



# GUIDELINES

## CONSTRUCTION INVESTMENTS IN MONTENEGRO

2022



Montenegrin  
Investment  
Agency

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# SUMMARY

## I ESTABLISHING A COMPANY

PHASE I	Negotiations with Chamber of Lawyers	Working contract and working permit	Business and VAT registration	Negotiations with accounting agency
Costs (depending on the complexity of work)	800 – 1,200 EUR			150 – 200 EUR per month
Deadline for completion	10 - 25 days			Complete negotiations and come to an agreement as soon as possible; this is a critical part of doing business in Montenegro

## II PURCHASING THE BUILDING LAND

PHASE I	Market research and business plan	Purchase of the building lot			
PHASE II		Negotiations	Notary costs	Registering	Tax on immovable property
Costs (depending on the complexity of work)	350 – 2,500 EUR	3-5% provision to Agency	200-700 EUR	up to 100 EUR	3% of the property value
Deadline for completion	7-20 days	7-10 days			

## III DEVELOPMENT OF ENGINEERING DOCUMENTATION

PHASE I	Zoning and technical specifications	Research for the design engineering company	Signing a contract with the design engineering company	Conceptual design	Final design
PHASE II				Approval of the Chief State Architect	Architectural design
					Construction design
					Electrotechnical design
					Mechanical design
3D structure visualisation					
Costs (depending on the complexity of work)	12 – 60 EUR/m <sup>2</sup>	18 - 25 EUR/m <sup>2</sup> (gross size)			
Deadline for completion	20 – 35 days	45 - 90 days			

## IV REVIEW OF ENGINEERING DOCUMENTS

<b>PHASE I</b>	Market research and business plan	Purchase of the building lot			
<b>PHASE II</b>		Negotiations	Notary contract	Registering	Tax on immovable property
Costs (depending on the complexity of work)	350 – 2,500 EUR	3-5% provision to Agency	200-700 EUR	up to 100 EUR	3% of the property value
Deadline for completion	7-20 days	7-10 days			

## V FEE FOR CONNECTION OF BUILDING LAND TO UTILITIES

<b>PHASE I</b>	Entire payment	Payment in instalments
<b>PHASE II</b>	15% discount	up to 5 years
Costs (depending on the complexity of work)	Up to 300 EUR/m2 (depending on the municipality and the zone)	
Deadline for completion	15 - 30 days	

## VI BUILDING PROCESS

<b>PHASE I</b>	Notification of building work	Selection of the executing works contractor	Selection of Engineering supervision	Contracting		Building works commencement	Rough structural civil works	Construction craft works
<b>PHASE II</b>			Contracting	Turnkey contract	Per unit measure contract			
Costs (depending on the complexity of work)			5 – 9 EUR/m2			520 - 800 EUR/m2		
	UP TO 5 YEARS (prescribed by Law)							

## VII REGISTRATION

<b>PHASE I</b>	Final Engineering Supervision Report	Surveying	Filling the registration request	Registration
<b>PHASE II</b>				Obtaining property deed
Costs (depending on the complexity of work)		0.70 – 1.50 EUR / m <sup>2</sup>	35 – 70 EUR	12 EUR per piece
Deadline for completion	25 – 40 days			

## VIII HANDOVER OF THE STRUCTURE

Deadline	From the date of the submission of Final Engineering Supervision Report to the Handover 60 days
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## IX USE AND SALE

<b>PHASE I</b>	Presale during building works	Sale after building is finalized
<b>PHASE II</b>	Notary contract	Agency and direct sale
Deadline for completion	Depending on the market	

# INTRODUCTION

The main goal of these guidelines is clarify the process of purchasing and constructing facilities in Montenegro for investors.

**NB: Throughout the preparation of these guidelines, authors followed the requirements set by the contracting party. These requirements include:**

- The process of the lot purchase,
- Construction,
- Usage – selling the construction facility.

**These guidelines provide average prices and deadlines for all required steps for the realization of the investment. Average prices are obtained from the extensive annual experience in the field of construction and financial consulting.**

These guidelines are intended for the construction of facilities ranging from 250m<sup>2</sup> up to 5.000m<sup>2</sup>, following the quality type that is currently most often realized for commercial purposes. The quality of construction can range from average to better quality

Given prices do not guarantee that they can always be realized on the market, especially in cases when the investor wants to construct or realize an investment that is not described in these guidelines in terms of size or quality of construction.

