

11 Reasons to Invest in **MONTENEGRO**

Edition 2019

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

Dear Readers

If you come to Montenegro, you will find for yourself many reasons to invest in our country. Montenegro is an open economy, devoted to the constant improvement of business environment. We have already proved that we can be a good partner to the credible foreign private or corporate parties. Some of the reasons to invest in Montenegro are:

- » Dynamic economic growth and development
- » Multi-ethnic harmony and political stability
- » Strategic geographic position, with exit to the sea
- » Qualified human resources
- » Favorable tax climate (corporate tax 9%)
- » Pro-business Government
- » Treatment of foreign and domestic investors on the same basis
- » Hub for regional business
- » Easy business start-up
- » Young population with multilingual talent

On 2nd 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, and right now, Montenegro is the first in the line for joining the EU. 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.

Besides tourism, we are strongly presenting our potentials in agriculture, infrastructure and renewable energy.

Government of Montenegro is very eager to attract foreign investments. The same treatment is given to the domestic and foreign investors. Montenegrin Investment Promotion Agency (MIPA) is the Governmental body entitled in attracting foreign investments to the country. MIPA is at your disposal for every question or help you need about the investment possibilities in our country.

Yours Sincerely,

Mr Miloš Jovanović
CEO, Montenegrin Investment Promotion Agency

FACTS AND FIGURES:

Area	◆	13,812km ²
Coastline	◆	294km
The Highest Peak	◆	2,522m
Population	◆	622. 373 (2017)
Beaches	◆	72km
Average Annual Temperature (Podgorica)	◆	16.4C
Currency	◆	Euro
Average Wage	◆	527 Eur
Economic Freedom Index	◆	92/180 (2018)
GDP	◆	4.594 (million €) (IVq 2018)
Real GDP Growth rate	◆	4,8% (IVq 2018)
FDI	◆	843,1 (million €)
Inflation	◆	2,6 (2018)
Unemployment rate	◆	15,1% (2018)



Montenegro is member of:

- » The Council of Europe
- » The Central European Free Trade Agreement (CEFTA)
- » NATO
- » World Trade Organization
- » The Non-Aligned Movement (OBSERVER STATUS)

On December 17th 2010 - the EU Council granted Montenegro the official status of candidate country.

On October 13th 2011 - European Commission called Montenegro to start negotiations for full membership status.

In June 2012 - Montenegro opened accession negotiations with the EU.

In June 2013 - The screening process is completed.

In August 2013 - The Commission recommended the opening of Chapters 23 – Judiciary and Fundamental Rights and 24 – Justice, Freedom and Security.

In September 2014 - twelve chapters, including chapters 23 and 24 have been opened. Two of those twelve chapters, i.e. science and research, and education and culture, have been provisionally closed.

In March 2015 - two more chapters have been opened - chapter 16 on taxation and chapter 30 on external relations.

In June 2015 – two chapters have been opened – chapter 9 on financial services and chapter 21 on Trans European Networks

In December 2015 – two chapters have been opened – chapter 14 on Transport policy and chapter 15 on Energy

In June 2016 – two chapters have been opened – chapter 12 on Food Safety, Veterinary & Phytosanitary Policy and chapter 13 on Fisheries

In December 2016 – two chapters have been opened – chapter 11 on Agriculture and Rural Development and chapter 19 on Social Policy and Employment

In June 2017- Montenegro has become member of NATO

In June 2017 – two chapters have been opened – chapter 1 on Free movement of goods and chapter 22 on Regional policy and coordination of structural instruments.

In December 2017 - two more chapter have been opened - chapter 2 on Freedom of movement for workers, and Chapter 3 on Right of establishment and freedom to provide services.

In June 2018 – one chapter opened – economy and monetary policy.

In December 2018 – one chapter opened – Environment and climate change.

Regarding chapter 30 - External relations, given the high level of Montenegro's state of preparedness and its fulfillment of obligations regarding this chapter, the EU noted that, at this stage, the chapter does not require further negotiations.

NEXT STEPS

The EU will monitor all specific issues mentioned in its common positions to ensure Montenegro's administrative capacity and its capacity to complete legal alignment.

Monitoring of progress in the alignment with and implementation of the *Acquis communautaire* will continue throughout the negotiations. A final assessment of the conformity of Montenegro's legislation with the *Acquis* and of its implementation capacity can only be made at a later stage. The conference will therefore return to these chapters at the appropriate moment.

As far as Montenegro as the EU accession country is concerned, its strategic goal is to achieve full membership in the European Union. Full membership in the European Union implies full integration of the Montenegrin market in the EU internal market, which today consists of 28 Member States markets. To be a part of the internal market means to have an open fully liberalized access to the market of over 500 million consumers, and if we also have in mind the fact that this is the most exclusive market in the world in terms of consumption then the importance of the inclusion of Montenegro is quite obvious.

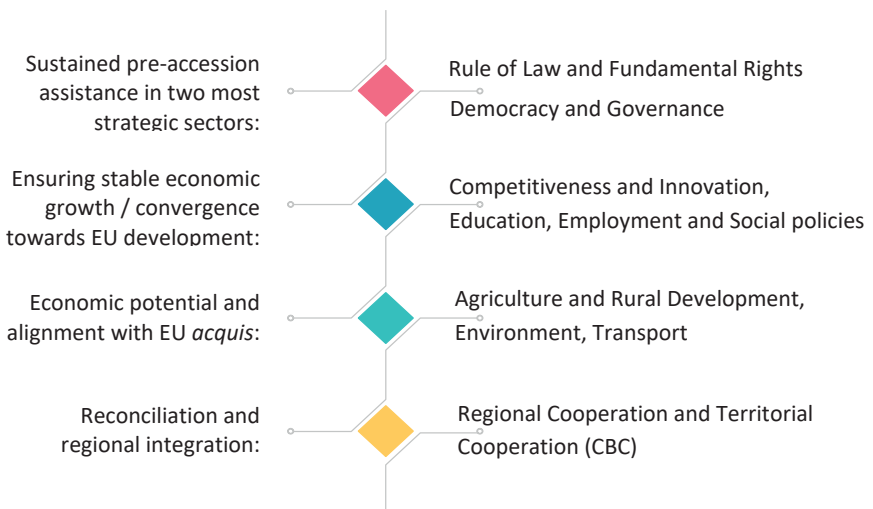
EU ASSISTANCE

IPA II (accession program) sets a new framework for providing pre-accession assistance for the period 2014-2020 for which an indicative amount of EUR 270.5 million is foreseen to be allocated.

