the development projects that have already been started, such as the Kolašin 1600 ski center, which will create new value in the north of Montenegro and be the back-

continuation of the construction of the priority section of the highway, from Matesevo to Kolasin, and taking into consideration that the Government has already been creating the prerequisites for construction of the second highway section, we expect an intensive investment period in the future. MIPA is continuously working to attract new investors to Montenegro, and we have already announced the arrival of investors from Turkey and the United Arab Emirates, as a result of successful business visits to these countries, where we held high quality meetings with managers of many companies, visited their plants and presented investment opportunities in Montenegro. ■

We Should Proceed WITH REFORMS



Montenegro's potential for economic growth lies in tourism, energy, agriculture and industry. As such, the focus should be on increasing economic competitiveness, along with implementation of structural reforms and infrastructure development, in order to create conditions for the greater inflow of domestic and foreign investments

VLASTIMIR GOLUBOVIĆ

PRESIDENT OF THE CHAMBER OF THE ECONOMY OF MONTENEGRO

The World Bank's Ease of Doing Business Index, along with reports of a number of other international institutions, certainly represent a useful indicator and a signal that gives us a clear picture of the situation in certain areas, and the segments that we need to improve further – which in this case is the business environment, says Vlastimir Golubović, President of the Chamber of the Economy of Montenegro. However, there are many factors (methodology, coverage, data collection), which impact on the quality of every piece of research and which, no matter how perfect they

are, cannot reflect the overall reality, says our interlocutor.

According to the recent Doing Business 2019 Report, Montenegro is ranked 50th among 190 countries, representing a fall of eight places compared to the previous year. The countries of the region that have a better ranking include FYR Macedonia (10), Kosovo (44) and Serbia (48), while Albania (63) and Bosnia and Herzegovina (89) have much lower rankings. According to representatives of the World Bank, these results don't imply that Montenegro has regressed as a country, but rather that certain economies have achieved much faster progress in this

segment. Nevertheless, this report has drawn the attention of decision makers and business community representatives to the fact that there is still a lot of space for the improvement of the business environment, especially in terms of obtaining electricity connections, starting a business, registering property, obtaining construction permits and paying taxes.

■ **In your opinion, what are the biggest challenges in the activities of domestic companies?**

- The determination of Montenegro to join the European Union is the reason for a serious re-examinations of market

OPPORTUNITY

The determination of Montenegro to join the EU is the reason for a serious re-examination of market conditions and opportunities that impact on the development of domestic business

GAMECHANGER

Intensifying works on the implementation of large infrastructure, tourism and energy projects significantly influences overall economic activity

CONTRIBUTION

The fact that Montenegrin companies are operating on the most developed markets confirms their quality, as well as the contribution of the Chamber's activities

conditions and opportunities, primarily for the analysis of the business environment, business barriers and other obstacles that have a negative impact on the development of domestic companies.

The most important prerequisites for the growth and sustainable development of domestic enterprises include an adequate regulatory framework, access to finances, reduction of the grey economy and harmonisation of the education system with the needs of the labour market.

Montenegro is recording progress when it comes to improving the legal and regulatory framework. However, there are still challenges, and it is necessary to work continuously to overcome them. Here I'm primarily referring to the significant labour cost burden for employers, the informal economy, illiquidity, the inability to collect receivables and insufficient labour market flexibility. Moreover, numerous high taxes and fees at the local level create obstacles to business operations.

■ What is your overall assessment of macroeconomic trends and conditions for the rise of economic growth?

- During 2017, Montenegro's GDP amounted to 4,299 million euros, with a real growth rate of 4.7%. The economy, strengthened by the implementation of large investment projects, continued to grow even in 2018, at a rate of 4.7% in the first two quarters, which is significantly higher than the real GDP growth in the European Union, which amounted to 2.2%.

Tourism, the retail sector and the construction industry were the main drivers of GDP growth this year, complemented by the manufacturing industry and electricity production, which have doubled following investments in new

capacities. Growth has stimulated job creation in the private sector and labour market recovery.

Montenegro is facing a very high foreign trade deficit. The high import dependence of the Montenegrin economy is the result of a small production base and a high correlation between goods



The Chamber, as an association that brings together and represents the interests of the creators of new values and social wealth in Montenegro, has a distinctive role in the EU accession process

imports and tourism. Investments in infrastructure and the construction of new tourist capacities represent a significant generator of import, while the share of imported raw materials in the exported goods impacts on the foreign trade deficit. This year has seen an increase of revenue in the services sector, primarily in tourism, reflected in a slight reduction of the foreign-trade deficit on the current account.

The economic growth model, based mostly on FDI, will not change in the period ahead. Therefore, the focus will be

on increasing economic competitiveness, along with implementation of structural reforms and infrastructure development.

■ To what extent have domestic companies been engaged in the economic activity created through major infrastructure works?

- Intensifying works on the implementation of large infrastructure, tourism and energy projects significantly impacts on overall economic activity.

Certainly, the realisation of investment projects has had the greatest impact on domestic construction companies. Engaging local construction operators, equipment, manpower and materials, as well as employing the local labour force in related sectors (trade, warehousing, transport services etc.) during the construction phase, have a multiplier effect on overall economic growth.

The participation of local construction companies in project implementation and the share of experience and knowledge by foreign companies also have a positive impact on the adoption of EU standards lead to and improvement in the level of construction and technical supervision.

In the medium term, capital investments may have an adverse impact on fiscal indicators, but they contribute over the long term to more efficient valuations of domestic resources, and ultimately an increase in living standards.

■ **Given the overwhelming dominance of foreign owners in the**

As a result of increased demand, growth in food and beverage production was recorded, even though this production still isn't at a satisfactory level.

In addition to increasing the representation of local products in hotels and restaurants, there is the potential to develop rural tourism, whereby rural households, ethno-villages and summer pasture residences (katuns) should be among Montenegro's brands. Incorporating traditional values into a modern tourist offer, which contributes to Montenegro being recognised as a country with its own specific offer, represents an activity to which special attention has been paid. Through the project "Good

■ **What is your opinion of Montenegro's progress in European integration, as well as the opening up of opportunities for membership through a shorter procedure?**

- Montenegro has made significant progress on the European path, thereby giving proper validity to all efforts that have been continuously invested, not only on prescribing, but also on the practical application of European standards on which the quality of life and the work of the largest integrated economic area in the world are based.

The Chamber of the Economy of Montenegro, as an association that brings together and represents the interests of the creators of new values and social wealth in Montenegro, has a distinctive role in the EU accession process. The Chamber has been continuously conducting activities aimed at improving the business environment, raising the level of business skills through education, communication, promotion and other forms of support to businesses. The type, volume and dynamic of our activities keeps pace with the overall activities of the state in integration processes. Representatives of the Chamber participate in 26 negotiating chapters.

