



MFIC | Montenegrin Foreign
Investors Council

Guide

MONTENEGRIN FOREIGN INVESTORS COUNCIL

2016

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Facing New CHALLENGES

At the beginning of the second decade of its independence, Montenegro faces the challenge of completing its European and Euro-Atlantic future, creating the preconditions for dynamic and sustainable growth and the growth of employment

Montenegro is a bit of a lonely rider in the Western Balkans. None of the other countries in the region can boast of having made so much progress in EU integration, or of recording such relatively high rates of economic growth, not to mention the high level of foreign investment inflow, which makes Montenegro one of the countries with the highest net FDI per capita.

Alongside Albania, which is a NATO member, Montenegro is the first country in the region to have received an invitation for membership in the Alliance, which many analysts believe is actually a prerequisite for completing conditions for joining the EU.

It is difficult to speculate about when membership will be realised, because Montenegro is still waiting to meet a number of conditions, while the Union itself is in the process of deliberating on the pace of expansion of its membership. However, the fact that the country has been recognised for its commitment to building democracy, respecting human rights and strengthening the rule of law has a positive impact on furthering Montenegro's image as a safe place for investment. While it is most logical to expect that these processes would have an influence on investors coming from Western Europe and the United States, safety and stability of doing business is valued by investors coming from all over the world, and Montenegro today has investments from 115 countries and an average FDI growth rate of 19 per cent of GDP in the past ten years.

Ten years of independence has been marked by a stable macroeconomic policy and efforts to reform an inherited inefficient socialist economy, which is a process that is underway but not yet completed. The reform processes also brought growth in the living standards of the citizens of Montenegro, thus according to official figures GDP per capita in Montenegro measured by purchasing power parity has increased from 30 per cent of the EU average in 2006 to 41 per cent in 2015, which is the highest in the region of the Western Balkans. The

average net salaries and pensions are also the highest in the region.

Montenegro has high expectations from infrastructure projects that should contribute to increasing the competitiveness of all economic sectors, in particular tourism, agriculture and industry, and thus growth in the overall GDP. Some of them, such as the highway linking the underdeveloped north to the developed central and southern regions, should enable balanced regional development, the activation of some neglected industrial facilities and creating space for completing the tourist offer of Montenegro, where visitors would be able to return during the entire year. Other projects are important for the transport and energy connections of the Western Balkans, because it is precisely this "blockage" in the region that is a major obstacle for investors who want to deploy their develop-

ment projects in different countries of the Western Balkans. In this group of projects mention should also be made of the new attempt to explore and exploit oil and gas, which is at an early stage.

Ambitious projects represent a major challenge for the holders of public policy: on the one hand, they generate a lot of pressure on public finances, which is a risk that the government believes it has evaluated well and developed policies to respond to it; while on the other hand they are asking the government to carefully balance between new sources of income and the fostering and improvement of what has been achieved – branding

Montenegro as an exclusive tourist destination with unspoiled nature.

Judging by the estimates of foreign investors, the government has a good understanding of their needs and is open to dialogue, but in some areas, such as, for example, labour legislation, expected progress is so far lacking. In other words, the government is facing a number of challenges in improving the business climate for foreign and domestic employers, especially given that the long-term development goal of Montenegro is to increase the well-being of the population and that primarily means more employment, which is one of the most intractable problems of all of the region's countries. ■

Although it is in a much more comfortable position than the governments of other countries that are struggling with economic stagnation, Montenegrin holders of public policy face the challenge of maintaining a macroeconomic balance and implementing ambitious infrastructure projects



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We are Committed to **OUR FUTURE**

MILO ĐUKANOVIĆ

PRIME MINISTER OF MONTENEGRO



The strong progress made by Montenegro since the restoration of independence in building democratic institutions and the modern economic environment – within the framework of EU and Euro-Atlantic integration – now obliges that the government takes on more ambitious goals: the creation of the preconditions for sustainable and dynamic economic growth and increasing employment

Montenegro this year celebrates ten years since the restoration of independence: it has used this time to create strong space for European and Euro-Atlantic integration and almost completely restructured its economy, making it more effective and attractive for foreign investors. In this interview, Montenegrin Prime Minister Milo Đukanović summarises the progress made in the past decade, the challenges of coexistence in the Balkans and the importance of security in the region in the European context, as well as discussing the government's priorities in the coming period. This is, first and foremost, further progress towards EU membership, as the basis for building a modern set of values in Montenegrin society – strengthening democracy, respecting human rights and the rule of law – which is a prerequisite for the growth of the prosperity

PROSPERITY

The most important goal for the next decade is to bring the quality of life of the citizens of Montenegro closer to that of the EU, with the assumption that Montenegro will become a member of both NATO and the EU.

SECURITY

Progress towards Montenegro's membership in NATO is without alternative, and is not only important for us, for our security, but rather also for the Balkans, the entire Mediterranean region and stability in Europe.

COMPETITIVENESS

The measures of the Government of Montenegro are aimed at improving the business environment, as a precondition for the growth of productivity of all factors of production and added value in production.

of society and the well-being of every citizen of Montenegro. "Montenegro's progress towards NATO membership is important not only for us and for our security, and a more secure European future, but also for the Balkans, the entire Mediterranean area and stability in Europe," says Đukanović. "This progress will be an incentive for us to more decisively carry out reforms on the path towards EU accession and messages of encouragement for all countries aspiring for membership".

■ If you had to sum up the positive and negative sides of the decade of Montenegrin independence, what would you highlight?

- In the last ten years since the restoration of independence Montenegro has taken a huge step forward in terms of strengthening democratic institutions and reinforcing the rule of law, which has had a direct impact on strengthening the competitiveness of the economy. Consequently, we had a huge inflow of foreign direct investment worth about 19 per cent of GDP annually on average, which provided the basis for economic growth. GDP per capita in Montenegro, measured by purchasing power parity, increased from 30 per cent of the EU average in 2006 to 41 per cent in 2015, which is the highest in the region of the Western Balkans. Average net salaries and pensions are also the highest in the region. All of this was achieved in the context of the most remarkable events after the restoration of independence: the opening of EU membership negotiations and dynamic progress in that process, as well as obtaining an invitation for membership in NATO.

In a negative context I would mention the effects of the devastating global economic crisis, given that it began three years after the restoration of our independence, and we can still feel its consequences today, particularly in terms of the insufficient liquidity of the economy, a

still high proportion of non-performing loans within total loans and high unemployment.

■ What do you consider as the most important goals Montenegro should achieve in the next decade?

- The most important goal for the next decade is to bring the quality of life of the citizens of Montenegro closer to that of the EU,



Montenegro strives for the full application of the European system of values based on the rule of law and democracy, because that is one of the most important preconditions for stability and further increasing the competitiveness of the economy

with the assumption that Montenegro will become a member of both NATO and the EU. In order for us to achieve this goal, we need a higher growth rate (4-5% annually) in continuity, which will ensure the dynamic convergence of Montenegrin and European income per capita. That's why it is important that we have clear and comprehensive economic policy measures, the implementation of which – both today and in the longer term – can ensure the achieving of the sustainability of

economic growth and increasing employment.

■ How irreversible is Montenegro's progress towards EU and NATO membership?

- We have more than enough evidence – in both distant and recent history – that the mechanisms for ensuring the stability of the Western Balkans are unreliable and we must reinforce them. We live in a region that is very prone to forgetfulness and repeating mistakes, a region that is chronically unstable because of that, often irrationally divided, which in addition to that, unfortunately, due to its centuries of economic backwardness, is not in a position to show its full democratic capacity, to affirmatively overcome the differences that exist within the region.

That's why integration is another name for the stability and development of the Western Balkans, and the key is re-

wards the implementation of programmes that we offered voters. If we placed an emphasis in the election manifesto programme on Euro-Atlantic integration and received a mandate to realise that, then we must be willing to make that decision on behalf of those who gave us their support. Secondly, in order to do this it is necessary from the aspect of the Constitution for that to be part of our powers. I would remind you that the Constitution of Montenegro does not contain any provision relating directly to Montenegro's accession to NATO, or it does not specify directly how such a decision should be made. At the same time, under Article 15 of the Constitution, it follows that the decision on Mon-

tenegro's accession to NATO can be brought by the Parliament, given its jurisdiction in the ratification of international treaties.

If, in the context of these two aspects, we look at a third aspect – and that is the experience of others – the fact is that only two of the eleven countries that became NATO members following the fall of the Berlin Wall utilised a referendum, while in all other countries their parliaments adopted the decision on NATO membership.

Taking into account the position of one part of the opposition as a form of democratic deliberation on the resolution of a matter, I am confident that all three aspects that I put forward support the choice of the decision on NATO membership being made in the Parliament of Montenegro.

■ **To what extent can accession to the EU, which is itself in turmoil, guarantee the security and economic stability of Montenegro?**

- Acceding to the EU means adopting a modern system of values based on the rule of law, democracy, the protection of human rights and a functioning market economy. It is precisely this system of values and the insistence on its full implementation that is a guarantee of overall stability, regardless of whether that relates to a country in the process of accession to the EU or

an EU member state. Full application of that system of values is something Montenegro aspires to, because that is one of the most important preconditions for stability and further increasing the competitiveness of the economy.

■ **Montenegro has a very high GDP growth rate, despite numerous external and internal challenges. What are your ambitions during this year?**



storing the geopolitical security of the region. In this regard, progress towards Montenegro's membership in NATO is not only irreversible, but is without alternative, and is not only important for us, for our security and a more secure European future. Rather it is important for the Balkans, for the whole of the Mediterranean and for stability in Europe. This progress will provide an incentive for even more decisive reforms on the path towards the EU and act as a message of encouragement for all countries aspiring for membership.

■ **Do you think that, as suggested by the opposition, a referendum should be held on the issue of joining NATO?**

- Allow me to address several aspects when it comes to responding to this suggestion. We view the first aspect through the fact that we draw all of our political credibility from the election results and that we confirm this through the responsible attitude to-

I am not satisfied with the current economic growth, which was, according to preliminary data, 3.2% in 2015. We need higher rates in order for us to be able to increase employment and move income per capita closer to the European average

- Montenegro has one of the highest growth rates in the Western Balkans and a higher growth rate than the EU. This growth is primarily based on investments and has consequently impacted on increasing employment and reducing poverty in the country. However, I am not satisfied with the current economic growth, which was, according to preliminary data, 3.2% in 2015. We need higher rates in order for us to be able to increase employment and move income per capita closer to the European average. In this regard, this year we will focus economic policy measures towards accelerating the realisation of large infrastructure projects and more radical structural reforms aimed at maintaining macroeconomic stability and the growth of competitiveness.

■ **Could the ambitious infrastructure projects initiated by the government harm its fiscal stability?**

- Preserving macroeconomic stability (fiscal and financial) is one of the basic pillars of our economic policy. But that is not enough. At the same time we need to strengthen competitiveness in order to accelerate growth and development. The infrastructure projects which the government has initiated, such as the construction of the first Bar-Boljare section of the highway, are very significant in that sense. Already in the preparatory stage of the construction of the highway the multiplier effect of the project on the growth of the Montenegrin economy was achieved in 2015. Certainly, if the growth of public debt as a result of the construction of the highway would not have been accompanied by buoyant economic growth, and that growth was well below the average interest rate on debt, concerns about fiscal stability would be somewhat justified. That's why I emphasise, among other things, the importance of higher rates of growth and the necessity to carry out deeper structural reforms aimed at contributing to the preservation of fiscal stability and a timely response to the challenge of reducing public debt as a share of GDP.

■ **Provided they are completed successfully, how will these projects impact on changing the structure of the Montenegrin economy?**

- Our goal is to successfully implement large infrastructure projects that should contribute to increasing the competitiveness of all economic sectors (especially tourism, agriculture and industry), and thereby also the growth of the overall GDP.

■ **What preconditions is it necessary to fulfil in order to finally find a permanent solution for some big companies, such as KAP, for example?**

- Montenegro is in the final phase of restructuring its industrial sector. This has created the basis for the freeing up of the economic system from the social and political constraints that were inherited from the past and a more effective evaluation of the significant potential that exists in this sector. This relates primarily to large systems: the Nikšić Steelworks, KAP, the Berane Coal Mine, Bauxite, Jakić etc., in which we managed to maintain production and in which we managed, with



We are aware that the investment and overall business environment must be continuously improved. In this regard, the government carefully considers the suggestions of businessmen or investors and their associations

restructuring through bankruptcy, to find a buyer ready to make investments and ensure the operational organisation of the company based on market principles. So, for these companies a solution has already been found. I expect that, by bringing to a conclusion the process of restructuring in other large former state-owned enterprises, alongside the necessity of introducing new technologies and further growth of

private investment, total industrial production in the coming years will continue to grow.

■ **You are recording constant growth in foreign investment, but there are also significant investors who are discouraged by the problems on the ground. What is the government doing to improve the business environment?**

- Investments in Montenegro originate from over 100 countries. In the last ten years they have accounted for an annual average of around 19 per cent of GDP. Montenegro is one of the coun-

tries with the highest per capita net FDI (almost €1,000 per capita in 2015), which confirms its attractiveness for foreign investment. However, we are aware that the investment and overall business environment must be continuously improved. In this regard, the government carefully considers the suggestions of businessmen or investors and their associations.

Montenegro is among the countries with a more competitive tax environment and is the country with the lowest rate of corporate income tax and tax on personal income. The VAT rate is also among the lowest in Europe. We introduced fis-

labour market flexibility; initiated amendments to the Law on Public Procurement etc. We are also considering the model of subsidising three to four percentage points of the interest rates on loans for the construction of high category hotels. However, we are aware that this is not enough and that we must work constantly to improve the business environment and ensure its even greater predictability and attractiveness to investors.

■ **What measures does the government consider is being the most important when it comes to the productivity and effi-**

ciency of the domestic economy and the banking sector?

- The measures of the Government of Montenegro are aimed at improving the business environment, as a precondition for the growth of productivity of all factors of production and added value in production.

Numerous reform measures are being carried out in the fields of education, labour market and social policy, scientific research activities, healthcare, rule of law etc. Thus, we can talk about groups of measures aimed at increasing productivity, which at the aggregate level is best quantified by the growth of gross domestic product and gross national income.

■ **How much can the integration of the Western Balkans objectively impact on fixing the overall investment climate and, in this context, what are Montenegro's most important interests?**

- As I stated in one of my previous answers, integration is another name for the stability of the Western Balkans. In contrast to previous decades, the European future, as the strategic orientation of the whole region, is a strong thread that unites us.