The most important novelty of IPA II is its strategic focus on priority sectors and on the performance of the beneficiary countries in implementing key reforms needed for EU accession. Country Strategy Papers are the specific strategic planning documents made for each beneficiary for the 7-year period. These will provide for a stronger ownership by the beneficiaries through integrating their own reform and development agendas. A Multi-Country Strategy Paper will address priorities for regional cooperation or territorial cooperation.

IPA II targets reforms within the framework of pre-defined sectors. These sectors cover areas closely linked to the enlargement strategy, such as *democracy and governance, rule of law or growth and competitiveness*. This sector approach promotes structural reform that will help transform a given sector and bring it up to EU standards. It allows a move towards a more targeted assistance, ensuring efficiency, sustainability and focus on results.

STRATEGIC OBJECTIVES FOR IPA 2014-2020 IN MONTENEGRO ARE THE FOLLOWING:



INTERNATIONAL ORGANIZATION PARTICIPATION:

Council of Europe (CE),
Central European Initiative (CEI),
European Association for Palliative Care (EAPC),
European Bank for reconstruction and Development (EBRD),
Food and Agriculture Organization (FAO),
International Bank for Reconstruction and Development (IBRD),
North Atlantic Treaty Organization (NATO),
International Civil Aviation Organization (ICAO),
Institute of Certified Records Managers (ICRM),
International Finance Corporation (IFC),
International Federation of Red Cross and Red Crescent Societies (IFRC),
International Labor Organization (ILO),
International Monetary Fund (IMF),
International Maritime Organization (IMO),
Interpol,
International Olympic Committee (IOC),
International Organization for Migration (IOM),
Inter-Parliamentary Union (IPU),
International Organization for Standardization (ISO) (correspondent),
International Telecommunication Union (ITU),
International Trade Union Confederation (ITUC),
Multilateral Investment Guarantee Agency (MIGA),
Organization for the Prohibition of Chemical Weapons (OPCW),
Organization for Security and Co-operation in Europe (OSCE),
Permanent Court of Arbitration (PCA),
Partnership for Peace (PFP),
United Nations (UN),
United Nations Educational,
Scientific and Cultural Organization (UNESCO),
United Nations Industrial Development Organization (UNIDO),
United Nations World Tourism Organization (UNWTO),
Universal Postal Union (UPU),
World Customs Organization (WCO),
World Health organization (WHO),
World Intellectual Property Organization (WIPO),
World Meteorological Organization (WMO).

STATEMENTS:

I would like to congratulate the citizens, the political parties and authorities of Montenegro for the free and orderly parliamentary elections held in Montenegro, which largely met all OSCE and Council of Europe commitments.

Javier SOLANA, EU High Representative for the CFSP, after referendum for independency (May 2006)

I welcome the application for EU membership presented by the Prime Minister of Montenegro to the President of European Council. Today Montenegro has reached a historical milestone marking the country's important engagement to common European values and fundamentals.

Olli REHN, Enlargement Commissioner (December 2008)

The United States is delighted with the progress that Montenegro has made in the last several years in developing as a state, developing as democracy and developing as a country that is committed to prosperity, peace and stability to its own people.

Stuart JONES, Deputy Assistant Secretary of State for European and Eurasian Affairs, U.S. Department of State (September 2009)

I welcome today's decision of the European Council to grant Montenegro the status of candidate country, as recommended by the Commission in its Opinion of 9 November



2010. This reflects the recognition by the EU of the progress made by Montenegro in its preparation for future EU membership.

Stefan FULE, European Commissioner for Enlargement (December 2010)

Trust is the key element that we have and which we want to show to the whole world. The money is invested in its construction of buildings and infrastructure, as well as the creation of a company for the service and repair of yachts in Bijela, all within the aim of opening new jobs and sending a message that credible investors exists, who have not given up but still want to invest its money in projects in Montenegro.



PM Djukanovic meeting with EU member states' ambassadors to Montenegro

(Peter Munk, 2010)

Montenegro represents possible one of the most exciting investment opportunities in the Mediterranean. Montenegro's unique geographical positioning enables it to attract visitors and second-home buyers from both east and west; its Mediterranean climate and exceptional coastline, with an abundance of natural and historical features, are acknowledged by developers and hospitality operators alike as fundamental, long term attributes which make Montenegro highly attractive as an investment location today.

(Monteverdi Estates, 2011)

Head of EU Delegation to Montenegro Mitja Drobnič and EU member states' ambassadors voiced satisfaction with the beginning of the accession talks and confirmed the member states' determination to provide support to Montenegro in its further integration process.

The opening of accession negotiations with Montenegro was an important signal for the whole region that the EU doors are open. I congratulated Prime Minister Djukanovic on the country's significant progress in 2012 resulting in the opening of the accession negotiations. On regional cooperation, I welcomed Montenegro's positive and constructive role in the region.

(Herman Van Rompuy, President of the European Council, New Europe Magazine – online edition, January 2013)

After contracting in 2012, GDP rebounded strongly in 2013, to 3.5%, one of the strongest performances in the region. In particular, the economy has benefited from high levels of energy production and a number of new investment projects. Output

growth is projected to slow modestly in 2014, to 2.7%, owing to some limits to tourism capacity, but nonetheless we expect this momentum to continue.

(Alasdair Scott, gvf vc Senior Economist in the World Economic Studies division of the IMF Research Department, working on the World Economic Outlook report, March 2014)

Concerning Montenegro, let me just say that, for this country, the EU has been implementing its new approach on the rule of law, since the opening of accession negotiations in 2012. This envisages that progress in the accession negotiations will be accompanied by progress on the rule of law. To-date, Montenegro has opened 20 negotiating chapters and has provisionally closed two. At the same time, it has made progress on rule of law issues, especially where the adoption of legislation is concerned. Now Montenegro needs to deliver tangible results, including through the development of a solid track record in the area of corruption and organized crime.