The negotiation process is extremely challenging, especially given the fact that there are no universal solutions and that each new enlargement imposes more complex demands on future members. It is important that Montenegro continues fulfilling its European obligations and intensifying activities on the implementation of initiated comprehensive reforms, thus demonstrating that it has the capacity to complete a regulatory framework and implement it in practise. The success, speed and dynamics of negotiations will depend on the consensus of all participants in this process. The fact that Montenegro has an increasing number of companies engaged in different manufacturing and service activities, doing business successfully on the most developed markets, confirms their indisputable international quality, as well as the contribution of the activities conducted by the Chamber of the Economy of Montenegro. ■



The Chamber contributes to the branding of local products and services of above-average quality, by granting them the right to use the collective trademark

tourism industry, are there opportunities for domestic bidders and, if so, where?

- The emphasis in the tourism sector has been placed on high-quality tourism, diversification of supply and season extension, which will ultimately result in increased revenues, i.e. total added value in tourism.

The indirect effects of tourism development in Montenegro, reflected in the impact on the development of other economic activities, are also significant. Tourism also impacts positively on developments in the field of agriculture.

from Montenegro", the Chamber of the Economy of Montenegro contributes to the branding of above-average quality local products and services, by granting them the right to use the collective trademark.

Through the project "Let's Buy Domestic", local products are specially labelled in retail chains, thus becoming more visible to consumers. Considering that the successful placement of domestic, high-quality products contributes to the enrichment of the tourist offer and its recognition, the project "Homemade flavours" has been launched.

INTERVIEW

BALŠA MITROVIĆ,
DIRECTOR OF MEGAPROMET, BUDVA

SUCCESSFUL Family Story



*REALISTICALLY SET GOALS AND PROPERLY
PLANNED ACTIONS HAVE LED TO SUCCESS*

We believe that we still have something new and high-quality to offer Budva and its citizens and guests, and we hope they also recognise our commitment to the city in which we live and work

■ **Budva-based Megapromet represents an excellent example of a family business. What's the recipe for the success you've achieved?**

- Yes, it can be said that Megapromet developed with the idea of becoming a family business, which is what it is today. The family has been fully engaged in all aspects of operations from the very beginning, and has endeavoured to transfer to workers the values that we nurture in the company today and which form the basis of our operations. Although we already exceed the framework of a family business in organisational terms, our family members still occupy responsible positions and manage the business today.

The basic recipe for achieving success is great dedication to work and great effort, work and engagement in all aspects of operations. Likewise, realistically setting goals and properly planning actions for achieving the goals set have led to the success that our family can boast of achieving. Certainly, in achieving this success, all of our employees – both present and former – played their part through their work, and for that we are eternally grateful to them. There is certainly still also a desire to further improve operations.

■ **For now you're orientated towards Budva. Do you plan to expand to other Montenegrin cities?**

- For now we're focused exclusively on our own city. We believe that we still have something new and high-quality to offer Budva and its citizens and guests, and we hope they also recognise our commitment to the city in which we live and work. ■



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We Must Work EVEN BETTER



In the period ahead, the Government of Montenegro will be focused on simplifying the registration of companies, easing access to electricity connections, improving efficiency in the issuance of construction permits and improving fiscal and parafiscal charges

BOJANA BOŠKOVIĆ PH.D.

DIRECTOR GENERAL OF THE DIRECTORATE FOR FINANCIAL SYSTEM AND IMPROVEMENT OF THE BUSINESS ENVIRONMENT AT THE MONTENEGRIN MINISTRY OF FINANCE

The new World Bank Ease of Doing Business Report ranks Montenegro in 50th place on the list of 190 ranked countries, thus marking a fall of eight places compared to last year's report. This prompted us to ask Bojana Bošković Ph.D., Director General of the Directorate for Financial System and Improvement of the Business Environment at the Ministry of Finance of Montenegro, how such results emerged and what the government intends to do to correct them.

"This year's poorer ranking, as well as the fact that reforms weren't recognised in a single area, should represent a justified warning to all departments included in the creating of the business environment," says Bošković. "However, it should be noted that this year's worse

ranking doesn't necessarily mean that the business environment in Montenegro has worsened. Although a poorer ranking was achieved in certain indicators, the number of points amassed didn't change significantly compared to last year. This actually emphasises the fact that other countries have improved their business environment via significant reforms, thus becoming more competitive, while for Montenegro the Report didn't acknowledge the reforms realised in the past year."

For example, Montenegro has implemented a significant reform in the area of issuing building permits, which encompasses reductions in the number of procedures and the shortening of deadlines for obtaining building permits. This regulatory change was not recognised in this year's edition of the Doing Business

report. "This is a common case in the first year following the adoption of new regulations, considering that the World Bank collects data from the private sector and, among other things, values the way new regulations are implemented in practise," explains our interlocutor.

"The focus of reforms in the period ahead should be in the area of registering companies, approving electricity connections, issuing building permits and improving fiscal and para-fiscal charges. Particular emphasis has been placed on the introduction of electronic systems aimed at competing administrative procedures faster and more efficiently."

■ **Which barriers was the project "No barriers! So Business Doesn't Wait" directed towards removing?**

GOALS

We're committed to improving administrative procedures and reducing administrative costs at the national and local levels

OBSTACLES

Small economies that rely predominantly on the sector of small and micro enterprises cannot allow themselves to be uncompetitive in the segment of procedures for business start-ups

PROGRESS

Montenegro has carried out a significant reform in the field of issuing building permits, which will probably be registered in the next World Bank report, provided application proves successful

- Within the scope of this project, we established the online platform www.bezbarijera.me, via which businesspeople can note the problems they face in their operations. Through this platform, the possibility is offered for interested parties with first-hand experience to recognise and report on the obstacles they face when launching a business or starting operations.

While some 124 obstacles were reported in the period until March 2016, in the period from April 2016 to March 2017 a total of 104 barriers were reported (25 of which were reported by women and 79 by men) that can be grouped into eight categories: i) Financial restrictions on launching and running a business (15); ii) Complicated and unclear procedures (10); iii) Inadequate inspection control (6); iv) Inadequate legal regulations (10); v) Inefficient administration (18); vi) Restrictions to operations (23); vii) The grey economy (10); viii) High taxes (12).

■ How active are local governments when it comes to removing barriers at the municipal level?