Economic cooperation through the CEFTA agreement is strengthened, but there is room for its im-

provement. For us new hope is created by the Berlin Process, which began with the Summit of Prime Ministers in August 2014, which Montenegro sees not only as an opportunity for better regional connections, but rather also as a more than good basis for strengthening regional stability, to which we all aspire. So, I am sure that the integration process will make our region even more competitive and more attractive for investors, which I count on being in the interests of everyone. ■



cal preference for investments in the high-end tourism sector, the food industry and in energy, and they imply the right to exemption from paying VAT, customs duties, utilities costs, fees and charges, in order to evaluate economic resources in the best way. The VAT rate on accommodation remains at a competitive level of seven per cent, while we are also considering the possibility of reducing VAT on other tourist services.

We reduced the higher rate of tax on personal income from 15 per cent in 2013 to 11 per cent in 2016. We repealed taxes on personal income and profit in less developed municipalities for a period of eight years from the establishment of an enterprise (where the amount of tax exemption can be up to €200,000). We simplified the process of issuing building permits; created a legal basis for shortening deadlines for a change of ownership of immovable assets in the cadastre; started developing the new Labour Law in order to increase

Our goal is to successfully implement large infrastructure projects that should contribute to increasing the competitiveness of all economic sectors – especially tourism, agriculture and industry – and thereby also the growth of the overall GDP

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MR MIROSLAV HIRŠL

PRESIDENT OF MONTENEGRIN FOREIGN INVESTORS COUNCIL, CEO, SOCIETE GENERAL BANK MONTENEGRO

The Montenegrin Government is well aware of the importance of foreign direct investment for the sustainable growth of the economy and has done a lot to improve competitiveness, transparency and business-friendliness. Nevertheless, there is still work to be done and challenges to be overcome

■ **What would you name as the key positive and negative factors that marked 2015 when it comes to the overall business environment?**

- Overall, 2015 saw some very positive developments. Those were primarily the highway and submarine cable development projects, coupled with hotels and resorts on the coast, which boosted economic activity in the country significantly. This economic boost brought about an increase in construction. Furthermore, a very good summer season with an increased number of tourists, overnight stays and spending had a positive impact on the entire economy. On the other hand, our members note that political instability served to slow down economic activity to an extent over the past year. However, the issues were overcome in a democratic manner, with no lasting consequences.

■ **To what extent do EU integration and the invitation to join NATO contribute to changing the overall business and investment climate in Montenegro?**

- The EU integration process is very important for Montenegro and the fact that Montenegro has opened 22 chapters by December 2015 demonstrates that EU accession is one of its most important goals. Opening new chapters also implies further harmonisation with the EU acquis, which is a very demanding process. The news about the invitation to join NATO was accepted with enthusiasm by the majority of investors,

The Montenegrin Foreign Investors Council has developed good and open cooperation with the government, which values its objective view of the overall business environment. In this interview, MFIC President Miroslav Hiršl reflects on the progress Montenegro has made in many areas, the government's ambitious plans and the tasks and challenges ahead for the cabinet. He also notes that the eight renowned members that joined MFIC last year are a sign of the country's attractiveness to foreign investors. However, he points out that in several areas progress has been minimal – with labour legislation and information-communication technology being the most pronounced examples. "The Council will continue to offer proposals to remove business barriers, which will make the Montenegrin business environment more attractive," says Hiršl.

COOPERATION

The Montenegrin Foreign Investors Council has developed good and open cooperation with the government, which values its objective view of the overall business environment.

REGULATIONS

Harmonisation with the EU's rules is a very demanding process. Most EU regulations have been transposed to the national legislation, though their implementation is not so smooth.

INFRASTRUCTURE

Infrastructure investments are indispensable if we want to maintain macroeconomic stability. Large-scale projects are of particular importance for boosting economic growth.

as it is recognition of stability, both in political and security terms. This is very positive for business and the investment climate, as European and Euro-Atlantic integration will increase the investment appeal of the country, especially to investors from Western Europe, and contribute to increasing the competitiveness of the economy.

■ To what extent is the harmonisation with the EU acquis evident in the implementation of the legal framework?

- As I already mentioned, harmonisation with the EU rules is a very demanding process. Most EU regulations have been transposed to the national legislation, though their implementation is not so smooth. Based on the experience of our members, the interpretation of the EU rules is sometimes an issue requiring the creation of bylaws or frequent amendments to laws, which complicates everyday business. For this reason, our members also challenge the effectiveness of such laws. What is positive is the political will and effort that the government is investing in the process of aligning with EU standards, which we believe will come eventually.

■ To what extent does the Government respect the goals it set out in its programme for 2015 – 2017, and what do you expect in that sense this year?

- There were many ambitious goals set down in the Government reform programme for 2015 – 2017. The reforms put in place to boost the economy and reduce debts are being implemented, but there is still a lot of room for improvement. Investments have increased in the projects the Government had already concluded, and which contributed to the increased competitiveness of the economy. One of the goals was to reduce public debt with new investments, but more action is still needed. We expect that the focus this year will be on reducing the unemployment rate and public debt, and that planned structural reforms will continue.

■ What do you expect from the Government when it comes to resolving related issues – higher economic growth and an increase in production levels?

- In its 2015-2018 development programme, the Government targeted several development areas which foster innovation, digitisation, youth mobility, sustainable development and economic policy, while reducing unemployment and poverty. The areas which are supposed to bring higher economic growth are tourism, agriculture, energy, transport and construction. One such incentive is the Government's programme of subsidies for investments with a minimum value of 500 thousand euros and creating a minimum of 20 new jobs within

three years of the date of agreement, which is rather attractive for direct investments.

■ How do you assess the impact of large infrastructure investments by the Government on future economic growth and overall macroeconomic stability in the following years?

- Infrastructure investments are indispensable if we want to main-



European and Euro-Atlantic integration will increase the investment appeal of the country, especially to investors from Western Europe, and contribute to increasing the competitiveness of the economy

tain macroeconomic stability. Large-scale projects are of particular importance for boosting economic growth. During the event we organised in December with the Prime Minister, we were able to hear that investment projects will con-

tinue and that more foreign investors will come to Montenegro. In addition to infrastructure projects already initiated, the focus will be on infrastructure projects in the North and in agriculture. This will certainly help maintain macroeconomic stability and encourage development of the Northern region.

■ Are you satisfied with communication between MFIC members and the Government?

- The Montenegrin Government is well aware of the importance of foreign direct investment (FDI) to the sustainable growth of the economy. This makes perfect sense, since so far the increase in wealth has primarily

been driven by significant foreign investments. Government activities largely consisted of reforms directed towards improving the investment climate in Montenegro. We have seen improvements in competitiveness, transparency and business-friendliness. Nevertheless, there is still work to be done and challenges to be overcome. We have good and open cooperation with the government given that we, as foreign investors in the country, have an objective view of the overall business environment, together with its advantages and disadvantages. MFIC organises events where government representatives are often invited as guest speakers. In 2015, MFIC hosted Prime Minister Milo Đukanović, Deputy Prime Minister and Minister of Foreign Affairs and European Integration Igor Lukšić, and Aleksandar Bogdanović, President of the Executive Board of the Union of Municipalities of Montenegro and Mayor of the Old Royal Capital of Cetinje. These events, which have become traditional, present a valuable opportunity for our members to exchange views directly with the state's highest officials and they appreciate such an exchange. In addition, we have our White Book, in which we give recommendations to the government for improving the business environment and removing business obstacles, and we have meetings during which we present and elaborate our proposals.

■ **Does this cooperation provide visible results when it comes to removing the obstacles identified in the White Book? Can you identify the areas where progress is visible and those without any progress?**

- Every year after we publish our White Book and receive feedback from the Government's Council for the improvement of the business environment, regulatory and structural reforms. We can say that the Government accepted approximately 40 per cent of our proposals, and dismissed the same percentage. What has improved is the regulation of the employment of foreigners, which was the biggest obstacle for our members, as foreign investors operating in Montenegro. The area of real estate development and administration also witnessed some progress. The proposals of members related to regulations on taxation, ports and yachts were also accepted. The areas where progress was minimal are labour legislation and information-communication technology. The Council will continue to offer proposals to remove business barriers, which will make the Montenegrin business environment more attractive.

■ **To what extent do the World Bank's Doing business index and your MFIC index align when it comes to assessing the simplicity and efficiency of doing business in Montenegro, and where and why are they not in correlation?**

- According to the Doing Business index, Montenegro advanced by one position, while our index shows almost the same result as last year, which indicates stability and not many positive changes. The areas with clearly visible progress recognised by the World Bank, such as property development and taxation, were also recognised by our members. What must be improved based on our Index is the labour market, employment and corporate governance.

■ **In your opinion, what were the key factors contributing to the significant increase in FDI levels in Montenegro in 2015?**

- FDI is constantly growing in Montenegro. Investment potential has so far been identified within several sectors: tourism, energy, infrastructure and agriculture (with tourism and energy singled out as key sectors of growth in the past year). One of the key factors for attracting new investments is stability in almost all crucial business areas, and a very favourable fiscal environment, where VAT is among the lowest in Europe.



We have seen improvements in competitiveness, transparency and business-friendliness in Montenegro in the past year. Nevertheless, there is still work to be done and challenges to be overcome


■ **How can your experience at MFIC and your professional expertise help the Montenegrin Agency for Foreign Investment (MIPA)?**

- The Montenegrin Foreign Investors' Council and the Agency for Foreign Investment Promotion (MIPA) signed a Memorandum of Cooperation in December 2015, as a significant part of our goals are the same, in terms of creating a country with high investment potential and numerous advantages for investors. What we can offer to MIPA is the expertise of our members in different areas and tangible proposals to improve the business climate and facilitate the inclusion of foreign entities in the domestic environment. Foreign investors prefer to come to us and share their experiences with us, asking for assistance and proposing concrete steps. We believe that cooperation with MIPA is a natural

follow-up if we want to promote investments in Montenegro.

■ **How does the increased interest of investors in Montenegro reflect on the membership base of the MFIC?**

- Last year the membership of the Montenegrin Investors' Council increased with the addition of eight recognised and respected companies, which brought some important projects to Montenegro. This increase clearly indicates that Montenegro is recognised as a country with high investment potential. The fact that those new investors want to join us shows that our activities are significant and that foreign investors have trust in our Council. We hope that our membership base will increase further as we continue targeting new members from different industries who have long-term projects and plans to stay in Montenegro. ■



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VLADIMIR KAVARIĆ

 MONTENEGRIN ECONOMY MINISTER

The Government of Montenegro has set itself ambitious goals for achieving economic growth, attracting investments and implementing major infrastructure projects in order to advance the standard of living of its citizens. The main challenges on that road include the adapting of public administration, the business environment, the labour market and tax policy

In terms of the level of investment per capita, Montenegro is among the most successful countries in Europe, but the government still has a lot of work ahead of it when it comes to rounding off the business environment and creating institutional conditions for the efficient functioning of the economy, says Montenegrin Economy Minister Vladimir Kavarić. The government is committed to meeting the targets set both on the domestic front and through integration in the region, which is driven by the Berlin Process, while the ministry itself has had significant success in that in the previous period.

■ **What are the most important goals of the Montenegrin Government's economic policy this year?**

- The basic aim of the economic policy of the Government of Montenegro is to achieve dynamic economic growth of at least four per cent, with the goal of contributing to improving quality of life in the long run. We are striving to achieve the acceleration of economic growth through constant work on strengthening macroeconomic stability and improving the competitiveness of the economy.

■ **What do you see as the biggest challenges in the implementation of long-term structural reforms?**

- Structural reforms are an important instrument that should contribute to speeding up economic growth as the main aim of macroeconomic policy. They are also essential for strengthening fiscal stability and improving competitiveness. The main

ECONOMIC GROWTH

The basic aim of the economic policy of the Government of Montenegro is to achieve dynamic economic growth of at least four per cent.

FDI

Net foreign direct investments in Montenegro, especially per capita, are among the highest in Europe. They record a high share of GDP in the last 10 years.

BUSINESS ENVIRONMENT

Through various projects, such as business zones and direct investment incentives, we also expect investment in industry, and also the rounding off of a competitive business environment.

challenge is to adjust state administration, the business environment, the labour markets and tax policy, due to the need to accelerate economic activity.

the country's entry into regional cooperation? How much does this interconnectedness impact on the arrival of greater EU funding in the region?

■ In which areas of the economy do you expect the biggest influx of investment?

- Net foreign direct investments in Montenegro, especially per capita, are among the highest in Europe. They record a high share of GDP in the last 10 years. And in the coming period, as has been the case to date, I expect the biggest influx of investments to be in the tourism sector, the energy and manufacturing industries, and in agriculture, as important development areas that are becoming ever more interesting for foreign investors.

Through various projects, such as business zones and direct investment incentives, we also expect investment in industry, and also the rounding off of a competitive business environment. In this way we can achieve investment activity in industries in which we had less expectations, emerging industries such as the IT sector...

■ How much can the national branding project help to create opportunities for a better performance of the economy?

- The point of this process is to gather under one brand the best from Montenegro in all areas. This will ease the promotion of a large number of national products. On the other hand, our best brands will in turn impact on the overall image of Montenegro and its branding. It will also encourage internal competition at the state level and the need to adopt the best standards.

■ How do you want to position Montenegro in the context of the region and where do you see the greatest interest for



In the coming period, as has been the case to date, I expect the biggest influx of investments to be in the tourism sector, the energy and manufacturing industries, and in agriculture, as important development areas that are becoming ever more interesting for foreign investors

- In global terms as they are today, no country is self-sufficient. I repeated several times that the countries of the region should not compete with each other, but rather work together to approach other markets. Because of that we have an active role in all regional initiatives. We consider our participation in the Berlin Process as being extremely important, which was confirmed at the Vienna Summit in August last year. In the final document of the Summit it was decided that funding would be secured for

the region, and within that for Montenegro, for project documentation and part of works on some of the most important infrastructure projects.

Within my remit, I would single out grants for energy interconnections with Serbia and Bosnia-Herzegovina; for the pro-

ject to improve the security of energy supply and to study the assessment of environmental impact for the Master Plan of the gasification of Montenegro.

■ **This brings us to the question of progress in the installing of the undersea cable between Montenegro and Italy. Are you satisfied with the pace of works?**

- Whenever such large projects are in question unforeseen situations can arise, but what's important, and what we are satisfied with, is the fact that on both sides of the Adriatic serious work is

be the construction of Unit 2 in Pljevlja. And that is clearly recognised in all documents between the Government and A2A.

■ **How certain is it that your joint application with Albania for the construction of the Adriatic-Ionian Gas Pipeline (IAP) will gain the support of the Western Balkan Investment Framework for the allocation of technical assistance funds?**

- The last ministerial meeting in Baku saw the recognising of the importance of our country in the implementation of the Adriatic-Ionian gas pipeline and noted that it would be very good if Montenegro became the point of contact for its implementation and to take on all coordination necessary for its implementation.

