



# MONTENEGRO

## COUNTRY REPORT

Edition 2019





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This publication is product of  
the Montenegrin Investment Promotion Agency (MIPA)



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**Dear Reader,**

Montenegro is a young country. We became independent in 2006. Montenegro is situated in Southeast Europe, and it is often called 'the Pearl of the Mediterranean'. This publication aims to bring closer the investment and culture climate of Montenegro.

On 2<sup>nd</sup> of December of 2015, NATO Foreign Ministers agreed to invite Montenegro to begin the process to become the twenty-ninth member of the NATO Alliance. Montenegro got independent in 2006, and this is the second most important day for Montenegro in recent history. Montenegro was the least developed country among 6 countries of the ex-Yugoslavia. Today, Montenegro is, by almost all of the economic parameters, most developed country in the whole region. . In June 2012, Montenegro has successfully initiated the negotiation process with the European Union. We have a straightforward way fulfilling accession requirements, which will enable Montenegro to build up itself in different fields. The country also became a full-fledged member of the World Trade Organization (WTO) in 2012.

'Montenegro' means 'Black Mountain'. The very name already associates to the wild beauty and secrets of nature hidden within it. You will not get disappointed. Once it comes into your sight, it will remain forever in your soul. You will see big and beautiful, with forest covered, mountains coming into the sea. As the legend says "When Pearls of Nature were sown, it was with a full hand that they were cast on this soil". Therefore - welcome to the country of dramatic beauty, healthy environment and hospitable people!

Montenegro is characterized by both political stability and multi-ethnic harmony. We are developing good relations with our neighbors, and we are also trying to promote the rule of law as much as possible. The concept of open market economy is bringing big and positive impulses to our country. Montenegro is a representative democracy and is ranked among the top 50 countries with Very High Human Development, according to the UN's Human Development Index.

With regard to the geographic comparative advantages of Montenegro, we would have to point out some of them. Montenegro is Mediterranean country with a very good strategic position. Actually, it is very good connected both to the other Mediterranean countries by sea and to the major European hubs. The beautiful coast of Montenegro is 294 km long. Mountainous northern region is not far away from the coast. In some months of the year, you can ski in the northern part and swim in the Adriatic sea in the same day. The longest beach is Velika Plaža, which comprises the area of 13,000 m. The highest peak is at Prokletije and it rises at 2,534m above the sea level. The largest Lake is Skadar Lake, which is 391 km<sup>2</sup> of surface area. The deepest canyon is Tara River Canyon, which is 1,300 m deep. Montenegro is famous for its Kotor bay, and it is also interesting to mention the fact that country has five extensive National parks. Montenegro is biological "hot spot" of European and world biodiversity. The Index of species per area unit of Montenegro is 0,837, which is the highest index recorded in all European countries.

According to Montenegro's economic freedom score is 60.5, making its economy the 92nd freest in the 2019 Index. And according to the Forbs list of the best countries for business Montenegro, it's 72th. Government of Montenegro is constantly devoted to

the improvement of business environment. Montenegro's economic freedom score is 64.3, making its economy the 68th freest in the 2018 Index.

Montenegro has the comparative advantages in tourism, agriculture and renewable energy sectors. Consequently, three strategic development points of the Government of Montenegro are oriented toward these sectors, and the promotion of foreign investments is going along with these three strategic areas. With regard to tourism, we currently have in process around ten projects only at the seaside which will bring, according to the latest estimates, more than 3 billion EUR of foreign capital to our country. This is only a reference to the coastal area of Montenegro, being also the mountainous north of the country, which is not very far from the sea, of great interest to investors. With regard to agriculture, every branch of it has the big potential for the development. We have achieved great results in last year in this sector, but there is still an enormous unexploited potential for the development of forestry, water engineering, organic food production, animal husbandry and fishery. With regard to renewable energy, the most important sources are hydropower, biomass, sunlight and wind power. Only 17% of theoretical hydropower potential of Montenegro has been used. New small hydro power plants are being constantly constructed in Montenegro, amounting to up to 10 MW. The Ministry of Economy is giving concessions for construction, exploitation, design and maintenance of small hydro power plants for the period of 30 years. There is also a big potential for the construction of wind farms in different locations.

We would like to use this opportunity to invite you to come to Montenegro. We are sure that you will not regret if you come to Montenegro as a tourist or as a person who wants to develop business.

Montenegrin Investment Promotion Agency (MIPA) is at your disposal for every question you have about Montenegro. Our job is to be at the service of the potential foreign investors, who can be a good partner for our country. We think that we can create a win-win situation, in which both the country and the foreign investor will gain from mutual cooperation

Yours Sincerely,

Mr Miloš Jovanović



Constitutional name	<b>Montenegro</b>
Location	<b>South Eastern Europe</b>
Geographic coordinates	<b>42° 30' N, 19° 18' E</b>
Time zone	<b>GMT + 1</b>
Climate	<b>Continental, Mediterranean and Mountainous</b>
Population	<b>622. 373 (2017)</b>
Area	<b>13,812 km²</b>
Territorial division	<b>24 municipalities</b>
Capital (population)	<b>Podgorica (197.589)</b>
Old Royal Capital (population)	<b>Cetinje (15.621)</b>
Political system	<b>Parliamentary Democracy</b>
President of the Republic	<b>Mr. Milo Djukanovic</b>
Prime minister	<b>Mr. Duško Markovic</b>
President of the Parliament	<b>Mr. Ivan Brajovic</b>
GDP (million €)	<b>4.594 (IVq 2018)</b>
Real GDP Growth Rate	<b>4,8% ( IVq 2018)</b>
GDP per capita	<b>€7.409 (2018)</b>
FDI (million €)	<b>€843,1 (2018)</b>
FDI per capita	<b>€ 1355 (2018)</b>
Unemployment rate	<b>15,1 % (IIIq 2018)</b>
Corporate tax	<b>Flat – 9%</b>
Personal Income tax	<b>9% with introduction of temporary tax rate of 15% applicable only on the salaries above the 480 EUR net</b>
VAT	<b>21%, 7% (tourism) and 0%</b>
Currency	<b>EUR</b>
Number of Airports	<b>2 (Podgorica and Tivat)</b>
Main port	<b>Port of Bar</b>
Visa regime	<b>None</b>

## Why Montenegro?

- On the borders of the old and new Europe;
- Accession negotiations between the European Union and Montenegro started on 29 June 2012;
- Montenegro became a full-fledged member of the World Trade Organization (WTO) on 29 April 2012;
- Montenegro is a member of the United Nations, the Organization for Economic Cooperation, the Council of Europe and the Union for the Mediterranean;
- Montenegro has received an invitation for full NATO membership
- Montenegro became a full member of NATO on 5th Jun 2017;
- Montenegro is one of the signatories of the CEFTA agreement since 2006;
- The Euro (EUR) has been official currency since 2001;
- Political stability;
- Developed telecommunication infrastructure;
- Reformed according to the EU legal framework for investment;
- One of the most competitive corporate tax regimes in Europe;
- A set of incentives established at national and local level, primarily in form of tax exemptions, for investments in the northern part of the country and in newly established business zones;
- Other investment incentives and subsidies given at local level in form of utility fees exemptions, favorable land rental/purchase price, reduction of property tax rate, construction of infrastructure facilities, etc.
- No restrictions on profit, dividend or interests;
- Land laws that give foreign investors equal status with locals, i.e. with full deeds and titles to land and real estate;
- Free access to EU markets and Russia;
- The quality and diversity of its natural and anthropological values give Montenegro a status of one of the most attractive tourist and permanent living destination.

# 1. At a Glance

## *Beauty in the heart of the Mediterranean*

In the very south of the big blueness of the Adriatic Sea, in the heart of the Balkan mountains, there exists Montenegro. Montenegro is a Mediterranean country, located in Southeast Europe on the Balkan Peninsula. It is bordered by Italy to the south (sea border), Croatia to the west, Bosnia and Herzegovina to the northwest, Serbia to the northeast, Kosovo to the east and Albania to the southeast. Montenegro occupies approximately 13,812 km<sup>2</sup>, and coast length is 293,5 km. The capital and largest city is Podgorica, while Cetinje represents the old royal capital and former seat of the monarchy.

Once it comes into your sight, it will remain forever in your soul. Numerous lakes in the very heart of Montenegro, surrounded by wild and virgin nature, covered by snow peaks of giant mountain masifs, wake up in a man something primordial and show the unbreakable relation of man with nature. From steep mountain of Durmitor there is a glance at the Bay of Boka Kotorska and the rest of Riviera, where the cities are stringed like necklaces – each of them a story for itself. It is like you entered into a glorious, solemn and tacit temple, which is based under the blueness arch.

Montenegro is the first ecologic state in the world (proclaimed in 1991), eagerly visited by tourist from all continents. Therefore - welcome to the country of dramatic beauty, healthy environment and hospitable people!

That is the reason why we refer to Montenegro as a country of beauty, some say wild beauty.

*Tiny and proud, Montenegro – “Black Mountain” – has something of the fairy tale about it. The land seems put together by magic. A cobalt-blue fjord, a dark tor, fishermen’s huts in a sunny cove, a rocky path disappearing into woods, palaces, a church in a cave, an island built on the wrecks of enemy boats – all stitched closely into patchwork, with a logic of its own.*

**The Telegraph online edition, June 2012,** <http://www.telegraph.co.uk/travel/destinations/europe/serbiaandmontenegro/9334433/Montenegro-land-of-fairy-tales.html>

*There is an old Montenegrin legend which says that God’s bag of gifts, containing gifts of nature, tore right above Montenegro, which is the reason that this small country has so many of nature’s attractions – mountains, lakes, forests, pastures, bays, coves, hidden beaches, and, of course, the Adriatic Sea.*

*White and gray limestone desert landscapes, also known as the “sea of stone”, hang over the sea coast. In the middle region lie the fertile Zeta and Bjelopavlicka plains, as well as a bird sanctuary at Lake Skadar. Look further and you will see the over 2,000-metre high mountain ranges with glorious summits, forests, spacious pastures, over forty lakes, clean and mighty rivers, and deep and mysterious canyons.*

**German & Montenegrin Economic Cooperation: Challenging Business Opportunity, August 2013,** <http://www.dailystar.co.uk/travel/adventure/548266/Go-for-it-Montenegro-its-full-monte>

*“I want to tell you something about Lovcen, about a beautiful Montenegrin hill. The first thing that emerges in front of you, that is it; the first spoken Montenegrin word is its name; the first step on the Montenegrin soil is the stone of the Lovcen mountain. Wherever you go, you can see it; it is a polar star for Montenegrins.*

**Jacques Cousteau**

*“Montenegro is the new magnet for people seeking picturesque villas on the Mediterranean.”*

**Forbes Magazine**

Romantic poet Lord Byron famously put it thus: *“At the moment of the creation of our planet, the most beautiful merging of land and sea occurred at the Montenegrin seaside”*.

Being a country full of natural wealth, Montenegro has five national parks: *Lovcen, Biogradska Gora, Durmitor, Lake Skadar and Prokletije* and several regional nature parks. Currently with 9.04% of its territory contained within national parks, Montenegro is a world leader.

Skadar basin is the biggest crypto depression on the Balkan Peninsula. Home to some of the most celebrated panoramas in a country known for its wild, natural beauty, Lake Skadar has been a protected National Park since 1983 and was added, in 1996, to the World’s List of Wetlands of International Importance by the Ramsar Convention. Many Montenegrins regard this area as their country’s heart and soul. It was here that the former Montenegrin royal family chose to summer, where Turkish invaders sought to conquer, and where some of the best wines and organic food in Montenegro can be found, cultivated by the local producers of Crmnica and Godinje valleys.

Rivers of Montenegro belong to the Black Sea and the Adriatic Sea basin. The longest river is Tara which is 141 km long and other long rivers are the Piva, Cehotina, Zeta, Moraca and Bojana.

Montenegro’s rich natural seaside offering includes the Bay of Kotor, Sveti Stefan and Ulcinj, each possessing its own unique splendor and beauty, representing a trademark of Montenegrin tourism.

*The Bay of Kotor* is the only fjord in this part of the world. It consists of four smaller bays: Herceg Novi, Kotor, Risan and Tivat. The uniqueness of its nature, along with the huge cultural heritage of Kotor and Risan, make the Bay of Kotor a unique place to visit. In fact, Risan is the ancient capital of Teuta, queen of the Illyrians, and Kotor is an old town that, thanks to its historical and cultural significance, has been protected by UNESCO as part of the world’s cultural heritage.



The Baroque town of Perast is probably the most beautiful little town in the Bay of Kotor. In the late 17th and early 18th centuries this town of narrow streets and beautiful palaces was home to a fleet of over 200 ships. Facing the town, there are the natural island of St George with a Benedictine monastery from 9th century and the artificial island of Our Lady of the Rocks made by pulling up rocks and sinking old ships around a small reef.



Located in the beautiful UNESCO protected Bay of Kotor, Porto Montenegro combines a spectacular destination with a world-class marina and services. Complemented by spacious waterside residences, signature restaurants, lively bars and a wide range of sports, leisure and cultural activities, the marina is an ideal superyacht homeport with berths ranging from 12m to 180m.

At the foot of the Lovcen mountain ridge, in one of the most exotic encounters of land and sea, stands the island of *Sveti Stefan*. As legend says, a fort was built on the island in 1442 when it was first settled. A fortified island village connected to the mainland by a narrow causeway, its photogenic jumble of 15th-century stone villas overlooks an impeccable pink-sand beach and tempting turquoise waters.

In the 1950s, the last residents of the village were resettled elsewhere and *Sveti Stefan* was transformed into a luxury town-hotel. It is the most exclusive resort on the Montenegrin coast. The world famous luxury brand „Aman-Resorts“ has given *Sveti Stefan* an additional specific sensibility over the last few years.

*Ulcinj* is a city famous for its tradition and tales about pirates. There is a legend that even the famous Miguel Cervantes was a prisoner of pirates in *Ulcinj*. Maybe he even wrote some of his books there. *Ulcinj* combines one of the most beautiful old towns and the longest beach on the Adriatic coast - *Velika plaza*, 13 km long, in one place. Bearing in mind that *Velika plaza*, along with *Ada Bojana*, the island created by the delta of the River *Bojana*, has still to be developed in order to exploit its huge potential, it is likely that *Ulcinj* will very soon become one of the hottest spots on the Mediterranean.



Bearing all this in mind, as well as the fact that all along the Montenegrin seaside there lie towns such as: *Budva*, the pearl of the Mediterranean, with its beautiful old town and splendid sandy beaches, along with a lot of ongoing and future investment projects; *Tivat*, which became a hotspot for mega-yachts thanks to the Porto Montenegro project; and other beautiful small towns and places, such as *Petrovac* and *Buljarica*, which have still to be fully exploited, it is clear that Montenegro has a very rich tourist draw.



*Mountain Lovćen* rises from the borders of the Adriatic basin, closing the long and twisting bays of Boka Bay and making up the hinterland of the coastal town of Kotor. The mountain has two imposing peaks, *Štirovnik* (1,749 m) and *Jezerški vrh* (1,657 m). There are 1,158 plant species on Lovćen, of which four are endemic. Lovcen National Park include the central and the highest part of the Lovcen mountain massif and covers an area of 62.20 km<sup>2</sup>. This Park is over 50 years old and in hearts of Monte-

negrins for centuries arise strong emotions.

*Biogradska gora* is located between the Rivers Tara and Lim, in the middle of Mt. Bjelasica. The park is 54 km<sup>2</sup> in area and surrounded by mountains whose peaks are over 2,000 m high. The thing that makes Biogradska gora unique is the 16 km<sup>2</sup> of virgin forest in which very heart lies Lake Biograd, the largest glacial lake in this national park. Biogradska gora is one of three remaining such forests in Europe and it has the character of a closely protected area. In fact it is under UNESCO protection as part of the “Man and Biosphere” programme. The park is renowned as a unique geomorphological region and as such is very attractive for scientific research. Although it is the smallest of four National Parks in Montenegro, National Park Biogradska Gora contains diversity of flora and fauna. There are 26 different habitats of plants with 220 different plants. 150 kinds of birds and 10 kinds of mammals live in this Park and in its forest there are 86 kinds of trees.

*Durmitor National Park.* The Park is located at wide mountain region in the northwestern part of Montenegro, surrounded by rivers Piva and Tara and there are 23 mountain tops over 2300 meters of altitude. Park is 39000 acres large and includes 82 kilometers of canyon of the Tara with altitude of 1600 meters above river level. Durmitor’s region is the most important part of Dinara mountain range, characterized by high peaks, abundant forests and deep gorges. Canyon of Tara is the largest in Europe and has over 1500 kinds of flora and 130 kinds of birds.

There are 17 glacier lakes in the Park and the highest top in Montenegro is Bobotov kuk (2522 m). Since 1980 Park and canyon of Tara are under protection of UNESCO. In



1977 canyon was proclaimed world ecological reserve. Seven zones of Park are among special protected areas. Because of large battle that took place in WWII in vicinity of Žabljak, there are eight historic monuments. Other historic places and monuments are scattered at the southern and northern parts of the Park. Although not finished yet, archeological exploration is showing traces of Mesolithic period.

*Lake Skadar*, with a surface area of between 370 and 530 km<sup>2</sup> (depending on the water level) is the largest lake on the Balkan Peninsula and the second largest in Europe. Two-thirds of the lake belongs to Montenegro. It has one of the largest bird reserves in Europe, with 270 bird species including pelicans, and thus popular with birdwatchers. In 1996, through the Ramsar Convention on Wetlands, Lake Skadar was included in the Ramsar List of Wetlands of International Importance. In addition, the level of the lake is 6 m below the surface of the Adriatic Sea.

The *Prokletije* mountain range was proclaimed Montenegro's fifth national park in 2009. Prokletije National Park covers an area of 166.3 km<sup>2</sup>. It has two natural reserves: Lake Hrid and Volusnica. Glacial activity made a deep impact on Prokletije, now considered one of the most glacial ranges in Europe, second only to the Alps. Prokletije is not only important within the Balkans, but is also a significant European and global centre of biodiversity. The Prokletije area is home to over 140 species of butterflies, making it Europe's richest area in butterflies. The locals called it "Prokletije" – "The Cursed Mountain" due to its wild, harsh climate and threats from bears, lynxes and wolves. The highest mountain peak in Montenegro is located at Prokletije (Zla kolata - 2,534 m high).



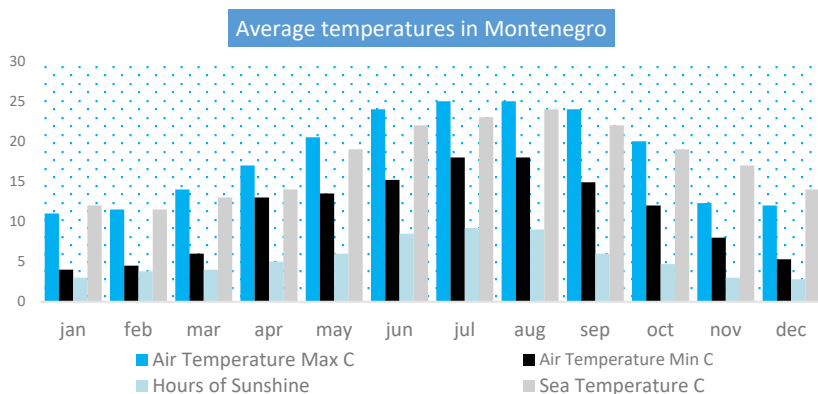
## 2. Climate

### *Diversity on a small surface area*

The geographical location of Montenegro, along with a diversity of natural wealth on a relatively small surface area, has given Montenegro various kinds of different climates with noticeable differences. Consequently, we have to distinguish the coast, the central plain and the mountainous area with respect to their climate characteristics<sup>1</sup>.

The Coastal zone consists of a narrow strip along the Adriatic Sea and has a Mediterranean climate, with long, dry summer, short and mild winter. Its July temperature is between 28°C and 30°C, while its winter average temperature is 9°C. Spring in the coastal zone is characterized by sunny weather and autumn by frequent rainfall, with November as the wettest month.