- As you are aware, Montenegro officially joined the programme Business Friendly Certification Southeast Europe (BFC SEE) at the 4th regional congress on favourable business environments, which was held in Podgorica on 9th May 2016, under the organisation of the Ministry of Finance of Montenegro and Serbia's NALED, and supported by the GIZ Open Regional Fund for the modernisation of municipal services.

The certification programme is an opportunity for local governments to improve the business climate in accordance with the best practises of the regions and countries of the European Union, as well as a chance to better position themselves on the investment map and improve their competitiveness.

The Government of Montenegro selected six municipalities to participate in the pilot project, in order to additionally motivate local administrations to successfully meet the criteria for obtaining a certificate that implies "management tailored to business". The City of Podgorica, alongside Tivat, Danilovgrad,

recently prepared the document "Fiscal Analysis at the National and Local Levels" and restored the currentness of this issue. The Ministry of Finance, under the scope of its policy of improving the business environment, prepared the document 'Fiscal Analysis at the Local Level', which was adopted by



This year's poorer ranking on the list of the Doing Business Index should represent a justified warning to all departments included in the creating of the business environment

Bijelo Polje, Žabljak and the capital of Cetinje are the first local governments in Montenegro to be included in this programme's pilot phase.

■ What is your stance on obliging companies to pay various utility fees that have also been deemed as a major financial obligation for companies?

- The specificity of utility and other charges at the local level, especially their range and number, have been in our focus for a number of years already. The Chamber of Commerce of Montenegro

the Government of Montenegro at its session of 5th December 2013.

This adopted document, with defined conclusions, was intended to represent the starting point for reforms to improve policies of fiscal charges at the local level. The document noted that a large number of small charges had been confirmed at the local level that are demanded by a large number of administrations in local administration fees, while complicated procedures make it more difficult for the business sector when it comes to pay them. On the other hand, the fiscal effects of these charges have only a

slightly positive impact on the budgets of local governments.

Activities are underway on preparations for the Law on Administrative Fees and the Law on Local Communal Fees, which should solve the problem of charges while respecting the fiscal stability of local self-governments.

■ **What is the task of the Government's Council for improving the business environment, regulatory and structural reforms when it comes to addressing these issues?**

- The Competitiveness Council pays special attention to activities that contribute to raising the competitiveness of the Montenegrin economy. In line with this, the efficiency of the administration and the costs and time required for administrative procedures have been recognised as important segments of the business environment, the improvement of which can contribute to creating a more favourable climate for investors. The existence of para-fiscal charges that are faced by investors, non-transparent procedures with unclear preceding steps required for the realisation of a job, or the obtaining of some kind of state approval, especially in the part of pro-

competitiveness and innovativeness of Montenegro through policies of sustainable economic growth”, developed the portal eRegulations Montenegro, within which current administrative procedures in Montenegro have been mapped.

The eRegulations Montenegro portal was presented in April 2018 at the Global Entrepreneurship Congress in Istanbul,



- Within the scope of support to the development of entrepreneurship, a number of programmes are currently being implemented through the departments of the Ministry of Economy and the Secretariat for Developmental Projects, as well as through the support provided to the agricultural sector by the Ministry of Agriculture and Rural Development.

Here, of course, the credit support of the Investment and Development Fund of Montenegro is particularly important, through the programmes of which support to the economy has been present for years.

■ **What are your further plans?**

- Administrative costs have proven to be an additional challenge to the operations of companies, especially small and micro enterprises. Analyses show that if the state or local community imposes an administrative fee of one euro, that represents three euros of liabilities for medium-sized enterprises and as much as five euros for small and micro enterprises. In the context of this, we must be particularly cautious regarding the introduction of additional administrative burdens.

The Ministry of Finance endeavours, along with colleagues from other ministries, to continuously improve the quality of analyses of the effects of regulations, or the so-called RIA (Regulatory Impact Assessment). These are analyses that monitor new regulations and are aimed at highlighting the ramifications of introducing new regulations. In this context, through better prepared RIAs by proponents of regulations at both the national and local levels, we hope that potential new administrative burdens will be more visible.

What this year's Doing Business report showed is that Montenegro is ranked 90th among 190 countries in the segment of company registration. I believe that a small economy that relies predominantly on the sector of small and micro enterprises cannot allow itself to be uncompetitive in the segment of procedures for business start-ups. That's why I believe that we will, with the support of the Ministry of Economy and the Tax Administration, improve the process of registering companies through its simplification and acceleration. ■

Activities are underway on preparations for the Law on Administrative Fees and the Law on Local Communal Fees, which should solve the problem of charges while respecting the fiscal stability of local self-governments

cedures realised at the level of local self-governments, are in the focus of the Council's attention.

■ **Montenegro was recently awarded in Geneva for its contribution to increasing transparency and simplifying administrative procedures, within the framework of the World Investment Forum. What was the decisive factor that impacted on the Forum's decision and how is this award important?**

- To our satisfaction, the Ministry of Finance of Montenegro and the United Nations Conference on Trade and Development (UNCTAD), within the scope of the project “Strengthening the

within the panel debate “Better and faster business registration”, after which it was recognised by the Global Entrepreneurship Network (GEN) and ranked by the Global Enterprise Registration Portal - GER.co, where it achieved maximum ratings according to all criteria.

That's precisely why Montenegro received the award for its contribution to increasing transparency and simplifying administrative procedures, under the framework of the World Investment Forum in Geneva. The business community in Montenegro has already recognised the advantages of the eRegulations platform.

■ **How favourable to development is the financial environment?**

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We Have Reasons TO BE OPTIMISTIC



The Foreign Investors Council welcomes the efforts exerted by the Government aimed at improving the investment climate. We are particularly pleased by the government's commitment to eliminating obstacles hindering the strengthening of the business environment and improving the efficiency of state and local administration

CHRISTOPH SCHÖN

MFIC PRESIDENT

The Foreign Investors Council has for years had good and productive cooperation with the Government of Montenegro. Although there is plenty of room to improve some policies, the Montenegrin Government, in the opinion of our interlocutor, MFIC President Christoph Schön, works continuously to create the conditions for sustainable economic growth.

■ **In your opinion, how has Montenegro fared during this year, which was still a little tough in a macroeconomic sense?**

- With the implementing of established fiscal policy measures, support for the

strengthening of economic activities and the further fostering of competitiveness, the Government of Montenegro has ensured that Montenegro is on the right path to achieving sustainable and inclusive growth, so we wouldn't describe this year as "tough". Observed quarterly, a particularly encouraging fact is the continuous growth of gross domestic product in 2018, which gives us a signal to be optimistic when it comes to the year ahead.