(Jean-Eric Paquet, Director for Western Balkans in the Directorate General for Enlargement)

„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



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

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.

Today Montenegro approaches alliance and sit with us at the table with equal rights. Montenegro brings the courage and devotion of its people to NATO.

(Jens Stoltenberg, 13th Secretary General of the North Atlantic Treaty Organization, June 2017)

1. STABILITY AND SAFETY

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. Over the last two decades, Montenegro is led by a stable government and even during the collapse of the former Yugoslavia it was the only republic on which soil there was no war.

Taking charge of its own destiny and responsibility for stability, safety and prosperity led to new priorities: integration to the European Union (EU) and North-Atlantic Treaty Organization (NATO). The process of EU integration emphasized not only market accessibility, but acceptance of new values such as rule of law and property rights protection. Simultaneously, integration into NATO is a safety mechanism in the sense of the collective defense guarantees provided by NATO and its legal system. Montenegro has clearly committed itself to a collective security system as a framework for the accomplishment of its security and defense objectives. In addition, country is taking part at the International Security Assistance Force (ISAF), which is a NATO-led security mission in Afghanistan established by the UN Security Council.



Montenegro has liberalized visa regime with Schengen zone, ratified Stabilization and Association Agreement and received a status of EU candidate country. As for NATO, from the end of 2006 when Montenegro has joined Partnership for Peace (PfP) till the end of 2009 when Montenegro's application for Membership Action Plan (MAP) has been accepted, tremendous progress in defense reform had been achieved.

Starting negotiations is a success for Montenegro: its authorities, politicians, the whole society. The broad national consensus and reform efforts have paid off. They also confirm that we judge candidates on their own merits. Montenegro already did a lot. But

more still needs to be done, stated Commissioner for Enlargement and European Neighborhood Policy Štefan Füle, (Press Release, Brussels, June 2012)

On 29 May 2014, the Slovenian and Croatian foreign and defense ministers sent a letter to the Secretary General of NATO, stressing the importance of inviting Montenegro into NATO. The Slovene defense minister also stated that he expects Montenegro to receive a NATO invitation during NATO's 2014 Summit in Wales. However, later that year NATO announced that it would not be offering any new countries membership into the organization that year. Analysts confirmed this as a sign that NATO members are becoming skeptical about further Eastern expansion following Russia's annexation of Crimea, due to worries about Russian retaliation to new security guarantees to countries so close to its borders.

A formal invitation was issued by the alliance on 2 December 2015, beginning the final accession talks. In February 2016, final accession talks began, and concluded in May, allowing Montenegro to take an "observer" status pending ratification by the governments of the other members, as well as by Montenegro's own parliament. In June 2017 Montenegro finally has become a member of NATO Alliance.



„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.“

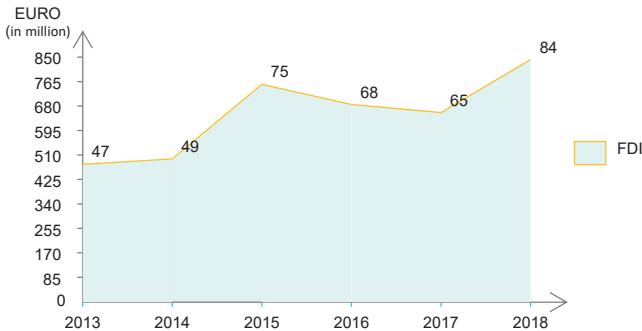
"Montenegro today has a very good legislative framework in most of the negotiating areas, in line with European regulations and standards. We have significantly strengthened our institutions and improved administrative capacities. It is especially important that the effects of reforms are more visible in practice and that they reflect on the everyday life of our citizens. A better standard of living and European quality in all areas is what we are aiming for, and the mechanism that will enable us to achieve this in the most efficient way is the process of European integration and accession negotiations," Drljević noted.

Through cooperation in the process of EU accession, we are actually preparing for cooperation, which will, from the date of accession to the EU, be developed on a much higher level.

2. DYNAMIC ECONOMIC GROWTH & DEVELOPMENT

Since the introduction of the German mark in November 1999, and later the euro in February 2002, the country has had significant success in creating a favorable business climate and in attracting reputable foreign investors. Those have played a crucial role in signaling to the others that Montenegro is an attractive investment destination.

During the three years period before the crisis, Montenegro recorded the fastest GDP growth in the region, with average growth rate reaching 9.0%. A key driver of economy growth was an influx of the foreign direct investments (FDI). For five years in a row, the country has attracted increased FDI, becoming a leader in Europe according to the level of FDI per capita. Despite the global financial crisis in 2009 Montenegro recorded even higher level of FDI than ever before (€1.07 billion), with a somewhat changed structure of investors' preferences compared with previous years and energy sector becoming more interesting.



In 2013 Montenegro recorded 479 million € FDI, 498 million € in 2014, 757 million € in 2015, 687,15 million € in 2016, 659,23 million € in 2017, while 843 million € in 2018.

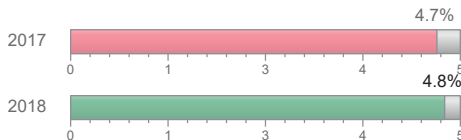
This was possible due to the overall course of economic reforms relying on:

- (i) openness,
- (ii) monetary stability, i.e. the euro as a legal tender,
- (iii) a low level of business regulation,
- (iv) a low level of taxation (with corporate income tax amounting 9%, as well as personal income tax, after gradual reduction within last three years);
- (v) free regime of capital flows;
- (vi) a high level of economy privatized (90%) or under the process of privatization.

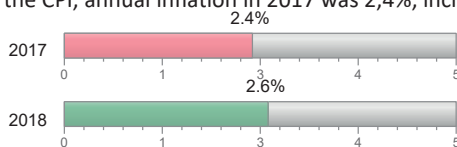
VAT rate is 21%, but there are reduced rates of 7% for tourism, IT equipment and 0% for some basic products. The VAT turnover period averages 30 days. Various world rankings prove that the course of the country's economic reforms is a correct one: According to The Heritage Foundation that measures Economic Freedom index (2019 ranking list), Montenegro is ranked 92nd. According to the latest World Bank Doing Business

report, Montenegro takes 42nd position out of 190 economies. According to the World Economic Forum global competitiveness report Montenegro is ranked 71st out of 140 economies.