The Ministry of Economy intensified communication with the Ministry of Industry and Economy of the Republic of Albania for a joint approach to the implementation of the Adriatic-Ionian gas pipeline. In this sense, a joint application has been prepared for the Main Design of the IAP project, for Montenegro and Albania, and the same applied for a technical assistance grant under the Western Balkan Investment Framework.

I will remind you that, in the context of the 10th call for the Western Balkan Investment Framework the Montenegrin Ministry of the Economy received a grant in the amount of €550,000 for the Master Plan for the Gasification of Montenegro. The master plan will represent a balanced state when it comes to the gas market in Montenegro, as well as institutional measures that need to be undertaken at the level of ministries and regulators responsible for this area.

■ **The Montenegrin Government recently selected the consortium of ENI and Novatek as concessionaires for the exploration and exploitation of oil and gas in its seabed area. When do you expect this research could start?**

- Signing of the contract is expected immediately after adoption by the



being carried out on the realisation of this project that is important not only for Montenegro, but for the entire Balkan region and beyond. Let me remind you that in this way we are creating a network of connections in the region and with the EU market. Moreover, in this way gains are also made in terms of the importance of all investments in energy sector projects in this part of the world, along with strengthening the region's distribution capacity.

We want to gather under one brand the best from Montenegro in all areas. This will ease the promotion of a large number of national products, while on the other hand our best brands will in turn impact on the overall image of Montenegro and its branding

■ **How much do outstanding issues in negotiations with A2A regarding future arrangements in the Electric Industry of Montenegro (EPCG) impact on plans to build a second thermal power plant (TE)?**

- This issue with A2A was closed even during the conclusion of the Interim Agreement last year, because the Government's condition for the resumption of talks on future cooperation was that our common goal, as the two largest shareholders, would

Parliament of Montenegro. Montenegro implemented best international practices in this process, in order to simultaneously develop tourism, pipeline manufacturing and other activities. In addition, we protected the interests of the country through multiple levels of warranty, starting from the unconditional guarantee for the execution of a mandatory work programme and two separate investigative periods, which are given for 100 per cent of the defined main works. The value of the guarantee for

the first investigation period for both companies is €85 million.

We've also defined a guarantee of the parent company for the future concessionaires covering payment of all obligations under the contract in case of non-fulfilment of contractual obligations and non-contractual obligations to third parties in the event of direct damage or loss incurred in connection with activities under the Agreement, including pollution or incidents.

As secured funds, apart from this, we also envisage a required comprehensive insurance policy for the oil and gas industry, as well as the Fund for the decommissioning of plants as security if the concessionaires do not fulfil their obligations with regard to the removal of the plant. Payments into this fund are carried out annually, from the beginning of the production phase. It is particularly important that we have specified with legislation that 62 to 68 per cent of companies' income goes to the state, i.e., a special fund that will be of a development character and based on the Norwegian model.

■ **In your opinion, how much investment can Montenegro attract in the field of renewable energy sources?**

- Montenegro has actively embarked on the use of renewable energy sources. The implementation of 21 contracts for the construction of 41 small hydro power plants is currently underway. The expected inflow of both domestic and foreign investment on the basis of signed contracts is approximately €110 million. So far

seven small hydropower plants have been made operational, six of which came online during 2015.

The indicative value of investments on the basis of the construction of the six small hydro plants is about €15.3 million. It is planned for another four to start operating during 2016.

Construction of wind farms and the installing of a capacity of 72 MW at the location of Krnovo, in Nikšić Municipality is a contracted investment of over €140 million, while the project to construct a wind farm on the Možura site is worth around €65 million.

■ **Are plans linked to the construction of wind farms in Možura developing in accordance with your plans?**

- Construction has officially begun and we expect investors to finish within the contractual dates, i.e. by the end of 2017. ■

Montenegro will soon launch the exploration and exploitation of oil and gas in its seabed. In the process it has implemented the best solutions of international practices in order to simultaneously develop tourism, manufacturing pipelines and other activities



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RÜDIGER SCHULZ

CEO, CRNOGORSKI TELEKOM

Innovative projects leading to the best customer experience have positioned Crnogorski Telekom and its T Brand as the leaders of the Montenegrin telecommunication market. This success story has lasted for a decade already

Crnogorski Telekom is celebrating the 10th anniversary of its T Brand in Montenegro this year. In this interview, the company's CEO, Rüdiger Schulz, speaks about the main achievements of the company during this period.

■ **How do you see your contribution to the development of the Montenegrin telecommunications market?**

- Celebrating the anniversary of an industry that is truly transforming the world always gives one great satisfaction, but at the same time carries great responsibility. The rapid changes we are witnessing in the world is something that obliges us to create the kinds of technological solutions that will ease not only business or education, but life for people in general. Crnogorski Telekom recognised this as its primary

goal, and we aim to turn our technology leadership into the best possible customer experience.

During those ten years we have introduced important technologies which contributed greatly to the development of Montenegro's telecommunication market and its economy in general. We were the first

Crnogorski Telekom has contributed greatly to the development of Montenegro's telecommunication market, its economy in general, and the wellbeing of the community

COMMUNICATION

Regulatory pressures, increasing customer expectations, growing competition, including OTT, are just some of the examples that have a significant impact on the electronic communications market.

BUSINESS

Stability and predictability in the business environment is the basis for maintaining the highest standards and securing long term investments in our business.

COMMUNITY

Crnogorski Telekom is paying a great deal of attention to socially responsible activities and we are very glad to be perceived as a company which contributes significantly to improving the wellbeing of the community.

to introduce 3G, and today we have the best 4G in Montenegro. We started fibre, the best fixed broadband infrastructure in 2009, and today it is available to 43,000 households. We introduced the first and only IPTV in Montenegro in 2007, and we have had many other innova-

tive projects that have positioned us as the leaders of the telecommunication market in Montenegro. The leading position in network quality was confirmed in 2015 by P3 measurement, when we obtained a "Best in Test" certificate. All in

all I must say that to the best of my knowledge there is no other infrastructure which is at a similarly high level as telecommunication infrastructure – it is absolute state of the art!

■ **The electronic communications market has faced many challenges in recent years, and yet your company has achieved great results and implemented many demanding projects. What would you single out as the most challeng-**

ing and complex projects in the previous years?

- Regulatory pressures, increasing customer expectations, growing competition, including OTT, are just some of the examples that have a significant impact on the electronic communications

Expanding ICT business has been one of our primary focuses in recent years. Crnogorski Telekom is recognised on the Montenegrin ICT market as a real integrator, which has confirmed its reputation by participation in important investment projects through partnerships with relevant companies in the respective areas

market. When it comes to pricing, or cost, we have the same problem as several other market areas. We offer high quality services with the highest standards. However, in most of the cases we are using the same technolo-

*Vjerujemo jedni drugima.
Trusting Each Other.*

gy as in other countries, like Germany for instance, but it costs us more to bring to Montenegro the material, set-top boxes, IT equipment etc., because of the effort and missing positive scale effects. Montenegro is a small country, nevertheless we try hard to offer better prices every year, driven by our steady efficiency increases and also supported by regulation.

Regardless of all the challenges we have been facing in recent years, we managed to implement one of the most complex projects in the history of Crnogorski Telekom.

The project we concluded in October 2015, after more than two years of extensive work, is implementation of an integrated billing and CRM (Customer Relationship Management) solution. This project included full migration of all existing customer segments for all lines of business. It was the first project in Deutsche Telekom Group to succeed in implementing a fully convergent system.



The rapid changes we are witnessing in the world is something that obliges us to create the kinds of technological solutions that will ease not only business or education, but life for people in general. Crnogorski Telekom recognised this as its primary goal, and we aim to turn our technology leadership into the best possible customer experience

■ **Crnogorski Telekom is paying a lot of attention to its ICT business. What has been achieved so far and what are your further plans in this segment?**

- Expanding ICT business has been one of our primary focuses in recent years. Crnogorski Telekom is recognised on the Montenegrin ICT market as a real integrator, which has confirmed its reputation by participation in important investment projects through partnerships with relevant companies in the respective areas.

We offer innovative ICT services, comprehensive customised ICT solutions, managed services based on a developed infrastructure network, deploying advanced technologies and service level guarantees.

Further plans include a stronger presence on the software and appli-

cations market. Besides our current Cloud portfolio, we are focused on development of attractive Cloud solutions for SMEs in Montenegro. Our plans also include the implementation and launch of a Business Marketplace Service Platform, which represents the complete Cloud offer, with different services and fully automated solutions with self-service portals.

Crnogorski Telekom has the necessary expertise, flexibility, financial strength and knowhow to support all customer requirements and to be a one-stop-shop for businesses.

■ **CT is recognised as a socially responsible company that pays a great deal of attention to CSR activities. What did you contribute in the past 10 years?**

- Crnogorski Telekom is paying a great deal of attention to socially responsible activities and we are very glad to be perceived as a company which contributes significantly to improving the wellbeing of the community. Accordingly, we have received several awards for our CSR activities, including in 2015 - Employee's Union Award for environment protection, and ISKRA recognition for the project "Za svako dobro", through which we supported a number of NGOs implementing great activities.

We are very pleased with the fact that in the last 10 years we have been a trusted partner of many institutions, like Montenegrin hospitals, to which we have made a number of important donations. Moreover, we provide free broadband for all schools, give great support to the start-up community and numerous sporting teams and cultural events, as well as many other worthy organisations in need. As corporate social responsibility has been part of our corporate culture for many years, in 2016 we plan to continue CSR and volunteering activities, and to further contribute to society.

■ **As a former President of the Montenegrin Foreign Investors Council (MFIC), you are familiar with the overall business climate in Montenegro. What is the situation in the ICT domain; how much has been done so far and is there room to further improve business conditions in this segment?**

- Stability and predictability in the business environment is the basis for maintaining the highest standards and securing long term investments in our business. The Montenegrin regulatory framework must be brought into line with the upcoming European revised model of telecommunications, in order to ensure equal conditions for all market participants, both traditional players and new arrivals. OTT providers should have the same treatment in the regulatory environment and should be subjected to the same obligations that apply to registered operators. Also, telecommunication operators in Montenegro should be allowed to use technical and organisational solutions integrated within our well-known international group mother companies. Only this approach can guarantee an adequate environment for doing business that will enable all market participants to do their business, innovate, improve their service and optimise their resources. ■

Bringing European Expertise to The Market



We have the ambitious goal of being the preferred bank for all Montenegrin corporates and catering for their financial needs

In order to utilise their markets fully, the countries of the Western Balkans should look to the example of Georgia, where very effective, swift and transparent governmental procedures were introduced in a short period of time. Such a business friendly environment serves both foreign investors and local entrepreneurs, says Martin Leberle, new CEO at NLB Bank in Podgorica and an expert on the region's market.

■ **What goals have you set for yourself as the new CEO of NLB Bank in Podgorica?**

- We will be the financial partner for life for our private clients, as well as for entrepreneurs and medium-sized companies. In relation with Montenegrin corporates, we will be the preferred bank to cater for all of their financial needs – bringing European expertise to the market. Together with an innovative organisation, and in constant communication with the market, I am sure we will succeed. And - working for an Institution with more than 100 years' experience in Montenegro, I have certainly found a very good starting base. I am convinced that we can add value, especially for our private clients and so-called SME clients – not only in terms of financing them, but also when it comes to helping them create the best individual framework for their financial needs. We will be their close financial partner for life. For large corporates and projects in Montenegro, we will support our clients by utilising our entire European network within NLB Group, as well as by forging alliances with local and international partners. Our clients will appreciate a lifetime partnership with a serious and reliable financial group. We will deliver relationship banking in the best sense – traditional, but innovative.

■ **As someone who is well acquainted with the banking sector in the region, how would you assess its market potential, and in particular the potential of the Montenegrin market?**

- In my opinion, the local markets can only develop by combining two major goals: preparing a state-of-the-art environment for international investors, while at the same time giving local business a fair chance to compete at the European level. Not neglecting education and training, I think the government's internship programme is a very good step into the right direction. Montenegro's environment and natural resources in themselves represent already high potential for the future.

■ **What do you see as the preconditions for strengthening banking activity in Montenegro?**

- The banks will develop and strengthen in accordance with market requirements, i.e., the needs of the people of Montenegro, on the one side, and the capital and risk framework on the other side. The more demand for serious and reliable services increases, the better banks will develop. People in Montenegro do understand that the banking business should not be related to gambling and speculation. Banks who are acting responsible and delivering transparent and modern services will spearhead future development. ■



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We Have a Clear Plan for The COUNTRY'S DEVELOPMENT


RADOJE ŽUGIĆ

MONTENEGRIN FINANCE MINISTER

Two strategic goals of Montenegro – improving infrastructure as a precondition for dynamic economic growth and improving the standard of living, on the one hand, and reducing public debt, on the other – only appear to be contradictory at first glance. The government has a clear plan for how to achieve them

Montenegro has a small and open economy, exposed to influences from its surroundings and burdened with internal inefficiencies, and therefore the government pays great attention to strengthening political and economic stability, says Montenegrin Finance Minister Radoje Žugić.

■ **How do you rate Montenegro's overall macroeconomic stability and the prospects for economic growth in 2016?**

- Two key preconditions for macroeconomic stability are political stability and economic growth. As for projections for the coming period, we expect Montenegro will enter a phase of dynamic growth, and that the real rate of GDP growth in 2016 will be four per cent, while the average growth in the period from 2015 to 2018 will also be at a level of about four per cent.

Dynamic economic growth in the current year, and in the medium term, will be a result of increased investment activity and evaluating of local potential, particularly in sectors that have the greatest indirect effects, or which have a major impact on the development of complementary activities. Thus, for example, tourism development both directly and indirectly influences the development of agriculture, transport, other types of services etc.

■ **What are the key risks to realising new plans on an external and internal level?**

- The key external risks to achieving the projected growth of the economy stem from the fact that the Montenegrin economy is open and, therefore, highly susceptible to influences from the immediate and wider surroundings. Since the movement of the domestic economy is, to a considerable extent, determined by investments, primarily foreign, unfavourable developments in the framework of the international environment could delay the realisation of announced and planned investments. On the other hand, major internal potential risks arise from the vulnerability of real, fiscal and monetary economics, which are manifested through inadequate competitiveness, real sector illiquidity, a lack of activity of commercial banks and the high level of non-performing loans, but also through the segment level and the dynamics of public debt. This, in the end, may influence the rate of economic growth, with strong returns reflecting the risks of all three economic sectors.

■ **What do the processes of EU and NATO integration mean for Montenegro when it comes to achieving stability?**

- The EU accession process, though a time-consuming and demanding process that mobilises significant human and material resources, will result in

ECONOMY

Dynamic economic growth in the current year, and in the medium term, will be a result of increased investment activity and evaluating of local potential.