These guidelines only provide general information on the steps required for the realization of the investment and shall not represent the basis for detailed financial projections or a timetable for the realization of the project.

# DOCUMENTATION

The authors have based the study according to following documents and information from the following institutions:

- Law on spatial planning and construction of structures („Official Gazzette of Montenegro” number: 064/17 of 06 October 2017 and 044/18 of 06 July 2018),
- Law on business organizations,
- The Ministry of Ecology, Spatial Planning and Urbanism of Montenegro (<https://www.gov.me/en/mepg>),
- Municipal regulations and decisions (multiple municipalities of Montenegro) – Municipalities’ website,
- Cadastre and State Property Administration of Montenegro ([www.nekretnine.co.me](http://www.nekretnine.co.me)),
- Statistical office of Montenegro (Monstat) ([www.monstat.org](http://www.monstat.org)),
- Notary chamber of Montenegro,
- Chamber of lawyers of Montenegro,
- [www.euuprava.me](http://www.euuprava.me),
- Chamber of economy of Montenegro.

These guidelines are based on multiple feasibility studies, value assessments, court expert opinions, audits and analysis performed by the authors (internal database).

# STEP BY STEP

Following overview represent phases of investment realization in Montenegro.



These steps are described in detail, with special emphasis that the introduction of this document shall always be advised.



# I Establishing a company

ESTABLISHING A COMPANY				
<b>PHASE I</b>	Negotiations with Chamber of Lawyers	Working contract and working permit	Business and VAT registration	Negotiations with accounting agency
<b>PHASE II</b>	800 – 1,200 EUR			150 – 500 EUR per month
<b>Deadline for completion</b>	10 - 25 days			Complete negotiations and come to an agreement as soon as possible; this is a critical part of doing business in Montenegro

Pursuant to the Law on business organizations, organizations shall be formed as follows:

1. the individual entrepreneur;
2. the general partnership (“GP”);
3. the limited partnership (“LP”);
4. the joint stock company (“JSC”),
5. the limited liability company (“LLC”);
6. the foreign company branch.

It is encouraged that the company is registered as the limited liability company

The minimum initial capital is 1.00 EUR.

The registration of business entities in Montenegro is conducted with the Central Register of business entities run by the Tax Administration. Since 20th May 2011, new business entities have been able to register any economic activity in one place. With the introduction of a one-stop system, business entities can, when registering with the Central Register of economic entities, be automatically registered with the Statistical Office, the Register of taxpayers, the Register of customs payers and the register of value added tax payers and excise taxpayers, at their request

From the moment of registration in the Central Register of economic entities, all business entities become members of the **Chamber of Economy of Montenegro**.

**If one or more natural persons or a legal person start to perform or perform economic activity, but fail to register in accordance with the provisions of the Law on business entities, they shall deem to be, respectively, an individual entrepreneur or a general partnership for purposes of relations with third parties.**

**A Limited liability company** may be founded by natural or legal persons (up to 30) who are responsible for the company's obligations up to the amount of their deposits. This is the most common form of registration in Montenegro and it is very suitable for small companies that can be established by one or more persons. **The amount of the initial capital is at least 1 EUR.** In its name, the company must contain the "LLC" designation. Upon the payment of the initial deposit, persons acquire shares in the company in proportion to the size of their deposits. When acquiring the share, one shall become a member of the company. A member of the company has only one share in the company that represents his percentage of capital in the ownership. A share in the company may entitle a member to have more than one vote.

The investor may have found a company on his own, but it is recommended, due to time frames and administration, that this step is performed by either by a law firm or bookkeeping agency. This service (establishing a company) ranges between 800.00 EUR and 1,200.00 EUR (stamp design, accounts opening etc).

## Accounting

The authors of this study recommend that an accounting company with good references be selected immediately, especially in business activities of a similar area. This is critical for the development of business in terms of Value Added Tax (VAT) calculation, invoices and, of course, compliance with laws and legal provisions, where the accounting agency is helpful.

This service costs between 150.00 EUR and 500.00 EUR per month, depending on the size of the company, number of employees, investment and the flow.