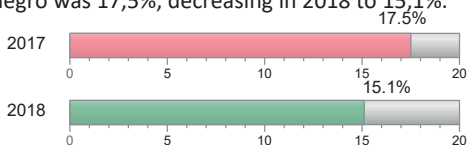
According to Monstat real GDP growth in 2017 amounted 4,7%, while in 2018 it was 4,8%.



Based on the CPI, annual inflation in 2017 was 2,4%, increasing to 2,6% in 2018.



The labor market stagnated in 2016, despite the growth. In 2017 unemployment rate in Montenegro was 17,5%, decreasing in 2018 to 15,1%.



Montenegro's economy is expected to pick up growth momentum over the period 2018-2020 due to increased investment activity and engagement of the domestic potential, primarily from the construction sector. Ministry of Finance estimates that the implementation of investment projects worth 100 million euro would have a positive effect on GDP growth rate of 1.7% - 2.0% through direct, indirect, and imputed effects. It is also expected that tourism and complementary sectors such as trade, transport, and mining and quarrying, will strongly contribute to growth over the projected period, with reliance on agriculture as the substitution factor for food import and increased exports.

Several important investment projects already started in a last few years, among which are: construction of the highway, first phase of 500 million EUR investment of One and Only resort by Azmont, submarine interconnection power cable between Italy and Montenegro (testing phase started on February 2019), development of the next stage of Porto Montenegro and Lustica Development. The construction of the first wind farm in Montenegro officially began on Krnovo near Niksic in June 2015, while implementation of the similar investment at Mozura near Bar was launched in September 2015. The construction of these two power facilities will greatly contribute to realization of the national target of 33 percent share of renewable energy in final consumption. Company Azmont Investments is building the complex "One & Only", a resort worth half a billion euros, which is financed by Azerbaijan oil company SOCAR. 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.

3. STRATEGIC GEOGRAPHIC LOCATION

About 500km from Rome, 1,500km from Paris, Berlin and about 2,000km from Moscow, Montenegro lies on the Balkan Peninsula in the very heart of Europe.

Two international airports:	Podgorica and Tivat
Sea ports:	Bar, Kotor, Zelenika, Tivat
Ferry boat:	Bar–Bari–Bar, Bar–Ancona–Bar
Railway:	Bar–Podgorica–Belgrade–Budapest
Total length of roads:	5.277 km
Total length of railway:	250 km

Montenegro is certainly one of the most interesting spots in the World. Even though it covers solely around 14.000 km² and it only has about 620,000 citizens, its contribution to the World cultural heritage is impressive compared to its size. Montenegro is a southern European and a Mediterranean country. It is one of the most southern European states and it comes out on the south part of the Adriatic Sea. Its landscape combination of mountains, deep valleys, natural ice lakes, sand beaches and attractive islands is breathtaking.



Montenegro borders with Italy (on the Adriatic sea), Serbia (to the East), Kosovo (to the East), Bosnia and Hercegovina (to the North), Albania (to the South) and Croatia (to the West). The border length is 614 km, while the coast length is 293 km. Due to its geographic location Montenegro has been and still is the meeting point of East and West. Geographic coordinates of extreme points are: North 43° 32' (North latitude-NL) - 18° 58' (East latitude - EL); South 42° 50' NL - 19° 22' EL; East 42° 53' NL - 20° 21' EL and West 42° 29' NL - 18° 26' EL. The country is located in the Middle Mediterranean or South East

Europe at the Balkan. Podgorica is the modern capital, while Cetinje is an old, royal capital.

With the access to the Mediterranean Sea and having the Port of Bar as its most important south Adriatic port, this is a location precondition for a prosperous life. Port of Bar may be used as interlinking route to Africa, the Middle East, India, Russia and Asia. Besides the Port of Bar there are three other international ports – Kotor, Risan and Zelenika. Located in the Bay of Kotor, a UNESCO World Heritage site and Europe's most southerly fjord, Porto Montenegro combines a spectacular destination with a world-class marina and services. Complemented by spacious waterside residences, signature restaurants, lovely 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. Air traffic, sea traffic and up to certain extent railroad traffic are good linking networks for the country. An additional impact on the usage of a great location will be the new highway to Serbia as well as Adriatic-Ionic highway that passes through Montenegro.



In June 2013, Ryanair - Europe's only ultra-low cost carrier (ULCC) launched its first flights to/from Montenegro, which is Ryanair's 29th country of operation, with four weekly flights between Podgorica and Brussels. This event enabled first true low cost flights to Montenegro.

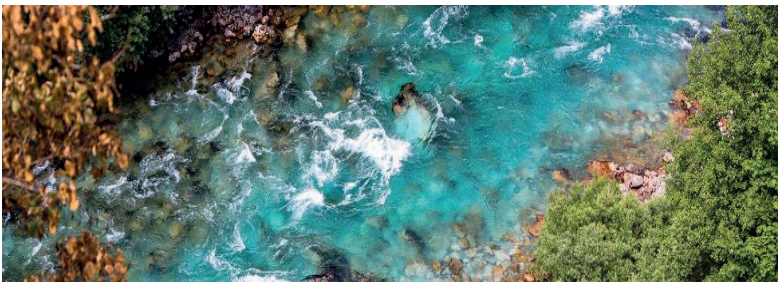
In May 2015 started the construction of the highway Bar - Boljare - Belgrade, which is an important step for the overall development of Montenegro regarding the connection of the State with the region and furthermore with the European Union. This highway will greatly improve current state in terms of travel time from Bar to Belgrade. The Chinese company CRBC, i.e. its subsidiary company CRBC supported by the Exim Bank, will build 41 km of highway Bar - Boljare route Podgorica - Mateševo with total number of 42 tunnels and 92 bridges and viaducts. Of the total amount to build stocks (809.6 million euros) 85 %, i.e. 688.16 million will be provided through the Exim Bank loan and 15%, ie 121.44 million is the State participation. Construction of the priority shares Smokovac - Uvač - Mateševo, will last five years and official opening of the highway is expected to be mid 2020.