EU

The EU accession process will result in stronger human resources and stronger legal and institutional infrastructure.

CURRENCY

Montenegro has managed to maintain a very good currency structure of public debt, so only 12 per cent of Montenegro's public debt is expressed in foreign currency.

stronger human resources and stronger legal and institutional infrastructure. Such a system will enable us to take advantage of all the economic and social benefits of EU membership, on the one hand, while, on the other hand, strengthening overall political stability, which is a prerequisite for dynamic economic growth and development.

Accession to the NATO alliance means not only strengthening military-defence security, but also brings with it a whole series of standards and values, such as the introduction and strengthening of the rule of law, the implementation of the values of democracy and the promotion of human rights, civil liberties and peace. In parallel, it also has an important economic aspect, because membership in NATO is an "insurance policy" for domestic and foreign investors, thus it brings many economic benefits.

■ How much could the major infrastructure projects that Montenegro has started, or plans to start, increase the country's indebtedness and the fiscal imbalance?

- Two strategic goals of Montenegro - improving infrastructure as a precondition for dynamic economic growth and improving the standard of living, on the one hand, and reducing public debt and its share in GDP, on the other - at first glance seem to be contradictory. The significant investment in infrastructure projects may, in the medium term, adversely affect fiscal indicators, such as the deficit and public debt. On the other hand, underdeveloped infrastructure is our main development constraint. Therefore, the Government of Montenegro believes that the objective aimed at reducing public debt with quality targets by creating conditions and fostering rapid economic growth which, in our conditions, means significant investments in infrastructure. In fact, investment in public works will cause the increase of deficits and debt, in the medium term, but such capital investment, since they have an extremely developing character and that they create conditions for stronger economic growth and development, will contribute, in the long run, to the increase the absolute level of GDP s. The increase in absolute term of GDP leads, further, to a reduction in the relative amount of the deficit and public debt and creates the material basis for the reduction of absolute amounts of the two most important fiscal parameters.

■ How could the rise in the value of the U.S. dollar affect the growth of Montenegro's total debt and the possibility of regular debt financing?

- Montenegro has managed to maintain a very good currency structure of public debt, so only 12 per cent of Montenegro's public debt is expressed in foreign currency. When you withdraw the entire loan of Chinese EXIM Bank, for financing the construction of the highway, the share of foreign currency debt will not exceed 25 per cent. Based on these indicators, it is

clear that Montenegro is significantly less exposed to currency risk in relation to other countries of the region.

Furthermore, the arrangement with the contractor has a kind of built in hedging, in a way that the contract envisages all payments made during the grace period of six years, made on the basis of the established middle exchange rate at the date of signing (1: 1.3718), however, on that basis, the growth of debt in fact proportionately reduces construction costs. In this sense, full protection is provided for a period of six years.



Political stability is a key prerequisite for macroeconomic stability, and thus the level and inflow of investments

Certainly, given the current situation on the international currency market, and the possibility of a stronger dollar in the future, which will be conditioned by global economic developments, the

Ministry of Finance examines the financial market in order to find the most favourable mechanism for protection against exchange rate risk.

■ Do you expect that the fact that this year includes regular parliamentary elections could cause a slowdown in the inflow of foreign investments, which represent an important factor of economic growth?

- As I said before, political stability is a key prerequisite for macroeconomic stability and, thus, the level and inflow of investments. When political developments are aimed at improving the functionality of the political system and the establishment of institutional support to the operative capacities of executive organs, there is no fear of a slowdown in foreign investment.

Conversely, undermining political stability and heating up inter-party tensions and turmoil weakens the position of the country on the international market, and consequently reduces the interest of investors.

■ **Considering that the Law on Budget and Fiscal Responsibility prescribes the obligation of preparing the rehabilitation plan if public debt exceeds 60 per cent of GDP, or three per cent deficit, do you expect the new government will have to deal with this job?**

- Bearing in mind that we started with the implementation of the highway project, which will necessitate a significant withdrawal of funds from Chinese loan, it is clear that we expect the growth of debt in the next three years. In this regard, during the preparation of a rehabilitation plan which will include all the elements that influence the movement of the deficit and the debt, such as rates of economic growth, expected investments, income and expenses, new borrowing, debt repayment and so on. Recovery plan provides measures on the revenue side of the budget, which will not jeopardize the competitiveness of the economy, as well as measures on the expenditure side, taking care to preserve the standard of living. The plan also provides the possibility of selling concessions on the highway, by which concessionaires would take over some of the financial burden. It should be emphasised, however, that the current level of the deficit, and the public debt it generates, will be reduced to the level of the Maastricht Treaty following the adoption of the rehabilitation plan.

■ **At this moment, to what extent has Montenegro developed policies when it comes to dealing with the vulnerability of the banking sector?**

- The issue falls within the jurisdiction of the Central Bank of Montenegro, but it is certain that it is necessary for commercial banks to play an active role, as well as reducing interest rates because they are now too expensive for the real economy. This approach is essential so the economy can develop its economic potential and improve competitiveness.

■ **How much could the fiscal balance be jeopardised by an increase of pensions and allowances for mothers with three children, as well as the payment of wages under the new law on salaries in the public sector, including the growth of wages in the health sector, which will see a revised budget?**

- The Ministry of Finance supports all activities aimed at improving the regulatory framework, in terms of establishing systemic solutions. However, the adoption of solutions that result in a significant financial burden being placed on the state budget, without prior analysis of the fiscal impact, but in order to gain political points, certainly is not a good practice and we need to eliminate it.

Considering that we are working with dedication on the fiscal consolidation plan, I consider it the responsibility of relevant authorities to work, with joint action and a shared attitude, to contribute to the creation of long-term sustainable policies. For now there is no fear that the legal obligations of the State relating to the payment of pensions, salaries and benefits for mothers with three children, should not be delivered in a timely fashion.

■ **What changes does this law bring in the remuneration policy in the public sector?**

- In addition to the main novelty issued by the Law on Salaries in the public sector, concerning the introduction of the principle of uniformity of salaries in the public sector for the work of the same or similar jobs and jobs that require the same level of qualifications, the primary objective of the Act is to ensure equal and accountably determined basis of the personal income of employees, the introduction of mechanisms which recognise and reward high quality work and increase the professionalism and efficiency of public services.

■ **How much room do you think there is for the further increase of budget revenues by broadening the tax base and improving revenue collection?**

- I believe that there is significant room for further increase of public revenues, through effective evaluation of the economic potential and a determined fight against all forms of non-formal business. It is therefore an imperative for the Government of Montenegro to work in parallel on two tracks: to improve the business environment and to continue the successful implementation of measures aimed at combatting the grey economy to the same or an even greater extent and dynamics.

Preparation of the analysis of the tax debt is also underway, which resulted in the defining of measures for the efficient collection of tax claims.

■ **What sort of state coffers are you leaving to your successor in the new government?**

- During this mandate of the Government, there has been huge success in terms of fiscal consolidation. In particular, great success was achieved in the field of revenue collection. In fact, over the past three years the revenue side of the budget has been strengthened significantly, as evidenced by the fact that public

revenues grew at an average annual rate of 16.2 per cent, and revenues compared to the 2012 total rose by about 48 per cent, and in absolute terms by as much as €550 million.

At the same time we launched the implementation of numerous infrastructure projects, which have been a burden on the state budget and have led to an increase in public debt, but they were the only way to establish sustainable public finances.

Bearing in mind the aforementioned, I'm leaving my successor a clear timetable of activities relating to the rehabilitation plan of the achieved level of deficit and public debt, as well as solving the vulnerability of the fiscal sector through the collection of tax claims and structural reforms within the Ministry of Finance. In addition, specific analysis of the possibility of indexation of unused resources was also prepared, which would contribute to the recovery of the Montenegrin economy and thereby the laying of foundations for the prosperity of future generations. ■



One of the many advantages of Euro-Atlantic integration is the fact that membership in NATO is an “insurance policy” for domestic and foreign investors, and brings many economic benefits



Clever Strategy and PERSISTENCE PAY OFF



Apart from its biggest market, USA, “.me” domain is gaining plenty of traction in the MENA region and in Asia, specifically China, where domestic start-ups see the “.ME” domain as an opportunity for clever brand development

At the moment, there are more than 300 million domains registered across more than 1,000 extensions, with numbers growing quickly. This ensures the competition is fierce, even when it comes to attractive domains such as “.me”.

■ **What do you consider a winning strategy for the continued growth of profits for the “.me” domain?**

- We are a b2b company, which means that we deal with our resellers (i.e. with domain name registrars) rather than with the end-customers, which imposes limitations of targeted marketing campaigns.

As such, our strategy is based on market specific needs and in the period ahead our plan is to solidify our position as a go-to domain extension for personal branding online in developed markets, and to continue raising awareness about our brand in emerging and underdeveloped markets. This means that we will intensify our marketing efforts in English-speaking countries and work on drafting more appealing promotions with our U.S.-based partners (the USA is still our biggest market). We are also getting a lot of traction in the MENA region and in Asia, or,

to be more specific, in China, where we have been working closely with China-based registrars for three years, who only recently started pushing .ME domains really hard. Chinese start-ups do not shy away from developing .ME domains, which is crucial when it comes to gaining visibility on such a huge market. For instance ele.me, an up-and-coming food delivery service in China, registered a .ME domain in order to create a clever and memorable play on words (in Mandarin, ele.me means “Are you hungry?”). Today, this start-up is valued at more than a billion dollars and they recently received an investment from Alibaba Group. Finally, we are keeping an eye on the markets in Latin America, where we see huge future potential.

Montenegro should embrace the example of Estonia, which is home to one of the most promising start-up ecosystems in Europe

■ **How much does the growing importance of internet branding contribute to enhancing the market value of domain names?**

- This is a no-brainer – the more online content, the higher the demand for domain names. It is true that we will see more content published across platforms like YouTube, Facebook, Twitter and Medium, but as individual users become more comfortable with expressing themselves online, the number of personal websites will grow.

Economic recovery will also generate more business opportunities.

■ **WordPress, Google, Facebook, Visa corp, Time Magazine, Delicious and The New York Times are just some of the companies who applied for your Premium domain .me programme. How many good business plans do you receive from our region?**

- We launched the Premium domain programme back in 2009 and it quickly became popular with American and Western Europe entrepreneurs hunting for catchy and memorable domains. Unfortunately, this was not the case in our region. In an effort to encourage entrepreneurial and tech talent to apply, last September we started a regional premium domain campaign and allocated about fifty domains. It turned out to be a smart marketing move and I am proud to say that the trend continues and we now receive applications on a weekly basis.

■ **Has Montenegro sufficiently recognised the importance of digitisation for economic growth and job creation?**

- I think the entire region of the former Yugoslavia has yet to understand and capitalise on the benefits brought by the digital age. The transition from the offline to the online world is much slower than initially expected. Unfortunately, Montenegro tops this list, with the lowest number of online services or products that may facilitate the everyday life of citizens. In contrast, Estonia, for example, is home to one of the most promising start-up ecosystems in Europe and should be our role model. ■

Investors Have Recognised OUR EFFORTS



BRANIMIR GVOZDENOVIĆ

MONTENEGRIN MINISTER OF SUSTAINABLE
DEVELOPMENT AND TOURISM

In the next ten years, tourism should become one of the leading industries in the country, a powerful magnet for investors and a creator of new jobs. The world's leading hotel chains have already recognised this potential of Montenegro

vestment in tourism is about €490 million in the year 2026, i.e. over half of the total investment.

So we are very aware, given the perspective of tourism at the global level and our potential in this field; we have entered the transformation process in a way that this will be one of the leading branches of industry in the country, a strategic document set the goal to ensure that it produces the basis for growth, which is possible in a more balanced way.

■ How much has the commitment of Montenegro to join the EU and NATO impacted on increasing the interest of foreign tourists?

- Certainly our advancement towards the EU, and obtaining an invitation for membership in NATO, has had an extremely positive effect on the development of tourism – and in a part on investment, and in the part on tourist arrivals. In accordance with our advancement along the Euro-Atlantic path, our country has been labelled as a safer and more secure place, including the section that includes the building of the rule of law, in which the best international practices are applied and in which everyone takes responsibility and can protect their rights and interests in accordance with the law.

If that were not so, we would not now have in Montenegro capital from 107 countries from around the whole world, while last year we were linked to 76 destinations and enticed the most famous hotel brands, such as the Aman Resort, Regent, One & Only, Hilton, Iberostar, Best Western, Ramada, and nor would we have the fact that in our country there are three times as many tourists as there are residents.

The government's continued efforts to create a good environment in tourism, the seriousness with which it approached this objective and the application of good practices has contributed to this rather small country achieving impressive results in this economic sector, says Branimir Gvozdenović, Montenegrin Minister of Sustainable Development and Tourism.

■ What percentage does tourism contribute to Montenegro's GDP growth and how much do investments in tourism participate in total foreign investments in Montenegro?

- According to the reports of the World Travel and Tourism Council, in 2006 the total contribution to GDP stood at just over 15 per cent, while in 2015 it was 22 per cent of GDP and by 2026 this proportion is expected to be as much as 30 per cent.

Investments in travel and tourism in 2015, according to the estimates of the Council, totalled about €225 million, or 33 per cent of total investment. The Council predicted investment growth of almost eight per cent in 2016 and growth of over seven per cent on average annually over the next ten years, so that the expected amount of in-

TOURISM

It is expected that in 2026 the total contribution of tourism to GDP will be 30 per cent, with 54,000 people employed in tourism and tourism-related activities.

ACKNOWLEDGMENT

One of the most important acknowledgments we received in the past year was from Lonely Planet, which ranked Kotor top of the list of 10 must-see cities in 2016.

VISION

Our vision was based on the sustainable development of natural resources and improvement in the field of tourism that we have, after extensive analysis, identified as crucial.

■ What level of income do you expect from tourism in the long term?

- Total revenue from tourism in 2006 amounted to less than €300 million, while in 2015 it was €800 million, which means that Montenegro has recorded a huge increase in real income in ten years.

Taking into account the effort we are exerting, as well as our natural potential, there is no reason that such a trend should not continue.

During 2016, according to projections of the Council, an increase in tourism's contribution to GDP of 6.6% is expected, with predictions that revenue from tourism in 2026 will be a whopping half a billion euros, with the total contribution of tourism to GDP of 30 per cent, with 54,000 people employed in tourism and tourism-related activities.

■ What are the prerequisites for the achievement of such results?

- The prerequisite is a clear vision and intensive work. Everything else can be overcome with this, even the lack of natural beauty, which Montenegro also has in abundance.