The Continental zone consists of the central part of Montenegro including the Zeta Plain, the Bjelopavlici Plain, and the capital city of Podgorica. It is warmer in this zone as a result of the influences of water surface. Podgorica is considered as the hottest spot in the country but the cold air penetration from the north makes more days chilly in the zone.



The Mountain zone consists of the mountain region, the highest mountain peaks reaching 2,000 meters in the sub-alpine climate and cold snowy winters of up to five meters of snow in the mountains. The zone has 270 hours of sunshine during summer with a temperature of 23°C to 9°C, which dips to 3°C during winter when mountains are snow-covered. About 60% of the country is mountainous with more than 1,000 meters in height and rapidly varying temperature and weather conditions.

The sea temperature in winter is 10°C to 12°C and in summer, 25°C to 28°C. The best time to visit the country is between May and September when one can experience the serene beauty of Kotor fjord, the tranquility of Lake Shadar and the vast stretches of sand in Ulcinj in the Veliki Plaza region.

<sup>1</sup> [www.discover-montenegro.com](http://www.discover-montenegro.com)

Montenegro is indexed on the Koppen scale (based on temperature and precipitation) as a Bs Climate. The 'B' refers to a hot dry climate and the little 'S' refers to dry seasons in the summer with more than 70% of the precipitation that falls in the winter. Montenegro has on average 180 sunny days.

It is worth mentioning that Cetinje and Krivošije represent the city and the settlement with the highest level of rain in Europe on average.





### 3. Population

#### *Open society with diversified ethnic structure*

According to estimates of the Monstat population, in mid-2017 there were 622,373 inhabitants. The most populated cities in Montenegro are: Podgorica (197,589 inhabitants), Nikšić (70,042) and Bijelo Polje (43,408). According to the data presented, 30% of the total population lives in Podgorica. Moreover, this situation is the result of a high degree of migration to the capital of Montenegro, as evidenced by official statistical data and this process continues.

The most significant population figures are given in the following table based on the official last census of population, created in 2011 year.

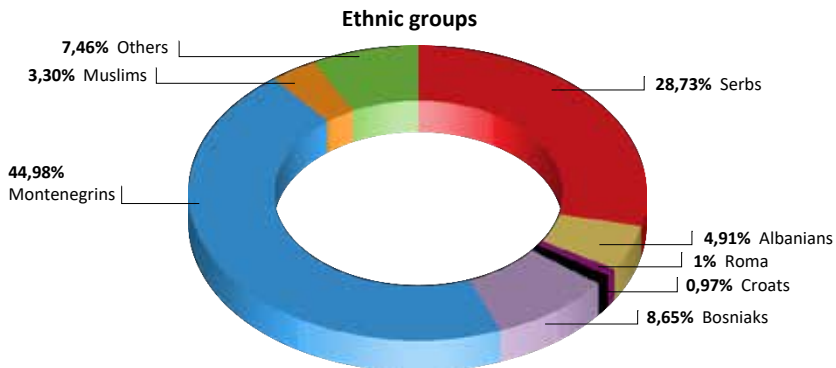
<b>Total population</b>	<b>620,029</b>
Male	307,746
Female	314,627
Number of females per 1000 males	1024,7
Number of households	194,795
Number of person per 1 household	3.2
Population per 1 km <sup>2</sup>	44.89
Average age of population	37
Natural increase	1,4
Life expectancy at birth	76.7
Literacy rate	98,5

The basic demographic indicators, according to estimates of the population since 2017:

Birth rate	11.9	Infant death rate	1.3	Expected Life Length - total	76.7
Mortality rate	10.5	Child mortality rate younger than 5 years old	2.7	Life expectancy - men	74.1
Natural growth rate	1,4	Vital index of live births to 100 deaths	113.9	Life expectancy - women	79.4
Nuptiality rate	5.3	Masculinity rates live births	108.8	Total fertility rate	1.8
The degree of diversity	1,2	The masculinity rates of the dead	111.2	Migration rate	8.4

One of the most important characteristics of the Montenegrin population is the diversified ethnic structure. The major ethnic groups which live in Montenegro are: Montenegrins, Serbs, Bosniaks, Albanians, Muslims and Croats.

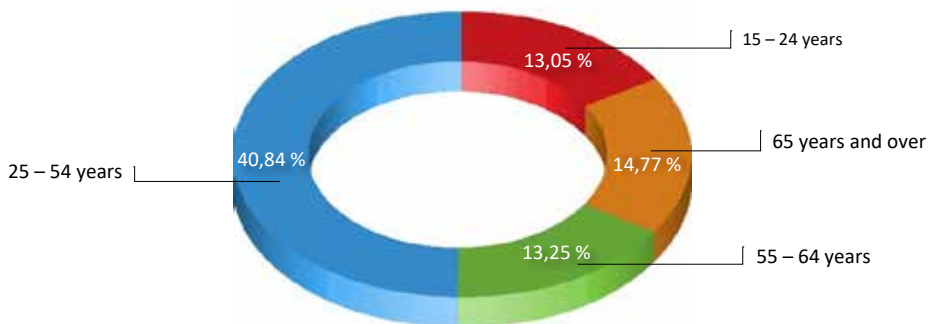
Their structure is given in the following graph:



Source: MONSTAT

The dependency index allows an analysis of the age structure of the population with a particular emphasis on the relative ratio of dependent non-productive groups and productive groups. Indicators are based on the division of population into three age categories: children (0-14), working age population (15-64) and older population (65+).

The proportions of these categories are shown in the following graph:



Source: MONSTAT

Beginning in 2007, Montenegrin has the status of an official language in Montenegro. It was internationally recognized in 2017, when it received its ISO code. According to the results of the 2011 census in Montenegro, 37% of the population of the country (slightly less than 230,000 people) declared that they speak Montenegrin as their mother tongue.

Along with it, Serbian, Albanian, Bosnian and Croatian are recognized in usage. Citizens who speak Montenegrin, Serbian, Bosnian or Croatian can easily understand each other.

Most Montenegrin inhabitants are Orthodox Christians. Apart from them, there is a sizeable number of Sunni Muslims that maintain their own Islamic Community of Montenegro and also a small Roman Catholic population. In Montenegro there are 542 649 persons aged 10 and over.

Out of that number, 8 149 is illiterate, which makes it 1.5%. The average age of illiterates is 62 years. The most educated is the age group of 25-29 years, where 28% of the population is educated.

There is 964 Doctors of science who are on average 54 years old. There is also 3,713 the magisters who are significantly younger with an average age of 41 years.

According to the Human Development Index (HDI), a key quality of life indicator published by the UNDP, Montenegro was ranked 50th out of the total of 189 countries according to the latest results, falling into the category of countries with high HDI, while based on the last survey literacy rate +b 98.5%.



## 4. A short walk through the history

### *Epic bravery throughout the centuries*

Strategically positioned between east and west, Montenegro has faced a fascinating, but often turbulent history.

The first recorded settlers in present-day Montenegro were the Illyrians. In the 9th century AD the Romans conquered the region of present-day Montenegro, while the Slavs massively colonized the area in the 5<sup>th</sup> and 6<sup>th</sup> centuries, forming a semi-independent principality, Doclea.

By the end of the 12<sup>th</sup> century, Montenegro, under the name Zeta, was governed by the Nemanjic dynasty. After the Serbian Empire collapsed in the second half of the 14<sup>th</sup> century, the Balsices came to prominence by expanding their power in the region.

In the second half of the 15<sup>th</sup> century, Montenegro was ruled by another noble family from Zeta, the Crnojevics, under whose reign Montenegro became the last free monarchy of the Balkans, finally falling

to the Ottomans in 1499, who annexed it to the “*sanjak*” of Skadar.

In the 16<sup>th</sup> century, Montenegro developed a form of special and unique autonomy within the Ottoman Empire. Nevertheless the Montenegrins refused to accept Ottoman rule and in the 17<sup>th</sup> century raised numerous rebellions, culminating with the Ottoman defeat in the Great Turkish War at the end of that century. In the 18<sup>th</sup> century, Montenegro became a theocracy, led by the Petrovic dynasty established by Danilo Petrovic (1697-1735). The first step towards the establishment of modern state institutions was made in 1713 through establishment of the 12-member Council.

Under Nicholas I, Montenegro vastly advanced and enlarged several times during the wars with the Turks and achieved recognition of its independence in 1878. It happened on July 13<sup>th</sup> 1878 at the Peace Congress in Berlin, where Montenegro



became the 27<sup>th</sup> internationally accepted country in the world. Modernization of the state followed, culminating with the draft constitution in 1905, while in 1910 Montenegro became a kingdom. During the Balkan wars in 1912 and 1913 the Ottomans lost all lands in the Balkans. During World War I in 1914, Montenegro sided with Serbia against the Central Powers, suffering a full-scale defeat to Austria-Hungary in early 1916. In 1918 the Allies liberated Montenegro.

In 1922, Montenegro formally became the Zeta Area of the Kingdom of Serbs, Croats and Slovenes, and in 1929 it became a part of a larger Zeta Banate of the Kingdom of Yugoslavia.

In World War II, Yugoslavia was invaded by Axis forces in 1941. Montenegro was liberated by partisans in 1944 and became a constituent republic of the Socialist Federal Republic of Yugoslavia (SFRY). Its capital was renamed to Titograd in honour of partisan leader and SFRY president Josip Broz Tito. More and more autonomy was established, until the Socialist Republic of Montenegro ratified a new constitution in 1974. After the dissolution of the SFRY in 1992, Montenegro remained part of a smaller Federal Republic of Yugoslavia along with Serbia.

In 1996, the Government of Montenegro led by Milo Djukanovic severed ties between Montenegro and the Serbian regime, which was at that time under Milošević. Montenegro formed its own economic policy and adopted the German Mark as its currency (November 1999). It has since adopted the Euro (in 2002), although it is not formally part of the Euro-zone currency union. Subsequent governments of Montenegro have carried out pro-independence policies.

In 2002, Serbia and Montenegro came to a new agreement regarding continued cooperation and entered into negotiations regarding the future status of the Federal Republic of Yugoslavia. In 2003, the Yugoslav federation was replaced by a union named Serbia and Montenegro. A referendum on Montenegrin independence was postponed for three years. However, that only delayed the inevitable and Montenegro regained its independence on 21<sup>st</sup> May 2006. Since regaining its independency in 2006, Montenegro has proved to be a safe, politically stable and economically viable state, which has the potential to grow rapidly.

Revival of independence gave a strong impulse to the democratic and economic development of Montenegro. After a very short period our country has become a member of international organizations and institutions, started diplomatic relations with many countries and taken important steps on its way towards Euro-Atlantic integration. Positive results towards that end as well as activities in the process of strengthening institutional capacities have achieved satisfactory results through achieving membership of NATO's MAP programmes, and finally Montenegro has received an invitation for full NATO membership in December 2015. In June 2017, Montenegro became a full member of NATO. Montenegro was granted status of an official candidate for accession to the European Union in 2010. The accession negotiations were initiated on 29 of June 2012. So far, Montenegro has opened 32 of 33 chapters and it is expected that the last chapter – chapter 8 will be opened in June this year. Also, Montenegro temporarily closed three negotiation chapters: Science and Research, Education and Culture and External relations.

## 5. Culture

### *Rich heritage and unique wealth*

The culture of Montenegro is as fascinating as its history and geographical position suggests. It has been shaped by a variety of influences throughout history. The Orthodox, Slavic, Central European, Islamic and seafaring Adriatic cultures such as the Republic of Venice have been the most important influences in recent centuries.

The largest number of preserved cultural and historical monuments is located in the Bay of Kotor. City of Kotor is part of the world cultural heritage under protection of UNESCO. The most specific feature of Kotor is a large number of churches and monasteries in a relatively small area. Kotor, at the time of its most intensive development, had 30 churches and six monasteries. The Cathedral of St. Tryphon, the symbol of Kotor, is of particular importance. The monasteries in the interior of Montenegro, which are also important cultural and historical monuments witnessed the turbulent history of Montenegro. Distinctive Byzantine influence in architecture and painting, as well as in the painting of the frescoes are recognizable. For example, the famous fresco from the Life of Saint Elias, in the Monastery Morača, is one of the most beautiful examples of fine art of the Balkans in XIII century. Monastery Piva is famous for its iconostasis of exquisite value, from 1638. It is characterized by its proportion, luxury engraving, with wonderfully painted icons.

It is worth pointing out that the first state-owned printing press (the Printing House of the Crnojević) was located in Cetinje in 1494, where the first South Slavic book was printed in the same year (Oktoih). Moreover, it is very interesting that many Montenegrin rulers were writers and poets, especially those from Petrovic dynasty –





Petar I, Petar II and King Nikola. The most famous among them was Petar II Petrović Njegoš. At the level of traditional oral folk epic poetry, Petar II Petrović Njegoš created his own expression. His epic Gorski Vijenac (The Mountain Wreath), written in the Montenegrin vernacular, presents the focal point of Montenegrin culture, for many even surpassing the Bible in importance. However, Petar II Petrović Njegoš's masterpiece was *Luca mikrokozma* (Ray of the Microcosm), a philosophical book in which he presented all the genius of his mind.

Besides the review of Montenegro's cultural treasures, it is very important to mention current cultural events.

The cultural offering of Montenegro in the last year was equally present in all areas of culture and art: literature, fine arts, theatre and music. The most important events that marked the previous period when it comes to overall cultural offer in Montenegro were the presentation of **Marina Abramovic Community Center (MACCOC)** in Obod, Cetinje, the **International Classical Music Festival "A Tempo"**, **Kotor Art**, the **Biennial of Montenegrin Theatre**, multi-location contemporary art festival **Sinestezija**, **Rock Music Festival Lake Fest**, **Telekom Underhill International Documentary Film Festival**, **Southern Soul Music Festival**, **Internacional TV festival Bar**, the **International Book Fair in Podgorica**.

There is a number of manifestations that are deeply rooted in Montenegrin cultural tradition and can freely be considered trade-marks of Montenegrin cultural offering.

These are:

*Bokelian Night* - which for citizens of Kotor and guests is a significant celebration, an opportunity to present the local cuisine and to enjoy a fiesta behind masks until late into the night.

*KotorArt Festival* received the prestigious Wild Beauty Award for the best event in 2018.

*Mimosa Festival* is a celebration honouring flowers, a tradition that has lasted for over 50 years. It is a celebration which was founded and continues to live on the principles of carnival traditions, once very typical of this region, and which is typified by young Herceg Novi majorettes and the city band.

There are many tourists, a lot of entertainment, cultural, sports and other programmes within the festival.

*The International Fashion Festival in Kotor* lasts for several days and it gathers fashion designers from Montenegro, from the surrounding region and from abroad. The most frequent however are distinguished Italian and French designers and their newest creations (Dior, D&G, Pal Zileri, Prada, Armani).



*Bedem Fest* is young but perspective festival that has a wonderful venue where is organized - the Old Town of Niksic, which remains are from the old Turk Empire.

*Lake Fest* is rock music festival held in Niksic, which celebrated its 6th anniversary this year. Traditionally, it takes place on the Lake Krupac, thanks to which this festival got its name.

*Sea Dance Festival* is music festival that achieved great success in short time, not only in Montenegro and the region but in the European festival scene as well. At European Festival Awards 2014 ceremony, Sea Dance Festival in Budva has been named the Best European Medium-Sized Festival. Following the win at the European Festival Awards, Sea Dance became partner with London-based media company AEI and its global music brands UKF and TheSound-YouNeed. The sixth edition of the Sea Dance Festival in 2019 will be held from August 30th to September 1st in the turquoise bay on Buljarica beach in Budva.

*Southern Soul Festival* is music festival that brings a broad selection of musical styles including soul, jazz, funk, house and disco. This small festival gem is held at Dolcinium Kite Club on Copacabana Beach which is part of Velika Plaza, one the most beautiful, unique, sandy beaches on the Montenegrin coast.

*Herceg Novi Film Festival*: one of the biggest and most appreciated domestic film festivals during which the achievements from the domain of domestic films are displayed.

When it comes to sports, the Montenegrin Olympic Committee is entering the final stage of preparations for the Games of Small European Countries, which will be held from May 27 to June 1 in our country.

Over 900 athletes from nine countries will compete in ten disciplines, in Budva, Bar, Podgorica, Cetinje and Tivat.

It is important to mention that, during the summer season, every coastal town in Montenegro has a variety of cultural offering, including music festivals, book





manifestations, theatrical spectacles, art and fashion exhibitions etc. Among them a special emphasis goes to **Tivat Cultural Summer**, **Book Fair** in Herceg Novi, **Guitar Art Summer Festival** in Herceg Novi, **Festival "Barski ljetopis"** in Bar, the **International Festival of Mediterranean Theatre Purgatorije** in Tivat, **Underwater Film Festival** in Kotor, **Summer Scene** in Ulcinj, etc. When it comes to the northern part of the country, it is necessary to mention **White Field Jazz Festival** in Bijelo Polje and **Thunder fest** of urban music in Berane. There are also Boka night, Durmitor art eco festival, The Wine and Bleak festival, Petrovac night, Teatre city, Spring break Montenegro, Rijeka night.

The next table shows some important indicators of the cultural life in Montenegro:

INDICATOR	2017
Books published	1340
Number of performances (professional theatre)	553
Number of performances (theatre for children)	2
Number of performances (amateur theatre)	2
Scientifically and professionally libraries	15
Public libraries	21
Number of museums	31
Number of cinemas	9
Newspapers and magazines	57
Television stations	52
Radio stations	59

Source: MONSTAT

These activities primarily contribute to attracting tourists, improving infrastructure and tourist capacities, and strengthening the image of the destination. Such events in Montenegro are very much visited.

They also contribute to the development of youth tourism. According to the World Tourism Organization, youth tourism is one of the fastest growing segments, accounting for 20-25% of the world's tourism market.

What is obvious is that, from year to year, an ever-rising entertainment and cultural program makes Montenegro a recognized destination of good entertainment which is being written by the world's leading travel and vacation media.



## ***6. Snapshot on the government and politics***

### *Stable and secure environment*

Montenegro is an independent and sovereign country, defined as a “civic, democratic, ecological state and state of social justice, based on the rule of law”. It proclaimed its new constitution on 22<sup>nd</sup> October 2007.

The Government of Montenegro is composed of the Prime Minister (the current prime minister is Mr Dusko Markovic - DPS), Deputy Prime Minister for Political system, foreign and interior policy, Deputy Prime Minister for Economic Policy and the Deputy Prime Minister for Regional Development as well as the following ministers:

- The Minister of Transport and Maritime Affairs
- The Minister of Justice
- The Minister of Finance
- The Minister of Sustainable Development and Tourism
- The Minister of Culture
- The Minister of Education
- The Minister of Defence
- The Minister of Agriculture and Rural Development
- The Minister of Science
- The Minister of the Interior Affairs
- The Minister for Economy
- The Minister of Foreign Affairs
- The Minister of Public Administration
- The Minister for Human and Minority Rights
- The Minister of Health
- The Minister of Labour and Social Welfare
- The Minister of Sports and Youth
- The Minister without Portfolio

### ***EU and NATO integration***

Montenegro is a candidate country for the EU and has opened thirty-two chapters in the EU negotiations, while three have been closed. The European Commission, on 17.04.2018 adopted **2018 Report of Montenegro**.

In the 2018 Report on Montenegro it was reiterated that Montenegro is moderately prepared with the reform of its public administration. Good progress has been made, notably through the adoption of new laws on civil servants and state

employees and on local self-government aimed at implementing merit-based recruitment across the public service.

Montenegro's judicial system is moderately prepared and some progress has been made. Institutional capacity has been strengthened. The report stresses that Montenegro continues to play a constructive role in regional cooperation.

Montenegro has achieved some level of preparation in the fight against corruption. In the fight against organised crime, there is an initial track record of prosecutions in the fight against smuggling of migrants and against drug trafficking. The report stresses that on fundamental rights, Montenegro further aligned its legislation with EU standards. In particular the work of the Ombudsman office has improved, but more efforts are still needed in strengthening the institutional framework and effective protection of human rights.