A key question of strategic location isn't the location per se, rather the usage of that location. We are looking at our geographic location as a base for prosperity.

4. HUB FOR REGIONAL BUSINESS

Why can Montenegro be your regional business hub? At very least for the following reasons:

- a) **Currency** - we are using the euro. That means there is no hidden inflation and it is easy to calculate a consolidated balance sheet and income statements for your firms.
- b) **Openness** – perhaps the most important factor of all. This country with its forward-thinking legislation and with straightforward, friendly people is very open to business with you.
- c) **Financial services** – There are fifteen banks operating in Montenegro, and all of them are in private ownership: Montenegrin Commercial Bank, Podgoricka Bank Societe Generale, Erste Bank, Atlas Bank, NLB Montenegro Bank, Commercial Bank Budva, Invest Bank Montenegro, Prva Banka, Hypo-Alpe-Adria Bank, Nova Bank, Universal Capital Bank, Ziraat Bank, Zapad Bank, Lovcen bank and Addico Bank.
- d) **Telecommunication** – excellent connections with the rest of the world via optical cables, 3G Network and fast Internet-based service represent a good foundation for your business communication. There are three big telecommunication providers.
- e) **Connectivity - Flight connection:** with daily flights to all regional capitals and major cities in Europe, it is easy to travel to Montenegro for business. There are two airports, one located in Podgorica and the other one in Tivat. In past two years, airline connections improved with introduction of new direct flights to Berlin, Paris, London, Brussels, Istanbul, Frankfurt, Vienna, Rome, Moscow, Ljubljana, Belgrade and Zurich, while the Tivat airport is mostly used for charter flights to Moscow and Belgrade. Port of Bar: with favorable geographic position (42°0` north latitude and 19°05` east longitude), together with the railway line Belgrade-Bar and the road network represent a compatible traffic system that enables rational connections of the Port and its surrounding area. Highway Bar-Boljare- Belgrade, which is in the process of construction will further improve current state in terms of travel time from Bar to Belgrade.



5. YOUNG POPULATION WITH MULTILINGUAL TALENT

“The power of youth is the common wealth for the entire world. The faces of young people are the faces of our past, our present and our future. No segment in the society can match with the power, idealism, enthusiasm and courage of the young people.”Kailash Satyarthi

Young people in Montenegro today are facing problems and challenges that require new attitudes, knowledge and skills, a certain willingness to continuously learn and change and a more rational approach to life. According to estimates of the population from 2017, out of 622. 373 inhabitants, there were 113 302 inhabitants between 0-14 and between 15-25 about 13,05% of total population.

The education process of young people, regarding both foreign language learning and other forms of education, is implemented through formal, non-formal and informal education. Basic aspects of language learning for young people are a university education, education within foreign language school and on the basis of young people's mobility, whether it is about educational, cultural or tourist mobility.

Knowledge of the English language is widely spread, since it is the first foreign language introduced to students in elementary schools, at the age of 9, but other languages such as French, Russian, Italian and German are studied as well in the elementary and high schools or at the university level. Beside these, according to the list of licensed education institutions, 15 foreign language schools are currently operating in Montenegro. 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.

The mobility of young people is a significant solution in learning foreign language. Cooperation between education institutions and relevant international ones is established at all levels, both on European and world-wide on the basis of bilateral agreements. The scope and diversity of students' mobility is on much higher level today than in past few years. Ministry of Education through bilateral agreements and

cooperation between EU countries provides a high number of scholarships on Bachelor, Masters and Doctorate level. The mobility, primarily of students, and then of other young people was achieved through Erasmus Mundus, CEEPUS, TEMPUS, INTERREG, and WUS Austria programs.

Within the activities of Montenegrin Academy of Arts and Science, participation was taken at the following activities ALLEA; EASA, EMAN, IACSEE, ISCU, and CEEN. Planned activities on joint projects and study visits in 22 national Academies of Arts and Science were carried out as well.

Also the UN Montenegro pooled together their specific expertise and strengths into a Joint UN Programme on Youth Empowerment. It is implemented together with the Ministry of Labour and Social Welfare and Ministry of Education including the Directorate for Youth and Sports. The Programme called "Kreativacija" (Creativation) seeks to create conditions for employability and employment of young people.

From Ministry of Education Montenegro and Ministry of Sports Montenegro a Youth Strategy was created.

The Strategy defines six key priorities (outcomes) regarding Montenegrin youth:

A. Young people achieve economic and social security through improved access to labour market and employment

B. Young people have access to quality education

C. Young people are active citizens, involved, motivated, proactive and participate in decision-making and community development processes, in creation of policies and their implementation D. Young people are healthy, they are safe, have access to an adequate support system for transition to adulthood and self-realization

E. Young people have access to quality cultural content as creators and consumers

F. Normative and institutional framework for the implementation of youth policy has been established.

A large degree of youth mobility is achieved by virtue of the Association for Democratic Prosperity through short-term and long-term volunteer exchanges. The Forecast Exchange Program also enhances youth mobility in Montenegro. Montenegro is hosting more foreign exchange students each year through Erasmus + program, or AISEC internship program. Besides all this, the number of young people who opt for certain kinds of internships and seasonal jobs abroad is growing and one of the famous programs of this kind is "Work and Travel" USA.

In addition, Montenegro is part of Southeastern European Era-Net, a networking project aimed at integrating EU member states and Southeast European countries in the European Research Area by linking research activities within existing national, bilateral and regional RTD programs.

6. QUALIFIED HUMAN RESOURCES

A qualified workforce is a critical prerequisite for the overall economic development of Montenegro. In order to achieve a higher level of development, emphasis in the recent past was given to efficient human resource development and learning society. There are three universities (one state and two private) in Montenegro. The number of students went up on 27.565 in the school year 2016/2017. At the same period the number of faculty graduates went up from 1,656 to 3.048.

The University of Montenegro was founded in 1974 representing the oldest higher education institution in Montenegro. The University has over 20.000 students.

It is the largest and the only comprehensive higher education institution in the state comprised of nineteen faculties and two institutes of science.