■ **Is fiscal policy accompanied by sufficiently rigorous incentives that would ensure more robust economic growth?**

- An effective fiscal policy based on the principles of competitiveness pro-

vides the basis for continuous economic growth. Considering that the Government of Montenegro's priority is to ensure fiscal stability and increase budget revenues, while reducing current spending and public debt, we consider that the implementation of fiscal policy measures will ultimately have a positive impact on long-term economic growth.

The Foreign Investors Council particularly welcomes the efforts exerted by the Government aimed at improving the investment climate, with special attention being paid to eliminating obstacles to the strengthening of the business environment via improvements to the efficiency of the state and local administration, through reductions in the

costs of administrative procedures and simplifying them, as well as shortening the time required for their completion, but also through the reform of key sectors that have stagnated for a long time.

■ **What has changed in this domain in relation to the recommendations of the last White Book? Are the reforms announced and launched in the education, spatial planning and construction sectors, as well as fiscal consolidation and the Labour Law, on the right track?**

- The latest edition of the White Book identified several key areas that have represented the focus of the attention of the Council for several years: the rule of law, the labour market – primarily through the Draft Labour Law, the grey market and inspections, taxation, corporate governance, real estate development, human resources capital etc. These categories are recognised year after year as priorities and require a systematic approach and a reform agenda.

We should certainly note the draft of the new Labour Law, the latest version of which – in the opinion of investors and the entire private sector – still doesn't promote flexibility and labour mobility, and in that sense doesn't differentiate between high-quality and low-quality personnel. The final version of the Law

activities. Increasing the productivity of a workforce that has the knowledge and skills essential for employers will ultimately impact positively on both their productivity and GDP growth.

With the adoption of the new Law on Spatial Planning and Real Estate Construction in October 2017, a new

Cooperation between the Foreign Investors Council and the Government is productive, and understanding and support exists for reducing and ultimately eliminating barriers to doing business

can have a significant impact on the overall business environment, and the expectations of the private sector are that the provisions prescribed by this law will be further improved.

When it comes to reforms implemented in the education sector, our opinion is that it is necessary to further develop professional qualifications and prepare education curricula in cooperation with employers, on the basis of real market needs and developmental

concept of construction was introduced without the obligation of procuring construction permits, though we will only be able to feel its effects after the full implementation of amendments to the law.

Finally, a public debate is underway on the Law on Fiscalisation and, considering the general practise in the home countries of most investors who are members of the Council, we are of the opinion that this process is very

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important and can impact significantly on reducing the volume of the grey economy and increasing the efficiency of the Tax Administration. The members of the Council are ready – through the relating of their experiences from their countries of origin – to contribute to making the final solutions of the law as good and easy to implement as possible.

■ **The Prime Minister announced at the beginning of the year that the government would look at the possibilities of reducing the tax burden on labour. In your opinion, how important is this as a tangible factor for companies operating in Montenegro?**

- Regardless of the significant reduction in the tax burden on labour costs in Montenegro during the previous period, that burden remains significantly higher than the average among OECD countries, and higher than in most countries of the region. This is certainly recognised in both the private and public sectors, so an initiative has already been launched among representatives of the private sector and the academic community to re-examine the existing fiscal burden in order to find a model that would reduce contributions without

Combating the grey economy requires a decisive reaction from the relevant institutions and is an important factor for a fair market competition, while a competitive tax system and efficient tax administration are always among the most important factors when it comes to evaluating a country's business environment.

with the Chamber of Commerce of Montenegro, which represents one of the main pillars of public-private dialogue in the country, is of exceptional importance. When associations are ready to cooperate and when they consider the needs of their members, it is very simple to define joint projects, goals and priorities. This type of cooperation



In all of our reports, the “rule of law” is recognised as the most challenging prerequisite for the development of business operations

jeopardising public finances and the planned revenues of the State Budget.

■ **Which other factors determine the overall investment climate?**

- The “investment climate” implies a very broad concept, a set of conditions, i.e. prerequisites that impact on operations and which significantly contribute to or limit the successful realisation of investments. In all of our reports, the “rule of law” is recognised as the most challenging prerequisite for the development of business operations. A “predictable business environment”, which implies the transparency of the activities of state bodies, is also an important factor.

In the end, timely and open dialogue between the public and private sectors aimed at understanding and recognising common interests, and then individual ones, is key to a stimulating business environment that results in economic development and a better standard of living for citizens.

■ **How much did the unification of forces with the Chamber of Commerce of Montenegro bring you in terms of exchanges of experience and the formulation of joint requests of business?**

- The Council's cooperation with associations that represent the private sector, and in particular cooperation

between the Council and the Chamber of Commerce of Montenegro is being implemented successfully and we are ready to improve it further.

■ **How would you evaluate the situation in the banking sector? How does it influence the results of your bank's operations?**

- The banking sector in Montenegro is stable, with positive trends such as liquidity growth and a reduction in NPLs, but still with major variations within the sector. It is obvious that there is harmonisation with the practices applied in EU countries and countries in the euro zone, and that simultaneously implies the capacity building of both commercial banks and regulators. One of the important challenges we are facing is certainly digital transformation, as well as the process of further aligning with European regulations. ■

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Unleash The Montenegrin PEOPLE'S POTENTIAL



There is a long list of issues that the Government of Montenegro should address, and many of them will be quite challenging, but there are no shortcuts or simple solutions to ensuring sustainable and inclusive growth and creating more and better jobs. We are confident that the Government has recognised this and is committed to these objectives

EMANUEL SALINAS

WORLD BANK COUNTRY MANAGER FOR
BOSNIA-HERZEGOVINA AND MONTENEGRO

We spoke with Emanuel Salinas, World Bank Country Manager for Montenegro, about the prospects of current reforms and possible obstacles in the process of implementing them.

■ **What are the key challenges confronting the Government of Montenegro when it comes to maintaining macroeconomic stability and sustainable growth?**

- First, the government must continue implementing the fiscal consolidation plan (increase revenues, but more importantly, reduce expenditures) to contain the growing public debt and create fiscal space to address the development challenges of the country and mitigate risks.

This is especially important given Montenegro's high dependence on external financing while there is a risk of tighter financing conditions at international capital markets in the future.

Second, Montenegro must continue with reforms aimed at strengthening growth and unleashing job creation in the private sector. How can this be done? Well, first of all, let's make it easier for entrepreneurs to create new firms and for existing firms to grow. This requires eliminating unnecessary regulatory obstacles to firms, reducing red tape and strengthening competition to ensure that nobody benefits unfairly from special treatment. Secondly, we also need to boost innovation and entrepreneurship and improve access to finance. It will also be important to at-

tract foreign investment that can bring in more and better jobs and can strengthen the potential of the country to export.