*„The Western Balkan countries have shown strong commitment to implementing reforms and expect the European Union (EU) to further support the process of European integration of the region, said chief negotiator Aleksandar Drljević.“*

Montenegro has made some progress and is moderately prepared in developing a functioning market economy. Macroeconomic and fiscal stability were strengthened but further efforts are required to address persistent challenges, especially the high public debt burden. The economy has been growing uninterruptedly since 2013 amidst low or moderate inflation. The financial sector has improved its solvency and liquidity.

In December 2015, the Allies have invited Montenegro to begin accession talks which then took place in early 2016. On 19 May 2016, Allied foreign ministers signed the Accession Protocol for Montenegro.

Following the signature of the Protocol. All 28 Allies have ratified the Accession Protocol and Montenegro then acceded the Washington Treaty and became a full member of the Alliance on 5 June 2017.



Montenegro actively supports the NATO-led mission in Afghanistan and works with the Allies and other partner countries in many other areas.

## ***Political outlook***

*„I want to congratulate the government and the people of Montenegro for everything you have achieved and I commend your commitment to Euro-Atlantic integration. You have a seat at our table – with an equal voice. You will be able to shape the decisions we take together, and from now on, you have 28 Allies – 28 friends – who will always come to your aid. NATO will benefit from your membership of the Alliance, just as much as you do. Every new member makes NATO stronger and more effective.*



*Politically and militarily, helping us to adapt to evolving challenges, such as terrorism and contributing to international security, as a whole.*

*We value Montenegro, and recognise the unique contribution you make to the Alliance. The expertise and insight you bring and your robust and professional armed forces, who have performed with such distinction in Afghanistan. Over the past 25 years, NATO has sought to bring peace and stability to the Western Balkans. Your joining NATO today has a stabilising effect on the whole region. Your accession also sends a message: that our door remains open to those who share the vision of the Washington treaty, who meet the Alliance’s high standards and wish to contribute to the collective security of all Allies. It also demonstrates that NATO will continue to support the right of every country to decide their own path.*

*So, let me say how proud I am to stand here as Secretary General of NATO with Montenegro as a full member.”*

**Remarks of NATO Secretary General Jens Stoltenberg at the Montenegro accession ceremony, Jun 2017.**

*„Only those nations who have a memory, are great nations. Today, Montenegro is celebrating its' 10th Anniversary of Independence. This independence is possible only because Montenegrins remember their beautiful, and at times tragic history.*



*Today we recall your heroes and leaders, those from Petrovic Njegoš times, the insurgents and soldiers from the twenties of the last century, and those from the Second World War.*

*You have also demonstrated how hard-working you are. You have built the foundations of a sound economy and become a symbol of success, not only on a regional scale.*

*And you want more. But Montenegro does deserve more. And I am confident that your dreams about a safe and prosperous Montenegro shall be fulfilled, because you are a great nation.”*

**Donald Tusk, President of the European Council, on the occasion on 10th anniversary of Montenegro’s independence, 21 May 2016.**



*„Montenegro plays a leading role in defending the stability and security of the Western Balkan region.“*

**Michael Pence Vice President of the United States of America, August 2017**

*„Montenegro is a proof that NATO is open to countries who are willing to reach its standards“.*

**Barack Obama, a former President of the United States of America, July 2016**



## 7. Economy

### *Ongoing development and growth*

Upon gaining its independence, Montenegro introduced significant privatization and adopted the euro as its currency, despite not being the member of the Eurozone. In spite of adversities Montenegro continues to strive on its Euro-Atlantic direction, simultaneously improving different aspects of its economy.

Moderate expansion of world economic growth which started at the mid 16', will continue according to IMF predictions in 2019. Strong investment cycle starting from 2017, largely directs economic flow within the country.

Final data generated by MONSTAT shows that in 2017 real GDP growth was 4.7%, which significantly exceeded government projections.

For the 3 quarters of 2018, real GDP growth was 4.8%. GDP in Montenegro averaged EUR 3.7 billion from 2000 until 2017, reaching an all-time high of EUR 4.29 billion in 2017. According to the latest report by the Statistical Office of Montenegro, GDP in current prices in 2018 amounted to 4.59 billion EUR.

Below are the achieved macroeconomic indicators

	2011	2012	2013	2014	2015	2016	2017	IV Q 2018
GDP in current prices (mil€)	3.265	3.181	3.362	3.458	3.655	3.954	4.299	4.594
GDP per capita in current prices (EUR)	5.265	5.126	5.412	5,671	5.561	6.354	6.908	7.409
Real GDP growth	3.2%	-2.7%	2,5%	1.8%	3.4%	2,9%	4,7%	4,8% (IVQ)

Source: MONSTAT

The economic outlook is positive, but downside risks have increased. Unsustainable fiscal deficits call for ambitious fiscal consolidation to create the space for an orderly servicing of large refinancing needs of above 16% of GDP in the 2019–2021 period.

Reducing the deficit will not be easy but is of utmost urgency, given the need to reassure markets and allow for a successful rollover of existing obligations under a credit rating of B+ with a negative outlook.

The focus of economic policy in 2019 and in the medium term will be removing obstacles to economic growth and development, consequently, increasing the competitiveness of the economy. The primary goal of economic policy is to create new jobs and raise living standards of all inhabitants of Montenegro.



## Overview of the main macroeconomic indicators in Montenegro

	2011	2012	2013	2014	2015	2016	2017	2018
GDP in current prices - (mil€) <sup>2</sup>	3.265	3.181	3.362	3.458	3.655	3.954	4.299	4.594
GDP per capita in current prices (€)	5.265	5.126	5.412	5.561	5.873	6.354	6.908	7.409
Real GDP growth in %	3.2	-2.7	3.5	1.8	3.4	2.9	4.7	4.8 (IVQ)
Inflation -CPI (%)	3.5	4.1	2.2	-0,7	1.5	-0.3	2.4	2.6
Number of tourists	1.357.085	1.423.719	1.492.006	1.517.376	1.713.109	1.813.817	2.000.009	2.204.856
Employed (thousands)	196,0	201,0	201,9	216,3	221,7	224,2	229,3	237,4
Unemployed rate (in %)	19.7	13.46	14,2	18.6	17.3	17.1	17	15.1
Unemployed	48.100	49.400	48.900	47.500.	47.200	48.300	45.600	42.500
Average wage (in €)	485	487	478	478	481	499	510	513
Export of good and service (mil €)	454	366	375	333	317	325	371	400
Import of goods and service (mil €)	1,823	1,820	1,773	1,784	1,841	2,061	2,303	2,554
Trade balance (mil €)	- 1,368	-1,453	-1 397	-1.451	-1.524	-1.735	-1.932	-2.154
FDI (mil €)	494,7	633,6	479	498	757,5	687,2	659,2	843,1
Grey economy (in % of GDP)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Poverty rate (in %)	9,3%	11.3%	8.6%	n/a	n/a	n/a	n/a	n/a
Number of active companies					25.955	28.268	30.286	33.810

<sup>2</sup> Ministry of Finance [www.mf.gov.me](http://www.mf.gov.me), Statistical Bureau (MONSTAT), [www.monstat.org](http://www.monstat.org), The Central Bank of Montenegro (CBCG) [www.cbmg.me](http://www.cbmg.me), Institute for Strategic Studies and Prognoses (ISSP) [www.isspm.org](http://www.isspm.org), International Monetary Fund [www.imf.org](http://www.imf.org)



A SWOT analysis presents a description of the Montenegrin economic environment:

STRENGTHS:	WEAKNESSES:
<ul style="list-style-type: none"> <li>• Safety and stability (political and macroeconomic);</li> <li>• Euro as official currency;</li> <li>• Tax regime;</li> <li>• National treatment of foreign investors;</li> <li>• Free transfer of reinvested profit and payments abroad;</li> <li>• Regionally competitive financial risk;</li> <li>• Developed telecommunication infrastructure;</li> <li>• Relatively highly educated young labor force;</li> <li>• Free access to EU markets, FTA zones as well as the Russian market (only 1% of customs value);</li> <li>• Achieved level of privatization (80%), economic reforms and newly-created institutions;</li> <li>• Restructured and privatized banking sector;</li> <li>• The shortest period in the region for company registration;</li> <li>• Utilization of tax reliefs and concessions;</li> <li>• Customs exemptions for investments in goods imported as investors' deposits;</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficiently developed infrastructure;</li> <li>• Size of the local market (if seen as an independent market);</li> <li>• Lack of spatial planning documents;</li> <li>• Regional development gaps particularly in the road infrastructure;</li> <li>• Inflexible labor market;</li> <li>• Relatively expensive general labor force (benchmark SEE region);</li> <li>• Lengthy procedures at the local level for obtaining construction permits, procedure for land-use change, undefined offer of industrial land;</li> <li>• Insufficiently developed technological basis;</li> <li>• Inadequate level of new technology in different industry sectors;</li> </ul>
OPPORTUNITIES:	THREATS:
<ul style="list-style-type: none"> <li>• Montenegro as a platform for regional business.</li> <li>• Commitment of the government to push for further economic development;</li> <li>• Openness of the country;</li> <li>• Reform of education in accordance with the needs of developing sectors in Montenegro;</li> <li>• Further improvement of the labor legislation;</li> <li>• Planned development of the infrastructure;</li> <li>• Avoidance of double taxation;</li> <li>• Free trade zones (firms are exempted from paying corporate taxes).</li> <li>• Exemptions from paying profit tax (for a three-year period) for establishment of legal entities in the less-developed municipalities (manufacturing);</li> </ul>	<ul style="list-style-type: none"> <li>• Complete privatization of the energy sector and its further development;</li> <li>• "War in fiscal incentive measures" among countries in the SEE region;</li> <li>• Administrative procedures;</li> <li>• Level of transparency and efficiency of the administrative system;</li> <li>• Slow-paced reforms in the area of labor legislation;</li> <li>• Low level of reinvestments and potential outflow of foreign capital through transfer prices and repatriation of profit;</li> <li>• Inflexibility of the labor market (slow pre-qualification, additional education programmes, compliance of education programmes with investors' needs).</li> </ul>



## MONETARY AND BANKING SYSTEM

A new phase in monetary history, i.e. the history of central banking in Montenegro started with the foundation of the Central Bank of Montenegro (CBCG).

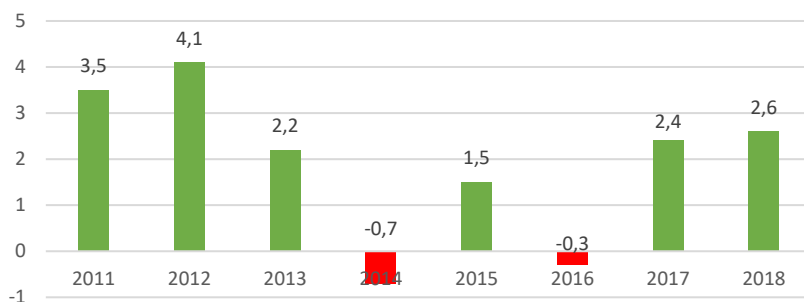
The first central bank in Montenegro - Crnogorska Banka - was established in Cetinje in 1905. Founded by the court and the state, „Crnogorska Banka“ did not have the issuing function (it issued bills of exchange), and its primary objective was to foster banks' development, production, crafts and trade. Montenegro did not have its own currency in 1905 when the Crnogorska Banka was founded, but the money of other countries was in circulation. Montenegro mostly used foreign currencies throughout its long history, these being Roman, Austro-Hungarian, Turkish, Venetian, and even the Napoleon (French gold coin) money. The first Montenegrin money, the Perper, was minted in 1906. The King Nikola's Decree as of 11 April 1906 authorized the Ministry of Finance to mint the nickel and bronze coins. Silver and gold coins were minted later. The Perper disappeared from the scene with Montenegro's joining the Kingdom of Serbs, Croats and Slovenes, putting into circulation the Dinar, a currency of the newly established state. Montenegro, being a part of the Socialist Federal Republic of Yugoslavia, used the Dinar as its currency after World War II until 1999. Dual currency system consisting of the German Mark and the Dinar was introduced in late 1999, whereby the German Mark became the only legal tender in 2001. With the introduction of the Euro the German Mark was replaced and the Euro became the official means of payment.

The main objective of monetary policy of the Central Bank is the maintenance and promotion of financial stability, including the maintenance and promotion of a healthy and stable banking system.

The Law on the Central Bank of Montenegro stipulates that the basic instruments of monetary policy of the Central Bank are open market operations, credit operations, lender of last resort and reserve requirements.

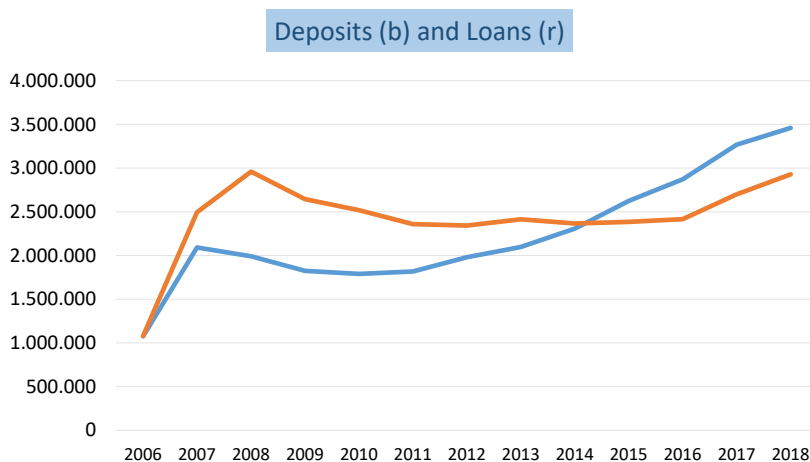
Over the past few years we have seen a constant change in the price level. CPI in 2018 (%) was 2,6.

Yearly inflation rates (CPI):



Source: MONSTAT

The following table shows level of deposits and loans within Montenegrin banking system (000EUR):



Source: Central Bank of Montenegro

According to the Law (OGM 40/10, 46/10 and 6/13), the Central Bank of Montenegro sets out the primary monetary policy instruments:

- Open Market Operations
- Credit Operations
- Lender of Last Resort
- Reserve Requirements

In addition, the Law sets out that, in the achievement of its objectives and the exercising of its functions, the Central Bank may decide on the use of other monetary policy measures and instruments.

## FISCAL POLICY

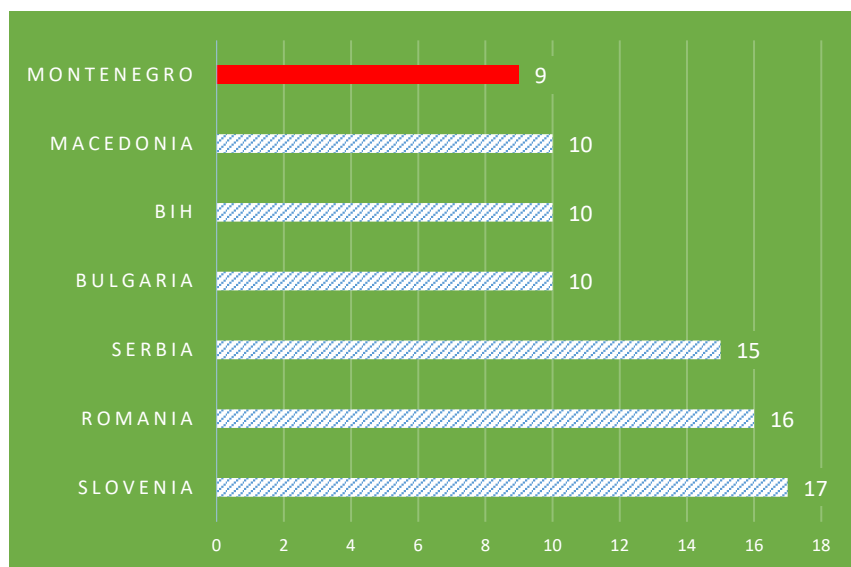
The adoption of the Euro as legal tender means that the Central Bank of Montenegro cannot influence the money supply, which is determined by flows on the balance of payments. The main objective of fiscal policy is the consolidation of public finances with the priority of reducing budget deficit through the increase of revenues, as well as rational use of allocated funds that, along with reducing the risk of issued guarantees activation in the previous period, will contribute to the change of the public debt trend.

The most important part of the Montenegrin Fiscal Policy is the development of a tax system based on low tax rates, a broad tax base and a minimum of tax-exempt entities. In that sense a lot of effort has gone into developing such a tax system, which is in line with a fully operational market economy. These efforts started in 2001, and since then Montenegro has made an important step towards meeting EU standards in this

field, as well as becoming competitive with other regional markets. In fact, all major tax rates in Montenegro are very competitive with respect to other countries in the region, and in many aspects Montenegro is working to make its tax system even more attractive.

*Corporate Income Tax*, which is 9%, is the *lowest in the region*. This can be seen by looking the following graph:

### Corporate income tax (%)

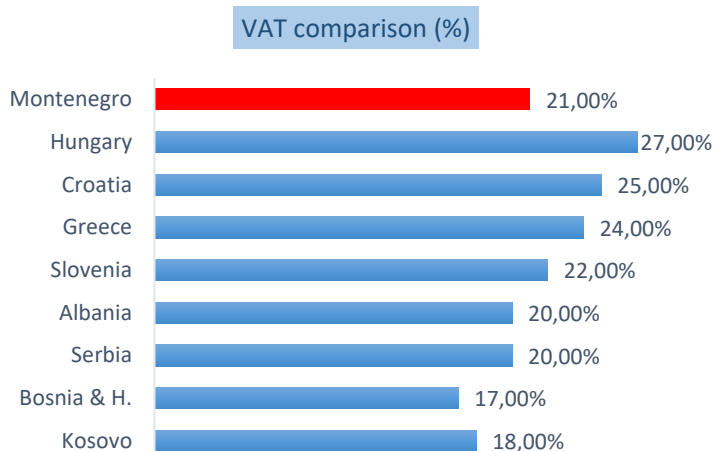


Source: MIPA based on IPA of countries statistic

### VAT RATES

- **The standard rate** - 21%
- **The reduced rate** - 7% applies to supplies of basic foodstuffs (milk; bread; fat; cooking oil; meat; sugar); medicines, including also medicines used for veterinary medicine, except medicines on Health Fund list; textbooks and teaching aids; books; monographic and serial publications; daily and periodic press, except those of completely or mostly advertising content; services of accommodation in hotels, motels, apartment hotels, tourist settlements, boarding houses, leisure, camps and villas; fodder, fertilizer, devices for plant protection, reproduction seeds, planting material and breeding stock; services of public transportation of passengers and their personal baggage; orthotic and prosthetic tools etc.
- **Zero rate** - Export of goods; transportation and other services in direct relation to the export/import of goods; the supply of goods and services that are used in international air and maritime traffic; the supply of goods to the free zone, free and customs warehouses and deliveries of goods within a free zone, free and customs warehouses; medicines and medical devices listed on Health Insurance Fund list.

VAT in Montenegro is 21%, one of the lowest in the region.



*Personal income tax* in Montenegro is 9% with introduction of temporary tax rate of 11% applicable only on the salaries above the average (average monthly gross salary is 765€) so only the part over 765€ monthly is taxed at 11 % .

Fiscal picture of Montenegro looked through the final indicators can be considered as less favorable than in the previous period. However, analytical approach shows that the fiscal framework of Montenegro is developing in the direction of reducing the current account deficit due to increased revenues and reduced current spending, on the one hand, and in the direction of increasing government investment in infrastructure, on the other.

Thus, the Montenegrin public finances can be assessed as developmentally oriented. Sustainability of public finances will be supported by a series of reforms that have a direct fiscal impact, such as administrative reform, health system reform and parametric pension reform.

The low growth scenario worsens the fiscal situation in Montenegro by 2018, increasing the deficit of GDP ratio to 7.7% in 2017, and reducing it again in 2018 to 7.1%. The growth of the deficit would cause new borrowing, i.e. the growth of public debt to GDP ratio to 83% in 2018.