Since 2004, lessons and exams are organized in accordance with Bologna Declaration principles. The University is organized according to modern European universities. Its seat is in Podgorica, and units and study programs are also located in Niksic, Cetinje, Kotor, Herceg Novi, Bar, Budva, Bijelo Polje and Berane.

The University of Montenegro is a member of European Universities Association (EUA).

University of Montenegro (www.ucg.ac.me) is the oldest education institution which has 20 faculties: Faculty of Electrical Engineering, Mechanical Engineering, Metallurgy and Technology, Natural Science and Mathematics, Civil Engineering, Architecture, Economics, Law, Political Science, Medicine, Philosophy, Marine Studies,



Tourism and Hotel Management, Drama, Fine Arts, Practical Physiotherapy, Sports and Physical Education, Biotechnology, Pharmacy and Music Academy.

UDG (www.udg.edu.me) has twelve faculties: the Faculty for International Economics, Finance and Business, the Faculty of Legal Science, the Faculty of Information Systems and Technology, the Faculty of Arts, the Faculty of Humanities Studies, the Faculty of Polytechnic, the Faculty for Food Technology, Food Safety and Ecology, the Faculty of Sports Management, the Faculty for Culture and Tourism, the Faculty of Philology, the Faculty of Design and Multimedia and the Center for Foreign Languages.



UDG offers:

- » Quality studying (newly built space of about 16,000m² in the final stage of construction);
- » State of the art equipment;
- » Compliance with international standards in the construction, equipping of buildings and teaching;
- » Young teaching staff, with extensive participation of professors from outside of Montenegro;
- » Interdisciplinary Studies (students have the ability to combine courses from different faculties);
- » The University is going to be organized as a campus-creating conditions for a long stay of students at the University, with the construction of residential houses and dormitories in the near future;
- » Strong emphasis on sports activities of students, which are part of courses, as well as on the physical development of students and the practice of students is part of the studying process at UDG.

Students are provided with opportunity to communicate with people from the business world from the region and the world. Incubator for business-helping students to develop their business ideas during studies and support to start their own businesses.

Mediterranean University (www.unimediterranean.net) has four faculties: the Faculty of Information Technology, the Faculty of Visual Arts, the Faculty of Foreign Languages and the Faculty of Law, as well as two schools for tourism and business.

Faculty of Business Economics was opened in Bar in 2013.

Improvements of even general population education structure are visible. Compared to 1991, the percentage of population 15+ of age without an education was reduced to only 1.5%, while percentage of the population with a high school education

reached 52%. Almost 17% of those 15+ years of age do have a high school education and faculty degree.

Education of the workforce is oriented towards complying with the demands of modern, democratic and economically developed society and the market economy, the promotion of personal and professional development of students and providing knowledge and skills necessary for further studies, life and work, personal interests and life-long learning, ultimately aiming for the establishment of an education system compatible with other European systems.

In November 2010, ReSPA's new offices, training facilities and campus in Danilovgrad were officially inaugurated in the presence of Mr. Štefan Füle, European Commissioner for Enlargement.



The improvement of work force qualification is not only evident in terms of the improvement of higher education, but also in terms of other forms of education, additional qualification, etc. The Strategy for Adult Education serves as a good example: it was developed for the purpose of contributing to the growth of competitiveness, employment and entrepreneurship.



Directorate for Information Society and Telecommunications has made significant efforts towards raising the level of digital literacy of Montenegrin citizens. By implementing the project ECDL (European Computer Driving License), 800 employees at the Montenegrin courts and 2000 professors in Montenegrin schools have attended ECDL training program and obtained the ECDL certificate, which represents the biggest surge of digital literacy in Montenegro. In that regard, Montenegro belongs to a group of the EU countries with the highest number of certificates compared to the number of citizens.

7. FAVORABLE TAX CLIMATE

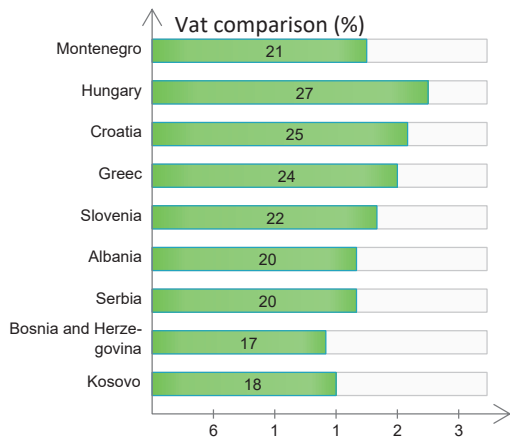
The Montenegrin tax system is flat one. Very few countries in the world have a flat system and that in itself creates a lot of advantages, simplicity above all.

In addition, all major tax rates in Montenegro are very competitive with respect to other countries in the region and in Europe, and in many aspects Montenegro is working to make its tax system even more attractive.

The tax and customs legislation is largely aligned with the Acquis communautaire, especially in the management of tariffs and indirect taxes (excise and VAT). The basic tax structure in Montenegro includes: excise, VAT, customs duties, income tax, corporate income tax, sales tax real estate, low taxes (the use of property, insurance, etc.), Mandatory social security contributions (pension and disability insurance, health insurance and unemployment insurance), taxes (judicial, administrative, residential) as well as several types of benefits (for use of public roads, forest use, charges for water use, etc.).

The Corporate Profit Tax, which is equal to 9%, is the lowest in the region. The **VAT rate** is 21%, but there are reduced rates of 7% for tourism, IT equipment and 0% for some basic products. The VAT turnover period averages 30 days.

Personal income tax is 9% and 15%. The law on personal income tax was amended on February 2013, with temporarily increasing personal income tax on gross monthly salaries of over €765 from 9% to 11%. All investors are able to remit dividend and interest profit in the full amount, without any restrictions.



8. PRO-BUSINESS GOVERNMENT

Strong commitment to a pro-business government is clearly expressed by the improved business climate and progressively increasing FDI. Major progress is recorded over the last four years in the area of market liberalization.