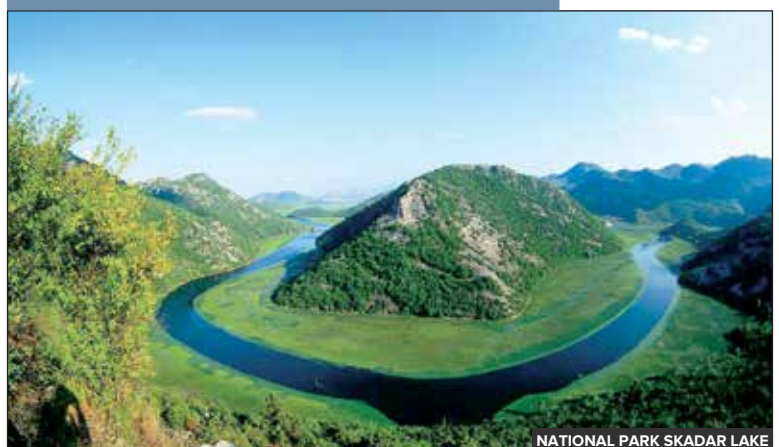
Our vision was based on the sustainable development of natural resources and improvement in the field of tourism that we have, after extensive analysis, identified as crucial. Our focus has been, and still is, on cooperation with international organisations, availability, high category hotel capacities and high quality contents and programmes, infrastructure etc., which is naturally incorporated in strategic documents as a basis for action.

That's why Montenegro is now on the white Schengen list, we are a member of the UN World Tourism Organisation, and we work intensively with the World Travel and Tourism Council in order to ensure conditions for our realistic positioning as a tourist destination on the global map. Some of the world's top hotel brands and tour operators do business in our country and since 2006 we have had an increase in movements of passengers using air transport by an unbelievable 90 per cent, the number of high class hotels has increased fourfold in the last 10 years, hotel revenues increased by 2.8 times, while the realised profits of hotels before deductions of fixed costs is as much as seven times higher than in 2006. Moreover, we also recorded growth in terms of special forms of tourism.

■ In this context, how important for Montenegro is progress in other domains, such as the World Bank's Doing Business list?

- During our dedicated work to advance the area of issuing building permits, we certainly had in mind the importance of the Doing Business list, both in the area of reforms that are a condition for progress on that list, and in the part of the image you are sending to the world business community by advancing on that list.

This improvement is a result of many years of continuous effort. A few years ago, or before those reforms, we had a situation where an investor had to go through 31 procedures, and thus through 31 bodies or institutions during the license issuing process, while now they pass through only two. This has significantly shortened deadlines for their issuance, while the plan is to continue shortening them. Thus, I appreciate as very deserved the fact that Montenegro has advanced since 2013 on the Doing Business list by an unbelievable 85 places when it comes to the issuance of permits.



NATIONAL PARK SKADAR LAKE

According to the reports of the World Travel and Tourism Council, in 2006 the total contribution to GDP stood at just over 15 per cent, while in 2015 it was 22 per cent of GDP and by 2026 this proportion is expected to be as much as 30 per cent

This leap was also accompanied by parallel progress in shaping the concept of designing our space, which will await potential investors. Thus, at the state level alone, from 2008 until today, some 40 planning documents have been

developed, thus creating conditions for the construction of 130 hotels.

■ What are your impressions of MIPIM, the largest international real estate fair, which recently saw the presenting of the potentials of Montenegro?

- MIPIM is the largest international real estate fair, known in the business world for attracting the presence of a large number of countries that present their development projects and, as such, bring together the most influential decision-makers. In light of this fact, the noted presentations of Montenegro this year, but also in previous years, have weight in the international business community, and often result in tangible results of the talks carried out during the course of the Fair.

This year we organised a working dinner with international media representatives and met with investors, when we presented the tourist and investment potential of Montenegro, as well as targeted measures undertaken by the Government to create favourable conditions to attract investors. Moreover, the joint assessment of investors from Montenegro who appeared at MIPIM was that in communication with their partners they recommend Montenegro as an exceptional investment destination.

Positive feedback and, as I have already noted, the concretisation of certain agreements made at MIPIM, show us that this is a good form of promoting and establishing cooperation, as well as the political stability and security that we have preserved and strengthened in the last ten years, improvements to the business environment that resulted in the arrival of world famous tourist brands in Montenegro, increasing the number of flights and extending the season, traditional hospitality and a well-designed cultural and entertainment programme, are really advantages that make our country attractive, both for tourists and for new investors.

■ **What can you tell us about the biggest projects, such as Porto Montenegro, Luštica Bay and Portonovi?**

- None of the investments in which you expressed interest here, nor any of our plans, have been introduced ad hoc. Certainly no serious investor will come to invest their own capital in a country where they do not feel safe – both in terms of best practices and with regard to the functioning of the political, legal and social system as a whole. Thus, taking into account the package of incentive measures for investments in accommodation facilities that is envisaged in amendments to the Law on Tourism, in the coming period the Ministry projects the opening of 76 high class hotels and an increase in the number of accommodation units to 8,100.

When it comes to the projects you mentioned, they are certainly among the most high-profile and are not only in the interest of the developed, but also the country as a whole. Implementation of the Portonovi project began in 2013 and within the offer of this resort will be the first, and currently the only, One & Only hotel in Europe. According to announcements of investors, this investment will exceed the agreed €280 million and will total in excess of €500 million. The first guests are expected to arrive in Portonovi as early as the 2017 season. The first four buildings on the site have already been built, and it is expected that the One & Only hotel will be ready for the 2018 season. It is clear that Montenegro is branding itself as a country that implements projects of this size and quality, but also a country that cooperates with world-renowned hotel operators.

One of the biggest investments in Montenegrin tourism is the investment in the Luštica Bay project. This relates to a future tourist town that

is built on the undeveloped part of the Luštica peninsula, which has no utility, transport or other infrastructure, which makes this project – worth €1.1 billion – currently the most significant greenfield investment in Montenegro and the largest in this part of Europe. The Montenegrin Government's partner on this project is Orascom Development Holding, which is recognised as a global leader in the development of integrated cities in Europe, the Middle East and North Africa, which in its system employs more than 18 thousand workers. Montenegro's Luštica Bay brought the country the title of the first registered LEED project for a home in Europe, which means that during construction the highest environmental standards are observed.



A prerequisite for the continuous development of tourism is a clear vision and intensive work. Everything else can be overcome by that, even a lack of natural beauty, which Montenegro also has in abundance

Porto Montenegro is the project of constructing a settlement around the marina and a home port for yachts, with additional infrastructure for the largest mega-yachts. This project includes plans to construct a marina with 850 berths for yachts of all sizes, marina content, five-star hotels, restaurants, bars and cafés, galleries, a nautical museum, an open market, a private healthcare institute, sports and recreational facilities, a conference centre for a wide range of MICE contents, entertainment contents, business offices and luxury apartments, as well as a wide range of domestic and international retail brands. The project has a total value of approximately €600 million and around €420 million has so far been invested. There is no need to mention the importance of such a project, especially in terms of the arrival of high-end clientele, the development of nautical tourism and encouraging the transformation of Montenegro as a high quality tourist destination.

■ **What are your plans to develop the tourist potential of the north of Montenegro?**

- At one point a significant part of the focus of interest, not only of investors but

also of the Government of Montenegro and institutions dealing with tourism, was focused squarely on the coastal region. This was partly a product of market interest, but also in large part due to the fact that the North required, and still requires, significant investment in infrastructure and beyond. Thus, in that sense it was necessary to seriously and strategically direct investments in order to create the general conditions for the construction of high class hotels and high-quality investments, which is also a priority of this government in 2016, and in subsequent years.

Thus, when it comes to the construction of hotels in the North, the fact is that this is an area that requires significant investment, but also constitutes a huge resource whose full enhancement, alongside high quality laws and smart incentive policies, is still pending.

As such, we are working intensively on the so-called tourist zones where, through investment incentives, we will enable the develop-

ment of hotels and other infrastructure. The Government has used the capital budget to allocate funds for the development of tourism in the North at the level of around €8 million and that is for the improvement of infrastructure at existing locations and the building of new infrastructure on sites designated for skiing, for making hotels in the North operational, for projects in national parks etc.

The total value of envisaged investments only in part of the North – in the area of Bjelasica and Komova – totals between €800 million and a €1 billion, while the development of two ski resorts has been earmarked as a priority: Kolasin 1600, Cmiljača in Bijelo Polje and Žarski – Mojkovac, while funds have been allocated for their development and other projects are also being prepared.

■ **How much money and total resources has Montenegro invested in the promotion of its tourist offer and investment potential in the field of tourism, and what does such a commitment mean for defining the overall development policy of Montenegro?**

- Although these budgets are quite a lot lower now compared to the period of a few years ago, due to the need to adapt to all changes in the world economy, and therefore also in our own economy, we are actually achieving better results! This is perhaps also a result of the fact that we are already to some extent enthroned as a high quality destination for holidaying and investment, and for being trained in such a way that with a good network and with fewer resources we can achieve the same or better results.

One of the most important acknowledgments we have received in the past year was from Lonely Planet, which ranked Kotor top of the list of 10 must-visit cities in 2016. In previous years this title has been received by Washington, Paris, San Francisco, London and New York.

We are written about by some of the world's most famous magazines, we present ourselves at the best fairs on tourism and investments; we monitor, analyse and organise research on domestic and foreign markets, and we constantly organise study visits of the most significant media outlets in this area and tour operators from significant markets.

A commitment to the most modern forms of promotion through the most famous events and media, which is implied when you aspire to be a top destination, requires a high level of management, including a good network of contacts and continuous adaptation to market demands. That's why I appreciate that our quality promotion is not only closer to end users, but also forces us to be increasingly better. Otherwise, colloquially speaking, we drop out of the game.

■ **How much are some other projects, like the launch of oil exploration, harmonised with the objectives of sustainable growth and environmental protection?**

- All undertakings, and especially those that are realised in areas that are simultaneously biologically valuable and sensitive marine ecosystems like the Adriatic Sea, have a certain impact on the state of the environment.

That is why when it comes to undertakings like oil and gas exploration it is essential to secure a comprehensive and complete documentation basis, primarily an environmental impact assessment of the planned

project and analysis of the vulnerability of marine ecosystems.

In this it is necessary to comply with the relevant international standards and apply good international practices. All development plans, thus, need to be harmonised with the limits that will be laid down in such prepared analytical documentation background, because that is the only way to develop these types of projects in environments controlled to the maximum extent possible.

■ **How much has the development of the tourism industry created space for public-private partnerships?**

- Given the more than satisfactory results of tourism industry opera-



LADY OF THE ROCKS, KOTOR, PERAST

When it comes to the construction of hotels in the North, the fact is that this is an area that requires significant investment, but also constitutes a huge resource whose full enhancement, alongside high quality laws and smart incentive policies, is still pending

tions in the past few years, as well as the fact that 2015 is the most successful year in terms of all parameters for measuring the success of the tourism sector, we are completely certain that the further development of the tourism industry creates space for the

strengthening of public-private partnerships.

This primarily relates to considering the complexity of the tourism product, which, from the aspect of the tourists, starts from the moment they choose their destination to their return home. Thus, the tourism product depends on the method of promoting the offer, providing the easiest possible accessibility to the destination, the condition of roads, utilities and other infrastructure, the development of the banking sector, trade and other areas. In this sense, the advancement of all sectors, which directly and indirectly influence and contribute to the quality of the tourism product, represent an open space for this type of partnership.

Apart from that, in line with our efforts to intensify activities on the faster development of the North of Montenegro, the evaluation of individual locations of particular importance for tourism, will also be subject to the implementation of this model. ■



**SNEŽANA
IVANOVIĆ**
CEO OF SIEMENS D.O.O.,
PODGORICA

Three Projects for Economic Growth

► Topic: Infrastructure and Further Economic Development?

In accordance with its definition, the economic development of the country implies the improvement of important infrastructure. I would like to emphasise three infrastructure projects that are expected to provide a significant contribution to economic development. At the same time, these projects are the first in their specific domains – the first highway, the first submarine cable and the first wind power plant in Montenegro.

The construction of the Bar-Boljare Highway, which started with the priority section, is intended to provide a strong impulse to the acceleration of economic growth and means more secure and efficient access to all parts of Montenegro, as well as better links to European transport corridors. At the same time, the fact that the highway's construction, in terms of funding, offers a challenge to the public finance, shall not be underestimated.

The construction of the submarine power cable is aimed at connect-

ing the Montenegrin grid with Italy via the Adriatic Sea. This cable will allow transmission of electricity between the Balkans and Italy, and will thereby open up a new market for green electricity. Upon the realisation of this project, Montenegro is expected to become the energy hub of the Balkans. My company, Siemens, is one of the contractors working on this project, engaged in the construction of the Lastva substation.

The purpose of the construction of the Krnovo Wind Power Plant is to increase the supply of electricity from renewable energy sources, with the objective of reducing greenhouse gases, air pollutants and related pressures on climate change. The facility is intended to increase domestic energy production. Siemens is part of this project, as well as one of the contractors in charge of construction of the connection of the plant to the transmission network.

Let me also mention that all three projects are international, with the participation of MFIC member companies, contributing to the common aim of furthering the economic development and growth of the country.



**ŽARKO
RADULOVIĆ**
CO-OWNER OF
MONTENEGRO STARS
HOTEL GROUP

The Potential of Lake Tourism is Underutilised

► Topic: Insufficiently Utilized Tourism Potentials of Montenegro?

Montenegro has great potential for the further development of tourism, and that exists in several sectors.

Here I am primarily referring to rural or ecotourism, which – in contrast to other countries in the region – is still in its infancy in Montenegro, despite

numerous comparative advantages and diversity in a relatively small geographical area. The potential of lake tourism is also underutilised. It was noted a long time ago that lakes, as "small inland seas", are often more important than the "big seas of the ocean", and Montenegro could easily strengthen its competitiveness through this form of tourism offer and build a national brand at that level. As a consequence of that, I believe that one of the fastest growing forms of tourism – Health tourism – also represents a chance to strengthen competitiveness, while we also have a great opportunity in sports tourism.

One of the fastest growing forms of tourism – Health tourism – represents a chance to strengthen competitiveness

This would be particularly important for a destination such as Montenegro, which has a problem of seasonality. We are aware that much more developed tourist destinations also share this problem, but it is more difficult for Montenegro to counter this shortcoming. That's why sports tourism would offer an excellent opportunity to increase occupancy out of the so-called high peak season. In order for this to be possible in practice, it is essential to build stadiums on the coast, with all associated facilities, a natural backdrop, night lighting etc. With such climatic characteristics and adequate infrastructure, I have no doubt that we could quickly close the gap on Antalya, which has for years been among the best in this sphere of tourism.