Main risks in Montenegrin financial system are: High exposure and economic ties of Montenegro with the region and the EU, and the fact that foreign banks make the Montenegrin economy, including the financial sector, vulnerable and sensitive to negative developments in the region; High real sector illiquidity; Still present high percentage of non-performing loans; High lending interest rates of banks and MFIs.

## CAPITAL MARKET

The development of the capital market in Montenegro started in 2001. This was the time when the mass voucher privatization of state-owned companies was still in the process of being completed. The main precondition for capital market development in Montenegro was the foundation of a stock exchange. As it is said, the capital market in Montenegro achieved the highest growth in the process of mass voucher privatization. After completing this process in 2002, the capital market developed rapidly and became the most developed in the region. In 2007 it achieved a turnover of €4.8 billion or 213.5% of GDP. But for half of 2007 the capital market stagnated and in 2008 both stock exchanges faced a recession. The numbers of transactions, prices of securities and values of stock market indexes have decreased. However, in September 2009 there was a significant turnaround and re-launch of this market. This is a period that characterized the increased value of the indexes on both of stock exchanges, increasing number of transactions and turnover.

The most important reason for the market's revival was the sale of shares in the Montenegrin Electricity Enterprise. Two stock exchanges merged in 2010. On the new, single stock market the MONEX20 and MONEXPIF indexes are used. The total turnover recorded on the Montenegro Stock Exchange in 2017 amounted to 47.455.345 €, representing 36 % higher turnover compared to the one achieved in 2016, if it is excluded for the primary sale of bonds of the Republic of Montenegro in 2016, amounting to € 80.410.000. About 89 % of turnover in 2017 is recorded on the Free Market segment. In the 247 trading days, 5.706 trades are concluded, which is 28 % more than in the previous year. About 66 % of total turnover was recorded on the Free Market segment.

***In 2018 total number of transactions was 3243. Total turnover was 147.355.442,08 EUR. Average daily number of trades was 13. Average daily turnover was 596.580,7372 EUR. Market capitalization increased for 6,6% to 3.045.120.878,58 EUR.***

Year	Official Market turnover (€)	Free Market turnover(€)	Total turnover (€)	Average daily turnover (€)	Official Market number of trades	Free Market number of trades	Total number of trades	Average daily number of trades
2010	13.583.806	40.933.751	54.517.557	219,829	1,824	17 990	19,814	80
2011	32.921.848	26.051.788	58.973.636	238 760	4,967	8,499	13,466	55
2012	9.402.538	23.266.650	32.669.188	131 730	2,647	4,555	7,202	29
2013	13.404.380	17.367.223	30.771.603	124,581	2,506	3,941	6,447	26
2014	11.589.633	96.567.572	108.157.203	439,663	2,386	3,899	6,285	26
2015	27.544.641	37.860.139	65.404.780	264,797	2,544	2,546	5,09	21
2016	5.847.816	109.326.898 1	115.174.714	464.414	1.813	2.650	4.463	18
2017	5.378.966	42.076.379	47.455.345	192.127	1.952	3.754	5.706	23

*Source: Montenegro Stock Exchange*

The highest share of market activity concerning number of transactions belong to Crnogorski Telekom AD Podgorica TEGC, 9,87%; concerning turnover it was Elektroprivreda Crne Gore AD Niksic EPCG-B, 81.84%; concerning total amount it was investment fund Trend - ZIF "Trend" AD Podgorica.

*(Securities with the largest turnover- 2018)*

Company	Turnover (EUR)	Number of transactions
Jugopetrol AD	3.100.680,42	288
Universal Capital Bank AD Podgorica	1.374.333,01	2
Hipotekarna Banka AD Podgorica	462.515,00	25
CRNOGORSKI TELEKOM A.D. PODGORICA	1.545.336,6	320
Crnogorski Elektroprenosni Sistem AD PG	1.084.599,06	284

*Source: Montenegro Stock Exchange*

*Stock exchange indices*

Name of the index	MNSE10	Monex
11.04.2019	840,31	10.732,85
Change compared to the first trading day	0.94%	0.82%

*Source: Montenegro Stock Exchange*

## Capitalization Montenegro stock exchange 2019

As of April 2019 Market capitalization is 3.103.449.763,28 EUR. Highest capitalization was 3.240,21 million.

**REAL ESTATE MARKET**

In the period after gaining independence, Montenegro has become a very attractive real estate market for both domestic and foreign investors. A stable macroeconomic situation, continued improvement of credit ratings, favorable tax systems, simplification of business procedures and progress in processes of integration (EU and NATO) are additionally strengthening the attractiveness of the Montenegrin real estate market. This is especially significant for investors who regard Montenegro as a possible starting point for future activities in the region.

The Montenegrin coast is recognized as the most attractive part of the country for investment because of its position, natural beauty and potential. The most important cause of growth in real estate prices on the Montenegrin coast is the inflow of foreign direct investment in this sector, and non-residents' demand for large homes on the Montenegrin coast. In the past 3 years Montenegro has been profiled as a country that ranks among the top five tourist destinations, from the standpoint of fastest growing markets.

The real estate offering in Montenegro is available on-line and via printed publications of numerous foreign agencies, where the results of their research, analysis and advice for investments as well as a prognosis for the following year can be found.

*Montenegro property has endured the financial crisis well and is set to see a fairly rapid recovery. The country has seen no cancelled developments, because of the much slower pace of development, and many developers were left holding sizeable land-banks when international demand began to wane. This means that when things start to recover, there will be an abundance of cheap land available to kick-start the recovery in this part of the world. Now that demand for overseas property is increasing once again, one would expect Montenegro to be breathing a sigh of relief.*

**Les Calvert, director of overseas property portal PropertyAbroad.com.**

The next table shows the Average prices of dwellings in new residential buildings by region, in EUR

	Prices per 1m <sup>2</sup> in EUR	Price for arranging construction land	Price of construction works	Other costs
	(1)=(2)+(3)+(4)	(2)	(3)	(4)
<b>Montenegro (average)</b>	<b>1,122</b>	<b>220</b>	<b>710</b>	<b>192</b>
Enterprises (average market)	1,163	239	719	205
Solidarity housing development 1	628	0	596	32
<b>The capital city of Podgorica (average)</b>	<b>1,054</b>	<b>213</b>	<b>620</b>	<b>221</b>
Enterprises (average market)	1,058	215	620	223
Solidarity housing development	674	0	674	0
<b>Coastal region (average)</b>	<b>1,397</b>	<b>282</b>	<b>945</b>	<b>170</b>
Enterprises (average market)	1,432	299	958	175
Solidarity housing development	840	0	737	103
<b>Central region (average)</b>	<b>580</b>	<b>21</b>	<b>541</b>	<b>18</b>
Enterprises (average market)	673	94	526	53
Solidarity housing development	553	0	545	8
<b>Northern region (average)</b>	<b>753</b>	<b>128</b>	<b>527</b>	<b>98</b>
Enterprises (average market)	848	184	553	111
Solidarity housing development	536	0	467	69

Source: Statistic Office of Montenegro, MONSTAT

The average price of dwellings in a new residential building in Montenegro in 2018 was 1 122 EUR increased by 1.0% compared with the 2017.

The average price of dwellings in a new residential building in Podgorica in 2018 was 1 054 EUR, in coastal region was

1 397 EUR, in central region 580 EUR, while the average price of dwellings in a new residential building in northern region was 753 EUR.

The differences over the years in average prices of dwellings in a new residential buildings significantly depend on the involvement of solidarity housing development dwellings. If the share of these dwellings increased, the average price of dwellings in a

new residential buildings will be significantly lower, or if this share decreased, the average price will be higher.

The average market price of dwellings in a new residential building in Montenegro in category enterprises in 2018 was 1 163 EUR, while in category solidarity housing development was 628 EUR.

## EMPLOYMENT AND THE LABOUR MARKET

In comparison to the other countries in the region, Montenegro has a highly educated labor force, which was described by foreign experts as an important strategic advantage (depending on the proper adaptation of the current school system to the future needs of the economic structure, this advantage can be recognized by foreign investors as part of country's image).

*Education structure of the employed population is as follows:*

Educational structure of employed population	Percentage
Less than primary education	-
Primary education	9,3%
Vocational education after primary school	22,4%
Secondary general education	6,8%
Secondary vocational education	43,5%
First stage of tertiary school	-
Second stage of tertiary education, bachelors', masters, or doctors' degree	14,3%

*Source: Labor Force Survey , MONSTAT*

In order to improve its education system, Montenegro signed the Bologna Declaration. The first generation of students enrolled in accordance with the Bologna system in the academic year 2004/2005. The main point of this reform is to improve the educational and qualification structure of the labor force and to systematically increase the percentage of young people with higher education. There is an evident increase in number of students in Montenegro.

The educational structure of labor force (active population) shows that 61.2% persons have finished the secondary school, followed by persons who have graduated tertiary education 28.5% and persons who finished the primary school or lower education 10.2%.

The highest share in the educational structure of inactive persons older than 15 years has persons with completed secondary education, 50.8%; then 39.7% of persons with primary school or lower education and remaining 9.4% have graduated tertiary education. The educational structure of persons in employment shows that the 60.2% persons have finished secondary education, followed by persons who have graduated tertiary education (30.3%), and persons with primary school or lower education 9.5%. The educational structure of unemployed persons shows that 66.7% persons have finished



the secondary education, followed by persons who have graduated tertiary education 19.4% and persons who finished the primary school or lower education 13.9%

The second characteristic that attracts special attention is the price competitiveness of labor in Montenegro. Observing the total operational costs of wages in the region, Montenegro has a relatively cheaper labor force in comparison with Slovenia and Croatia but also more expensive in comparison with Serbia, Bosnia and Herzegovina and Macedonia.

If we make a comparison with the countries of the European Union, Montenegro is very cheap and it is one of the most important advantages of the investment environment of Montenegro. However, the labor market in Montenegro is competitive from the aspect of the level of education and price.

The average earnings (gross) in Montenegro in January 2019 are 767 Euro, while the average earnings without taxes and contributions (net) are 513 Euro.



Name of the sector	WAGES								INDICES						
	wages				wages without taxes and contributions(net)				index of nominal wages(gross)			ind of nom.wag. without taxes &cont(net)			ind of real wag. without taxes &cont
	I	XII	Ø	I	I	XII	Ø	I	I-2018	I-2018	I-2018	I-2018	I-2018	I-2018	I-2018
	2018	2017	2017	2017	2018	2017	2017	2017	XII-2017	Ø 2017	I 2017	XII-2017	Ø 2017	I 2017	I 2017
TOTAL	767	768	765	767	511	512	510	511	99.9	100.3	100.0	99.8	100.2	100.0	98.8
Agriculture, forestry and fishing	772	755	772	758	526	514	527	518	102.3	100.0	101.8	102.3	99.8	101.5	101.3
Minning and quarrying	970	961	901	888	643	639	599	590	100.9	107.7	109.2	100.6	107.3	109.0	99.6
Manufacturing	616	626	639	649	412	418	426	432	98.4	96.4	94.9	98.6	96.7	95.4	97.6
Electricity, gas, steam and air conditioning supply	1,411	1,370	1,302	1,335	926	901	858	875	103.0	108.4	105.7	102.8	107.9	105.8	101.8
Water supply, sewerage, waste management and remediation activities	713	726	704	706	474	484	470	472	98.2	101.3	101.0	97.9	100.9	100.4	97.0
Construction	654	635	650	666	437	425	435	445	103.0	100.6	98.2	102.8	100.5	98.2	101.8
Wholesale and retail trade, repair of motor vehicles and motor cycles	541	522	524	535	362	349	350	358	103.6	103.2	101.1	103.7	103.4	101.1	102.7
Transportation and storage	795	793	812	815	531	529	541	544	100.3	97.9	97.5	100.4	98.2	97.6	99.4
Accommodation and food service activities	572	572	580	530	382	383	388	355	100.0	98.6	107.9	99.7	98.5	107.6	98.8
Information and communication	1,067	1,028	1,052	1,064	708	680	697	701	103.8	101.4	100.3	104.1	101.6	101.0	103.1
Financial and insurance activities	1,440	1,410	1,384	1,374	954	935	917	909	102.1	104.0	104.8	102.0	104.0	105.0	101.0
Real estate activities	1,079	1,084	1,014	1,062	714	718	674	708	99.5	106.4	101.6	99.4	105.9	100.8	98.5
Professional, scientific and technical activities	631	611	615	599	421	407	410	398	103.3	102.6	105.3	103.4	102.7	105.8	102.4
Administrative and support service activities	563	510	502	465	377	342	336	311	110.4	112.2	121.1	110.2	112.2	121.2	109.1
Public administration and defence, compulsory social security	876	899	889	882	582	596	590	584	97.4	98.5	99.3	97.7	98.6	99.7	96.7
Education	718	734	732	725	480	490	489	484	97.8	98.1	99.0	98.0	98.2	99.2	97.0
Human health and social work activities	829	808	820	826	558	545	552	555	102.6	101.1	100.4	102.4	101.1	100.5	101.4
Arts, entertainment and recreation	669	684	656	640	444	453	434	424	97.8	102.0	104.5	98.0	102.3	104.7	97.0
Other service activities	638	744	702	634	426	497	467	422	85.8	90.9	100.6	85.7	91.2	100.9	84.9

Source: Report on average wages (2018), MONSTAT

Since the end of 2007 the number of employed people in Montenegro has been increasing. Over the past few years, employment in private companies has increased, and employment in the public sector (including state-owned companies) has decreased. Tourism and manufacturing are major generators of employment in Montenegro. However, this trend was not constant; the employment rate has fluctuated from year to year. The positive rates of employment growth have been assisted by the favorable macro-economic situation in Montenegro and reduced business barriers.

The number of registered unemployed people follows the trend of employment in Montenegro. These facts suggest that the labor market is increasingly turning to legitimate activities and less to fraud and the gray economy.

The following graphs show the unemployment rate and number of persons unemployed in last two years:

Unemployed persons			Unemployment rate			
Total	Men	Women	Total	Men	Women	
46.9	25.3	21.6	17.4	17.0	17.9	I quarter 2017
41.3	22.3	19.0	15.1	14.6	15.6	II quarter 2017
41.8	21.4	20.4	14.8	13.7	16.2	III quarter 2017
45.6	24.4	21.2	17.0	16.2	18.0	IV quarter 2017
43.9	23.4	20.6	16.1	15.4	17.0	2017
43.3	24.2	19.1	16.1	16.3	16.0	I quarter 2018
40.5	22.4	18.0	14.4	14.1	14.8	II quarter 2018
40.6	23.9	14.7	14.1	14.7	13.3	III quarter 2018
45.4	25.2	20.3	16.1	15.9	16.3	IV quarter 2018



## 8. Agriculture

Montenegro is a land of agriculture and the cult of food has always been an integral part of the country's culture. The agricultural sector plays an important role in Montenegro's economy and is responsible for a significant share of the Gross Domestic Product (6,8% in 2017, including forestry and fishing).

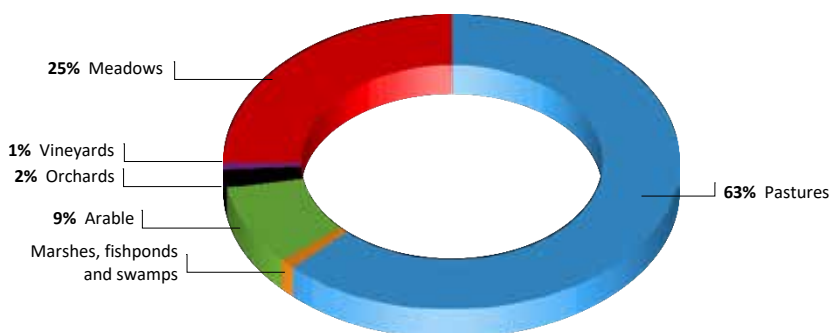
According to the latest Agriculture Census 2010, out of Montenegro's 620,029 inhabitants, 98,341 are engaged in agricultural activities on family agricultural holdings. In other terms, that represents 46,473 annual working units (AWU-equivalent of number in full-time employment), which indicates that people actually engaged in agriculture.

According to data on unemployment figures (data obtained from administrative sources), business operators in agriculture employed a total of 2,771 persons. Compared to the total number of employed persons in Montenegro, this represents only 1.6 %.

This data does not include individual farmers (agricultural producers). The total number of agricultural holdings in Montenegro is 48,870<sup>3</sup>. Of this number, 48,824 are family agricultural holdings, while only 46 are registered as business entities.

Despite having significant land resources, Montenegro's land is divided up among many family holdings, and 73 % of family holdings have less than 2ha of land.

**Structure of agricultural land in Montenegro in 2017**



<sup>3</sup> Source: Census of Agriculture 2010, MONSTAT

## ORGANIC PRODUCTION

Organic production is also a development opportunity for Montenegrin agriculture, especially taking into account the availability of very favourable natural conditions that are reflected in the country's uncontaminated soil, water and air. Monteorganica (<https://orgcg.org/>) is a company that performs controls and issues certificates on organic production.

Monteorganica is accredited and certified to perform controls and to certify organic products according to the requirements of standard MEST EN 45011.2004. The Accreditation Body of Montenegro has issued a Certificate of Accreditation ATCG – 0021 to Monteorganica.

The Ministry of Agriculture and Rural Development authorize this body. There are currently around 240 organic producers registered at Monteorganica, and they are mostly in the northern part of Montenegro.

The organic crops that are mostly grown are the following: oats, barley, wheat, rye and buckwheat. Regarding fruit, the most dominant are the following: apples, plums, pears and raspberries.

Organic production in Montenegro currently takes place on an area of 420,80 ha, of which :

- 208.94 ha of fruit production ;
- 208.03 ha of crop husbandry production
- 3.86 ha of vegetable production



Organic livestock production has not been developed much as yet. Organic products have only been developed to a small extent to date in areas relating to goats, sheep and poultry.

MIPA is trying to encourage organic production and to connect organic production in the northern region with the tourism resort on the coast, because foreign tourists as well as domestic ones, prefer local food products.

## FORESTRY

Forests and forest land occupy an area of 942 thousand ha, accounting for 67% of the total area. By the value of forest land, conservation, organization, diversity, management and the impact on the environment, the forests of Montenegro are among the finest in Europe.

The timber mass stock is estimated at 114,7 million m<sup>3</sup>, of which 41% are conifers and 59% are deciduous trees. The total annual increment in forests is estimated at 2,8 million m<sup>3</sup>.

Annual possible allowable cut, based on planning documents, is 810 thousand m<sup>3</sup> of the gross timber, of which 670 thousand m<sup>3</sup> in the state and 140 thousand m<sup>3</sup> in private forests.<sup>4</sup> There are about 150 active companies which are dealing with production of furniture, most of the entrepreneurs are engaged in wood processing in sawmills or in production of laminated furniture.

All of those companies are small and medium enterprises. Ironically, complete import of furniture in Montenegro amounted to EUR 53 million in 2017, and total export of raw wood material amounted to EUR 27,8 million in the same year.

State owned forests are managed by the Forest Administration, which has its headquarters in Pljevlja. Forests in the national parks, however, are managed by a Public company, National Parks of Montenegro.

## FRUIT GROWING

Orchards covered an area of 2.548,2 ha in 2017. Compared to 2016, total production of peaches increased by 44%, while mandarins production decreased by 38%, olives production by 10%, apples production by 32%, plums production decreased by 65%, and pears production decreased by 21% The total grape production in 2017 decreased by 22% compared to the previous year.

	Total production in 2016, t	Production on plantations in 2016, t	Total production in 2017, t	Production on plantations in 2017, t
Plums	13 127,6	1 587,6	9 888,1	11 044,5
Apples	7 968,1	1 638,3	5 371,8	1 346,8
Pears	2 612,7	431,6	2 063,1	389,1
Peaches	884,6	797,2	1 279,7	1 235,7
Mandarins	4 485,0	3 449,5	2 753, 8	2 347,2
Olives	766,5	412,0	758,6	417,1
Grapes	30 153,0	28 925,4	23 481,7	22 201,9

<sup>4</sup> Chamber of Commerce of Montenegro

## CROP AND VEGETABLE PRODUCTION

The most dominant crops in Montenegro are: maize, wheat, barley, alfalfa and clover. Montenegro presents favourable conditions for tobacco growing, particularly in the Coastal and Zeta-Bjelopavlići areas (the area around Skadar Lake).