Since gaining independence in 2006, Montenegro has been intensively moving forward on political, economic, as well as on legislative plan. Building a favorable investment environment, creating benefits for foreign investors and helping them with implementation of investments, Montenegro sets the stage for further economic growth. With liberal economy, free market and above all with political stability, Montenegro has been "opened" to foreign capital. Government efforts to create a favorable investment climate, in a time of general economic crisis and with relatively fast escape from recession, the possibilities for a more stable business for all economic entities had been created. Montenegro has provided safety to foreign investors by adopting international mechanisms, which can be applied to protect capital. Lower transactional costs, simplified procedures and more efficient administration are contributing to a more competitive environment.

Montenegro joined Central European Free Trade Agreement (CEFTA) in 2007. From January 2008, the country has been implementing the trade-related provisions of the Stabilization and Association Agreement (SAA) with the EU. Montenegro joined the ranks of the World Trade Organisation (WTO) as its 156th member on December 17th 2011.

Free-Trade Agreement between Montenegro and members of the European Free Trade Association (EFTA) was signed 14/11/2011. Although four EFTA countries are small, they are the World leaders in several sectors vital to the global economy. Liechtenstein and Switzerland are internationally renowned financial centers and hosts to major companies and multinationals. The two EFTA Nordic countries – Iceland and Norway – stand out in fish production, the metal industry and maritime transport. The EFTA countries are important participants in the field of foreign direct investment and are in 9th place in the world in volume of trade.

Subject to negotiations with EFTA was the basic text of the agreement, with accompanying documents, and agreements on agriculture signed between Montenegro and the EFTA member states individually.

The regulatory process in Montenegro is open and transparent. The business community is welcome to provide comments on draft legislation. Laws before the Parliament can be found on the Parliament website. Legislation, once it is passed, is published in an Official Gazette. All national legislation is available via the Internet in the Montenegrin language, while a majority of it is available in English as well. In addition to that, almost all major strategies adopted by the Government of Montenegro are also available in English.

All firms registered in Montenegro are under the Commercial Court's legal authority. The Court maintains computerized registry and provides public access to company information.

A substantial body of laws protects foreign investors. Pursuant to the Foreign Investment Law, foreign investors enjoy the same legal status and have the same rights and obligations as local investors. A foreign investor may establish a company on the territory of Montenegro or invest in a company's assets in accordance with the same procedures and meeting the same requirements as applied for the residents. According to the Business Organization Law, foreigners can be directors and members of the board within the companies.

In accordance to the Law on Foreign Current and Capital Operations, foreign investors in Montenegro can acquire ownership and are disposed upon means of payment denominations in currency other than euro, and to perform business and payment operations in currency other than euro.

The Labour Law was brought more in line with EU requirements: employment was made more flexible, restrictions on redundancy dismissals were eased, and the notice period for redundancy dismissals was shortened.

In January 2015, in order to further improve business environment and economic growth of the country, *Decree on fostering direct investments* has been adopted. This Decree defines that financial incentives can be assigned to a foreign and domestic companies, which have the intention to invest at least 500,000 € (250,000 in the municipalities with the development index under 75%) and open at least 20 (10 in the municipalities with the development index under 75%) new jobs over three years, or a period that is considered as investment period. The funds will be awarded on the basis of criteria which will, among other things, evaluate the references of investors, the sustainability of investment project, the effects of the project influencing development of less developed local government units, the effects of investment project on human resources, environmental impact and the scope of international trade. With adoption of such regulations, Montenegro will join the countries from the region that have implemented similar legal solutions in order to improve the business environment.

Government Agency, Montenegrin Investment Promotion Agency (MIPA) is a promoter of investment projects. Among other things, MIPA assists investors in obtaining permits and licenses; helps investors in locating *greenfield* and *brownfield* site options according to their specific requirements; and also gives initiatives and supports cooperation with domestic supplier companies and other local partners. Ultimately, through economic development, MIPA aims to improve the quality of life of all Montenegrin citizens. Therefore, MIPA promotes business ventures of particular interest to foreign investors and brings such projects to the attention of the international marketplace. So far MIPA has provided many *one-stop-shop* services for potential foreign investors. Moreover, MIPA raises Montenegro profile as a global competitor by facilitating investment from abroad.

9. NATIONAL TREATMENT OF FOREIGNERS

In 2011, *Foreign Investment Law* has been adopted which created a secure legal framework, in harmonization with the EU Member States. Foreign Investment Law regulates the basis of foreign investment principles and protection of foreign investors.

Foreign legal entities and individuals in terms of this Law are guaranteed equal treatment as domestic in establishing and investing in companies (**national treatment**). Foreign investors are: foreign legal or natural persons, companies with a share of at least 10% of foreign capital within the company, a company which is a foreign entity established in Montenegro and Montenegrin citizen residing abroad, as well as the person who on the basis of investments acquired Montenegrin citizenship. Foreign investor can independently or with another foreign investor, or local nationals: establish/fund a company or invest assets in a company. Foreign legal entity can establish a division of his/her company (affiliate) in the State, which is legal entity and acts in accordance with law. Foreign investor can purchase a company, or its part or its shares, in accordance with law. Assets of foreign investors are being protected from expropriation, unless public interest is established legally. In such cases adequate compensation is provided in accordance to law.



There is no prescribed limit regarding value of capital invested in Montenegro. A foreign investor may acquire ownership rights over real estate in Montenegro, such as offices, properties, apartments, residential premises and land. In addition, foreigners take the same inheritance rights over real property as Montenegrin nationals. All major insurance companies around the world guarantee investment projects in Montenegro.

Foreign investors are encouraged to freely invest in an industry they are interested in and are free to carry out the transfer of all assets, including profits and dividends.

The only limitations are that foreign person cannot have property rights on: natural wealth, common goods, agricultural land, forest and forest land, cultural monuments and immovable property within 1 km of the border line. However foreign individual can have rights for concession, long term rent, BOT arrangement, franchise agreement, public private partnership on the above mentioned categories the same as a domestic person.

Foreigners Law regulates the conditions under which a foreigner may enter, move and reside in Montenegro with a valid foreign travel document which includes a visa or a valid foreign passport with which has a temporary residence permit, temporary residence permits and work, or a permanent residence permit. The biggest step forward in the amendments to this law in 2015, is issuing a single permit for temporary residence and work of foreigners in the form of cards, which is a proof of legal residence and identification document in Montenegro.