## II Purchasing the building land

PURCHASING THE BUILDING LAND					
PHASE I	Market research and business plan	Purchase of the building lot			
PHASE II		Negotiations	Notary contract	Registering	Tax on immovable property
Costs (depending on the complexity of work)	350 – 2,500 EUR	3-5% provision to Agency	200-700 EUR	up to 100 EUR	3% of the property value
Deadline for completion	7 - 20 days	7 - 10 days			

In the process of a location selection, multiple parameters shall be taken into consideration:

- Location,
- Zoning specifications,
- Market.

### Location

The investor shall choose the location according to his interest. Montenegro is a very attractive country for investment in real estate, and therefore there are many locations that are offered. For each part there is a certain average selling price of the real estate, which has, of course, the main influence on the price of the land.

### Zoning specifications (urban technical conditions)

Upon the identification of the potential location, zoning specifications for potential of construction on the lot need to be checked. This information can be obtained without the official request for Zoning and Technical conditions by reviewing public zoning documents published on the website of the municipality where the location is placed.

value of performing feasibility studies and/or market research ranges from 350.00 EUR to 2,500.00 EUR, depending on the complexity of the assignment.

## **Market research and feasibility study (business plan)**

It is highly recommended that one step in reviewing the location is research of market and economic indicators that affect the investment.

All of the three aforementioned activities can be performed by a financial consulting company. The

# III Development of engineering documentation

DEVELOPMENT OF ENGINEERING DOCUMENTATION					
PHASE I	Zoning and technical specifications	Research for the design engineering company	Signing a contract with the design engineering company	Conceptual design	Final design
PHASE II				Approval of the Chief State Architect	Architectural design
					Construction design
					Electrotechnical design
					Mechanical design
					3D structure visualisation
Costs (depending on the complexity of work)	12 – 60 EUR/m <sup>2</sup>	18 - 25 EUR/m <sup>2</sup> (gross size)			
Deadline for completion	20 – 35 days	45 - 90 days			

## Zoning and technical specifications

Zoning and technical specifications for engineering development documents shall be issued by the Ministry within 20 days of the submission of interested party's application (which can be submitted to Municipality where the location is placed as well). In real time, this time-frame can last up to 35 days.

The application, in addition to information prescribed by the law governing administrative procedure, shall also include data regarding the cadastral parcel's identification.

Zoning and technical specifications shall be issued on the form prescribed by the Ministry. It can also be obtained from the Municipality.

The Ministry shall publish zoning and technical specifications on the website within one working day as of issuance thereof.

A fee shall be paid for the issuance of specifications, the amount of which shall be fixed by the Government. Most often it ranges from 10 – 50 EUR.

## Research for the design engineering company

The business organization developing engineering documents (design engineer) or the business organization building the structure (contractor) shall have, for the needs of developing engineering documents, at least one employed chartered engineer per types of designs developed, as follows: architectural, construction, electrotechnical and mechanical.

The business organization shall appoint a chartered engineer managing the development of the entire engineering documents and a chartered engineer managing the building of the structure in its entirety.

## Development of the engineering documents

Engineering documentation is developed with respect to zoning and technical specifications, - Law on spatial planning and construction of structures („Official Gazette of Montenegro” number: 064/17 of 06 October 2017 and 044/18 of 06 July 2018), special regulations and rules.

Depending on the level of the conceptual idea, engineering documents shall be developed in the forms of:

- a. conceptual design;
- b. preliminary design;
- c. final design; and
- d. as-built design.

The final design shall be developed for the needs of building a structure.

The conceptual design, depending on the type and designated use of the structure, may comprise of:

- 1) architectural design,
- 2) construction design,
- 3) electrotechnical design, and
- 4) mechanical design.

A mandatory part of the final design for a building shall be the 3D visualization.

An integral part of technical documentation, alongside the Final design is As-built drawing, designs, studies and base maps that depend in the type and designated use of the structure (geodetics, soil mechanics, technology, etc.).

Price of development of Final design is 18-23 EUR/m<sup>2</sup> (gross area).

## IV Review of engineering documents

REVIEW OF ENGINEERING DOCUMENTS					
<b>PHASE I</b>	Market research and business plan	Purchase of the building lot			
<b>PHASE II</b>		Negotiations	Notary contract	Registering	Tax on immovable property
Costs (depending on the complexity of work)	350 – 2,500 EUR	3-5% provision to Agency	200-700 EUR	up to 100 EUR	3% of the property value
Deadline for completion	7-20 days	7-10 days			

The investor shall appoint the responsible reviewer, i.e. a reviewing company with which a Review contract is signed.