**SANJA
ČALASAN**
CEO, TREBJESA

120 Years of The Brewing Tradition of Nikšić

► Topic: Montenegro - Nation With a Brewery Tradition

If we consider that the establishing of a brewery in Nikšić back in 1896 marked the beginning of industrial beer production in Montenegro, and if we know that this tradition of brewing has been maintained for a full 120 years - then the answer is more than clear. Montenegro is a

nation with a tradition of brewing. Nikšićko Beer is one of the most recognisable products from Montenegro and a favourite brand among beer lovers.

In 2016 we celebrate 120 years of the brewing tradition of Nikšić. In this jubilee year we should remember those who launched the whole idea. The brewing tradition was started by Vuko Jankov Krivokapić in 1896 in the city under Trebjesa. Nikšićko quickly became a favourite drink among the Montenegrins, and according to the available historical records, it was unavoidable on the table then lord of the Principality of Montenegro.

From then until today, Nikšić has been recognised in its country, the region and beyond as a city of beer, and Montenegro as the home of the famous Nikšićko. What has preserved that tradition all of these years is a clear vision for the development of brewing in Montenegro, coupled with the devotion of generations of brewers and quality as an imperative. Confirmation of quality arrived from almost every relevant domestic and international address, so today our products have over 80 prestigious awards for quality. The assortment of Trebjesa Brewery now has six products: Nikšićko Beer, Nikšićko Gold, Nikšićko Dark, Nikšićko Cool Lemon, Nikšićko Cool Grapefruit and Onogošt Beer. Onogošt is the latest beer in our beer family, but with the oldest story. It was named after the former name of the town of Nikšić and was made with the aim of restoring tradition and true values. This is one of the first surprises for consumers in the jubilee year. In addition to this, we will also celebrate the tradition by way of the retro label from the 1970s and '80s, with new packaging for Nikšić of 0.33 litres and Nikšićko Unfiltered beer. We are proud that our products today tell the most beautiful story, the story of 120 years of brewing tradition in Montenegro.



DARREN GIBSON
CEO OF LUŠTICA BAY

Positive Steps Towards Global Luxury Tourism Map

► **Topic: Increasing Interest and Demand for The Montenegro Tourism Offer**

Montenegro has made significant and positive steps towards positioning itself as an emerging star on the global luxury tourism map. In order to remain on this successful path, the country needs to remain devoted to the further improvement of infrastructure, marketing strategies and levels of service.

The term 'luxury tourism' can be interpreted in different ways. At Luštica Bay, in addition to the quality of the built environment, we are promoting the idea of luxury redefined. We see luxury in the simplicity and beauty of open space and the natural environment; the opportunity to relax, de-stress and enjoy life's simple pleasures in high quality surroundings.

However, adopting a more conventional definition, Montenegro remains a 'work in progress', although it has made significant and positive steps towards positioning itself as an emerging star on the global luxury tourism map, both through public policy and, consequently, through the attracting of leading tourism real estate investors and brands. In that regard, the government has set out a clear goal to achieve a high quality tourism offer through the national tourism development strategy and has proactively and (to date) suc-

At Luštica Bay, in addition to the quality of the built environment, we are promoting the idea of luxury redefined

cessfully promoted that agenda through the quasi-privatisation of surplus public land for high-end tourism projects, such as our own at Luštica Bay, and including others like Porto Montenegro, Blue Horizon (Qatari Diar) and Porto Novi (Kumbor). Those projects and others have, in turn, encouraged the arrival (or the committed presence) of leading luxury hotel brands, such as Regent Hotels, Aman Hotels and Resorts, One & Only Resorts and Four Seasons, with the arrival of other luxury hotel brands currently in the pipeline. In particular, giving credit where it is due, the pioneering efforts of Porto Montenegro, which succeeded in positioning itself as a luxury destination, due to the development of the major super-yacht marina and the delivery of the first five-star international hotel brand in the country, has played a significant role in repositioning the country as a whole.

The trend of increasing tourist numbers annually indicates the increasing interest and demand for the tourism offer overall and real estate pricing (an indicator of product demand and quality) in major 'luxury tourism' projects in Montenegro, which is comparable with other major luxury tourism destinations in the Mediterranean region.

Despite this positive trajectory, the conditions for the further development of the tourism industry as a whole must be improved continually to ensure the growth and longevity of the destination, particularly in the areas of infrastructure (airports and roads), destination promotion, the regulatory environment, development incentives, environmental management and the service culture, as well as quality and overall value for money.



NEBOJŠA ŠKEKIĆ
EXECUTIVE DIRECTOR
AT SAVA MONTENEGRO
INSURANCE

Great Potential for Growth and Development

► **Topic: Prerequisites for The Further Development of The Insurance Sector in Montenegro**

The insurance market in Montenegro unfortunately shares the fate of the entire economy, which reflects the negative effects of the economic crisis.

The Montenegrin insurance market is significantly below the average for member countries of the European Union in terms of the level of development, but that also means that this market has great potential for further growth and development.

Since the Montenegrin market is dominated by mandatory types of insurance, and per capita we do not have too many premiums, I primarily see the potential in selling property insurance.

The small percentage of people who buy policies from some kind of optional insurance is a sign that people lack a sense of the importance of insurance and the necessity to work continuously on raising awareness of the need to insure oneself and not to wait for a bank or the State to force them to do that.

Sava Montenegro sees its chance precisely in utilising direct contact with customers in the field, familiarising citizens and businesses with the importance of property insurance, while at the same time offering them a convenient and efficient service. It is very significant that the concept of security is developing in this area in general, in terms of raising awareness that total insurance, as in the West, is considered an integral part of life and business.

The Montenegrin insurance market is significantly below the average for member countries of the European Union in terms of the level of development, but that also means that this market has great potential for further growth and development

I am otherwise not a supporter of imposing mandatory liability insurance through the introduction of new types of compulsory insurance, which I often hear from my colleagues. I think it would be enough to start assisting the development of the insurance market and controlling the application of existing regulations, and to not allow someone to perform a specific business activity, which carries a certain risk, primarily towards third parties, and that there is no insurance policy that will protect people and properties exposed to this risk.

Other important prerequisites for further development include the implementation of innovation, monitoring changes to new target groups and the digitisation of sales.

The planned growth of economic activity in the next two to three years will certainly contribute to the growth of the insurance market, and my expectation is that a gradual increase in premiums will occur on our market, primarily in the field of insuring small and medium-sized enterprises.



Winning Strategy For a CHALLENGING MARKET



Uniqua insurance has developed a wide range of life and non-life insurances products in order to adapt to the various needs of the market. The ongoing recovery of the economy and investments will have a positive effect on the growth of the insurance sector

UNIQA insurance, as a member of Austrian UNIQA Group, has been present in Montenegro since 2008 through two companies: UNIQA non-life insurance and UNIQA life insurance. Even though the Montenegrin market is small and insufficiently developed, UNIQA insurance sees that as an opportunity for its companies to develop.

■ How does Uniqua manage to maintain its place as the top insurance company, given the extremely tough competition, especially in the field of non-life insurance?

- The key to our development in Montenegro is related, on the one hand, to the so-called multichannel sales strategy of our Group and, on the other, constant investment in human resources. We have invested in the development of several sales channels: the Exclusive sales channel within the network of 13 branch offices and 70 full time job sales agents, Bankassurance, Special lines, the sale of mandatory insurance types with a network of 100 external part-time job associates, the Corporate sales channel and the Leasing channel.

We have developed a wide range of life and non-life insurance products, in order to adapt to the various needs of corporate and retail clients.

■ How much is insurance an obligation and to what extent do Montenegrin citizens and companies view it as an important need?

- Observing the overall Montenegrin insurance market, including both life and non-life, it can be said that the vehicle third part liability market is still dominant and accounts for almost 50 per cent of the market. Based on these data, it is clear that citizens still purchase only that which is mandatory, while other insurance types are still significantly less developed. Even though the life insurance market is showing a growth trend, in the last few years this growth has mainly been generated by banks though risk insurance.

insurance related to the population, or the retail business, still faces challenges mainly caused by the low living standard of the population and insufficient knowledge about insurance

Interest in classic life insurance is still at a low level and it is necessary to continuously work on the education of the population and the corporate sector. What is positive is the growth trend in interest in so-called voluntary health insurance, which is demonstrated in the figures for 2015.

■ What are your biggest challenges stemming directly from the current economic situation?

- Based on data from 2015, the Montenegrin

economy achieved 3.2 per cent GDP growth, which represents an increase in relation to 2014. We can also expect the same GDP growth dynamics in 2016 and 2017. These economic trends had a positive impact on the growth of the insurance market in 2015, which is primarily reflected in the growth of property insurance within corporate insurance, i.e. insurance related to major investments in Montenegro. On the other hand, the part of insurance related to the population, or the retail business, still faces challenges mainly caused by the low living standard of the population, on the one hand, and insufficient knowledge about insurance, on the other.

■ How and to what extent can the Montenegrin government contribute to making room for new products to be introduced in the insurance sector?

- As an industry branch, we have highlighted the importance of insurance for the population and the economy, as well as the country itself, on many occasions. Data related to household, life or health insurance show that they are still not at a satisfactory level, even though they show some growth. In practice, we are quite often faced with a situation in which many employers would like to include life or health insurance as an additional benefit for their employees, but they often reconsider due to the unfavourable tax treatment of these options. ■

On a Good COURSE



The country has done work worthy of applause in the area of easing doing business, but there is still much to be done in the future, in which Montenegro will have the full support of the EBRD

The EBRD is in the process of preparing a new strategy for Montenegro, in order to support the country in its EU integration and the process of building a fully functioning market economy.

■ **Considering your vast experience working in the region, could you tell us what sets Montenegro apart from other Western Balkan countries, from a foreign investors' perspective?**

- Montenegro is the most advanced country in the region when it comes to its integration into the EU. This is a key stabilising factor and a significant anchor promoting reforms. The negotiations with the EU began in June 2012 and as of March 2016 Montenegro has opened most of the negotiating chapters. At the current pace of negotiations, it is realistic to expect that the country will complete harmonisation with the EU *acquis communautaire* within the next four to five years. Also, over the years, Montenegro has established a track record of business-friendly legislation and openness to foreign investors, with the country regularly topping the regional list of countries in terms of FDI per capita.

■ **What priorities, in terms of reforms, should Montenegro focus on in the following period?**

- Montenegro's key weaknesses, which are common to all countries in the region, include the rule of law, corruption and the low capacity of public administration. The joint World Bank/EBRD Business Environment and Enterprise Performance Survey (BEEPS) found that the top three business environment obstacles identified by Montenegrin firms are competitors' practices in the informal sector; access to finance; and electricity issues. In addition, little progress has been forthcoming recently on privatisation. For instance, key tourism assets are still in state hands.

■ **Why did the EBRD decide to invest substantially in Montenegro?**

- Due to many years of economic under-

Privatisation impetus needs to be restored. Progress over the past year has been minimal, and a new effort is needed to bring assets to sale and attract further investment into key sectors such as energy and tourism

performance and political turbulence, countries in the Western Balkans, including Montenegro, face a major convergence challenge in terms of living standards vis-à-vis the rest of Europe. At the same time, the EBRD was established to help build a new, post-Cold War era in Central and Eastern Europe, fostering progress towards market-orientated economies, while promoting private and entrepreneurial initiatives. In this regard, Montenegro was a trusted partner. The EBRD is currently

preparing a new strategy for the next four years to help Montenegro move further towards a well-functioning market economy.

■ **Which of EBRD's investments would you single out as being the most important for establishing a new economic structure in the country and creating new jobs?**

- The EBRD has done 53 projects in Montenegro to date, mainly with the private sector, while presently the Bank's portfolio in the country stands at €412 million, with 41% in energy, 24% in transport and municipal infrastructure, 21% in industry, commerce and agribusiness, and 14% in financial institutions.

In its efforts to expand the country's economic base outside the tourism sector, in recent years the Bank has, among other projects, financed the expansion of Codra Hospital, including the first private maternity ward in Montenegro, supported meat production and distribution processes of the two largest meat production companies, invested in the equity of the country's largest retail chain, Voli, engaged in direct SME investments in the agribusiness

sector to enhance value chains and improve operational practices. The Bank has also financed the development of new, and the reconstruction of existing, transport and energy infrastructure, including the Lastva-Pljevlja power transmission line, as well as landmark projects in energy efficiency and renewable energy generation, such as EPCG's smart metering programme for the improvement of revenue collection and the reduction of distribution losses, and the Krnovo wind farm, the first of its kind in the region. ■

True Commitment to The EU INTEGRATION PROCESS



H.E. MITJA DROBNIČ

HEAD OF DELEGATION AND AMBASSADOR
OF THE EUROPEAN UNION TO MONTENEGRO

We believe that Montenegro is committed to implementing the reform agenda stemming from its EU integration process, not simply for the sake of ticking boxes, but because that is in the interest of Montenegrin citizens

Being ready to implement EU rules prior to accession is a crucial element of the accession process itself, says H.E. Mitja Drobnič, Head of Delegation and Ambassador of the European Union to Montenegro. “Our impression”, he adds, “is that Montenegro is now heading in this direction, which is important not only for the process of European integration, but mainly for the citizens and also for attracting foreign investors”.

■ **How would you assess Montenegro’s EU integration progress in 2015?**

- Montenegro has taken some important legislative steps in the year behind us and has further advanced on the institution-building front, especially in the area of the rule of law. From these two aspects, progress has been observed and what we are now looking for are palpable results in terms of the so-called track record. We need to see the country delivering tangible results which stem from quality laws being properly implemented and enforced by competent institutions, capable of performing their tasks efficiently and effectively. Our impression is that the country is now going in this direction, which is important not only for the process of European integration, but mainly for the citizens and also for attracting foreign investors.

RULE OF LAW

Montenegro has taken some important legislative steps in the year behind us and has further advanced on the institution-building front, especially in the area of the rule of law.

EU

The EU integration process brings tangible benefits to Montenegrin citizens, which can be felt in their everyday lives.

MFIC

This year's report of the Foreign Investors' Council represents once again an important contribution to this dialogue, and I encourage the Foreign Investors' Council to fully engage in this exercise.

■ In your view, to what extent is high support for EU membership among Montenegrin citizens a consequence of changes that are felt in their everyday lives and to what extent is this a consequence of their expectation that improvements are yet to be felt?

- It is difficult to pinpoint a decisive factor which determines Montenegrin citizens' overall high support for EU membership, which - according to the latest polls released in March this year - show steady support of above two-thirds of respondents. In the case of the transformative process of EU integration, the journey itself is as important as the destination, or in this case, the date of accession. Citizens feel that, already prior to accession, this process brings many opportunities.