Visa regime between Montenegro and other countries is regulated by the *Regulation on the Visa regime*. If the foreign person is a citizen of the country covered by this Regulation in this case may enter, pass through the territory and stay in Montenegro for up to 90 days with a valid identity card or other document which proves identity and nationality. Holders of passports with valid Schengen visa, a valid visa of the United States, the United Kingdom and Northern Ireland and the Republic of Ireland or residence permits in these countries may enter and stay or transit through the territory of Montenegro up to seven days, and no later than the expiry of the visa, if the period of validity of such visa is less than seven days.

10. EXCELLENT QUALITY OF LIFE

Montenegro is a country of contrasts: from mild Mediterranean to a severe mountainous climate, from fruitful plains and river valleys to high and arid mountains. On its rather small surface area, a cultural heritage originated from the time of creation of the first human communities until the present. It is almost a privilege to be situated on the boundary of two large civilizations (eastern and western), three great religions (Orthodox, Catholic and Islamic), numerous known and unknown builders, painters and carvers, masters of sophisticated crafts, writers, transcribers and typographers, from whom we inherited the masterpieces of their hands and their spirit, sublimated nowadays into a wealthy cultural heritage. The Montenegrin Parliament adopted the Declaration on the Ecological State in the northern town of Žabljak on 20 September 1991, amidst turbulent times for the whole region, which marked the beginning of the increased public awareness of the need to preserve the environment. Three UNESCO World Heritage sites are located in Montenegro: the Old town of Kotor and Stecci Medieval Tombstone Graveyards as cultural heritages and Durmitor national park as a natural heritage. Cultural life in Montenegro is quite rich. There are nine theaters (seven professional) with over 400 performances per year, 41 radio stations, 19 TV stations and 20 public libraries. Year by year the number of events is increasing, including concerts of well know musicians, fashion shows, boat races, international music festivals, international movie festival etc. Beautiful mountain resorts, as well as broad, sandy beaches are often the spot of cultural and open-air performances and festivals through the year. Montenegro is a host of one of the best festivals in Europe- Sea Dance (Exit adventure) – August 2019, Southern Soul festival – July 2019 and Lake Fest – August 2019, as well as Art Fair Expo (April 03-07, Budva), Nautic Show (April 16 – 19, Budva), Kotor Art (June – August 2019, tbc), Automobile Show (October 2019), many regular business conferences, open-theatres etc. Over 1,000 sports clubs are registered in Montenegro. The most popular sports are football, basketball, handball, volleyball, waterpool and tennis.

Country is getting more eco-friendly every year with constructions of new cycling trails and „No car“ and „Green“ day celebrations. Increase in organic and healthy food stores has been noticed in the last couple of years, as well as organization of organic food workshops and wine & fish fares. The large number of the restaurants, coffee bars and services to support your business needs, together with 240 sunny days at the costal area, offeres a strong fondation for an excellent quality of life. In economic and social sphere, Montenegro is characterized by a relatively high level of development inherited from the period before the crisis of the nineties of the last century. Especially important are achievements in the area of development (ie. high level of education system and health care system), which are contributed to the fact that now Montenegro has significant potential in the area of human resources and a solid basis for economy recovery. Economic reforms are underway, and European integration which the country prosses, aspires to represent an additional incentive and potential for rapid and sustainable development of economy and society. Especially important is the value of cultural diversity, which also can give a significant contribution to sustainable development.

11. EASY BUSINESS START-UP

Registering business in Montenegro is an easy process. All companies need to be registered within the Central Registry of the Commercial Court (www.crps.me).

Registration can be done in the capital Podgorica (eight regional units) or in Bijelo Polje located at the northern part of the country.

The Central Register of the Commercial Court is in charge of business registration. It has an electronic database of registered business entities, contracts on financial leasing and pledges.

We highly recommend you to take a look at web portal <https://montenegro.eregulations.org> which consists most of the administrative procedures in Montenegro step by step, with necessary patterns, list of institutions you should visit, etc.

Since May 2011 new business entities are able to register in one place any economic activity. A one-counter operating system allows business entities by registering in the Central Registry of Business Entities to be automatically registered in the register of the Department of Statistics, the register of taxpayers and customs payers, the register of payers of value added tax (VAT) and excise taxpayers. With changes in the regulations electronic registration of companies is enabled through the portal www.euprava.me.

Montenegrin law permits the establishment of six types of companies, the most common being: Entrepreneur, Limited Liability Company (d.o.o.), Joint Stock Company (a.d.), General partnership (o.d.), Limited partnership (k.d), and Part of a foreign company.

To register a company in Commercial Court, an Entrepreneur needs to present:

- Personal identification card.
- Completed registration form.
- Min. capital requirement - no minimum capital requirement.
- Registration fee of €10.

Limited Liability Company (d.o.o.)

- Minimum capital requirement of €1.
- Founding act.
- Contract of decision of company's foundation.
- Completed registration form.
- Registration fee of €10.

Joint Stock Company (a.d.)

- Minimum capital requirement of €25,000.
- Founding act.
- Contract of decision of company's foundation.

- List of names of all boards and managers.
- Board members' and managers' social security numbers.
- Name and address of the executive director, reviser board and secretaries.
- Signed statements of agreement to perform duties in the company.
- Resolution from Security Commission board approving a public offer of shares.
- Completed registration form.
- Registration fee of €10.

General partnership (o.d.)

- Two or more persons.
- Minimum capital requirement – no minimum equity requirement.
- Registration fee of €10.

Limited partnership (k.d)

- Two or more individuals.
- Minimum capital requirement - no minimum equity requirement.
- Registration fee of €10.

Part of a foreign company

- Minimum capital requirement - no minimum equity requirement.
- Registration fee of €10.
- Registration fee of €10.

After fulfilling all these requirements, it is necessary to open a bank account.

After that, the company reports to Tax Authority in order to receive a PIB (taxation identification number) and VAT number (Value Added Tax).



11 Reasons to invest in Montenegro

Edition 2019

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Publisher:

Montenegro Investment Promotion Agency

Graphic design and layout:

Art-Grafika DOO

Print:

Art-Grafika DOO

Number of copies:

xxxxxx

May 2019



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