Regarding vegetable production, 9,605 agricultural holdings are involved in vegetable growing, which represents 19.6% of the total number of registered holdings according to the Agriculture Census (2010).

### *Crops production 2017, t*

<b>Wheat</b>	2 462,5
<b>Rye</b>	421,0
<b>Barley</b>	1 073,2
<b>Oats</b>	550,9
<b>Maize</b>	2 707,6
<b>Alfalfa</b>	2 262,9
<b>Clover</b>	2 392,5

### *Vegetable production 2017, t*

<b>Cabbage</b>	12 439,9
<b>Watermelons</b>	17 538,0
<b>Beans</b>	855,5
<b>Peppers</b>	5 479,2
<b>Onions</b>	2 667,9
<b>Tomatoes</b>	4 767,7
<b>Cucumbers</b>	1 894,7
<b>Melons</b>	1 724,6

## LIVESTOCK PRODUCTION

As agriculture is the most important sector for rural areas of Montenegro, livestock breeding, taking into account the terrain is the most important branch of agriculture. However, this sector has not been sufficiently developed. Fragmented holdings and traditional, extensive methods of production, inefficient operations and the inadequate utilization of available natural resources are the main causes of the underdevelopment of livestock breeding. The same applies to the dairy sector.

### *Number of cattle in 2017*

<b>Cattle (total)</b>	86 649
<b>Cows and heifers</b>	63 339
<b>Pigs</b>	25 043
<b>Sheep</b>	189 008
<b>Goats</b>	29 595
<b>Poultry</b>	788 309
<b>Horses</b>	4 071





## MILK PROCESSING

Average annual milk production has averaged 170 million litres per annum over the last ten years, 95% of which is cow’s milk. Of the total quantity of milk produced, 13%, on average, was collected and processed in registered processing establishments, and the remaining quantities were processed at family holdings before being put on the market, consumed in households or used for feeding calves. The percentages of milk collected during the specified period varied from 11% to 16%.

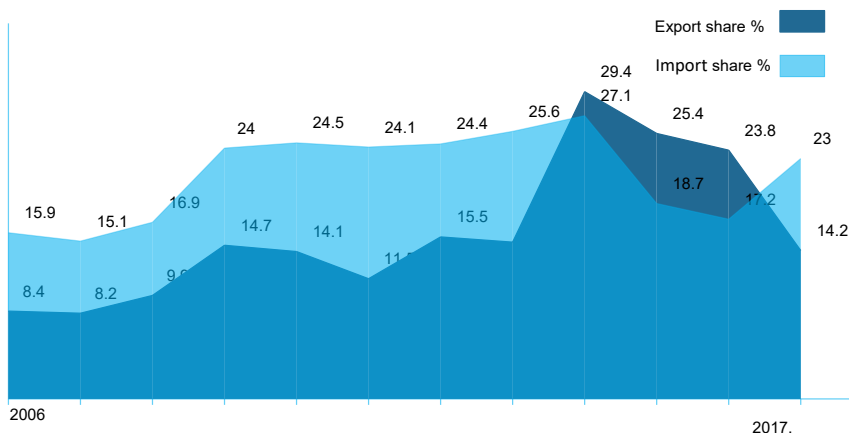
## MEAT PRODUCTION

A large portion of the overall meat production in Montenegro comes from ruminants: beef (6,343 tons or 37.1%), meat from small ruminants, sheep and goats (3,823 tons or 22.3%). The rest is pork (3,844 tons or 22.5%) and poultry (3,100 tons or 18.1%). Total meat production stands at approximately 17,110 tons per year, thus only meeting 36% of the overall amount consumed in Montenegro.

## SHARE OF AGRICULTURAL PRODUCTS IN EXPORT AND IMPORT

The share of agricultural products in the total exports was increased from 8.2% in 2004 to 14.2% in 2017, while the share of agricultural products import in the same period increased from 15.1% to 23.0%.

The most important partners of Montenegro in export and import are signatories of the CEFTA agreement. Montenegro has the highest trade with Serbia, then with the EU, Turkey and so on. This leads to the conclusion that the most important partners in trade are the countries with which Montenegro has signed free trade agreements.





## *The famous brands of Montenegro*

### **The famous brands of Montenegro**

**Nikšićko beer** - With a tradition since 1896, it is produced from a pure mountain water and natural resources that contribute to the superior quality, specific taste and pleasant bitterness.



**Cheese and prosciutto from Njeguši** - „The place is fantastic, the food was lovely. We had a traditional cheese and ham plate before the main dishes, which were really good ones. Be aware that the portions are really huge! My main dish (lamb) was a little bit too oily but the taste was exceptional good” - one of the quotes from TripAdvisor.



**Ajvar** - Ajvar is prepared using a special recipe, with red peppers and eggplants, and could nowadays easily be found on every continent.



**Wine and brandy** - worldwide famous Montenegrin products with recognized quality and unique taste. On the distance of thirty kilometers and so from the Adriatic sea, beside Lake Skadar, the rows of the grapevine stretch almost immensely, forming one of the largest and most beautiful vineyards in Europe-Ćemovsko polje, covering 2.300 ha and about 11.5 million grapevines.



**Dairy cream** - exceptionally delicious product from the sheep farms in the Piva Mountain.



**Montenegrin honey** - Unspoiled nature rich in plant biodiversity makes Montenegro an ideal location for beekeeping and honey production. Since there is a great diversity of habitats across Montenegro with specific plant composition, there is a resulting diversity in honeys. In Montenegro, one can try: in the North: grassland/meadow honey, forest honey; in the central and southern parts – sage honey, chestnut honey, flower honey, black locust honey. Each type has its own specific composition, fragrance and taste, and we invite you to make a tour of different honeys.



## 9. Privatization and Investments

### *Attractive Environment and Offer*

Privatization process in Montenegro has been conducted in several phases, which are connected with changes made in legislative framework regarding privatization. It began with the adoption of the federal Law on the Transformation of Ownership and Management of Socially Owned Capital in 1992 (amended in 1994 and 1996) and carried on with the enactment of the Privatization Law in February 1999.

According to the above-mentioned laws, there are three phases (and three concepts) in privatization: an insider privatization phase based on worker shareholding (until 1991); the phase of the transformation of industries and privatization of small and medium enterprises (from 1992 to the beginning of 1999); and the phase of privatization based on the mass sale of vouchers and sale to strategic partners (from 1999 onwards). The process of mass voucher privatization was especially successful in Montenegro.

Key principles of privatization are:

- a) Publicity, availability of all information to citizens.
- b) Equality, all citizens are involved in process.
- c) Transparency, clear and understandable procedures.
- d) Protection of property rights, Government (state) guaranties, through its bodies and agencies, protection of property rights.
- e) ) Transferability of property rights, providing conditions for trading with shares at capital market.
- f) Control, precise mechanism for control of privatization process by Government and Parliament (special committee established).

At the moment, more than 90% of the total value of capital in Montenegrin companies is privatized. Around 410,000 citizens hold shares in companies or privatization funds. There is not a single company without private capital in its capital structure.

Montenegro has made important advances in transition. On the EBRD country-level transition indicators, Montenegro scores highly in areas such as price liberalization, small - scale privatization and trade and foreign exchange liberalization, some progress has also been made in large scale privatization but there are a few major enterprises that still remain in state hands.

According to EBRD assessments, the process of privatization in Montenegro is evaluated as having been very successful. The major results of the process of privatization:

- Telecommunication – 100% private ownership;
- Banking sector – 100% privatized;
- Capital market – (including stock exchange companies, brokerage houses etc) 100% private ownership;
- Agriculture – 100% private ownership;
- Services – 100% private ownership;
- Oil import and distribution – 100% private ownership;
- Tourism – mostly private ownership,
- Energy sector – mostly private ownership.

The Montenegrin Law on Foreign Investment is based on national-treatment principles. Foreign investors can establish a company and invest in it in the same manner and under the same conditions which apply to nationals. This means that the same regulations are applied to local and foreign investors; there are no other regulations which might deprive foreign investors of any rights or limit such rights except manufacturing and trade of the armament and military equipment. In such case foreign investor may not have more than 49% of share in capital or interest, i.e. voting rights.

In March 2005, the Montenegrin Investment Promotion Agency (MIPA) began operations. Initially, Agency was set up based on the Government decision and along the lines of typical investment promotion agencies, the scope of MIPA's activity was threefold: promotion of the advantages of Montenegro as an investment location; attracting FDI by direct promotion; and services for foreign investors.

In April 2011, Government of Montenegro adopted new Foreign Investment law and the Agency was granted the status of legal entity performing activities of public interest, with professional tasks to promote foreign investments. Most precisely, MIPA perform the following tasks:

(1) carry out professional tasks to promote investment opportunities in Montenegro, in accordance with the Strategy and the Agency's annual work program;

(2) monitor the implementation of foreign investment, cooperate with state agencies, local self-government bodies and state institutions in Montenegro with the aim to promote and support the realization of investments;

(3) provide information on foreign investments to the Government in order to improve the investment environment;

(4) keep records of foreign investors and foreign investment;

(5) and other activities in the field of foreign investments, in accordance with the Law.

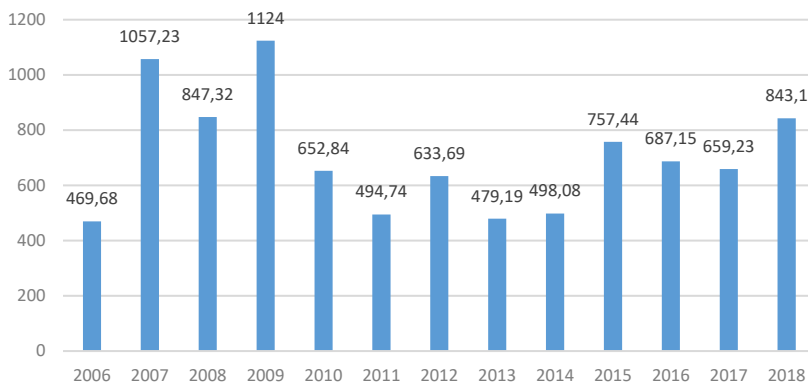
Strategy for attracting foreign direct investments (FDI) 2016-2020, defines general, focused and promotional measures on promoting Montenegro as an investment destination.

Global economic crisis pointed the fact that FDI are not sufficient, but for Montenegro they are a significant prerequisite for further development and economic growth. Strategy for attracting foreign direct investments reflects the policy of openness of Montenegro in the context of Euro-Atlantic integration. Institutional framework for attracting FDI is set well.

MIPA has a central role within the system regarding FDI attraction, also other institutions within the public administration, especially relevant ministries promote opportunities and certain projects of interest.



### Foreign investments show growing trend in the last twelve years. (EUR)



Sources: MIPA, Central Bank of Montenegro

### ***Business zones (www.bizniszona.me)***

The Government of Montenegro adopted the 'Promotion Programme of Business Development', which seeks to encourage the development of micro and small enterprises on land *connected to utilities*, increase employment in less developed municipalities, as well as activate the capital of domestic and foreign investors who could identify an interest in the implementation and advancement of this project.

**Government of Montenegro adopted Decree on business zones in 2015, and prepared amendments in September 2016.** Investors can use premises within the local government, suitable for capacity building, *connected to utilities*, intended for coordinated and planned use by a number of companies and manufacturers, which enables joint use of premises, utilities, financial, technical and other services, thus attaining business operations with lower cost.

Nine local governments have identified Business Zones of Local Importance to date, enabling the investors to invest under favorable terms in Berane, Bijelo Polje, Kolašin, Mojkovac, Cetinje, Nikšić, Podgorica, Ulcinj and Rožaje.

Mentioned local governments have defined business facilitations related to:

- payment of utility or other charges;
- bargain price of lease/purchase of premises within business zones;
- reduction or exemption from surtax on individual income;
- lowering tax rates on real estate;
- the possibility to define a favorable model of public-private partnership;
- equipping with infrastructure areas which do not have a developed infrastructure.

The Ministry of Economy drew up a special guide with individually presented business zones, their locations, capacities and facilitations, and a bylaw is also being

developed which will define further the competences and management of the business zone development project.

Business zones in Montenegro are aimed primarily at enhancing development of micro, small and medium enterprises operating in the field of light industry. Here is particularly referred to a range of industrial branches based on consumption outcome: food processing, textile and tobacco industry, furniture industry, electronics industry, manufacturing of final products etc.

There is a whole set of impulses and stimulus, defined at both **local and national level**, for conducting production activities in business zones. Incentives and subsidies have the following form:

- Favorable tax arrangements: exemption from payment of personal income tax and contributions for compulsory social insurance, exemption from payment of corporate tax, annulment or reduction of property tax;
- Exemptions or reduction of utility fees;
- Favorable price of land/space purchase or lease;
- The possibility of establishing a favorable model of public-private partnerships;
- Infrastructural equipment in areas where there is a shortage of it;
- Lower administration costs.

Here is a short review of business zones in Montenegro. For further information please contact the municipality in question:

#### **Municipality of Kolašin:**

- Industrial zone Baković: 572 200 m<sup>2</sup>;
- Area is equipped with infrastructure facilities, electricity, water, phone line and paved road access;
- There are already constructed buildings in this area, whose re-activation possible with a relatively small investment;
- Exemption from payment of corporate tax for a period of 8 years;
- Exemption from payment of personal income tax for a period of 8 years;
- Exemption from payment of surtax for a period of 8 years;
- Exemption from payment of utility fees in the amount of 100%;
- Exemption from payment of property tax for a period of 8 years;
- Favorable conditions for purchase/lease of the land;



#### **Municipality of Berane:**

- Business zone Rudeš: 548.355,398 m<sup>2</sup>
- Area is equipped with infrastructure facilities, electricity, water, phone line and paved road access;

- There are already constructed facilities in this area previously used for industrial purposes, that can be reconstructed in order to revive industrial activities in this area;
- Exemption from payment of corporate tax for a period of 8 years;
- Exemption from payment of personal income tax for a period of 8 years;
- Exemption from payment of surtax for a period of 8 years;
- Certain parcels within the business zone can be used without reimbursement for up to 10 years, in accordance with established rights and obligations. In order to obtain this exemption, an investor has to employ a certain number of workers;
- Exemption from payment of property tax on agricultural and forest land;



### **Municipality of Bijelo Polje:**

**Nedakusi Business Zone** is situated along the Belgrade-Bar regional road. The railroad runs through the Zone. The railroad cargo transfer center, town by-pass and bus station are all situated within the Zone.



This Business Zone includes the particularly attractive “Vunko” micro-site of 106,000 m<sup>2</sup>– out of which 32,000 m<sup>2</sup> is covered space, where 9 plants and 2 administrative buildings are located. Some 74,000 m<sup>2</sup> of land is available for development and is equipped with roads.

The Vocational Training Center is situated at 6 km away. The Business Zone includes retail business centers, banks, technology-production park of meat and baking industries, as well as concrete and textile factories.

#### **Incentives:**

- Exemption from the fee for use of road infrastructure.
- Exemption from the fee for land development.
- Exemption from the surtax on personal income tax.
- Exemption from the real estate tax exceeding 0.1% of the market value.
- The four exemptions stated above apply to the employers hiring at least 5 employees for a minimum period of 5 years.
- Exemption from the contributions for mandatory social insurance of employees, paid to the employees’ salaries.
- Exemption from personal income tax and corporate income tax during the initial 8 years of operation if the tax amount is lower than € 200,000.
- Exemption from municipal communal taxes.
- Issuance of building permit within 7 days.

### Municipality of Cetinje:

- Business zone A: 300 000 m<sup>2</sup>
- Business zone MACCOC: 133 000 m<sup>2</sup>, with 50 000m<sup>2</sup> of halls at investor's disposal for development on investments within industrial or commercial area (culture- related facilities, service-providing facilities; industry and manufacturing facilities);
- Application of incentives for Greenfield investment in business zone A and Brownfield investments in business zone MACCOC depend on various factors. First, it depends on whether the land is being purchased or taken on lease. Second, a crucial factor in the range of established incentives is a number of newly-employed workers. The overall set of incentives has the following forms:
  - Exemption from payment of corporate tax;
  - Exemption from payment of personal income tax and contributions for social security;
  - Reduction of utility fees;
  - Reduction of property tax;
  - Old Royal Capital Cetinje is ready to finance, in collaboration with Employment Agency of Montenegro, an intern's salary, in accordance with prescribed obligations.
  - Free of charge assistance in preparing a Business plan;
  - Free of charge assistance in preparing other documentation;
  - Possibility of favorable land purchase prices and land lease price;
  - Possibility of being assigned an officer who will be available 24 hours to investor for all necessary support;



### Municipality of Nikšić

- Business zone Nikšić;
- Area comprises certain capacities of the iron production company Toš Čelik Nikšić;
- Reduction of utility fees for construction land in the amount of 50%;
- Reduction of property tax in the amount of 75%;
- Exemption from payment of surtax to personal income tax;





## Podgorica Capital City

### KAP Industrial Zone, Dajbabe bb, Podgorica Area:

The Decision identifies 4 zones within the Detailed Urban Plan for KAP Industrial Zone, namely:

- A – 79.78 ha
- B – 183 ha
- C – 2.11 ha
- D – 22.38 ha



### Infrastructure:

Excellent infrastructure and access to utilities (access road; power, water supply and sewerage systems; public lighting; postal and telecommunications services etc.). The Business Zone comprises the existing facilities of the Podgorica Aluminum Plant (KAP).

### Incentives available:

- Partial 70% exemption from the fee for municipal utility development for new development;
- Building permits issued within 30 days;
- 49-year lease on the land to be developed; potential investors are required to hire a specific number of employees, namely:
  - 6-10 employees when using a land plot of up to 2,500m<sup>2</sup>;
  - 11-20 employees when using a land plot of up to 5,000 m<sup>2</sup>;
  - 20-30 employees when using a land plot of up to 10,000 m<sup>2</sup>;
  - 30+ employees when using a land plot larger than 10,000 m<sup>2</sup>.
- Real-estate tax exemption over a period of 5 years;
- Exemption from the surtax on personal income tax over a period of 5 years;
- No VAT or customs duties payable for the export products, in line with the VAT Law;
- Exemption from payment of social security contributions to employee salaries;
- Possible exemption from corporate income tax and personal income tax during the initial 8 years of operation, if the amount due is lower than €200,000;

### Municipality of Mojkovac:

NAME AND LOCATION: Babića Polje Business Zone, Polja bb, Mojkovac Municipality  
 SURFACE AREA: 84,556 m<sup>2</sup>; 100% undeveloped  
 INFRASTRUCTURE: power supply, possibility to connect to the water supply system, public lighting and telecommunications  
 SYSTEM PURPOSE: greenfield zone; commercial, service and production facilities





## Incentives:

- Land lease at 0.05 €/m<sup>2</sup> for production and wholesale.
- Exemption from the fee for municipal communal infrastructure on construction land for the investors hiring more than 10 employees.
- The fee for communal infrastructure on construction land is by 85% lower than the amount stipulated by the Decision regulating this field. The reduced fee is applicable only for the investors hiring 6-10 employees.
- The fee for municipal communal infrastructure on construction land reduced by 70% compared to the amount stated in the Decision regulating this field, for the investors hiring 3–5 employees.
- Real estate tax reduced by 80% for the lease duration, compared to the amount stated in the Decision regulating this field.

**MAJOR INVESTMENTS:***Porto Montenegro*

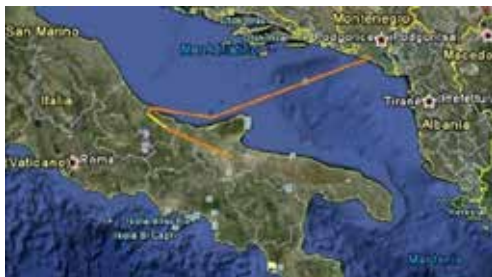
A group of investors, headed by Mr. Peter Munk, the Canadian billionaire, recognized a few years ago that the potential of Montenegro's nautical tourism had dimensions large enough not only to satisfy regional yacht owners, but also worldwide owners. Today, at the heart of the Boka Bay, Porto Montenegro, a luxurious marina for mega yachts, attracts a tremendous number of tourists. At the beginning of 2016 Investment Corporation of Dubai (ICD), bought Porto Montenegro. It is the main investment corporation of Government of Dubai, who will further contribute to development of this beautiful nautical and tourist complex. There has been estimated that, during the summer months, approximately 6000 people visit Porto Montenegro per day. In the year to come, the number of berths will increase from 248 to 432. A nautical resort with 125 luxury residences and complete entertainment repertoire will be significantly expended.