The manner of performing the review of the final design shall be prescribed by the Ministry.

Review of the final design shall be mandatory for all structures.

A report shall be drawn of review conducted, signed by the responsible reviewer, which may be positive or negative.

### Review of Engineering Documents Developed Pursuant to Regulations of Other Countries

Engineering documents developed pursuant to regulations of other countries shall be subject to review with the purpose of verifying their compliance with the present Law and it needs to be positive.

# V Fee for connection of building land to utilities

FEE FOR CONNECTION OF BUILDING LAND TO UTILITIES		
<b>PHASE I</b>	<b>Entire payment</b>	<b>Payment in instalments</b>
<b>PHASE II</b>	<b>15% discount</b>	<b>up to 5 years</b>
<b>Costs (depending on the complexity of work)</b>	<b>Up to 300 EUR/m2 (depending on the municipality and the zone)</b>	
<b>Deadline for completion</b>	<b>15 - 30 days</b>	

The fee shall be calculated per m<sup>2</sup> of the net surface area of the structure on the basis of the reviewed preliminary, i.e. final design and per m<sup>2</sup> of lot open space designated for the adequate business.

Depending on the local municipality, a certain fee for land development and connection to utilities shall be paid.

Regulations on land development are determined by municipalities and decisions on land development. These are available on the website of the municipality.

Building land development is ensured by local self-government units.

In case that the location of the building land lot is already developed (sewerage, water supply, power supply), a discount for utilities fee may be obtained (30-50%).

There are two options for the utilities fee payment:

- **Entire payment (15% discount) – deadline is 7 days from the conclusion of the contract.**
- **Payment in instalments (payment deadline is 5 years for structures up to 500m<sup>2</sup> of net size area, and 3 years for other structures). First instalment is 20% of total amount and the deadline is 7 days from the conclusion of the contract.**



Prices also depend on the zone and the municipality and vary up to 300 EUR per m<sup>2</sup>.

- Obtaining the approval of Chief State Architect

Chief State Architect approves the Final and Preliminary design.

The approval of the urban development design shall be given by means of a decision, upon an application filed by the investor, within 15 days as of the date of submission of the application.

The tasks of the Chief State Architect shall be devolved to the local self-government unit that appoints the Chief City Architect.

The Chief City Architect shall submit the conceptual design, the approval application submitted by the investor and the approval to the chief state architect within one day as of the date of submitting the application or approval-giving.

Prices of the aforementioned services vary from 2 – 3 EUR/m<sup>2</sup> (gross developed area)

# VI Building process

BUILDING PROCESS								
PHASE I	Notification of building work	Selection of the executing works contractor	Selection of Engineering supervision	Contracting		Building works commencement	Rough structural civil works	Construction craft works
PHASE II			Contracting	Turnkey contract	Per unit measure contract			
Costs (depending on the complexity of work)			5 – 9 EUR/m2			520 – 800 EUR/m2		
Deadline for completion	UP TO 5 YEARS (prescribed by Law)							

## Notification of building work

The investor is obliged to submit a notification of building work. As of the date of notification of building work, the investor shall erect an information board at the place of building, with information related to: the investor, design engineer, responsible reviewer, contractor, engineering supervisor, chartered engineer who managed the engineering documents development, reviewer who managed the engineering documents review, chartered engineer who is managing the building and the reviewer who is managing engineering supervision, 3D structure visualization i.e. cable run layout etc.

## Building of structures

The investor shall build the structure on the basis of a notification of building work and documents stipulated by the Law.

The documents shall contain in particular:

- 1) The final design stamped pursuant to the Law;
- 2) Positive review report of the final design;
- 3) Evidence of liability insurance of the design engineer that has developed the final design or of the responsible reviewer that has reviewed the final design;
- 4) Contractor agreement;
- 5) Engineering supervision agreement;
- 6) Evidence of ownership right.

The investor submits the notification and documents for a structure's building.

## **Submission of the Notification**

The investor shall file the notification of building work to the competent inspection authority within 15 days prior to the commencement of building.

The notification of building work may also include the notification of removal of the existing structure in compliance with the zoning and technical specifications.