And, most importantly, we need to unleash the potential of the Montenegrin people. Unemployment is very high, especially among the youth, and there is a high proportion of people that are inactive altogether (those that don't have a job and are not looking for one). This is an enormous loss of potential and talent that the country simply cannot afford. We also need to get to a stage where people aspire to work in the private sector or set up their own business, rather than aspiring to have a job in the government. This requires a change in mindset, but it can be done, as we have seen in other countries in Europe.

■ **What are your recommendations for the continuation of fiscal consolidation?**

- So far, consolidation measures have been focused more on increasing revenues. Going forward, it is critical that the government focuses on controlling public expenditures and improving efficiency in the way resources are spent.

It will also be important to have better medium-term planning of revenues and expenditures to enhance budget predictability and more efficient use of public money.

■ **How will the results of these measures impact on Montenegro's borrowing capacity?**

- The borrowing capacity of a government is assessed in the same way than that of an individual: how much money she/he makes versus how much money she/he spends. A track record of making sound financial decisions and spending wisely helps lenders to have confidence that borrowers will be able to repay their debts. Consistency in behavior gives assurances to lenders, and inconsistencies,

even small ones can eradicate a long track record of good decisions. As the saying goes, trust arrives by foot (i.e. very slowly) but leaves in a Ferrari (i.e. very, very fast).

Results achieved under the fiscal consolidation program 2017-2018 were an important positive signal to the financial markets and helped to improve the credit rating of Montenegro. This has allowed easier access to capital markets for regular refinancing of liabilities that were coming due in 2018 and 2019-2021. It's essential to maintain these positive signals. Reversing policy reforms, as was the case with the policies on excise taxes may adversely impact market confidence.

■ **When, and under which conditions, could we expect major investments in infrastructure to become a driver of economic growth?**

- Montenegro's economy grew by 4.7 per cent in 2017, the highest in the Western

Balkan region. The growth was mainly driven by an accelerated highway construction, consumption and a good tourism season. So, the major investments in infrastructure, mainly the construction of the motorway, investments in energy and tourism sectors are already strong drivers of growth in Montenegro.

However, as investments slow down, there is a high risk that economic growth will also decrease. To prevent that Montenegro needs to shift to growth driven by the private sector and exports. This will require increasing productivity by improving business environment, improving production process and enhancing quality.



administrative obstacles they face; b) acting on the views of the private sector, implementing changes to improve government services; c) making regulatory agencies accountable and client oriented; d) ensuring consistent application of laws and regulations across the country; and e) ensuring competition so that nobody benefits unfairly from political connections or any other source of influence.

■ **In which segments of reform does the World Bank support the work of the Government – both financially and in terms of expertise?**

- We work with the Government of Montenegro across a wide range of issues.

Part of our work is on supporting the Government's efforts to stabilize public debt and reduce the financing risks that the country faces. But beyond that at the present time we are working to improve the competitiveness of agriculture and fisheries; we have retrofitted 49 buildings within 25 schools and hospitals with better insulation, lighting and heating and this has saved a lot of money in energy, but most importantly, it has provided better condi-

More participation of the private sector in investment in infrastructure through Public Private Partnerships and concessions, will help to reduce Government spending and it can translate into higher quality of public services

■ **Which additional measures are essential to improving the environment for doing business and increasing private sector efficiency?**

- A good business environment is one where a) people does not waste and money time dealing with unnecessary administrative burden and red tape; and b) authorities recognize that they are there to serve entrepreneurs and not the other way around.

Countries that have been successful in improving their business environment have in common a number of traits: a) listening to the private sector with the true intention of understanding what

tions for 80,000 school children and patients. In Education, we are working to enhance the quality of university degrees, to enhance research and to support the development of new technologies, processes – all very important for Montenegro's competitiveness, economic growth and jobs creation. On environment we are working to clean hazardous industrial waste from Bjela, Pljevlja and Gradac, which is critical to reduce risks to the population and improve the environment.

We are also providing assistance to reduce unemployment and enhance the labor market and improve health sector. ■

Strengthening Social And **ECONOMIC DEVELOPMENT**



The economy of Montenegro advanced 4.9 per cent year-on-year in the second quarter of 2018, following 4.5 per cent growth in the previous period. It was the strongest pace of expansion since the three months to June 2017. The average annual GDP growth rate in Montenegro was 2.72 per cent from 2001 until 2018, reaching an all time high of 10.70 per cent in the fourth quarter of 2007 and a record low of -5.7 per cent in the fourth quarter of 2009

its social and economic development, strengthened its position as the most economically developed country in the Western Balkans, and shown itself to be a safe, politically stable and economically sustainable country with the potential to grow rapidly.

The security and prosperity of Montenegro have created preconditions for future integration into the European Union, with accession negotiations having begun in June 2012.

Current developments in the economy point to the recovery of economic activity since the second quarter of 2016, underpinned by intensifying investment in large infrastructure, tourism and energy

Since the restoration of its independence in 2006, Montenegro has made a serious step forward in

projects. Under the conditions of the global economic crisis, programmes for eliminating barriers to the development of new investment projects and the creation of a more favourable business environment have become crucial. In this respect, the business environment in Montenegro has improved significantly with the adopting of new laws aligned with EU regulations and the implementing of institutional reforms in the fiscal system and the financial sector. The country's economic policy is focused on increasing the economy's competitiveness, with the implementation of structural reforms and the development of infrastructure, aimed at creating conditions for a greater inflow of domestic and foreign investments.

According to the 2016-2019 projections for Montenegro, real GDP growth is expected to reach 4.4% in 2017, 3.9% in 2018 and 1.8% in 2019. It is estimated that Montenegro's economy will grow until 2019, due to the growth of investment activities and the engagement of domestic resources, primarily in the construction and

from the agricultural sector, as a factor of substitution for food imports and increased exports.

Owing to the economic growth, employment will gradually increase (on average one percentage point per annum), and the 2% growth in salaries, on average, is expected in the period 2017-2019. The unemployment rate is expected to fall



2017. The balance sheet of banks grew by 10% in 2017, while the growth of total loans and deposits was 14.1% and 10.9% respectively. The aggregate financial result of banks' performances was positive and significantly higher than in the previous year.

With regard to capital adequacy, capital grew by 7.9% in 2017. The aggregate solvency ratio was 16.8%, which was above the statutory minimum of 10%.