There are six residential and commercial buildings, along with five-star "Regent Porto Montenegro Hotel & Residence", that provide a five-star service including apart from a range of dining and entertaining options, cigar lounge, library bar, two swimming pools etc. Porto Montenegro is already known for its shopping area and a variety of restaurants and cafes. All-year-round tourist and entertainment offer is an imperative and a strategic goal when it comes to development of Porto Montenegro nautical and residential luxury complex.

### *Undersea power cable from Montenegro to Italy*

In autumn 2010 Montenegrin Transmission System signed a contract with Italian company Terna for construction of an undersea power cable that will connect the Montenegrin grid with Italy across the Adriatic Sea. This cable will allow connection and transmission of green electricity between the Balkans and Italy, which



will open up a new market for green electricity. The value of this project is more than €800 million. This cable represents a new form of electricity sharing, where countries from the region will also have the chance to trade electricity via this cable. The cable will be 450 km long, of which 375 km will connect Italy and Montenegro via the Adriatic Sea and the rest will be on land. The capacity of the cable is 1,200 MW and it is a significant move forward in Montenegrin economic development. With all the hydroelectric potential that Montenegro has, this cable will make a huge impact on Montenegrin GDP, reflecting on its growth.

Testing phase has been carried out in December 2018, and it is expected that the cable will be put into function by the middle of 2019. Upon the realization of this project, Montenegro will become the energy hub of the Balkans, considering the fact that the undersea power cable will become one of the main corridors for transit of electric energy in Europe.

### *Construction of Montenegro's first highway*

The project for construction of the first highway in Montenegro will be realized by Chinese companies and through funding by the Chinese EXIM Bank. This is the most important infrastructural project in Montenegrin history.

On its session of 4 July 2013, the Montenegro Cabinet selected Chinese companies - the CCCC International (China Communications Construction Company) and the CRBC (China Road and Bridge Corporation) - as best bidders for the construction of the highway's priority section. Its construction will cost around EUR 809.6 million or \$ 1.1 billion. The Exim Bank's loan is to provide 85% or EUR 687 million of the total amount,

whereas the remaining 15% (EUR 120 million) has to be provided by Montenegro. The one-billion dollar loan represents practically 10% of the \$ 10 billion credit line for 16 countries of Central and South-Eastern Europe announced by China's ex Prime Minister Wen Jiabao at the Warsaw's conference on April 2011. The highway section



from Podgorica to Mateševo is 41 km long and will pose an enormous challenge for the project designers and be the most demanding part of the road for its constructors.

It will require the construction of 11 tunnels (around 14 km) and 14 bridges and viaducts (around 4 km). Impressive construction achievements, such as Moračica bridge and Vjeternik tunnel, will be fine examples of modern infrastructure in the region and beyond. The first, priority section will be completed in 2020, and after that, the second section will be built, most possibly through PPP model.

### *Orascom - Lustica Development*

During the fourth quarter of 2009, Orascom Development Group entered into an agreement with the Government of Montenegro to develop an integrated destination on the Mediterranean Traste Bay. The total land bank for the project amounts to 6.8 million m<sup>2</sup> in Lustica, in the municipality of Tivat.



The integrated project is planned to offer 2,080 residential units, seven hotels with a total capacity of 1,370 rooms, 2 world-class marinas on the Adriatic Sea with 170 berths, an 18-hole golf course, commercial facilities, a town center, and basic infrastructure requirements. The destination presales were launched during 2012 along with the initial construction of the access roads, clearing and the marinas. The project will be the first certified eco-labeled development in Montenegro. It is expected that the value of

this investment will be around 1.1 billion euros. In 2016, Luštica Bay announced the first 5-star hotel partner with world-renowned luxury hotel brand and The Chedi. Set to become the second European hotel of The Chedi brand portfolio, the hotel will operate on a spectacular central position within the Luštica Bay main marina promenade, affording stunning views over the marina and the Adriatic Sea. Two years later, in 2018, a spectacular ceremony held in front of nearly 2000 guests, many of which were Government and company representatives marked the new era for Luštica Bay - the opening of the first 5 star hotel – Chedi Luštica Bay with 111 rooms and state-of-the-art amenities and facilities. Additionally, 17th August 2018 marked an official opening date for Luštica Bay Marina as well, thus creating a new hub for forward-thinking sailors and eco-friendly boats, with initial current capacity for 50 boats of up to 35 metres.



### *Aman Resorts*

One of the best-known hotel managing brands in the world, Aman Resorts, has been successfully operating in Montenegro for the past few years in the most exclusive location in the country. This company has been managing Sveti Stefan and Milocer with huge success, representing one of the most exclusive vacation places in Europe. With two kilometers of beaches and a peninsula covering 12,000 m<sup>2</sup>, Aman Resort of Sveti Stefan is by far one of the top places in the world. National Geographic has declared this resort among the top 50 places in the world, and with Aman Resorts being the main brand of the peninsula, there is no doubt that luxury and exclusivity are the main virtues of the resort. Sveti Stefan has been known for years as a gateway for world-renowned celebrities, where they were able to soak up one of the best views in the world with the total privacy that the place provides for them.



Since 2008, Adriatic Properties, a subsidiary of Greece's Restis group, has invested around €52 million in Aman Sveti Stefan. After years of restoration, the reconstruction of 15th century fishing village has been completed, creating one of the most exclusive addresses in Montenegro. The most famous tourist guide in the world "Lonely Planet" ranked Sveti Stefan among top 10 destination of the world's most glamorous destinations in 2013.

## *Azmont Investments – Porto Novi*

By signing the Contract on the lease of the land of former military facility in Kumbor, Montenegro enabled the State Oil Company of Azerbaijan Republic – SOCAR, to gain full ownership over the range of facilities that will be built in a period of lease duration.



Nestled in the Adriatic's largest bay, where majestic mountains drop steeply towards the sea, Portonovi presents a rare and enticing opportunity for discerning buyers to own ultra-premium property in the heart of Adriatic.

A luxurious home from home, unrivalled in the region. When complete, this will be a €800 million, 26 hectare haven of exclusivity: a luxurious village of beautifully diverse properties, bejewelled with high-end boutiques and exquisite restaurants, yet authentic in regional character – encircling a mega-yacht marina offering effortless access to the open sea.

Its enviable collection of 275 diversified properties includes stylish apartments, charming villas, impressive town houses, and sleek penthouses. An alluring array of choices, exquisitely designed to reflect the distinctive character and charming aesthetic of the region.

## *Further privatization – Privatization Plan 2019*

The privatization process in Montenegro is in its final phase. The majority of companies that have not been privatized are of strategic importance to the Montenegrin economy in the field of energy, transport, tourism etc. Further privatization of state-owned companies should contribute to achieving better economic performance, increasing the competitiveness of the country and should enable the Government of Montenegro to generate higher revenues that will enhance capital investments and reduce debts.

Activities aimed at the restructuring of enterprises with the objective of enabling their market transformation and implementation of the privatization process will continue. The privatization process will cover large systems and companies with complex

operations, as well as companies aspiring to both more functional and rational organization of operations.

The privatization of larger companies by public tender are given in the following table.

Name of company	% of capital to be privatized
HG "Budvanska rivijera" JSC Budva	58.7334%
Castello Montenegro JSC Pljevlja „Black Metallurgy Institute” JSC Niksic	86.8123%

Source: Privatization and Capital Investment Council (Privatization plan 2019)

Companies to privatized through stock exchange sale:

Company	% of capital to be privatized
JSC "Papir", Podgorica	23.9865%
Agrotransport JSC, Podgorica	52.4139%
HTP "Berane" JSC, Berane	15.3544%
JSC "Dekor", Rožaje	22.5948%
Metalprodukt JSC, Podgorica	8.3724 %
"Montenegroturist" JSC, Budva	29.6707%
"Crnogoracoop" JSC, Danilovgrad	10.6294%
"Ibarmond" JSC, Rozaje	5.0664%

Source: Privatization and Capital Investment Council

Location/Companies to be valorized through public – private partnership

List of Locations	revenues expected from lease in EUR	expected investments in EUR
1 Masline Valley - „Utjeha” Odrač Bay, Bušat, Bar		
2 Location "Donja Arza" Herceg Novi Municipality		
3 Tourism valorization of locations included in the Special Purpose Spatial Plan "Bjelasica and Komovi" - 1600		
4 Tourism valorization of location Ada Bojana through development, construction, financing and management of exclusive tourism complex and long-term lease of Ada Bojana island		
5 Location between Njivice and mouth of Sutrine in Herceg Novi Municipality		
6 Location „Kabala for”, Herceg Novi Municipality		
7 Project tourist complex Ecolodge Lovcen, National park Lovcen, cetinje		
8 Tourism valorization of locations included in the Special Purpose Spatial Plan "Bjelasica and Komovi" – Cmiljača, municipalities of Mojkovac and Bijelo Polje		cca 41 million



## 10. Quality of life

*Come and you will stay*

Montenegro offers a diversified life style: “In one day, the curious traveler can have a coffee on one of the numerous beaches of the Budva Riviera, eat lunch with the sound of birdsong on Lake Skadar and dine next to a fireplace on the slopes of Mt. Durmitor”.

Within a small area, you can mix with urbanites in a city with a modern lifestyle and nightlife, and bond with nature in an atmosphere of totally untouched natural beauty. It is, simply, Montenegro.

### *World-standard Quality of Life*

Montenegrins are well-known for their hospitality. They will certainly make a great effort to ensure that their friends, relatives, partners and guests experience the best of the country, see the most beautiful places and feel at home. This is because Montenegrins themselves are very demanding in terms of the content and quality of life. The Montenegrin people themselves want their country to be a convenient place to work and a fascinating place to explore and spend their lives. Therefore, in Montenegro there is space for any activity to meet every need or wish, and a place to suit every taste. The index of human development in Montenegro is 0.814<sup>5</sup>

### *Places to Go to See and Relax*

Montenegro is a land of exceptional scenic beauty with the sea, lakes, rivers and ancient woodlands. The choice of where to get away and what to see is endless. Four



<sup>5</sup> <http://hdr.undp.org/en/countries/profiles/MNE>



UNESCO World Heritage sites can be visited: the old town of Kotor, one of the largest “living old towns” in Eastern Europe, the Durmitor National Park, Stećci Medieval Tombstone Graveyards and Venetian Works of defence between 15th and 17th centuries. Montenegro stands on the edge between the east and the west. Different civilizations crashing and colliding have left the most beautiful marks between the wrinkled mountainous face of this fascinating country. Roman floor mosaics, Illyrian gray castles, Venetian stony walls, vibrantly painted Orthodox monasteries, ornamental Catholic churches, modest and minimalistic mosque minarets and plane socialist style buildings will tell you about Montenegrin rich cultural history. Those looking for a multicultural European history are more than welcome to Montenegro.

Skiing, swimming, climbing, yachting, cycling, bowling, ice-skating, golf and paragliding are popular leisure activities in the country. A variety of modern shopping stores, casinos, world-standard restaurants and hotels with offerings from the four corners of the world will testify to a way of life that is deeply rooted in Montenegro. There are ski centers in Durmitor and the Bjelasica Mountains and the resorts of Zabljak and Kolasin. The ski season lasts 3-4 months.

Fishing is popular on Lake Skadar and on the Rivers Moraca, Tara, Bojana and Zeta – and of course on the Adriatic Sea. Freshwater fish include trout, chub, carp and bleak. Saltwater fish include mullet, St Pierre, sea bass, gilthead perch and porgies.

Exciting rafting by boat or wooden raft is well organized in the Tara Canyon along 100 km of the River Tara. The Tara Canyon is the largest and deepest canyon in Europe and the second one in the world after the Grand Canyon.

The best-known hunting grounds are Lake Skadar, Mt. Durmitor, the Bjelopavlic Valley, Crmnica and Ulcinj (at Sas). Hunting for bears and wild boar is allowed with a permit, and for wolves without one.

If you are an adventurer you can get your adrenalin pumping by paragliding over the beautiful Montenegrin coast, bungee jumping right over the sea surface and riding fast jet skis.

### *Sports-oriented Nation*

The number of registered sports clubs in Montenegro is constantly growing. The most popular sports are football, basketball, handball, volleyball, water polo and tennis. During 2008 the Montenegrin water polo team became one of the best in the world. In 2008 Montenegro became the European Champions in Malaga.



The same team reached fourth place in the Olympic Games. Montenegrin judoist Srdjan Mrvaljevic won a silver medal at the World Judo Championships in August 2011. Also Marija Vukovic is world junior high jump champion, and Nikola Vucevic is 2019 NBA All Star player. Women handball team won silver medal on Olympic games in London (2012), also, won European championship held in Serbia during same year.

On the March 2019, in a poetic twist of fate, with a population of just over 600k, Montenegro will become the smallest nation by population to ever appear at the FIBA Basketball World Cup.

Previous record holders were:

- Qatar (population of 988k in 2006)
- Panama (1.5mil in 1970)
- Paraguay (1.6mil in 1954)
- Israel (1.6mil in 1954)

## *Everything is Affordable*

Thanks to the world popular website <https://www.expstatan.com> you can compare cost of living between cities. According to its data, Cost of living in Budva is 30% cheaper than in Barcelona

- Cost of living in Budva is 45% cheaper than in Tacoma, Washington
- Cost of living in Podgorica is 57% cheaper than in Seattle, Washington
- Cost of living in Podgorica is 51% cheaper than in Wellington
- Cost of living in Podgorica is 27% cheaper than in Valencia
- Cost of living in Podgorica is about the same as in Chiang Mai
- Cost of living in Budva is 13% cheaper than in Seville
- Cost of living in Podgorica is about the same as in Sarajevo
- Cost of living in Budva is about the same as in San Salvador
- Cost of living in Podgorica is about the same as in Belgrade
- Cost of living in Podgorica is 18% cheaper than in Riga
- Cost of living in Podgorica is about the same as in Buenaventura
- Cost of living in Budva is 12% cheaper than in Alicante
- Cost of living in Budva is 57% cheaper than in Oslo
- Cost of living in Podgorica is 40% cheaper than in Rome
- Cost of living in Podgorica is 29% cheaper than in Athens.

## *Musical spectacles*

**Montenegro has become famous because of its musical spectacles. One of them featured the world's biggest rock 'n' roll band of all time, the Rolling Stones, who had a concert on Jaz Beach. This spectacle has awakened the passion of all rock fans, not just in Montenegro, but also in the surrounding countries. More than 30,000 people enjoyed this evergreen British band.**

Furthermore, Jaz beach hosted Lenny Kravitz, the famous American singer whose two-hour funk-rock lecture was enjoyed by people of all ages and the Queen of Pop,

Madonna, who attracted a record number of visitors – more than 50,000 people, making this concert a very important musical event in Montenegro's history.

From now on, the beautiful Montenegrin Buljarica beach is an annual host of one of the best music festivals in Europe- Sea Dance Festival, which is a part of Exit Festival Adventure (Novi Sad), combining electronic, rock, reggae and rep music genres on different stages. The Prodigy, Underworld, Rudimental, Roisin Murphy, Flight Facilities, Ben Klok, John Newman, Mahmut Orhan are just some of the artist that performed during the last two years.

For soul, funky, chilled-out festival come to Southern Soul Festival on Copacabana Beach. It's straight up sun, sea and soul. Now in its fourth year, the event brings over 40 acts to three stages on the vast, sandy shoreline.

Expect to hear a soundtrack provided by modern soul and electronic music's most forward-thinking producers, DJs and artists. This year's line-up features in-demand digital composers Dorian Concept and Romare, as well as cutting-edge European jazz in the form of the Matthew Halsall Quintet and the Elliptics. Think of it as a musical holiday; this is one festival you'll come back from feeling refreshed.



Additionally, Lake fest is one of the largest summer cultural and musical events in Montenegro. Lake fest has long been the business card of the city of Niksic and one of the main brands of Montenegro.

During its existence, at the LAKE FEST there were such stars of world music as: Manu Chao la Ventura, Ritam nereda, Goran Bare i Majke, Guano Apes, Elemental, Ničim izazvan, Goblino, Partbrejkersi, Lajbah, Marki Ramones, Darko Rundek, Hladno pivo, Disciplina kiche, Obojeni program, Damir Urban, Dubioza kolektiv, Gibbon, Beogradski syndicate, Bjesovi, Block out, Azra, Sars, Zoster, Sunshine, Edo majka, Orthodox Kelts, etc. In the same city, we recommend as well the Bedem Fest, an annual summer music festival of rock and alternative art, which takes place in the fortress of Bedem.

## *Easy Communications and Connection*

In Montenegro English is widely spoken, Italian is also popular, Spanish is becoming more and more popular and knowledge of Russian is widespread.

Mobile telecommunications services are provided throughout the country, and mobile Internet is also widely available and pretty cheap. Electricity, water and gas utilities are completely reliable. Roads are good with increasing improvements and major towns also have inexpensive public transportation services.

## *Accessible Social Services*

Families from abroad may apply to a couple of schools and a faculty specializing in education based on international standards, as access to an international school is an important family-life consideration. The “QSI International School of Montenegro”, located in Podgorica, is a private non-profit institution which opened in January 2006. It offers a quality education in the English language for primary schoolchildren from five to thirteen years of age and secondary school pupils up to age seventeen.

In 2010 in Tivat Knightsbridge School Montenegro, in partnership with Porto Montenegro, created a unique opportunity for learners in the region. Founded on the principles of global citizenship, KS Montenegro offers the highest standards of an international education and strives to engage learners in building understandings that will enable them to make a positive difference in our ever-changing world is a unique and compelling approach to education in the Adriatic region; modeled on both the successful features of Knightsbridge School in London and international standards expected of schools across the globe. KS Montenegro belongs to a global network of international schools united through a shared ethos and curriculum.

First British International School in Montenegro Arcadia Academy is working successfully in Tivat and in Podgorica. Arcadia Academy has received the most prestigious accreditation of the University of Cambridge, and it is the first and only Cambridge International School, ie. Cambridge elementary schools in Montenegro, as well as member - COBIS , Council of British international schools.



## 11. Major Investment Opportunities

Montenegro offers a wide range of investment opportunities. Some of them are very unique (like the 13 km-long sandy beach in Ulcinj or Flower Island), some are challenging from a construction point of view (like highways or the railway system) and some are quite complex (like investments in the energy sector). However, we are ready to hear your suggestions and ideas about the ways to transform society, transfer the newest technology and improve the business environment.

The main purpose of this publication is not to present all the investment opportunities, but just to whet your appetite a bit and awaken your interest in one of the most beautiful countries in the world.

Also, we would like to refer to the publication titled "**MONTENEGRO INVESTMENT and BUSINESS opportunities**" (<http://www.mvp.gov.me/ResourceManager/FileDownload.aspx?rid=343160&rType=2>) where you can find lots of additional information about sector opportunities in Montenegro and to point out our web site [www.mipa.co.me](http://www.mipa.co.me) where you can find regularly updated information about available tenders and investment opportunities.

Here is a snapshot of possible investment projects in various sectors.

### TOURISM

**ADA BOJANA:** The river island

Ada Bojana is recognized as a unique tourist attraction due to its location, content and symbols. It is a national park type abundant in unique Mediterranean and subtropical vegetation in Europe. Ada Bojana Island is mostly a nature reserve park with protected biodiversity, having the square footage of 520 ha, whilst the coast length is around 3500 m. Beach length is 2750 m and the average beach width is 30 m. Long-term lease of the land owned by the State is being offered with obligation to construct exclusive tourism complex.