The notification of building work shall be published on the website of the competent inspection authority within one day as of the date of filing the notification.

## **Responsibilities of the investor**

Prior to the commencement of building the structure, the investor shall submit to the contractor the stamped and reviewed final design in electronic and analogue forms respectively.

## **Selection of the executing works contractor**

The business organization developing the building of the structure (Contractor) shall have, for the needs of building and execution of certain types of structure-building works, at least one employed chartered engineer per types of works executed on the basis of such designs.

The business organization shall appoint a chartered engineer managing the building of the structure in its entirety.

The business organization shall appoint a chartered engineer for each type of work executed on the basis of those designs.

With the selected Contractor, the investor concludes the building contract. Most typical contract types are "turnkey projects" or "per unit measures".

The investor shall finalize the building of the structure within five years as of the date of submitting the notification of the building work, with exception of complex engineering structures.

During the building of the structure, the investor shall perform engineering supervision.

The supervision shall be performed as of the date of executing preliminary works on the structure until the completion of all works and placement of the structure into service and it shall include all building stages.

**Building prices range from 520.00 EUR to 820.00 EUR per m<sup>2</sup>, depending on quality, payment method, and contract.**

**The building shall be finalized within 3 – 8 months for structures up to 1,000 m<sup>2</sup>.**

## **Engineering supervision**

The investor selects a licenced company to perform engineering supervision over the building of the structure. The suggestion is to select an independent company in order to improve the realization and quality of building works.

Prices range from 4.00 – 7.00 EUR of gross developed area depending on the complexity of the structure.

## **Engineering Supervision Report**

The engineering supervisor shall draw up a report on the engineering supervision performed.

The report shall be drawn up as per the structure building stages and as a final report.

The following guidelines are laid out by the Ministry: the manner of performing engineering supervision; obligatory stages during the building for which the report is developed; the method of development; and more detailed contents of the engineering supervision report.

## **Final Engineering Supervision Report**

The engineering supervisor shall in the final engineering supervision report indicate accurate statements on the works executed on the building of the structure, make a written statement that the structure is fit for occupancy and that it can be used in the designated manner.

The report shall also contain the study of original as-built field data, stamped by a licensed surveying organization.

## VII Registration

<b>REGISTRATION</b>				
<b>PHASE I</b>	<b>Final Engineering Supervision Report</b>	<b>Surveying</b>	<b>Filling the registration request</b>	<b>Registration</b>
<b>PHASE II</b>				<b>Obtaining property deed</b>
<b>Costs (depending on the complexity of work)</b>		<b>0.70 – 1.50 EUR / m<sup>2</sup></b>	<b>35 – 70 EUR</b>	<b>12 EUR per piece</b>
<b>Deadline for completion</b>	<b>25 – 40 days</b>			

Registration is the process completed after the finalization of the building of the structure. It is necessary that a licensed surveying organization attends the field, measure the structure and file a report with the managing authority – Real Estate Cadastre of Montenegro.

The registration fee varies between 0,70 – 1,50 EUR/m<sup>2</sup> (net area), and the process lasts 25 - 40 days.

## VIII Handover of the structure

<b>HANDOVER OF THE STRUCTURE</b>	
<b>Deadline</b>	<b>From the date of the submission of Final Engineering Supervision Report to the Handover 60 days</b>

Use of the structure shall not be allowed prior to registering the structure into the Real Estate Cadastre.

The investor shall file an application for registration into the Real Estate Cadastre within 15 days of the receipt of the final engineering supervision report

Enclosed with the application, along with the evidence laid down by the law governing the registration of rights to real estate, the investor shall submit the final engineering supervision report.

## IX Use and Sale

<b>IX USE AND SALE</b>		
<b>PHASE I</b>	<b>Presale during building works</b>	<b>Sale after building is finalized</b>
<b>PHASE II</b>	<b>Notary contract</b>	<b>Agency and direct sale</b>
<b>Deadline for completion</b>	<b>Depending on the market</b>	

Sale of the structure can be initiated during the building of the structure, but it is recommended that the activity is carried out by the professional agency for property sale, that will follow all procedures and finalization of the sale, network notary offices with cadaster and with all other relevant entities for completion of this part of the work.

Selling prices depend on the market, and the sale time frames depend entirely on the location, designated use of the structure and the selling price.

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