The progress in improving the quality of the loan portfolio and reducing non-performing loans (NPLs) has been noticeable over a long period of time. Total NPLs, as well as their share in total loans, have been declining in recent years. The NPL ratio fell from 25.9% in August 2011, to 10.29% at the end

According to the 2016-2019 projections for Montenegro, real GDP growth is expected to reach 4.4% in 2017, 3.9% in 2018 and 1.8% in 2019. It is estimated that Montenegro's economy will grow up until 2019 due to the growth of investment activities and the engagement of domestic resources, primarily in the construction and transport sector



transport sectors. The strong contribution of the construction sector will be boosted by domestic companies involved in road building, as well as the construction of new tourist and energy facilities. Positive contributions are also expected

from 19.4% in 2016 to 16.6% in 2019. Fifteen banks operate in Montenegro and the banking sector is stable and adequately capitalised. The stability of the sector was reflected in the growth of all key business indicators in the system during

of 2016. During 2017, the NPL ratio fell further, to 7% by year's end.

The preservation of financial stability in an open economy, integrated into the international environment, is a continuous challenge for the banking system and regulators, and applies to all segments of the financial system, and financial infrastructure, and their participants. The Montenegrin economy and banking sector are not isolated from domestic risks, nor from the transfer and materialisation of international risks and uncertainties. Consequently, the country's policy is focused on a proactive approach and preventative action in communication and control of banks, as well as in the creation of a regulatory environment in accordance with the implementation of international standards and sound banking practises. ■

Montenegrin Contemporary ART

The Montenegrin Art Gallery was founded in Cetinje in 1950. As the oldest and most respected institution, its task is: to study the development of fine arts; to collect, keep and exhibit pieces of artistic value; and, through an adequate selection of works, offer the most comprehensive overview of the most significant achievements in fine arts



BRANKO FILIPOVIC - FILO: RED SPACE

The Montenegrin Collection is the biggest collection of the Art Museum. In the permanent exhibition of the National Gallery it is presented by the works created in the period from the end of the nineteenth century to the eighties of the twentieth century. This collection represents testimony to the history of fine arts and the creative achievements of artists who built their own works into the developmental lines of Montenegrin fine arts. The second half of the twentieth century in Montenegro saw the eruption of the "awakened fine art expression". In accordance with their temperament these artists created a special kind of poetics compared to the European: this poetics was born as a reflection of the

primeval bond with the grand nature of Montenegrin space and the heroic epic of the Montenegrin people that opened to them the door of the world of a collected spirituality coming from the most distant spheres of the liberated subconscious and dream. This led to the pluralism of artistic expression ranging from expressionism, intimism, poetic realism, surrealism, modern classicism and romanticism, to the associative and abstract forms of expression, which unavoidably reflected

the architecture of the composition, drawing and mass. "Light, forms, colours, lines and proportions" emerged as fundamental problems that he dealt with to the end of his life. The Art Museum of Montenegro owns a significant collection of artistic pieces through which we may gain an insight into the wealth and diversity of his painting oeuvre that may be followed from the earliest preserved work "Hens" (1910/11). His early paintings created in the period from 1910 to 1918 reveal

Dado Đuric belongs to the pleiad of the greatest contemporary painters of the surrealist sensibility and the greatest world visionaries from the domain of the fantasy terrible; with his rich imagination and a superb technique he opened the door to the impossible

on the presentation of their works..

Starting from the respect for European classic painting, Milo Milunovic created work of exceptional value as an independent, harmonious and unique aesthetic phenomenon realized on the principles of

the spontaneity of his artistic expression through impressionistic, pointillist and expressionistic explorations. During his long stay in Paris (1926 - 1932) his original neo-classicist rigidity disappeared.

The artist abandoned the figure and

predominantly painted interiors, still life and landscapes. After 1946 Milunovic "became entirely personal". That was when his last "Mediterranean phase" commenced. Without disturbing the peace of modern classicism, he introduced the expressive play of sharp lines and the colouring which represents the "mental heliotropism", the need to purify and impregnate the sun, as the source of light and life, by his fire.

The presented works of Petar Lubarda in the National Gallery emphasize the artis-

the darkness like light directed to the night of the subconscious, "We always struggle with some darkness striving to illuminate it," said Lubarda

As an artist, Filo was formed in the atmosphere of the poetics of Art Informel during the second half of the fifties, although neither then nor later was he a slave to some rigid ideas or language and stylistic doctrines. On the contrary, the position he took in relation to the basic language patterns was one of freedom

and blue harmonies (particularly in the "Venetian" exhibition) lit by the baroque light glowing out of the paintings as an inherent element of the colour itself, which contributes to the general bustle and dynamics of the image

Dado Đuric belongs to the pleiad of the greatest contemporary painters of the surrealist sensibility and the greatest world visionaries from the domain of the fantasy terrible; with his rich imagination and a superb technique he opened



DADO DJURIC: MONSTER BRAINS



MILO MILUNOVIC: SVETI STEFAN

tic value of his painting oeuvre, as well as the power of his spirituality which leaves an essential imprint on the Montenegrin existential and spiritual national being in an impressive way. The paintings he exhibited at the anthological exhibition in Belgrade in 1951 represented a turning-point in the development of modern Yugoslav art. The themes he used for his painting visions were large compositions of battles from national history and the rocky Montenegrin landscape. The paintings "Night in Montenegro", 1951, and "Between Day and Night", 1955, represent the masterpieces of Lubarda's painting. The white surface of the Mediterranean karst was his permanent inspiration. He departed from all that had been seen and experienced adding a completely new dimension to it. He turned to the world of the unconscious and dream – the world of symbols. Lubarda's painting as the description of reality transposed into the language of rhythm, line and colour, and the symbols of day and night, good and evil, the psychological war of conscious and unconscious, stress Lubarda's power to express his mythic visions in the most virtuoso manner, the visions that penetrate



PETAR LUBARDA: NIGHT IN MONTENEGRO

and, paradoxically, the freedom itself may have been the main reason why there were no radical turns, cuts or censoring in his creation, but it was strictly marked with the signs of continuity, the features of a consistent artistic attitude. Unlike the paintings created in the period of Art Informel, which strived for the monochrome (black, white, dark brown), Filo's paintings after 1970 are emphatically turned to colour, and it appears that the best samples are those of the big format, created towards the end of the eighties and in the nineties. These paintings are in fact powerful, coloured bodies emitting energy, dominated by red

the door to the impossible. Viewed as a whole, Dado's work represent the final and sacrosanct resort of his search for the existential essence. It depicts the world of decomposition and decay, coming across as an apocalyptic vision, the counterpart to the gruesome and grisly reality entailed by modern civilization. In his drawings, paintings, graphics, and in more recent time in sculpture and assemblage, he reveals the world of the continual mystic dialogue between our consciousness and conscience, and revives the cataclysmic visions and somnambulist and ghostly bestiary of amorphous and anthropomorphic mutations. While Montenegro to him is a fundamental principle of his own identity, love for nature as a universal category, for music and poetry, represents his own choice, the sense in the search for the essence of one's own integrity. From Jaspers, Ponty and Hidegard he took over the concept of the decay and degeneration of the spirit, the general senselessness of human survival, starting from être en soi, from the matter that is "something massive, heavy, intensive, soggy and invasive that strives to level, swallow and integrate everything that is". ■

Natural & Man-Made WONDERS



LADY OF THE ROCKS BOKA BAY

Highlands from heroic tales, pretty golden bays overlooking the royal blue of the Adriatic, antique Venetian villages and UNESCO walled cities. Montenegro might be small, but this gorgeous land has a huge array of natural and man-made wonders

Once overlooked in favor of more well-known Mediterranean nations, Montenegro is fast gaining a reputation as a great place to travel. It's easy to see why.