**PROPERTY RELATIONS:** The area of Ada Bojana covers the land of a total area of 5,132,652m<sup>2</sup>, registered in the land registers 110 and 236 cadastral municipality Gornji Štoj, as a subject of state ownership and disposal of the Government of Montenegro (Land register 110), i.e. the property of Montenegro and land users - HTP Ulcinj Riviera AD Ulcinj (Land register 236). There is burden "Coastal Zone".

**PLANNING DOCUMENTS:** The site is in the scope of the Spatial Plan of Special Purpose for the Coastal Zone which was adopted in July 2018, and the purpose of the location is tourism. A detailed elaboration for this space is going to be planned in the detailed planning documents.

## SITES BETWEEN NJVICE AND ESTUARY OF SUTORINA RIVER:

**PROJECT DESCRIPTION:** The location that is the subject of the Tender includes 30.597 m<sup>2</sup> of land and 17.313 m<sup>2</sup> of aquatorium. The land is located south from the Sutorina River mouth, and north from the Njivice settlement. It is 5 km away from the center of Igalo, by drive, and around 9 km away from the center of Herceg Novi. The location is elaborated in detail within the Spatial Plan of Special Purpose for the Coastal Zone and includes the area which borders: the beach on the location "Pećine" on the north, Njivice-Kobila-Prevlaka road on the west, Njivice settlement on the south and the sea coast on the east side. The land that is the subject of the Tender is registered in the real estate folio in the land register 1003, cadastral municipality Sutorina, Herceg Novi Municipality, as the property of the State of Montenegro.



**PROPERTY RELATIONS:** The land that is the subject of the valorization is owned by the State of Montenegro. There are no burdens and restriction, except the burden "Coastal Zone". Subdivision of the land was performed in accordance with the planning document.

**PLANNING DOCUMENTS:** The detailed elaboration of the location between Njivice and Sutorina was completed under the State Study of Location for Sector 1, which was adopted in July 2018. A new 4+ star hotel with 75 beds, and the marina with 25 berths is planned to be built.

### Location "Donja Arza", Herceg Novi

**PROJECT DESCRIPTION:** The location that is the subject of the Tender includes 94.681m<sup>2</sup> of land and 4.695,5 m<sup>2</sup> of aquatorium. The site is located in the vicinity of the Arza Fortress, the Austrian - Hungarian structure located on the island of the same name, and in the vicinity of the Žanjice Beach on the road to the Blue Cave. The land that is the subject of the Tender is registered in the real estate folio in the land register number 755, cadastral municipality Radovanići, Herceg Novi Municipality, as the property of the State of Montenegro, and includes cadastral parcels: 3230/12 of 93.330m<sup>2</sup> in size and 1850 of 1.351m<sup>2</sup> in size. Estimated investment according to the State Study of Location Sector 34 in the projects included in this planning document, including this location, amounts to €99,8 million.



**PROPERTY RELATIONS:** The land that is the subject of the lease is owned by the State of Montenegro.

**PLANNING DOCUMENTS:** The location is elaborated in detail through the State Study of Location "Sector 34" - zone "C" and zone "F".



### **Location "Donja Arza", Herceg Novi**

**PROJECT DESCRIPTION:** The location that is the subject of the Tender includes 94.681m<sup>2</sup> of land and 4.695,5 m<sup>2</sup> of aquatorium. The site is located in the vicinity of the Arza Fortress, the AustrianHungarian structure located on the island of the same name, and in the vicinity of the Žanjice Beach on the road to the Blue Cave. The land that is the subject of the Tender is registered in the real estate folio in the land register number 755, cadastral municipality Radovanići, Herceg Novi Municipality, as the property of the State of Montenegro, and includes cadastral parcels: 3230/12 of 93.330m<sup>2</sup> in size and 1850 of 1.351m<sup>2</sup> in size. Estimated investment according to the State Study of Location Sector 34 in the projects included in this planning document, including this location, amounts to €99,8 million.



**PROPERTY RELATIONS:** The land that is the subject of the lease is owned by the State of Montenegro.

**PLANNING DOCUMENTS:** The location is elaborated in detail through the State Study of Location "Sector 34" - zone "C" and zone "F".

### **The Project of tourism valorization of the location "Mrkovi – Bijela Stijena", Luštica, Herceg Novi**

**PROJECT DESCRIPTION/ PLANNING DOCUMENTS:** The site is located on the Luštica Peninsula, "Mrkovi - Bijela Stijena", Herceg Novi Municipality. A part of the land is located in the Coastal Zone. The site is located in the immediate vicinity of the future mixed-use resort - a hotel complex which is, according to the Spatial Plan of Herceg Novi Municipality, planned for construction of a luxury hotel complex of 5\* category. The mixed-use hotel resort that is planned in the immediate vicinity of the location is designed in the spirit of the development of the entire location and the surrounding of preserved nature and autochthonous characteristics of Luštica. The investment value is estimated at around €150 million.

**PROPERTY RELATIONS:** The location that is the subject of the valorization is recorded in the Land register 242 - cadastral parcel 1563/2, cadastral municipalities Rose and Mrkovi, Herceg Novi: Land register 24 - cadastral parcel 1537/1, Land register 185 - cadastral parcel 1537/2 and Land register 24 - cadastral parcel 1529 and cadastral parcel 41, which are in the ownership of Montenegro. There is a burden "Coastal Zone".





## **The Project of Tourist resort Ecolodge Lovćen – National Park Lovćen, Cetinje**

**PROJECT DESCRIPTION:** The site includes land that covers an area of 29.131 m<sup>2</sup> and includes the cadastral parcel number 6208 cadastral municipality Njeguši and part of cadastral parcel number 6381 cadastral municipality Njeguši in an attractive area of the National Park Lovćen, the scope of the Spatial Plan of Special Purpose of the Lovćen National Park. The site is located in the central part of the National Park, Ivanova korita, not far from the local road connecting Cetinje with Boka Bay, near the children's resorts and bungalows of the National Park. The estimated value of the investment is approximately € 1.65 million.

**PROPERTY RELATIONS:** The location is in the ownership of Montenegro.

**PLANNING DOCUMENTS:** The plan of temporary objects in the area of the National Park "Lovćen" for the period 2017-2019 year envisions the construction of accommodation facilities of a specific type - 30 Treehouses with the capacity per unit 2 + 2 beds, expanding the existing object and its adaptation to the café bar with a terrace, souvenir shop and warehouse space for storage of equipment that is used for the operation and conduct of business in the Adventure Park, as well as installation of an artificial alpine wall and playground for children. In addition to the construction of the Ecolodge resorts, the reconstruction and adaptation of the ruined mountaineering hut is planned, which is in the scope of the Detailed Elaboration for the Location Ivanova Korita and within the Spatial Plan of Special Purpose National Park Lovćen (Official Gazette Of the Republic of Montenegro", no. 19/97, "Official Gazette of Montenegro" No. 34/14).

## **Tourism valorization of the locations included in the Spatial Plan of Special Purpose "Bjelasica and Komovi" – Cmiljača and Žarski**

**PROJECT DESCRIPTION:** Ski resort Cmiljača - The zone of the base settlement Cmiljača is located in the northern part of the territory of Bjelasica, in the territory of Bijelo Polje Municipality, in the north-east part of the ski area Žarski at 1,620 masl, north from ski terrains, and it extends over 7.5 ha. Access to the base settlement is organized from the east, from the direction of the town of Bijelo Polje, and is connected with the ski plateau of the base settlement Žarski, which is located between mountain tops Mušnica and Govedarica.

The concept of organization of the base settlement of Ski Resort Cmiljača should ensure accommodation capacities for tourists in the vicinity of ski lifts and trails of the ski area Žarski. Cmiljača will be used as complementary accommodation capacities during winter months and as the main accommodation capacity of the summer tourist destination. The commercial zone is located in the base settlement Žarski.

A road connection to Žarski is planned on the route of the existing unpaved road to connect base settlements Žarski and Cmiljača. The concept of the zone of ski tracks is such that it represents an integrated network.



Ski resort Žarski - It is situated in the northern part of the Bjelasica area in the territory of Mojkovac and Bijelo Polje municipalities. The surface area of the ski resort amounts to 1,550 ha. The base settlement will include the following zones:

- zone with buildings of the Central settlement including hotels, apartments, reception area and public amenities,
- zone of special groups with buildings with single-family and multi-family accommodation units,
- area of the starting point of the ski lifts, ● parking area at the entrance

A network of pedestrian walkways is planned within the base settlement. There is a possibility for building a Gondola lift connecting Mojkovac with the base settlement. The ski trail zone is integrated in the base settlement zone in a way to ensure maximum accessibility for skiers. Landscaping of the terrain also includes squares, green areas and sports fields (ice skating rink etc.).

**PROPERTY RELATIONS:** The locations of Cmiljača and Žarska are owned by Montenegro, while in a certain part they are privately owned (natural persons).

**PLANNING DOCUMENTS:** The locations are elaborated in detail by the Spatial Plan of Special Purpose Bjelasica and Komovi and by the Detailed Elaboration of the location Cmiljača and Detailed Elaboration of the location Žarski. The base settlement of the Ski resort Cmiljača includes a zone with 4 hotels and 22 bungalows and starting points of ski lifts with the total of 1995 beds and the base settlement of Ski resort Žarski includes a zone with 14 hotels and apartments and single-family and multi-family accommodation units with a total of 6796 beds. A network of pedestrian paths is planned within the base settlements, which connects all facilities of the settlements and allows natural mobility of users while complying with the configuration of the terrain. The zone of ski trails is interpolated into the zone of the base settlements so as to ensure ideal accessibility to skiers.

**INVESTMENT VALUE:** Investment value of €41 million

## TRANSPORT

Investment in road and railway networks, bridges, airports and port facilities are the absolute priority for the Government of Montenegro, as preconditions for a more dynamic overall economic development.

### STATE ROADS

Contact: Ministry of Transport and Maritime Affairs - Directorate for State Roads  
Contact person: Mr. Mirsad Ibrahimovic, Director General: mirsad.ibrahimovic@msp.gov.me

Current investment opportunities:

#### 1. Construction of Highway Bar – Boljare

The highway Bar – Boljare (SEETO Road Route 4) – marked in red in the map – is a project of supreme strategic importance for Montenegro. It will connect Montenegro's strategic Port of Bar on the Adriatic coast, via the Capital City Podgorica, to the border with Serbia, and further to Eastern and Central Europe.

The Project includes construction of 5 sections, total length of 170 km: Djurmani (Bar) - Farmaci; Bypass around Podgorica (Smokovac - Tolosi - Farmaci); Smokovac - Uvac - Mateševo; Mateševo - Andrijevica, and last section Andrijevica-Boljare. The priority section Smokovac - Uvac - Mateševo (41km) – is currently under construction. Contracted costs of this section for design and construction – €809,6 million. Total estimated budget for the entire project is €1.699.761.951.



DESCRIPTION	Mateševo - Andrijevica	Smokovac – Tolosi – Farmaci (by-pass road Podgorica)	Andrijevica – Boljare	Djurmani – Farmaci	TOTAL
Length (km)	21	18	56	34	129
Construction period (year)	3	3	5	4	
Budget (EUR) – estimate *	294.840.000,00	233.121.951,72	731.160.000,00	440.640.000,00	1.699.761.951,72

\* The shown assessment does not cover the costs of land acquisition. All so far prepared technical documentations are mainly at the level of Conceptual Design.

The priority section Smokovac - Uvac - Mateševo (41km) – is currently under construction. Contracted costs of this section for design and construction, done by Chinese

company China Road and Bridge Corporation (CRBC), [www.crbcme.me](http://www.crbcme.me), is €809,6 million. In March 2018 the Government of Montenegro signed a Memorandum of Understanding and Cooperation with CRBC to cooperate further on the Bar-Boljare Highway project. In July 2018 the Government of Montenegro with the Government of Serbia signed the Memorandum of understanding and cooperation on realizing infrastructure projects.

**Interested parties are invited to submit their letters of interest and propose terms and models for the construction of the remaining sections of Bar-Boljare Highway – on the principles of PublicPrivate Partnership and adhering to best international practice, with full respect of the principle of equal treatment, free competition and non-discrimination.**

## 2. Construction of Expressway along the Montenegrin coast

The Adriatic-Ionian Expressway will include approximately 108 kilometres (with 4 X 3.25 m traffic lanes and calculated speed of 80 km/h) that will connect Croatia, Montenegro and Albania. A Western Balkans Investment Framework (WBIF) grant of € 3,5 million (of which 1 million € for Feasibility study for Montenegro) has already been approved for this project. Approximate costs of construction is 10,5 million €/km.



Possible financing models: PPP/concessions/hybrid model.

Accompanying public facilities along the expressway will also represent an opportunity for investment. However, more details on the specific investment opportunities in this regard will be known at a later stage.

## AIRPORTS

Contact: Ministry of Transport and Maritime Affairs  
 - Directorate for Civil Aviation  
 Website: [www.msp.gov.me](http://www.msp.gov.me)  
 Contact person: Mr. Zoran Kostić,  
 Director General: [zoran.kostic@msp.gov.me](mailto:zoran.kostic@msp.gov.me)

Current investment opportunities:

### 1. Development of Airport Tivat

Tivat Airport (IATA: TIV; ICAO: LYTV) is an international airport located 4 km (2 miles) from the center of Tivat, the Kotor Bay. The main passenger terminal underwent an extension and refurbishment in 2006. The airport is expected to be expanded and equipped for night landings. The project includes

reconstruction and expansion of the maneuvering area and apron at Tivat Airport (Constriction of new Terminal Building and Reconstruction of the existing Control Tower). Preliminary design is done by SPEA Engineering with the EBRD grant. A grant of €200.000 for the supervision of works has also been provided. The estimated investment value of the project is €55 million.



The Government of Montenegro is in the process of considering the best model for the economic valorisation of this airport.

## 2. *The Projects at the Podgorica International Airport*

Podgorica Airport (IATA: TGD; ICAO: LYPG) is an international airport located in Golubovci, approximately 12 km (8 miles) south of Montenegro's capital. It has eight departure and two arrival gates, and can handle up to one million passengers per year. Construction of a cargo terminal at the Podgorica Airport, along with construction of a fuel depot and an airport hotel are all planned by the Government.



The Government's intention is to publish two tenders at the same time for detailed project and for construction.

## RAIL INFRASTRUCTURE

Contact:	Ministry of Transport and Maritime Affairs - Directorate for Railway Traffic Contact person: Mr. Milan Banković, Director General: milan.bankovic@msp.gov.me Telephone: +382 20 482 156
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Current investment opportunities:

### 1. *Route 4: Reconstruction and modernization of the railway Bar-VrbnicaBorder with the Republic of Serbia*

This project is part of the ORIENT-EAST MED CORRIDOR - SEETO CORE TRANSPORT NETWORK SEETO RAIL Route 4: Reconstruction and modernization of the railway Bar-Vrbnica-border with the Republic of Serbia: General overhaul of the Trebešica-Bar railway line and modernization of the signaling and safety system on the Vrbnica-Bar line. The purpose of this project is to get Route 4 to the design and modernize the signal security system. The project

has been under continuous development since 2006, the annual investments of the state are from €10-14 million. Funds are being used from the loan (EIB, EBRD, CHEB, WBIF), grants (WBIF), IPA funds, etc.

2. *Route 2: Reconstruction and Modernization Railway Line Podgorica – Tuzi – Border Crossing with Albania*

This project is included in the latest SEETO Multi-annual plan. Total investment is estimated at €35 million and involves: preparation of technical documentation; reconstruction of the rail track and modernization of structural facilities; modernization and reconstruction of signalling - interlocking devices and contact line; and reconstruction and adaptation of station buildings and border crossing point.

## ENERGY

### Energy Sector

Contact: Ministry of Economy of Montenegro, Directorate for Energy  
Website: [www.mek.gov.me](http://www.mek.gov.me)  
Renewable Energy Sources: [www.oie-res.me](http://www.oie-res.me)  
Telephone: (+382)20 482 251 ; 482 295;  
Contact person: Mr. Anton Ljucovic: [anton.ljucovic@mek.gov.me](mailto:anton.ljucovic@mek.gov.me)

Energy sector is probably the best prospect industry sector in Montenegro with investment opportunities especially in the sector of renewable energy (wind farms, small hydro plants, solar energy, biomass, oil and gas, etc). Montenegro has substantial potential to develop hydro and thermal power plants, given the abundance of rivers and streams.

Notwithstanding relatively small size of Montenegro's energy market of only 285,000 customers (electricity production in Montenegro in 2018 was approximately 3,787 GWh), Montenegro has ambition to become an energy hub of the Balkans.

With the impending completion of the Montenegro – Italy project of construction of electricity transmission system of a one-way underwater energy cable, Montenegro will be able to export electricity to Italy, from its own sources and also from the countries of the region.

#### Current investment opportunities:

1. *Hydro Power Plants on Morača River*

Basic Technical Design envisaging construction of 4 hydro-power plants with total installed power of 238 MW and an average annual generated electric power of 694 GWh.

2. *Hydro Power Plant on Komarnica River*

Possibilities for investment in two power generators of 168 MW, with annual production of 232 GWh. Total investment is around € 178 million in 7 years.

### 3. *Small Hydropower Plants*

There are three ways of applying for concession rights over small streams rivers:

- a) By responding to the Ministry of Economy initiated tender;
- b) By investor-initiated expression of interest (through tender procedure);
- c) By issuing of energy permits (Exclusively mini hydro power plants).

For hydropower plants with the installed capacity up to 1 MW is necessary to obtain energy permit. If energy permits are issued for the construction of power plants with installed capacity up to 1 MW, using state resources, a standard Contract of the concession is signed with the holder of energy permit, in accordance with the Decision of the Government.

Energy permits are issued on the basis of the Annual Plan adopted by the Government of Montenegro. The Ministry of Economy of Montenegro did not foresee issuing energy permits in its Energy Licensing Plan for 2019.

The reason is that Montenegro is already close to reaching the national target of 33 percent of the produced energy from renewable energy sources (RES) in final energy consumption. Law on Concessions (<http://www.sluzbenilist.me/PrevPropDetalji.aspx?tag=-{F4B80277-7FA0-4E01-8C53- FEA72272EFC7}>) stipulates possibility of awarding concessions based on an annual plan adopted by the Government and published on the web site of the Government. The tender can be launched upon the initiative of a competent authority or upon initiative of an interested investor.

### 4. *Solar power plants*

Due to a good geographical position Montenegro is “rich” with solar adiation. Areas with highest solar radiation are located in south of Montenegro (aria around cities Bar and Ulcinj) and area around capital city Podgorica.

There is also a growing interest for renting of state-owned ground for construction of on ground installed solar power plants. In these cases, when investor is interested in the construction of PV power plant in certain area a public tender for 30 years rent of state-owned ground may be organized. The Ministry of Economy has so far issued 19 energy permits for installation of rooftop PV plants with installed power of up to 1 MW. Their total installed power is around 10,5 MW, while the planned annual production is around 13,8 GWh.

Investment opportunity:

Solar power plant “Velje Brdo”, Podgorica

In 2016 the local authority of the capital city of Podgorica issued planning documents for construction of a ground mounted solar power plant at Velje Brdo, with installed power of at least 50 MW. The tender will be announced in the future at the website of Ministry of Economy of Montenegro: [www.mek.gov.me](http://www.mek.gov.me)



## 5. Thermal Power Plant Pljevlja, Block II

There has been an offer for the construction of Block II Thermal Power Plant of 254 MW with an electrical net efficiency of 39.5 percent and estimated annual production of electricity of 1.600GWh. The project envisages a heat station for providing energy for district heating for the municipality of Pljevlja.



## INVESTMENT IN OIL AND GAS

Contact: Montenegro Hydrocarbon Administration  
Website: <http://www.mha.gov.me/en/contact>  
Phone: +382 20 675 976  
E-mail: [mha@mha.gov.me](mailto:mha@mha.gov.me)

### 1. Oil Exploration

According to the studies conducted both on land and offshore, there are indications of the existence of conditions for the formation of hydrocarbons. The offshore exploration territory of Montenegro is divided into blocks (grid-based system) having the size of 12 arcminutes East-West and 10 arcminutes North-South.