The European Union is by far the largest international donor in Montenegro, with more than €235 million in EU funds invested in different projects between 2007 and 2013 and more than €270 million allocated for the next seven-year period. The EU integration process brings tangible benefits to Montenegrin citizens, which can be felt in their everyday lives. Take for instance the process of the alignment of national legislation with the EU *acquis* in the area of toy safety.

While this may seem too technical, it practically means that parents may feel relieved because their children will be safer when playing with toys that are manufactured according to strict standards for protecting their health and wellbeing. Another example is the modernisation of the Bar-Vrbnica railway, which has reduced travel times and increased safety on the Montenegrin side of the Bar-Belgrade railway. We recently opened the new Blood Transfusion Institute, for which the EU has provided state-of-the-art equipment. It will help ensure that Montenegrin citizens get better healthcare services in this area. Students are increasingly taking advantage of the Erasmus+ programme and are studying in EU universities. This is just a glimpse of the many tangible effects of Montenegro's EU accession process, which we hope are behind the high level of public support for membership.

■ How much did the Berlin initiative influence the strengthening of the pace of EU integration in the region and in Montenegro?

- The European Union has recognised the will of the leaders of the six Western Balkan countries when they met in Berlin two years ago, to bring a new dynamic spirit to regional cooperation. Regional cooperation is an integral part of the path to EU accession. Bearing in mind that improved connectivity both within the region and of the region with the EU is important for further economic development and building bridges among the Western Balkan countries, the EU has placed connectivity very high on its agenda in the enlargement process. This ini-



The process of EU integration brings tangible benefits to Montenegrin citizens, which can be felt in their everyday lives

tiative will lead to projects that involve building and connecting transport and energy infrastructure, which is a driving force for economic growth, creating jobs and attracting foreign investment.

■ To what extent is the adoption of EU rules followed by enforcement of rules in line with the EU agenda?

- I think the key mantra here is that deeds count more than words. We believe that Montenegro is committed to implementing its reform agenda stemming from the EU integration process, not simply for the sake of negotiations and ticking the boxes, but because it is in the interest of Montenegrin citizens who will reap the fruits of proper enforcement of quality legislation. This is also important for attracting foreign investors who want to see their businesses operating in a legally predictable and certain environment.

■ What is the degree of readiness and alignment of Montenegro's institutions in implementing the process of EU integration?

- Progress in alignment is assessed for each negotiating chapter individually – obviously there are differences between the levels of alignment in different areas. In our latest report, adopted in November 2015, which is publicly available, there is a detailed analysis of the progress made for each chapter. Overall, we can say that Montenegro is a small country with limited administrative capacity. That is why it is important to have the right-size of the administration with skilled civil servants who are able to respond to the challenges of the EU integration process. Since the opening of negotiations in 2012, Montenegro has worked on strengthening its existing institutions and building new ones, and we can really commend the dedication of the entire negotiating structure.

■ **How important is institution-building in the process of EU integration, such as the Anti-Corruption Agency?**

- Functioning, stable and professional institutions are key in every democracy. They are the backbone of every political system based on the rule of law. Montenegro is no exception in this regard and we are pleased to see that the Anti-Corruption Agency started to work on 1 January this year. What is important now is to ensure that the Agency has all the necessary resources at its disposal to discharge its duties efficiently and effectively – and bring results.

■ **Besides opening of chapters, in order to measure progress in EU integration, closing of chapters is also important. What do you consider as the most challenging chapters in this context for Montenegro?**

- Each negotiating chapter has its own story to tell. Some are demanding in terms of the quantity of national legislation that needs to be aligned with the *acquis*, others are more politically difficult, and there are some that are costly because the implementation of reforms requires significant financial resources. Montenegro has so far provisionally closed two chapters – those related to Education and Culture and to Science and Research. Among the most challenging chapters for Montenegro are the chapters dealing with Competition policy, and with the Environment and climate change. These chapters will be opened once Montenegro fulfils the opening benchmarks set by the EU.

There are also areas which do not fall under any specific chapter strictly speaking – take for example public administration reform. All

these are demanding areas and the EU is there to support Montenegro's efforts in order to prepare the country for membership.

■ **In the process of democratisation, how much space is there for the civil society and the media?**

- There can be no democratisation without an empowered civil society, and without free and pluralistic media. These, together with political parties that, despite different convictions, work together in the

Parliament, are the cornerstones of every democracy and the extent to which civil society, including the media, is free to operate without any pressures is a litmus test that shows the quality of any country's democratic credentials. It is therefore important to have an enabling framework which allows media to carry out their tasks professionally and without any pressures. Non-governmental organisations, trade unions, academia – all these are essential pillars of civil society that act as watchdogs in every democracy and they hold governments accountable.

We are pleased to see that Montenegro has included civil society in its negotiating structures and it is important to continue building these bridges between the state and non-state actors. I say this because for Montenegro to be as successful as possible on its EU membership path, the state should not shy away from using the expertise of civil society which is very vibrant in Montenegro.

■ **How close is Montenegro to establishing a functioning market economy?**

- Establishing a functioning market economy and being able to compete on the EU internal market are the two economic accession criteria that a country needs to fulfil to become an EU Member

State. In Montenegro, there is a broad domestic consensus on pursuing market-based reforms, as well as a track-record in implementing economic reforms. Macro-economic stability has allowed businesses to operate in a climate of general predictability, while Montenegro's significant natural potential as a top tourist destination and an improving business environment, continues to attract record-high foreign investments in the regional context. We have also witnessed major privatisations in the country, and the abolition of controls on prices, foreign exchange, and trade regimes. On top of it, there is a high level of trade and investment integration with the EU and the Western Balkan region.

In short, we consider that Montenegro is moderately prepared in



Montenegro's significant natural potential as a top tourist destination and an improving business environment continues to attract record-high foreign investments in the regional context

developing a functioning market economy and competitive market players; however, more can and needs to be done: Montenegro's macroeconomic stability is challenged by problems of fiscal sustainability, high investment needs, and its vulnerability to external financing. The persisting high level of long-term and youth unemployment and a significant informal economy need to be tackled. The education system needs to provide better learning outcomes and professional skills, so that all citizens of Montenegro can succeed on the labour market. Moreover, as a services-dominated economy, the industrial and agricultural sectors in particular suffer from low competitiveness. Companies, domestic or foreign, need to become more productive, produce higher value-added products, and increase their participation in global supply chains. Foreign investors can play an important role on this. Among the key obstacles identified by the business community, is limited access to credit, cumbersome licensing and tax procedures, as well as the need to tackle corruption and further improve the rule of law.

It is in this context that sound economic governance is today considered one of the fundamental pillars of the EU's enlargement strategy, together with the rule of law and public administration reform.

Some of the persistent economic challenges that need to be addressed in order to better prepare Montenegro for its future membership are fiscal sustainability, vulnerability to external financing, a high level of youth unemployment and a significant informal economy

The EU maintains regular dialogue with Montenegro on this, using surveillance tools similar to those put in place under the so-called European Semester to strengthen the EU's own recovery, following the recent deep economic and financial crisis. The overall aim is to help address the persistent economic challenges, strengthen com-

petitiveness and growth, and thereby ultimately better prepare Montenegro for its future membership of the Union. The basis for this dialogue is Montenegro's annual Economic Reform Programme, which sets out the Government's medium-term fiscal policy and structural reform agenda. It is subject to a regular assessment by the European Commission and is 'peer-reviewed' by EU Member States, culminating in the adoption of annual guidance, jointly by the EU and Montenegro.

This year's report of the Foreign Investors' Council represents once again an important contribution to this dialogue, and I encourage the Foreign Investors' Council to fully engage in this exercise. The report points to several reform areas and lists concrete measures that can help unlock growth and further economic development. In so doing, it can help Montenegro put in place an even better investment climate. ■


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Ambitious, With GOOD REASON



MILOŠ JOVANOVIĆ

CEO, MONTENEGRIN INVESTMENT
PROMOTION AGENCY, (MIPA)

Even despite the slowdown in the world economy, Montenegro recorded a significant increase in net FDI inflows in the last three years, as investors from the EU, China, Russia and the Middle East have recognised the advantages offered to them

Montenegro has the largest inflow of foreign direct investments in the region, measuring inflow as a percentage of GDP. EU integration, entry into NATO and good relations with all neighbours are just part of the answer to the question why investors are rushing to Montenegro despite the global economic slowdown.

■ What makes Montenegro today the most attractive destination for foreign investors in the region?

- Montenegro offers a lot of different things in a small space – proximity to the sea and mountains, with completely different climates, enable the extending of the tourist season, which will come in parallel with the exploitation of the tourism potential in the north of our country. Also, fertile land enables the development of agriculture, as well as other branches such as water-based agriculture, forestry and livestock farming and so on. Untapped renewable energy sources provide great potential for the development of projects in this field. Large capital and strategic projects, such as the construction of the highway and the underwater cable for the transmission of electricity between Montenegro and Italy, represent great support for the development of all these areas in which Montenegro has a comparative advantage. In addition to that, our nine per cent tax rate on corporate gains is the lowest in the region.

■ In which areas of the economy has Montenegro attracted the largest number of investments to date and how much do they contribute to Montenegro's GDP and exports?

- Montenegro has to date attracted the largest amount of foreign investments in the sectors of tourism, energy and telecommunications.

According to the latest 2016 World Travel and Tourism Council Report, the direct and indirect contribution of tourism to the gross domestic product of Montenegro in 2015 amounted to €794.8 million, which was 22.1% of GDP. The development of elite tourism, the investment of foreign capital in infrastructure, intensive promotional campaigns on foreign markets and the arrival of international brands onto our market have contributed to very positive trends in the tourism industry of Montenegro.

In the energy sector, the Electrical Industry of Montenegro (Elektroprivreda Crne Gore) was recapitalized in 2009 by Italian company A2A at a price of €140 million. The leader in sales of petroleum products in Montenegro is Jugopetrol, which was privatised in 2002 and bought by Greek company Hellenic Petroleum. Moreover, foreign companies operating in the field of petroleum derivatives include Slovenian company Petrol, Lukoil from Russia and Ina Montenegro from Croatia. The energy sector contributes a share of 22 per cent of the GDP of Montenegro.

We should also note that it is owned by Magyar Telekom (Hungary), which is a member of Germany's Deutsche Telekom, the takeover of Promonte by Norway's Telenor Group and M:tel, the joint venture of Telekom Srbija and Ogalar BV from the Netherlands, which was then

INVESTMENTS

Montenegro has to date attracted the largest amount of foreign investments in the sectors of tourism, energy and telecommunications.

INFRASTRUCTURE

The construction of the highway that will connect the north and south will bring great economic benefits, especially in the long term.

TOURISM

The largest transfer of knowhow to date has occurred in the field of management and marketing, in the context of tourism.

recapitalised by Telekom Srbija. The telecommunication sector's share of GDP is around 7.3%.

■ Does the strong progress in EU integration and Euro-Atlantic integration have a direct impact on the structure of investors and investments in Montenegro?

- It has a very strong influence, but I would not say that it relates only to the structure of investors, for the reason that we have investors from more than 115 countries worldwide. European and Euro-Atlantic integration brings us increased interest from all countries of the world. Euro-Atlantic integration contributes to ensuring the greater security of Montenegro, which is geographically part of the Balkans – a region that has historically gone through many periods of uncertainty and war. Today, after our very rapid development in Euro-Atlantic integration, we can say that our country is very safe and protected, which gives greater security to investors with free capital for their decisions in which country to invest their capital and knowhow.

■ Which investors do you count on in the coming period, given the slowdown in the world economy, including the major investor countries in the EU, the Middle East and China?

- We have growing interest from potential investors from the EU and from other potential investors from the West. Also, interest in our country is increasing among investors from the Middle East, but also investors from China and from Russia. And, despite the slowdown of the world economy, Montenegro is recording a significant increase in net FDI inflow in the last three years. Likewise, the data show that the growth of the Montenegrin economy has not slowed down, but rather is striving towards even greater growth.

Some investors that are currently developing their projects in Montenegro plan to increase the capital that they will invest in our country. One example is the project of company Azmont, which initially started with a projected investment in the field of tourism worth €250 million, after which that increased to €500 million, while the latest projection of the company is that it will actually invest €650 million in the One & Only tourist resort.

■ To what extent do you succeed in directing investors towards less developed parts of Montenegro?

- The priority in the promotion of potential investments is the north of Montenegro. It is evident that its development will soon come, which will exponentially contribute to the overall development of our country.

Priority projects in the North relate to the field of tourism and agriculture. These two areas in individually very important aspects go

together. For example, with the development of high-level ski resorts in the north and maximising the potential of Durmitor, Sinjajevina and Bjelasica, comes the development of organic agriculture. This is an opportunity for farmers to cultivate organic food, with minimum costs of transport, delivery, to hotels and ski resorts. Lately, there is a growing interest in this type of project, and expectations are that when they first start they will drag the others with them.

■ In which areas should Montenegro eliminate bottlenecks in order to improve the business climate?



We're trying to create a win-win situation in which both parties benefit from partnership, both our country and investors

- Infrastructure is a problem that Montenegro is actively working to resolve. The construction of the highway that will connect the north and south will

bring great economic benefits, especially in the long term. Likewise, we see the potential construction of the Adriatic-Ionian highway as being very close in the future and as a great development opportunity. This highway will connect seven European countries, so it is a project for the future of the entire region.

■ How much have foreign investments contributed to transferring knowledge and new technologies in Montenegro?

-The largest transfer of knowhow to date has occurred in the field of management and marketing, in the context of tourism. There is also the transfer of technology and technical knowhow in the field of renewable energy, especially hydropower. Montenegrin companies are developing projects through cooperation with foreign companies, which have already implemented such projects in other countries, so that in addition to large capital investments represent the knowledge and experience of those companies. ■



We Dream BIG

As an investor nowadays, you need not to be afraid to dream big. This is what we have been doing with the Portonovi Resort, a growing luxury resort in Boka Bay. Many reputable and well-known companies have joined us, which means they also share our vision and are interested in being here

A good environment for doing business and the government's efforts to embrace good suggestions coming from reputable investors were decisive in Azmont Investments choosing Montenegro for the long-term development of this luxury resort and a bank that is expected to become operational soon.

■ **To what extent have Montenegrin state institutions, at both the national and local levels, recognised the potential of working jointly with foreign investors with aim of strengthening the economic structure of the country?**

- Azmont Investments has been in Montenegro since 2012 and we feel good here – we work in unison with the local government and have sold foundations of co-operation. This is very important for our everyday work, but also the strategic orientation and approach that we have. Our intention is to be here for the long term through the growth of the Portonovi Resort and Bank, which is expected to start its operations in the near future. As an investor nowadays, you have to adapt and change, but also not be afraid to dream big. Having a dream, passion and enthusiasm are crucial enablers for achieving long-term success. We have all

of that and will work even harder to meet the goals and expectations we have set, but also to achieve what is expected of us from the broader community. We feel encouraged in what we do and many reputable and well-known companies have joined us. This means they also share our vision and are interested in being here.