Mountainous hinterland nestles deep canyons, gushing rivers, glacial lakes and primeval forest, popular for adventure activity. The serpentine coast skirts glistening ports, from palazzo-embellished Perast in UNESCO-protected Bay of Kotor, to Tivat, a swanky super yacht marina.

BUDVA

Beaches, glitz and history blend in equal measure in the most-visited destination in Montenegro. Budva Riviera is a playground of shiny super-yachts and pulsating nightlife. By day, it's glamor at the beaches. Jaz beach is effervescent during Sea Dance Festival in summer.

HERCEG NOVI

The fortified city acts as gatekeeper to the Unesco Bay of Kotor, Montenegro's

crowning glory. Stari Grad's soul-stirring feat of enchanting churches and centuries-aged fortresses is given new lease of life by buzzing cafes, restaurants and bars.

LAKE SKADAR

Lesser-known and a true Montenegrin highlight, Skadar forms the largest freshwater lake in the Balkans, straddling Montenegro and Albania. The former summer residence of the Montenegrin royal family is a wildlife wilderness and birder's paradise, comprising rolling green Karst mountains, floral fields and lily-strewn lakeshores.

TARA CANYON

A 150 meter-high bridge on the Tara River is widely known as one of the most beautiful in the world. Clad in dense pine forests and clear lakes, the 82-kilometer

canyon is one of the world's deepest and largest, splicing the mountains of Durmitor National Park, a UNESCO World Heritage Site.

DURMITOR

Created by glaciers and crisscrossed by underground streams and rivers, the Durmitor National Park limestone massif spans 39,000 acres across north-western Montenegro and Bosnia & Herzegovina.

KOTOR

Kotor Old Town, a UNESCO World Heritage site, is a living breathing museum. The rabbit warren Old Town is a showcase of crumbling churches,



BOKA BAY



CHURCH OF ST. LUKA KOTOR



HERCEG NOVI TOWN

Venetian-inspired architecture where the palazzo of wealthy seamen dot the shores.

NJEGOŠ MAUSOLEUM

Located in the rocky Dinara Alps, on the second highest peak 1,675m above sea level, the park is home to the mausoleum of former Montenegrin ruler Petar II Petrović-Njegoš.

OSTROG MONASTERY

Carved into a sheer vertical cliff, the piercing white Ostrog Monastery is a sacred pilgrimage for Orthodox Christians and entire gamut of religions. The incredulous feat of architecture is surrounded by bountiful scenery of the rolling Zeta valley.

SVETI STEFAN

Sveti Stefan island graces global magazine covers. It's easy to see why. A red-roofed tangle of irregularly shaped

whitewashed stone villas is suspended above turquoise sea, linked to a pink-sand beach by a jetty.

PERAST

This eye-catching stone town of Perast is a photogenic marvel of palazzos, exquisite from every angle.

CETINJE

The honorary capital of Montenegro is charming in its authenticity. It's a short drive in from the coast at Budva to the 15th century former royal capital and cradle of Montenegrin culture.

ISLAND CHURCHES, KOTOR

Seen from any panorama across the Bay of Kotor, two showstopper islands drift off the coast of Perast. The lush 9th-century Benedictine abbey of Sveti Djordje or St George, clad in elegant cy-

press trees, and 15th-century Our Lady of the Rocks church are photogenic visuals.

LUŠTICA BAY

A brand new town is being built on the coast of Montenegro. Situated on Luštica peninsula in the northwestern bay of Trašte, it's a show of emerald Adriatic seas backed by jade mountains.

PORTO MONTENEGRO

The youngest kid on the tourist scene is a stark contrast to the ancient fishing villages of the Bay of Kotor.

ULCINJ

The southernmost town of Ulcinj, near the Albanian border, offers a unique Eastern feel owing to its former Ottoman control. At the fall of the Ottoman navy, Ulcinj became a notorious pirate lair. Today, the town is a curious mix of mosques, minarets and prominent nudist beach. ■



PEARLS

Of Montenegrin Mountains

Katuns are temporary farmers' settlements in the mountains, located at the high altitudes where herders move with their grazing cattle in the summer months. The tradition of utilising katuns goes back a long way, and this nomadic life has throughout history dictated a specific culture and customs specific to katuns. These traditional, seasonal settlements are rare to find nowadays. They are located high in the mountains, close to many mountain hiking and cycling trails

Katuns developed as an essential factor of cattle breeding and the need of herders to feed their cattle. And cattle breeding has always been the basic economic activity of the population in rural, mountainous parts of Montenegro. The most important areas related to the movements of herders in Montenegro are Prokletiije, Pester, Komovi, Kucke mountains, Durmitor and Sinjajevina.



Katuns were first mentioned in historical documents during the 12th century, but archaeological sites found high in the Dinaric Alps testify to the fact that herders lived there since the time when hunter-gatherers first became livestock breeders, and livestock movements over the mountains in various periods of history weren't interrupted by Roman, Slavic, Venetian, Turkish or any other colonisation. Although cattle breeding in these areas was

not technologically developed, family wealth was reflected in the size of the herd, and practically all rural families kept cattle. A lack of their own pastures for grazing compelled herders to move their herds towards higher mountainous regions, usually starting in May and continuing until the first snowfall. The pastures in villages were used for the collection of hay to feed their cattle during winter. However, a far greater number of local residents were cat-

tle farmers during those times, and the need for quality grazing was far greater. As such, katuns were jealously guarded and defended, with real battles actually fought over pasture lands. Around many katuns in Montenegro you can still find old headstones that testify to the importance of pasturelands and katuns during those times. And another fact goes confirms this – with those clans that were particularly successful in certain country battles being awarded with pasturelands and katuns by the rulers of Montenegro in certain mountains that they've never previously used.