In late 2013, Montenegro invited international oil and gas companies to bid on licenses to explore its offshore coast. In the first Bid Round of the Hydrocarbons Production Concession Contract in Montenegro offshore, Montenegro offered 13 blocks/parts of blocks in the offshore area with sufficient level of available exploration data. Concession agreements were signed with two consortia: the Italian-Russian consortium Eni/Novatek for four blocks and the Greek-British consortium Energean oil/Mediterranean oil & gas for one block.

Montenegro does not currently possess the gas distribution network or the necessary technology to produce oil or gas, which may represent opportunity for FDI.

### 2. Ionian-Adriatic Pipeline (IAP)

The Energy Development Strategy of Montenegro (2014 until 2030) recognizes IAP as a leading option for gasification of Montenegro and as a possibility to market its own gas as a result of the construction of the gas infrastructure and being closer to significant gas market. The 530km long IAP, which has been planned to connect Fier (Albania) to Split (Croatia), is expected

to pass through the territory of Montenegro - 94km along the coast – transporting the gas from the Caspian Sea.

The Energy Development Strategy however, also estimates that by 2030 up to 7 billion barrels of oil and 425 billion cubic meters of natural gas could be discovered along the coast. Currently, Montenegro does not yet have any system or necessary technology for distribution of natural gas.



## INDUSTRY

**INSTITUT CRNE METALURGIJE AD NIKSIC:** The Institute of Ferrous Metallurgy was founded by the Steel Company in Niksic for its own research and technological development and for the scientific and educational needs of the Metallurgy and Technology department at the University of Montenegro. Since the second half of 2004, when the organizational and ownership transformation took place, IFM AD has been structured as a shareholding company with a majority share package owned by the Government and some institutional funds. Presently IFM AD is seeing a strategic partner to secure a good privatization which was initiated by The Government of Montenegro in October, 2008. IFM AD owns a great deal of high-value property (real estate, capital



facilities and human resources). In last four years IFM AD has been running business on profitable basis with a tendency of a permanent rise of the total rates of income and salaries. In the latest Privatization Plan adopted in 2019, The Institute of Ferrous Metallurgy is planned for privatization.

**FABRIKA ELEKTRODA “PIVA” PLUZINE:** Factory of electrodes “Piva” was founded in 1985 in Pluzine. It employs little less than 100 employees. Factory manufactures and markets welding consumables. It offers flux coated electrodes, and cored and solid electrode wires for welding and surface welding of steel grades; and electrodes for grooving and cutting, and grey cast iron welding. The company also offers wire rods for CO2 welding and automatic submerged arc welding, TIG welding, and oxygen and acetylene welding. In addition, it offers construction nails for civil engineering and steel foundry applications. The company offers its products for the welding of complex metal structures, such as overseas vessels, bridges, cranes, steel structures of sports halls, buses, trucks, trains, cisterns, and metal tanks... The company is the only one in the region producing electrodes.

From 1998 FEP operates as joint-stock company. The subject of sale is 42.18% of shares which are owned by Investment and Development Fund.

## *MINERAL RESOURCES*

Mineral raw materials are natural resources which are owed by the State. However, all mining companies are privately owned, except for two biggest mining companies in which the State still has a percentage of shares.

The most significant mineral deposits of Montenegro are coal, red bauxite, lead and zinc. On the basis of exploitation of minerals such coal, red bauxite, sea salt, etc. Montenegro has developed other processing industries (construction of thermal power plant, aluminum factory, salt processing plant), and therefore completed the reproduction chain.

So far, 26 types of mineral resources have been found in the territory of Montenegro. Today, based on concessions, 6 are exploited (lignite coal, brown coal, red bauxite ore, lead and zinc ores, architectural or decorative stone and technical-construction stone), and in the previous period, 9 (cement raw materials, marl and tuff - Pljevlja, ore barite - Pljevlja, clay for brick and cement - Pljevlja, Berane, Bijelo Polje, Kolašin, Danilovgrad and Tivat, bentonite - Bar (Crmnica), tuff - Savnik, white bauxite ore - Cetinje's capital, gravel and sand of glacial origin - Žabljak and the sea salt - Ulcinj), while 10 types of mineral raw materials were not in exploitation (peat, oil and gas, ore mines, chromium ores and titanium ores, iron ores, copper ore, dolomites, quartz sand, chert and gypsum).



Geological explorations have determined the reserves of available mineral resources at different levels, potential and exploitable. Except for four mineral resources (sea salt, mineral waters, groundwater and gravel and sands from the watercourse), which are part of the renewable, they remain non-renewable.

Geological explorations have determined the reserves of available mineral resources at different levels, potential and exploitable. Except for four mineral resources (sea salt, mineral waters, groundwater and gravel and sands from the watercourse), which are part of the renewable, they remain non-renewable.

Montenegro also has a significant number of groundwater reservoirs, among which are mineral waters, which are under the authority of the Water Directorate.

### INVESTMENT OPPORTUNITY:

#### **Potential for cement production in Pljevlja - Technical deposit of cement marl**

The locality "Jagnjilo", abounding with cement marl in an area of about 90 ha, is located near Pljevlja, on the slopes of Rajčev hill (1121 m.), in vicinity of the main road Pljevlja-Prijepolje, as well as the intersection for the regional road Pljevlja-Adriatic Sea. According to the available data, the total quantity of different qualitative characteristics of marl for the "Jagnjilo" deposit is about 46 million m<sup>3</sup>. Analyses conducted by CEMAG, COLAS and HOLCIM indicate that these are very good raw materials such as marl; fly ash and slag as an additive (replacement for clinker) that can be used to obtain cement type CEM II 32.5 and 42.5. The technical deposit of cement marl "Jagnjilo" is envisaged for the award of the concession by the Concession Planning Plan for detailed geological exploration and exploitation of mineral raw materials for the year 2018.

### Cement production - cement plant

The spatial-urban plan of the Municipality of Pljevlja and the Local Study of the location "Otilovići" foresee the construction of cement plants at the mentioned site. Montenegro Cement Company LLC, Pljevlja is the owner of 45 ha land for the construction of the plant. Based on the preliminary design of the cement plant, detailed geotechnical investigations of the soil were carried out for the needs of the construction and completed levelling of the terrain. Logistics - possible railroad tracks - Pripolje or Bijelo Polje. One cargo terminal is about 25 km from Pljevlja and the other about 55 km. The project site has thermal energy (local coal), mineral raw materials (marl, limestone, fly ash, chemical gypsum, coal slag), electricity, water, etc. The project also has a positive impact in the use of waste from Thermal Power Plant (fly ash, slag, chemical gypsum).

## WOOD PROCCESSING SECTOR

Wood industry is an important segment of the economy of Montenegro and its development is based on the use of local natural resources and it is traditionally export-oriented.

Raw material resources and capacities represent a good basis for much higher level of production, as well as a significant share in total GDP, export and employment. The structure of today's wood industry production consists of:



1. Primary production (production of lumber and elements),
2. Secondary production (pallets and elements for pallets with the production of briquettes),
3. Final production (production of furniture, parquet flooring, prefabricated wooden houses, latex strips, joinery (doors and windows)).

Today's wood industry sector is made up of 90% of primary and secondary production and 10% of the final production, which represents opportunity for FDI.

Investment opportunities in the Wood Processing Sector:

1. Joint-stock company "DEKOR" ROZAJE

The main activity of "Dekor" Rozaje is production of decorative paper and cardboard products. In the last few years, after production took place with minimal use of capacity, it completely abandoned due to lack of working capital and poor overall financial situation in the company caused by many years of business problems. According to the Government of Montenegro

Privatization Plan for 2019, for the sale of shares of this company are planned in the stock market (22.6% share capital).

The company owns the total area of a plot in the real estate cadastre: 43,918 m<sup>2</sup>. The total area of the facilities is: 4,488 m<sup>2</sup>.

## WATER POTENTIAL

Regarding water and water usage in general, Montenegro has an enormous untapped potential. Only 17% of its water resources has been used, while a great amount of this precious liquid, which in Montenegro has been defined as a high quality water, is still waiting for an adequate exploitation and management.

In Montenegro, there are significant differences in the distribution and abundance of water resources - starting with arid karst areas to those that are rich in both surface and groundwater. The territory of Montenegro falls among the areas rich in water. The rivers drain into two basins: the Black Sea and the Adriatic Sea. Natural lakes are also an important water resource, the most significant of which are



Biogradsko, Plav, Black, Šasko and Skadar Lake. The largest artificial reservoir is Piva Lake with a total accumulation capacity of 880 million m<sup>3</sup>. Other significant accumulations include the lakes of Slano, Krupac, Vrtac and the accumulation of Otilovići.

Montenegro's untapped potentials for the production of bottled spring water from the natural mountain springs with total annual capacity of 350 million litres represent an excellent investment opportunity. At present, only about 17% of its water resources are economically exploited.

In March 2018, the Government of Montenegro adopted a "Plan for issuing concessions in the field of waters for 2018", which includes 8 natural springs. The Plan for issuing concessions can be found at: [http://www.gov.me/sjednice\\_vlade\\_2016/67](http://www.gov.me/sjednice_vlade_2016/67). The institution in charge is the Directorate for Water: <http://www.upravazavode.gov.me/uprava>.

**Regionalni vodovod Crnogorsko primorje** (Montenegro Regional Water Supply): <http://www.regionalnivodovod.me> provides potable water supply to the coast of Montenegro from the Skadar Lake, and can establish cooperation in order to arrange better use of potentials for production, bottling or sending water.

Only 6 water bottling factories presently operate in Montenegro:

1. **Water Group** – spring water Suza: <http://www.vodasuza.com> - production 9.859.258,2 liters in 2017

2. **Eko Per company** – spring water Diva: <http://www.vodadiva.com/home.html> -- production 4.787.141,46 liters in 2017 3.

**Gorska water Montenegro**: <http://www.gorska.me/> - production 1.719.099 liters in 2017

4. **Božja voda**– spring water Monte Minerale: <http://montewater.com/en/ab-out-us> -- production 402.981 litres in 2017
5. **Aqua Bianca**: <http://www.aquabianca.com/> -- production 6.479.247 liters in 2017
6. **Water factory Lipovo** – production 9.000 liters in 2017

## TEXTILE PROCESSING

The textile sector is one of the traditional sectors in Montenegro. Besides the opening of the new factories, the potential for new investment can be found in the factories which ceased the production, especially having in mind the existing facilities, qualified existing staff and available incentives for stimulating this industry sector.

Investment opportunities in the textile sector:

1. *“Castello Montenegro” Pljevlja*

"Castello Montenegro" Pljevlja - This company, with 10 employees, used to specialize in the production of socks and production of light confectionery. However, the company has not had organized production for the last two years. The Government owns 87% of shares of this company.

Due to the significant investment required for relaunching of production, the company has had to shift its business operations towards services, like leasing business premises, charging tax for the trucks customs terminal, weighing trucks, etc. Thanks to a significant business space for lease, the company has been able to cover its financial dues.

According to Government of Montenegro Privatization Plan for 2019, a public tender will be announced for the sale of share of ownership in the form of share capital. The main goal is to find a strategic partner employ existing workers and available capacities.

2. *“KONI Konfekcija” Nikšić*

"Koni Konfekcija" was once one of the most important business entities in the town of Nikšić in the field of textile industry producing quality Health and Safety work wear. Bankruptcy was introduced in December 2012. Recently, a tender for the sale of the company's property was declared as unsuccessful, because of no expressed interested. A new tender, containing more favourable terms, is expected to be announced shortly. The property is to be sold partially at the total price of €252,000.

## TEXTILE COMPANIES IN MONTENEGRO:

**La Vista** – Petnjica – **Anel Adrović** – 051 238 288 / 248 630 / 068 111 071; [la-vista@t-com.me](mailto:la-vista@t-com.me) – [anel.adrovic@la-vista.me](mailto:anel.adrovic@la-vista.me) ; 068 047 797; [www.la-vista.me](http://www.la-vista.me)

**Owner:** Adrović Rasić;

**Director:** Adrović Irena

**Basic activity:** manufacturing of men's, women's and children shirts

**Product sold to:** Domestic market 30%; EU market 30%; CEFTA 40%.

**Dress press** – Bračana Bračanovica 84; Tuški put, Podgorica – **Petar Čalić** – 020 650 488 – 078 102 514 – 068 258 614 - [dressp@t-com.me](mailto:dressp@t-com.me) - [info@dresspress.me](mailto:info@dresspress.me)

**Owner:** Čalić Nataša, Čalić Petar;

**Director:** Čalić Nataša;

**Basic activity:** manufacturing of textile product

**Founded** in 12.05.2003;

**Number of employees:** 15.

**Simtex** – Grbe bb, Danilovgrad –

**Owner:** **Stojan Kralj** – 020 888 105 – 067 617 098 - [simtexamontenegro@gmail.com](mailto:simtexamontenegro@gmail.com) – [www.simtex.me](http://www.simtex.me)

**Basic activity:** manufacturing of textile product

One of the first factories for manufacturing of work, commercial and sports clothing in Montenegro. Their team consists of people with 25 years of experience working in the textile industry.

**Spark** – Srdara Šćepana bb, Nikšić – **Petar and Jelena Miković** – 040 246 106 / 242 135 / 242 096; [jelena@spark-cg.com](mailto:jelena@spark-cg.com) - [petar@spark-cg.com](mailto:petar@spark-cg.com) - [vladimir@spark-cg.com](mailto:vladimir@spark-cg.com) – [www.spark-cg.com](http://www.spark-cg.com)

**Basic activity:** manufacturing of work clothing, manufacturing of textile products;

Spark d.o.o. Nikšić is the only specialized manufacturer of HTZ equipment and distributor of protective agents at work in Montenegro.

**Rudex company** – VI Crnogorske bb, Nikšić – Executive Director: **Irena Vukmirović** – 040 241 344 – 242 452 – [rudex@t-com.me](mailto:rudex@t-com.me)

**Basic activity:** Manufacturing of bedding, household linen and hotels equipping.

## FISHERIES

Fish Factory “Ribarstvo” in Rijeka Crnojevića: The factory was founded in 1947 and has a long tradition in fish processing. Once modern and successful company with 300 workers, it went into administration in 2013. It specialized in processing both saltwater fish (sardines, mackerel, anchovy, tuna...) and freshwater fish (carp, trout...) from Skadar Lake, the largest lake in Southeast Europe. Production capacity: 32,000 – 40,000 cans / day.



The owner of the company AD "Ribarstvo" is Komercijalna banka AD Budva, which claims an amount of €1,509,000. The Bank shall bear the costs of maintaining the facility in order to achieve better quality valorization. The bank, as the majority creditor, is willing to sell the factory or lease it under the appropriate conditions.



The property of the factory consists of a factory, land and property outside the factory (4 buildings of 16.000 m<sup>2</sup>), as well as a structure of 7.000 m<sup>2</sup>. The Factory implements HACCP standards.

There is significant potential for profit from exporting anchovy and sardines, due to growing demand for this type of fish. Only three licenses for catching these fish species were issued in Montenegro, which is an opportunity to expand the plant's operations. At present, there are no fish factories in Montenegro that meet the conditions for exporting fish and fish products.

## FORESTRY

59,5% of the total territory of Montenegro, or 826,782 ha, is covered with woods, while barren forest land makes additional 9.7%. Montenegrin forests are among the most natural forests in Europe. Almost 99% of forest potential is of natural origin. The total standing volume of all of the forests is 133 million cubic meters of wood, 104 million of which belong to the forests available for wood supply.



Possible projects: timber and pellet production, furniture, laminates and panel production; timber biomass, etc.

## ICT SECTOR

Contact: Ministry of Public Administration  
 – Directorate for Electronic Administration and Cyber Security  
 Website: [www.mju.gov.me](http://www.mju.gov.me)  
 Contact person: Ms. Milica Janković, Director General:  
[milica.jankovic@mju.gov.me](mailto:milica.jankovic@mju.gov.me)  
 Telephone: +382 20 482 425

ICT sector in Montenegro has been recognized as one of the most important sectors for future economic development of Montenegro. The ICT sector has an overreaching influence on the national economy and global competitiveness since it supports all other sectors of the economy. Montenegro holds the 51st place in the World Economic Forum Report on ICT competitiveness for 2016. The ICT sector in Montenegro is in an early phase of development and, even though well-developed and competitive on the regional level, it has a lot of potential for further improvement.

The ICT-related legislation has been largely brought in line with the respective EU legislation. The Government of Montenegro's 2016 Strategy for the Development of Information Society Until 2020 defines key sectors for further development in this area. The document recognizes very important sectors such as: broadband access, information

safety, human capital, e-commerce, e-education, e-health, e-connectivity, e-government, and research and development and innovation.

Another very important strategy of the Government of Montenegro is the Strategy for Cyber Security of Montenegro 2013-2017, which has special relevance also in the context of recent membership of Montenegro in NATO (as of June 5th, 2017).

ICT sector in Montenegro has been recognized as one of the most important sectors for future economic development. Therefore, the plan is to increase the current share of ICT sector in GDP of 4,2% to 6% share by 2020.

The telecommunication sector alone has seen significant foreign investment in the past decade. Annual turnover in this sector is around €300 million. There are currently over 400 companies in ICT sector in Montenegro. Some of the biggest IT companies are present on the Montenegrin market, for example, Microsoft, Telenor, Deutsche Telekom (HT Group though Hrvatski Telekom), S&T, Saga, as well as Telekom Serbia, Com Trade and United Group.

Innovation and Entrepreneurship Center Tehnopolis (<http://www.tehnopolis.me>) in Nikšić was opened in September 2016 as a part of the Science and Technology Park and another central science and technology park is planned in Podgorica, along with regional innovation and entrepreneurship centers in Niksic, Bar and Pljevlja.

According to the OECD, Montenegro is a regional leader in the number of CIRT teams established in the public sector (29 reported in 2017). It is also the only Southeast Europe economy that implemented e-inclusion policies to a greater extent than the other economies.

Montenegro has also set objectives for promoting ICT adoption by SMEs with financial support schemes promoting innovation for SMEs and online business registration systems under the Digital Business Pillar of the Information Society 2020 Strategy and the new Industrial Policy 2020.

## CULTURE POTENTIALS

Contact:	Ministry of Culture of Montenegro Website: <a href="http://www.mku.gov.me">www.mku.gov.me</a> Contact person: Mr. Aleksandar Dajkovic, Director General for Cultural Heritage: <a href="mailto:aleksandar.dajkovic@mku.gov.me">aleksandar.dajkovic@mku.gov.me</a> Telephone / fax: + 382 41 232 540
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### Potentials of Montenegrin Cultural Heritage Sites

A number of Montenegro's cultural heritage sites have been identified as possible investment project with the goal of their restoration, preservation and commercial valorisation. They have been listed in a brochure prepared by the Ministry of Culture of Montenegro.

The brochure about 32 Montenegrin cultural heritage sites, with significant potential for various future investment possibilities, is available at the website of the Ministry of Culture: <http://www.mku.gov.me/rubrike/SektorKB> (left-hand side banner, document saved as bilingual "Publikacija Potencijali kulturne baštine Crne Gore").

## **SINGLE PROJECT PIPELINE – THE GOVERNMENT LIST OF PRIORITY INFRASTRUCTURE PROJECTS**

Contact: Secretariat for Development Projects  
Website: [www.srp.gov.me](http://www.srp.gov.me)  
Contact person: Mr Dejan Medojevic, acting Secretary of the Secretariat for  
Development Projects: [dejan.medojevic@srp.gov.me](mailto:dejan.medojevic@srp.gov.me)  
Telephone: +382 (0)20 220 270

On December 26, 2018, the National Investment Commission adopted an updated list of priority infrastructure projects, the so called “Single Project Pipeline”. The list contains projects from five sectors: energy, transport, environmental protection, social services and other infrastructure.

Estimated value of the projects, which are expected to be implemented in the period 2018-2025, is around €5 billion.

The list can be downloaded from this link: <http://www.srp.gov.me/ResourceManager/FileDownload.aspx?rId=323959&rType=2>



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