■ **When it comes to your experience, what would you single out as the most attractive characteristics of Montenegro for investors, and where do you see obstacles in attracting foreign investments?**

- Openness and readiness to collaborate are very important for any investor. We recognise this at the Montenegrin Gov-

■ **Are you happy with the scope of the cooperation between MFIC and state institutions with regard to the sharing of experiences, the adoption of new laws and the amending of existing legislation?**

- As an advisory association with many local and international experts, I believe we have a lot to offer. Our work is never-ending, as we all witness constant changes across industries. This is why respect and understanding is crucial, as is a wish to work for the best of the country and its people. Undoubtedly, the presence of foreign investments is very important and the international expertise we bring with our teams is a valuable asset for improving the overall business climate here in Montenegro.

We recognise the Montenegrin Government's openness and readiness to collaborate across different fields and this is something that we at MFIC value highly

■ **How will MFIC contribute to ensuring that Montenegro is recognised as an ecologically-friendly state?**

- The primary interest of Azmont Investments is certainly Portonovi – a growing luxury resort in Boka Bay. The importance of protecting natural beauty and using the natural legacy of being an ecologically-friendly state is very important for us. This helps in attracting visitors and potential residents here, and is one of the differentiators when competing on a crowded global market. Having great partners within MFIC, with diverse expertise, contributes to providing an adequate response and awareness campaigns that we may see more of in the future. ■

ernment and across different fields. A predictable and sustainable business environment is crucial for us and we are ready to work as part of MFIC to ensure its further improvement. Sharing know-how is mutually beneficial and continues the economic development of the country. Any potential obstacle, thus, should be seen as a chance to change and develop further and learn.

Fortune Favours **THE BRAVE**



Together with state bodies, we need to continually promote all of our business opportunities and Montenegro as a destination, and thus respond to the challenges posed by this market, says Savo Đurović, a Member of the Board at Montenegro FIC and Director of the Legal Department of company Porto Montenegro.

■ **How would you rate the attractiveness of Montenegro for investors in terms of the certainty and predictability of the business environment?**

- It is certain that when it comes to foreign investors the business environment in Montenegro is changing. Together we have taken significant steps forward, especially in the field of the nautical super-yacht industry. However, challenges remain and there is still a lot of work ahead of us. The recently adopted Law on the Employment of Foreigners represents a major challenge for foreign investors, who see Montenegro as a serious investment destination. Montenegro should not close its labour market to international experts, as that will only reduce the living standards of the local population and the possibility for them to learn from the best.

The real challenge to doing business in Montenegro is also that the market is

The Government of Montenegro had the vision and courage to create the necessary conditions for the development of an elite tourist destination, but there is still a lot of work ahead of us if we want to fully exploit the opportunity offered to us

such, because other yachting destinations around the world are very competitive and, naturally, want to take clients from Montenegro. That's why we must work together to ensure that the conditions that exist in Montenegro for all our clients are the same or better than they are anywhere else. Another challenge is seasonality, and that's why our number one priority must be to have the nautical industry active for all 12 months, and to do everything to ensure that those benefits are felt by the whole of Montenegro.

■ **How has cooperation between your organisation and the state authorities evolved since the establishment of MFIC?**

- The Government of Montenegro had the vision and courage to create the necessary conditions for the development of an elite tourist destination and implement a strategy

to develop a sustainable industry in which it has clear competitive advantages.

■ **Do you think Montenegro is taking full advantage of its potential to develop exclusive tourism?**

- The strategy for tourism development that focuses on high-end tourism is still the right approach. The Government of Montenegro and companies operating in the field of tourism should continue to consider and device a precise strategy of how to attract the right clientele. Elite tourists travel throughout the year and will be happy to invest here if they can continue to enjoy unspoilt nature, good cultural events throughout the year, businesses that function for all twelve months of the year and provide them with the possibility to get quality content in April and October, and not just during the summer. At the same time, we should work on positioning northern Montenegro as an authentic part of the country, with winter tourism and indigenous eco-attractions.

Our investors chose Montenegro because they believe that the government shares our long-term goals and fulfils its promises

■ **What are your recommendations for the government when it comes to encouraging the arrival of new investors in this sector?**

- Considering that Montenegro's tourism strategy is focused on elite tourism, and that the success of Porto Montenegro proves that this model really works in practice, international investors should be clear that the government understands what it takes to ensure this model is viable long-term. All future investors can take advantage of the positive experience of Porto Montenegro to continuously improve the investment framework, which no doubt needs more work. ■

for reducing barriers to doing business and exploiting its natural protected harbours and strategic location to become a centre for the development of yachting and the tourism industry. Montenegro has a unique opportunity to play a leading role in the yachting industry – because it has a long maritime tradition, low tax rates, a stable political situation, great location, international airports and a government that recognises the need



MILO ĐUKANOVIĆ
PRIME MINISTER OF MONTENEGRO

“Restoring The Geopolitical Security of The Region”

We have more than enough evidence – in both distant and recent history – that the mechanisms for ensuring the stability of the Western Balkans are unreliable and we must reinforce them. We live in a region that is very prone to forgetfulness and repeating mistakes, a region that is chronically unstable because of that, often irrationally divided, which in addition to that, unfortunately, due to its centuries of economic backwardness, is not in a position to show its full democratic capacity, to affirmatively overco-

me the differences that exist within the region. That's why integration is another name for the stability and development of the Western Balkans, and the key is restoring the geopolitical security of the region. In this regard, progress towards Montenegro's membership in NATO is not only irreversible, but is without alternative, and is not only important for us, for our security and a more secure European future. Rather it is important for the Balkans, for the whole of the Mediterranean and for stability in Europe.



MIROSLAV HRIŠL
PRESIDENT OF
MONTENEGRIN FOREIGN
INVESTORS COUNCIL,
CEO, SOCIETE GENERAL
BANK MONTENEGRO

“EU Accession is One of The Most Important Goals”

The EU integration process is very important for Montenegro and the fact that Montenegro has opened 22 chapters by December 2015 demonstrates that EU accession is one of its most important goals. Opening new chapters also implies further harmonisation with the EU acquis, which is a very demanding process. The news about the invitation to join NATO

was accepted with enthusiasm by the majority of investors, as it is recognition of stability, both in political and security terms. This is very positive for business and the investment climate, as European and Euro-Atlantic integration will increase the investment appeal of the country, especially to investors from Western Europe, and contribute to increasing the competitiveness of the economy.



VLADIMIR KAVARIĆ
MONTENEGRIN
ECONOMY MINISTER

“The Countries of The Region Should Work Together”

In global terms as they are today, no country is self-sufficient... The countries of the region should not compete with each other, but rather work together to approach other markets. Because of that we have an active role in all regional initiatives. We consider our participation in the Berlin Process as being extremely

important, which was confirmed at the Vienna Summit in August last year. In the final document of the Summit it was decided that funding would be secured for the region, and within that for Montenegro, for project documentation and part of works on some of the most important infrastructure projects. Within my remit, I would single out grants for energy interconnections with Serbia and Bosnia-Herzegovina; for the project to improve the security of energy supply and to study the assessment of environmental impact for the Master Plan of the gasification of Montenegro.

BRANIMIR GVOZDENOVIĆ, MONTENEGRIN MINISTER OF SUSTAINABLE DEVELOPMENT AND TOURISM

“Sustainable Development of Natural Resources in Tourism is Crucial”

Our vision was based on the sustainable development of natural resources and improvement in the field of tourism that we have, after extensive analysis, identified as crucial. Our focus has been, and still is, on cooperation with international organisations, availability, high category hotel capacities and high quality contents and programmes, infrastructure etc., which is naturally incorporated in strategic documents as a basis for action. That's why Montenegro is now on the white Schengen list, we are a member of the UN World Tourism Organisation, and we work intensively with the World Travel and Tourism Council in order to ensure conditions for our realistic positioning as a tourist destination on the global map...



“Accession to The NATO Brings Many Economic Benefits”

Accession to the NATO alliance means not only strengthening military-defence security, but also brings with it a whole series of standards and values, such as the introduction and strengthening of the rule of law, the implementation of the values of democracy and the promotion of human rights, civil liberties and peace. In parallel, it also has an important economic aspect, because membership in NATO is an “insurance policy” for domestic and foreign investors, thus it brings many economic benefits.



GIULIO MORENO, BOARD MEMBER, DIRECTOR OF EBRD IN MONTENEGRO

“So Far Montenegro Has Opened Most of The Negotiating Chapters”

Montenegro is the most advanced country in the region when it comes to its integration into the EU. This is a key stabilising factor and a significant anchor promoting reforms. The negotiations with the EU began in June 2012 and as of March 2016 Montenegro has opened most of the negotiating chapters. At the current pace of negotiations, it is realistic to expect that the country will complete harmonisation with the EU *acquis communautaire* within the next four to five years. Also, over the years, Montenegro has established a track record of business-friendly legislation and openness to foreign investors, with the country regularly topping the regional list of countries in terms of FDI per capita.

H.E. MITJA DROBNIČ, HEAD OF DELEGATION AND AMBASSADOR OF THE EUROPEAN UNION TO MONTENEGRO

“The EU is The Largest International Donor in Montenegro”

We need to see the country delivering tangible results which stem from quality laws being properly implemented and enforced by competent institutions, capable of performing their tasks efficiently and effectively. Our impression is that the country is now going in this direction, which is important not only for the process of European integration, but mainly for the citizens and also for attracting foreign investors... The European Union is by far the largest international donor in Montenegro, with more than €235 million in EU funds invested in different projects between 2007 and 2013 and more than €270 million allocated for the next seven-year period. The EU integration process brings tangible benefits to Montenegrin citizens, which can be felt in their everyday lives.



RÜDIGER SCHULZ, CEO, CRNOGORSKI TELEKOM

“Stability and Predictability – The Basis For Long Term Investments”

Stability and predictability in the business environment is the basis for maintaining the highest standards and securing long term investments in our business. The Montenegrin regulatory framework must be brought into line with the upcoming European revised model of telecommunications, in order to ensure equal conditions for all market participants, both traditional players and new arrivals. OTT providers should have the same treatment in the regulatory environment and should be subjected to the same obligations that apply to registered operators.

MILOŠ JOVANOVIĆ, CEO, MONTENEGRIN INVESTMENT PROMOTION AGENCY, (MIPA)

“The Total Contribution of Tourism in 2015 Amounted to €794.8 Million”

Montenegro has to date attracted the largest amount of foreign investments in the sectors of tourism, energy and telecommunications... The direct and indirect contribution of tourism to the gross domestic product of Montenegro in 2015 amounted to €794.8 million, which was 22.1% of GDP... In the energy sector, the Electrical Industry of Montenegro (Elektoprivreda Crne Gore) was recapitalized in 2009 by Italian company A2A at a price of €140 million. The leader in sales of petroleum products in Montenegro is Jugopetrol, which was privatized in 2002 and bought by Greek company Hellenic Petroleum. The energy sector contributes a share of 22 per cent of the GDP of Montenegro... The telecommunication sector's share of GDP is around 7.3%...





SAVO ĐUROVIĆ, BOARD MEMBER - DIRECTOR, PORTO MONTENEGRO

“Unique Opportunity to Play a Leading Role in The Yachting Industry”

The Government of Montenegro had the vision and courage to create the necessary conditions for the development of an elite tourist destination and implement a strategy for reducing barriers to doing business and exploiting its natural protected harbours and strategic location to become a centre for the development of yachting and the tourism industry. Montenegro has a unique opportunity to play a leading role in the yachting industry – because it has a long maritime tradition, low tax rates, a stable political situation, great location, international airports and a government that recognises the need to develop a sustainable industry in which it has clear competitive advantages...

NELA BELEVIĆ, BOARD MEMBER, EXECUTIVE DIRECTOR OF UNIQA MONTENEGRO

“The Life Insurance Market is Showing a Growth Trend”

Observing the overall Montenegrin insurance market, including both life and non-life, it can be said that the vehicle third part liability market is still dominant and accounts for almost 50 per cent of the market. Based on these data, it is clear that citizens still purchase only that which is mandatory, while other insurance types are still significantly less developed. Even though the life insurance market is showing a growth trend, in the last few years this growth has mainly been generated by banks through risk insurance. Interest in classic life insurance is still at a low level and it is necessary to continuously work on the education of the population and the corporate sector. What is positive is the growth trend in interest in so-called voluntary health insurance, which is demonstrated in the figures for 2015.



RASHAD RASULLU, BOARD MEMBER - ADVISOR TO THE CHAIRMAN, AZMONT INVESTMENTS

“Predictable and Sustainable Business Environment is Crucial”

Openness and readiness to collaborate are very important for any investor. We recognise this at the Montenegrin Government and across different fields. A predictable and sustainable business environment is crucial for us and we are ready to work as part of MFIC to ensure its further improvement. Sharing knowhow is mutually beneficial and continues the economic development of the country. Any potential obstacle, thus, should be seen as a chance to change and develop further and learn....As an advisory association with many local and international experts, I believe we have a lot to offer. Our work is never-ending, as we all witness constant changes across industries

MARTIN LEBERLE, CEO, NLB BANK, PODGORICA

“The Government’s Internship Programme is Very Good”

In relation with Montenegrin corporates, we will be the preferred bank to cater for all of their financial needs – bringing European expertise to the market...The local markets can only develop by combining two major goals: preparing a state-of-the-art environment for international investors, while at the same time giving local business a fair chance to compete at the European level. Not neglecting education and training, I think the government’s internship programme is a very good step into the right direction. Montenegro’s environment and natural resources in themselves represent already high potential for the future...The banks will develop and strengthen in accordance with market requirements, i.e., the needs of the people of Montenegro, on the one side, and the capital and risk framework on the other side...



PREDRAG LEŠIĆ, CEO, DOMEN

“Transition From The Offline to The Online World is Slower Than Expected”

We launched the Premium domain programme back in 2009 and it quickly became popular with American and Western Europe entrepreneurs hunting for catchy and memorable domains. Unfortunately, this was not the case in our region...I think the entire region of the former Yugoslavia has yet to understand and capitalise on the benefits brought by the digital age. The transition from the offline to the online world is much slower than initially expected. Unfortunately, Montenegro tops this list, with the lowest number of online services or products that may facilitate the everyday life of citizens. In contrast, Estonia, for example, is home to one of the most promising start-up ecosystems in Europe and should be our role model”



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