When forming katuns, people would choose sites sheltered from the wind, as summer storms in the mountains can be cruel and harsh. They would pick spots that have a source of water nearby, since water, just like pastureland, was worth as much as gold. If water was lacking, they would make snow wells – picking deep caves and filling them with snow during the winter, then in the summer they would slice and melt the snow to make water. Katun huts, which have different names in different parts of Montenegro – stan, glada, savardak, dubirog – were constructed near each other. This was primarily done as



a defensive structure, so that herders could better defend themselves together against unwanted people and wild animals. Practically entire whole villages would relocate to the mountains, with their entire social life temporarily moved to katuns, and out there, in completely new circumstances, the community would change and adapt, leading to the creation of entirely new customs and traditions.

The living conditions in katuns are completely different compared to rural areas. Katun shacks have no running water, no electricity and none of the infrastructure common to urban areas and villages. Dirt roads have today reached most of the katuns, but that's practically all the infrastructure that's available here. And the primary mission of katuns is to provide shelter for those taking care of livestock. These two conditions have shaped the overall way of life in katuns.

The movement of farmers to katuns occurs in spring, though the date differs from katun to katun, depending on altitude and veg-

etation. There is also something called a spring katun, situated at a slightly lower altitude, where the snow melts earlier and makes them accessible earlier. Some farmers

move twice – first to a spring katun and then to a real mountain katun at higher altitudes. Farmers from the same katun usually move there together and return to their villages



together. They go to katuns on foot, while some family members remain in the village in order to care for crop fields, orchards and meadows. Men usually go to katuns a few days

ahead of the rest of the family, to fix whatever the snow and winds have ruined. From the village they bring everything they need for a simple herders' life in a katun. And every family member has a role to play in the distribution of work. What they all have in common is incredible hospitality that is authentic and not trained, but rather natural and passed down from generation to generation.

A woman in a katun is called a 'planinka', which literally means mountain woman. She is the most important link in the life of the katun. Her role, like other family members, is closely related to cattle breeding, but she has an additional duty to care for the whole family. Every morning and every evening when the cows and sheep return from grazing, she has to milk them and then produce all kinds of dairy products that are made in katuns – cheese, curd (kajmak), sour milk (kisjelo mlijeko), jardum (a sheep's cheese speciality) and urda (whey cheese). This is serious work that must be repeated every day. In the meantime, she prepares meals for

the family and cares for the garden, as the family stays in the katun long enough to plant a garden for basic food. Potatoes grown in katuns are widely known for their taste. Women are also tasked with maintaining cleanliness and order in and around the shack. During the seasons of mushrooms or blueberries, after all her other work is done, she will often head to collect them, along with medicinal and aromatic herbs. If any time remains, she will spin wool and knit socks, vests and sweaters for the family members. The life of a woman in a katun is hard, with a lot of tough and tiring work, which is probably why fewer and fewer girls choose such a life, and more and more young village men remain unmarried.

The man in the katun usually deals with all the difficult tasks – collecting firewood, fixing and building sheep pens and huts, working with hay – but his key duty is herding. Sometimes his children will help with cows and sheep, but the fear of wild animals attacking ensures the shepherd is usually a grown man, who follows the herd



and traverses incredible distances each and every day. Sometimes the shepherd returns to his katun for lunch, but most often he takes his food with him and eats somewhere on the mountain, returning to the katun just before nightfall. The shepherd needs to be prepared for heat, mountain storms, wind and rain. He will also collect mushrooms and blueberries while following his herd. To pass the time, shepherds used to play the 'frula', a traditional type of flute that's played by shepherds in these parts, and this sound used to be very common in the mountains. However, this custom has almost been lost today. Upon his return to the katun – after making sure that his cattle have settled for the night – and after dinner, the shepherd sleeps in a mini hut just next to the sheep pen, in order to be as close to the herd as possible and to react swiftly in case a wolf



or bear shows up. It is interesting that every shepherd can clearly recognise each of his sheep, no matter how big his herd, and very often even names individual sheep.

There are ever fewer children in katuns today, because this tradition of relocating to katuns is mainly

practised by older people. However, their grandchildren do still often come to visit in summer, and there are still some young families with children present in katuns. The children also have their share of work in katuns, helping the adults care for animals and undertaking household chores.

Katuns in Montenegro are a real, living treasure troves of numerous customs and specific cultural elements and traditions preserved from olden times until today. The katun way of life has impacted, and still does so today, on a number of other areas, such as cuisine and leisure and entertainment activities. What is most interesting is the extremely intimate relationship and co-existence between man and nature, which is impossible to see in urban areas. It is this exposure to nature that prompted the emergence of certain habits and customs that are unique to katuns.

CUISINE

The remoteness of katuns and the inability of farmers to frequently stock up on groceries in villages has influenced katun gastronomy to ensure it centres around ingredients that are produced in katuns or can be collected in nature around them. In both cases, ingredients are high-quality, completely natural and unpolluted, which is a genuine rarity in the 21st century that gives this type of cuisine tremendous value.

Locals bring with them or regularly supply only wheat and corn flour, salt, oil, sugar and coffee. Cattle breeding means that families enjoy an abundance of dairy products, and it is these products that represent the backbone of most meals in katuns. Some famous dishes include Kačamak (a maize porridge with



potatoes and cheese), traditional corn bread (kukuruza), gotov or cicvara (melted cheese and cream cooked with corn flour), priganice (fried bread dough), beans or potato stew, while even simple boiled or roast potatoes with mountain cheese and cream has a special taste here. A home-made bread made from locally-produced flour that used to be baked directly on a hotplate and on embers, and which is today baked in the famous 'ciganac' fire-wood stove, is unusually tasty when served warm alongside cheese and cream, and is regularly cited by all guests who come from abroad. Even all the drinks here are home-made. Juices and liqueurs are made from pine cones, pine needles, elder tree flowers, wild strawberries, blueberries, raspberries and blackberries. Tea is never purchased, as locals collect various medicinal and aromatic herbs, dry them, mix them to their preference and prepare the perfect hot beverages.

Both shepherds and their wives are skilled in making beautiful things with their own hands. Women



generally work with wool, spinning the wool and knitting their famous woollen socks called 'bjelace', vests and sweaters, hats and scarves. These are the items most needed by the family members. And if there is enough time and skill, then they also crochet and embroider. At former times they would weave, producing carpets, blankets and woven bags called 'dzaklje' that can still be seen in the mountains, though it is rare for women to make them today. Men are generally skilled with wood, and in katuns they will often

tell you that they have built their shacks with their own hands. Some of them also make various other things, including wooden barrels used for cheese, wooden dishes for cream, the canes that are used by almost all shepherds, and sometimes even traditional flutes or gusle fiddles if they are really skilled. Even today you will often see shepherds in the meadows carving wood while they follow their herds. ■

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